

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2488A0/py

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

| CONTENTS | PAGE |
|--|---------|
| DIRECTORS' REPORT | 1 - 11 |
| STATEMENT BY DIRECTORS | 12 |
| STATUTORY DECLARATION | 12 |
| REPORT OF THE SHARIAH ADVISORY COMMITTEE | 13 |
| INDEPENDENT AUDITORS' REPORT | 14 - 15 |
| BALANCE SHEET | 16 - 17 |
| INCOME STATEMENT | 18 |
| GENERAL TAKAFUL BALANCE SHEET | 19 |
| GENERAL TAKAFUL REVENUE ACCOUNT | 20 - 21 |
| FAMILY TAKAFUL BALANCE SHEET | 22 |
| FAMILY TAKAFUL REVENUE ACCOUNT | 23 |
| STATEMENT OF CHANGES IN EQUITY | 24 |
| CASH FLOW STATEMENT | 25 - 26 |
| NOTES TO THE FINANCIAL STATEMENTS | 27 - 85 |

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 30 June 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in managing family takaful including investment-linked business and all classes of general takaful business. There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

RM'000

Net loss for the financial year

(1,464)

DIVIDENDS

No dividends have been paid or declared by the Company since end of the previous financial year.

The Directors do not recommend any dividend for the financial year ended 30 June 2010.

RESERVES AND PROVISIONS

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

DIRECTORS

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

| | |
|---------------------------------|--|
| YBhg Tan Sri A. Razak bin Ramli | Chairman, Independent Non-Executive Director |
| Ms Loh Guat Lan | Non-Independent Non-Executive Director (Appointed on 1 November 2009) |
| Mr Choong Yee How | Non-Independent Non-Executive Director |
| Encik Mustapha bin Hamat | Independent Non-Executive Director |
| Puan Hijah Arifakh binti Othman | Non-Independent Non-Executive Director (Appointed on 3 February 2010) |
| Mr Hironari Iwakuma | Non-Independent Non-Executive Director (Appointed on 10 March 2010) |
| Ms Yvonne Chia | Non-Independent Non-Executive Director (Resigned on 1 November 2009) |
| Mr Jun Hemmi | Non-Independent Non-Executive Director (Resigned on 10 March 2010) |

In accordance with Article 119 of the Company's Articles of Association, YBhg Tan Sri A. Razak bin Ramli retires by rotation from the Board and being eligible, offer himself for re-election.

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

In accordance with Article 94 of the Company's Articles of Association, Ms Loh Guat Lan, Puan Hijah Arifakh binti Othman and Mr Hironari Iwakuma retire from the Board and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

None of the Directors holding office at the end of the financial year had any beneficial interest in ordinary shares, options over shares and debentures of the Company and/or its related corporations during the financial year ended 30 June 2010 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, except for Mr Choong Yee How and Ms Loh Guat Lan, whose direct interests in the shares and options over shares of related corporations, are as follows:

Number of options over shares

| | As at <u>1.7.2009</u> | <u>Acquired/granted</u> | <u>Sold/lapse</u> | As at <u>30.6.2010</u> |
|-----------------------------------|--------------------------|-------------------------|-------------------|---------------------------|
| Interest of Mr Choong Yee How in: | | | | |
| Hong Leong Financial Group Berhad | 8,000,000 | - | (1,200,000) | 6,800,000 |

| | As at <u>1.11.2009</u> | <u>Acquired/granted</u> | <u>Sold/lapse</u> | As at <u>30.6.2010</u> |
|-----------------------------------|---------------------------|-------------------------|-------------------|---------------------------|
| Interest of Ms Loh Guat Lan in: | | | | |
| Hong Leong Financial Group Berhad | - | 500,000 | - | 500,000 |

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest.

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

CORPORATE GOVERNANCE

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

Board of Directors/Chief Executive Officer

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

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

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

The present Board comprises the Chairman who is an Independent Non-Executive Director, four Non-Independent Non-Executive Directors and one Independent Non-Executive Director. In accordance with the Guidelines on Directorships for Takaful Operators, all Directors are appointed to the Board after approval had been obtained from BNM.

During the financial year ended 30 June 2010, six Board Meetings were held and the attendance of the Directors was as follows:

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors/Chief Executive Officer (continued)

| <u>Directors</u> | <u>Attendance</u> |
|---|-------------------|
| YBhg Tan Sri A. Razak bin Ramli (Chairman, Independent Non-Executive Director) | 6/6 |
| Mr Choong Yee How (Non-Independent Non-Executive Director) | 6/6 |
| Encik Mustapha bin Hamat (Independent Non-Executive Director) | 6/6 |
| Ms Loh Guat Lan (<i>Appointed on 1 November 2009</i>) (Non-Independent Non-Executive Director) | 4/4 |
| Puan Hijah Arifakh binti Othman (<i>Appointed on 3 February 2010</i>) (Non-Independent Non-Executive Director) | 2/2 |
| Mr Hironari Iwakuma (<i>Appointed on 10 March 2010</i>) (Non-Independent Non-Executive Director) | 2/2 |
| Ms Yvonne Chia (<i>Resigned on 1 November 2009</i>) (Non-Independent Non-Executive Director) | 2/2 |
| Mr Jun Hemmi (<i>Resigned on 10 March 2010</i>) (Non-Independent Non-Executive Director) | 2/4 |

Chief Executive Officer

The Chief Executive Officer (non-director) of the Company is Encik Ab Latiff bin Hj Abu Bakar.

Supply of Information

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

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

Re-election

At the annual general meeting, all the Directors are required to submit themselves for election. At subsequent annual general meetings, one third (1/3) of the Directors shall retire from office.

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nominating Committee ("NC")

The members of the NC are as follows:

| | |
|---------------------------------|--|
| YBhg Tan Sri A. Razak bin Ramli | (Chairman, Independent Non-Executive Director) |
| Mr Choong Yee How | (Non-Independent Non-Executive Director) |
| Encik Mustapha bin Hamat | (Independent Non-Executive Director) |
| Ms Loh Guat Lan | (Non-Independent Non-Executive Director) (Appointed on 1 November 2009) |
| Puan Hijah Arifakh binti Othman | (Non-Independent Non-Executive Director) (Appointed on 3 February 2010) |
| Ms Yvonne Chia | (Non-Independent Non-Executive Director) (Resigned on 1 November 2009) |

The NC's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive Directors and Independent Directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual Director to the effectiveness of the Board and various Board Committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2010, two (2) NC meetings were held and the attendance of the members was as follows:

| <u>Members</u> | <u>Attendance</u> |
|--|-------------------|
| YBhg Tan Sri A. Razak bin Ramli (Chairman, Independent Non-Executive Director) | 2/2 |
| Mr Choong Yee How (Non-Independent Non-Executive Director) | 2/2 |
| Encik Mustapha bin Hamat (Independent Non-Executive Director) | 2/2 |
| Ms Loh Guat Lan (Appointed on 1 November 2009) (Non-Independent Non-Executive Director) | 2/2 |
| Puan Hijah Arifakh binti Othman (Appointed on 3 February 2010) (Non-Independent Non-Executive Director) | 1/1 |

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nominating Committee ("NC") (continued)

Ms Yvonne Chia (*Resigned on 1 November 2009*)
(Non-Independent Non-Executive Director) -

Remuneration Committee ("RC")

The members of the RC are as follows:

1. YBhg Tan Sri A. Razak bin Ramli (Chairman, Independent Non-Executive Director)
2. Mr Choong Yee How (Non-Independent Non-Executive Director)
3. Encik Mustapha bin Hamat (Independent Non-Executive Director)

The RC's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the framework governing the remuneration of the:
 - ❖ Directors;
 - ❖ Chief Executive Officer; and
 - ❖ Key senior management officers.
- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- Review the remuneration package of key senior management officers.

During the financial year ended 30 June 2010, one (1) RC meeting was held and the meeting was attended by all the members.

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

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Audit and Risk Management Committee ("BARMC")

- | | |
|------------------------------------|--|
| 1. Encik Mustapha bin Hamat | (Chairman, Independent Non-Executive Director) |
| 2. YBhg Tan Sri A. Razak bin Ramli | (Independent Non-Executive Director) |
| 3. Ms Loh Guat Lan | (Non-Independent Non-Executive Director) (Appointed on 1 November 2009) |
| 4. Ms Yvonne Chia | (Non-Independent Non-Executive Director) (Resigned on 1 November 2009) |

During the financial year ended 30 June 2010, six BARMC meetings were held and the attendance of the members was as follows:

| <u>Members</u> | <u>Attendance</u> |
|--|-------------------|
| Encik Mustapha bin Hamat (Chairman, Independent Non-Executive Director) | 6/6 |
| YBhg Tan Sri A. Razak bin Ramli (Independent Non-Executive Director) | 6/6 |
| Ms Loh Guat Lan (Appointed on 1 November 2009) (Non-Independent Non-Executive Director) | 3/4 |
| Ms Yvonne Chia (Resigned on 1 November 2009) (Non-Independent Non-Executive Director) | 1/2 |

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

- To review the audit plan, audit charter and budget of the Internal Audit Department as well as the scope of internal audit procedures and to ensure that the Internal Audit Department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to achieve their audit objectives;
- To review the overall internal management system, in particular, financial status of the Company, its internal controls in critical areas of operations, risks and implications of the internal audit findings and recommendations;
- To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Chief Internal Auditor and senior officers of the internal audit functions;
- To review with the external auditors, the scope of their audit and audit reports, including their findings, issues or reservations arising from the interim and financial audits and any action to be taken by management;

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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

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

Internal Audit

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

Corporate Independence

The Company has complied with BNM's Guidelines JPI/GPI 19 on Related Party Transactions. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 22 to the financial statements.

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Financial Reporting

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

Internal Controls and Operational Risk Management

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

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

Management Accountability

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

Relationship with Auditors

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

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

HOLDING COMPANIES

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION REGARDING THE COMPANY

- (I) As at the end of the financial year
- (a) Before the financial statements of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that there was adequate provision for incurred claims, including incurred but not reported claims ("IBNR");
- (ii) to ascertain proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (iii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.
- (II) As at the end of the financial year to the date of this report
- (a) The Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;
- (ii) which would render the values attributed to current assets in the financial statements misleading; and
- (iii) which had arisen which would render adherence to the existing method of valuation of assets and liabilities of the Company misleading or inappropriate.
- (b) In the opinion of the Directors:
- (i) the results of the operations of the Company for the financial year ended 30 June 2010 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet their obligations as and when they fall due (for the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contract of takaful underwritten in the ordinary course of business of the Company).

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION REGARDING THE COMPANY (CONTINUED)

(III) As at the date of this report

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

SIGNIFICANT EVENT DURING THE YEAR

On 21 November 2008, the subsidiary of the ultimate holding company, Hong Leong Financial Group Berhad ("HLFG"), has obtained approval from Bank Negara Malaysia ("BNM") for the proposed rationalisation scheme to streamline and consolidate HLFG's equity holdings in its insurance company and takaful operator under HLA Holdings Sdn Bhd ("HLAH") involving the following:-

- (I) Proposed transfer of 10% equity interest in the Company from Hong Leong Assurance Berhad to HLAH ("Proposed Transfer of 10% in HLTMT"); and
- (II) Proposed acquisition by HLAH of 55% equity interest in the Company from the immediate holding company, Hong Leong Bank Berhad ("HLB") ("Proposed Acquisition of 55% in HLTMT").

The Proposed Transfer of 10% in HLTMT and the Proposed Acquisition of 55% in HLTMT were completed on 1 September 2009 and hence, the Company became an indirect subsidiary of HLFG via HLAH on the same date.

AUDITORS

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

Signed on behalf of the Board, in accordance with, a resolution of the Directors dated 3 September 2010.

MUSTAPHA BIN HAMAT
DIRECTOR

LOH GUAT LAN
DIRECTOR

Kuala Lumpur
3 September 2010

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Mustapha bin Hamat and Loh Guat Lan, being two of the Directors of Hong Leong Tokio Marine Takaful Berhad, state that, in the opinion of the Directors, the financial statements set on pages 16 to 85 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2010 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

On behalf of the Board,

MUSTAPHA BIN HAMAT
DIRECTOR

LOH GUAT LAN
DIRECTOR

Kuala Lumpur
3 September 2010

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

I, Ab Latiff bin Hj Abu Bakar, the Officer primarily responsible for the financial management of Hong Leong Tokio Marine Takaful Berhad, do solemnly and sincerely declare that the financial statements set out on pages 16 to 85 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the above named Ab Latiff bin Hj Abu Bakar)
at Kuala Lumpur in)
Wilayah Persekutuan on)
3 September 2010)
Before me,

Ab Latiff bin Hj Abu Bakar

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH ADVISORY COMMITTEE

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

To the Shareholders of Hong Leong Tokio Marine Takaful Berhad,

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Company during the financial year ended 30 June 2010. We have also conducted our review to form an opinion as to whether the Company has complied with Shariah rules and principles and with the specific fatwas, rulings and guidelines issued by us.

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

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

In our opinion:

- a) the contracts, transactions and dealings entered into by the Company during the financial year ended 30 June 2010 that we have reviewed are in compliance with the Shariah rules and principles;
- b) the main sources and investments of the Company disclosed to us conform to the basis that had been approved by us in accordance with Shariah rules and principles;

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

ASSOC. PROF. DR. AB. MUMIN AB. GHANI
Chairman
Shariah Advisory
Committee

ASSOC. PROF. DR. UZAIMAH IBRAHIM
Member
Shariah Advisory
Committee

Kuala Lumpur
3 September 2010

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG TOKIO MARINE TAKAFUL BERHAD**
(Incorporated in Malaysia)
(Company No. 738090 M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Tokio Marine Takaful Berhad, which comprise the balance sheet as at 30 June 2010, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 85.

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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of 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 value of the financial position of the Company as of 30 June 2010 and of its financial performance and cash flows for the financial year then ended.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 738090 M)**

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. 2656/05/12(J))
Chartered Accountant

Kuala Lumpur
3 September 2010

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 30 JUNE 2010

| | <u>Note</u> | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|--|-------------|-----------------------|-----------------------|
| ASSETS | | | |
| SHAREHOLDERS' FUND ASSETS | | | |
| Property, plant and equipment | 4 | 991 | 872 |
| Intangible assets | 5 | 977 | 1,336 |
| Investments | 6(a) | 93,982 | 93,993 |
| Receivables | 7 | 3,165 | 2,183 |
| Cash and bank balances | | 861 | 634 |
| | | <hr/> | <hr/> |
| Total shareholders' fund assets | | 99,976 | 99,018 |
| Total general takaful fund assets (page 19) | | 13,110 | 3,061 |
| Total family takaful fund assets (page 22) | | 251,611 | 219,977 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS | | 364,697 | 322,056 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES | | | |
| SHAREHOLDERS' FUND LIABILITIES | | | |
| Payables | 8 | 4,972 | 2,482 |
| Due to related companies | 22 | 346 | 205 |
| Deferred wakalah income | | - | 209 |
| | | <hr/> | <hr/> |
| Total shareholders' fund liabilities | | 5,318 | 2,896 |
| Total general takaful fund liabilities (page 19) | | 9,362 | 1,979 |
| Total family takaful fund liabilities (page 22) | | 6,862 | 6,285 |
| | | <hr/> | <hr/> |
| | | 21,542 | 11,160 |
| General takaful fund | 17(a) | (799) | (225) |
| Family takaful fund | 17(b) | 244,749 | 213,692 |
| Unearned contribution reserves | 18 | 4,547 | 1,307 |
| | | <hr/> | <hr/> |
| TOTAL LIABILITIES | | 270,039 | 225,934 |
| | | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes form an integral part of the financial statements

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 30 JUNE 2010 (CONTINUED)

| | <u>Note</u> | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|--|-------------|-----------------------|-----------------------|
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 9 | 100,000 | 100,000 |
| Accumulated losses | | (5,342) | (3,878) |
| TOTAL SHAREHOLDERS' EQUITY | | <u>94,658</u> | <u>96,122</u> |
| | | | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u><u>364,697</u></u> | <u><u>322,056</u></u> |

The accompanying notes form an integral part of the financial statements

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT FOR THE FINANCIAL
YEAR ENDED 30 JUNE 2010

| | <u>Note</u> | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|---|-------------|-----------------------|-----------------------|
| Operating revenue | 10 | 67,146 | 67,755 |
| Share of investment profit from: | | | |
| Family takaful | | 113 | 67 |
| General takaful | | 8 | 3 |
| Wakalah fee | | 10,419 | 4,764 |
| Investment income | 12 | 3,491 | 3,506 |
| Other operating income/(expenses) - net | 13 | 360 | (464) |
| Management expenses | 14 | (9,997) | (6,760) |
| Commission paid | | (5,235) | (2,558) |
| Loss before zakat and taxation | | (841) | (1,442) |
| Zakat | | (623) | - |
| Taxation | 15 | - | (26) |
| Net loss for the financial year | | (1,464) | (1,468) |

The accompanying notes form an integral part of the financial statements

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL BALANCE SHEET
AS AT 30 JUNE 2010

| | <u>Note</u> | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|---|-------------|-----------------------|-----------------------|
| ASSETS | | | |
| Investments | 6(b) | 2,719 | 1,928 |
| Receivables | 7 | 9,520 | 1,075 |
| Cash and bank balances | | 871 | 58 |
| TOTAL GENERAL TAKAFUL ASSETS | | <u>13,110</u> | <u>3,061</u> |
| LIABILITIES | | | |
| Provision for outstanding claims | | 2,250 | 318 |
| Payables | 8 | 7,112 | 1,661 |
| TOTAL GENERAL TAKAFUL LIABILITIES | | <u>9,362</u> | <u>1,979</u> |
| PARTICIPANTS' FUND | | | |
| General takaful fund | 17(a) | (799) | (225) |
| Unearned contribution reserves | 18 | 4,547 | 1,307 |
| | | <u>3,748</u> | <u>1,082</u> |
| TOTAL GENERAL TAKAFUL LIABILITIES AND PARTICIPANTS' FUND | | <u>13,110</u> | <u>3,061</u> |

The accompanying notes form an integral part of the financial statements

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL REVENUE ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

| | <u>Note</u> | <u>Fire</u> RM'000 | <u>Motor & Transit</u> RM'000 | <u>Marine Aviation</u> RM'000 | <u>Misc</u> RM'000 | <u>Total</u> RM'000 |
|---|-------------|-----------------------|--------------------------------------|--------------------------------------|-----------------------|------------------------|
| Gross contributions Retakaful | 10 | 7,033 (4,167) | 19 (20) | 173 (11) | 9,491 (6,208) | 16,716 (10,406) |
| Net contributions | | 2,866 | (1) | 162 | 3,283 | 6,310 |
| (Increase)/decrease in unearned contribution reserves | 18 | (1,157) | 285 | (81) | (2,287) | (3,240) |
| Earned contributions | | 1,709 | 284 | 81 | 996 | 3,070 |
| Net claims incurred | 16 | (317) | (277) | (464) | (1,175) | (2,233) |
| Wakalah fees | 11 | (2,056) | (4) | (70) | (2,579) | (4,709) |
| Commission earned from retakaful ceded | | 1,006 | - | - | 1,532 | 2,538 |
| Underwriting surplus/(deficit) | | 342 | 3 | (453) | (1,226) | (1,334) |
| Net investment income | 12 | | | | | 72 |
| Allowance for doubtful debts | | | | | | (966) |
| Deficit before taxation | | | | | | (2,228) |
| Taxation | 15 | | | | | - |
| Deficit after taxation | | | | | | (2,228) |
| Increase in Qardh | | | | | | 1,654 |
| General takaful fund at beginning of financial year | 17(a) | | | | | (225) |
| General takaful fund at end of financial year | 17(a) | | | | | (799) |

The accompanying notes form an integral part of the financial statements

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL REVENUE ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

| | <u>Note</u> | <u>Fire</u> RM'000 | <u>Motor</u> RM'000 | <u>Misc</u> RM'000 | <u>Total</u> RM'000 |
|--|-------------|-----------------------|------------------------|-----------------------|------------------------|
| Gross contributions | 10 | 2,614 | 311 | 1,529 | 4,454 |
| Retakaful | | (1,974) | - | (1,192) | (3,166) |
| Net contributions | | 640 | 311 | 337 | 1,288 |
| Increase in unearned contribution reserves | 18 | (155) | (285) | (327) | (767) |
| Earned contributions | | 485 | 26 | 10 | 521 |
| Net claims incurred | 16 | (12) | (22) | (133) | (167) |
| Wakalah fees | 11 | (738) | (62) | (447) | (1,247) |
| Commission earned from retakaful ceded | | 502 | - | 388 | 890 |
| Underwriting surplus/(deficit) | | 237 | (58) | (182) | (3) |
| Net investment income | 12 | | | | 23 |
| Allowance for doubtful debts | | | | | (88) |
| Deficit before taxation | | | | | (68) |
| Taxation | 15 | | | | - |
| Deficit after taxation | | | | | (68) |
| Decrease in Qardh | | | | | (197) |
| General takaful fund at beginning of financial year | 17(a) | | | | 40 |
| General takaful fund at end of financial year | 17(a) | | | | (225) |

The accompanying notes form an integral part of the financial statements

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

FAMILY TAKAFUL BALANCE SHEET
AS AT 30 JUNE 2010

| | <u>Note</u> | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|--|-------------|-----------------------|-----------------------|
| ASSETS | | | |
| Investments | 6(c) | 25,224 | 18,555 |
| Receivables | 7 | 5,915 | 4,025 |
| Cash and bank balances | | 2,730 | 1,237 |
| Investment-linked business assets | 19(a) | 217,742 | 196,160 |
| | | <hr/> | <hr/> |
| TOTAL FAMILY TAKAFUL ASSETS | | 251,611 | 219,977 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES | | | |
| Provision for outstanding claims | | 74 | 70 |
| Payables | 8 | 2,872 | 2,500 |
| Investment-linked business liabilities | 19(a) | 3,916 | 3,715 |
| | | <hr/> | <hr/> |
| TOTAL FAMILY TAKAFUL LIABILITIES | | 6,862 | 6,285 |
| | | <hr/> | <hr/> |
| PARTICIPANTS' FUND | | | |
| Family takaful fund | 17(b) | 244,749 | 213,692 |
| | | <hr/> | <hr/> |
| TOTAL FAMILY TAKAFUL LIABILITIES AND PARTICIPANTS' FUND | | 251,611 | 219,977 |
| | | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes form an integral part of the financial statements

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

FAMILY TAKAFUL REVENUE ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

| | <u>Note</u> | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|--|-------------|-----------------------|-----------------------|
| Gross contributions | 10 | 46,034 | 59,230 |
| Retakaful | | (4,323) | (1,084) |
| | | <hr/> | <hr/> |
| Net contributions | | 41,711 | 58,146 |
| | | <hr/> | <hr/> |
| Benefits paid and payable: | | | |
| Death | | (1,987) | (1,514) |
| Disability | | (10) | - |
| Surrender | | (4,378) | (3,485) |
| Medical | | (131) | (6) |
| Others | | (1) | - |
| | | <hr/> | <hr/> |
| Total benefits paid and payable | | (6,507) | (5,005) |
| | | <hr/> | <hr/> |
| Wakalah fees | 11 | (5,501) | (3,663) |
| Net investment income | 12 | 712 | 399 |
| Other operating income/(expenses) - net | 13 | 24 | (17) |
| | | <hr/> | <hr/> |
| Surplus before taxation | | 30,439 | 49,860 |
| Taxation | 15 | (86) | (89) |
| | | <hr/> | <hr/> |
| Surplus after taxation before surplus from investment-linked business | | 30,353 | 49,771 |
| Surplus after taxation from investment-linked business | 19(b) | 704 | 3,181 |
| | | <hr/> | <hr/> |
| Family takaful fund at beginning of financial year | | 31,057 | 52,952 |
| | | <hr/> | <hr/> |
| Family takaful fund at end of financial year | 17(b) | 244,749 | 213,692 |
| | | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes form an integral part of the financial statements

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

| | | <u>Issued and fully paid ordinary shares of RM1 each</u> | | <u>Accumulated losses</u> | <u>Total</u> |
|------------------------------------|-------------|--|-------------------------------------|-------------------------------|---------------|
| | <u>Note</u> | <u>Number of shares</u> | <u>Nominal value RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| At 1 July 2009 | 9 | 100,000 | 100,000 | (3,878) | 96,122 |
| Net loss for the financial year | | - | - | (1,464) | (1,464) |
| At 30 June 2010 | | <u>100,000</u> | <u>100,000</u> | <u>(5,342)</u> | <u>94,658</u> |
| At 1 July 2008 | 9 | 100,000 | 100,000 | (2,410) | 97,590 |
| Net loss for the financial year | | - | - | (1,468) | (1,468) |
| At 30 June 2009 | | <u>100,000</u> | <u>100,000</u> | <u>(3,878)</u> | <u>96,122</u> |

The accompanying notes form an integral part of the financial statements

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT FOR THE FINANCAL YEAR ENDED 30 JUNE 2010

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the financial year | (1,464) | (1,468) |
| Adjustments for: | | |
| Allowance for doubtful debts | 966 | 88 |
| Depreciation of property, plant and equipment | 287 | 236 |
| Amortisation of intangible assets | 487 | 478 |
| Gain on disposal of investments | (191) | (51) |
| Accretion of discounts - net | (190) | (130) |
| Profits and dividend income | (4,090) | (4,090) |
| (Reversal of)/allowance for diminution in value of investments | (349) | 464 |
| Unrealised capital gain on investments of investment-linked fund | (720) | (3,318) |
| Increase in unearned contribution reserves | 3,240 | 767 |
| Increase in family takaful fund | 31,057 | 53,220 |
| Decrease in general takaful fund | (2,228) | (265) |
| (Decrease)/increase in deferred wakalah fee income reserve | (209) | 146 |
| Taxation expense | 109 | 26 |
| | <hr/> | <hr/> |
| Profit from operations before changes in operating assets and liabilities | 26,705 | 46,103 |
| Proceeds from disposal of investments | - | 14,775 |
| Purchase of investments | (50,566) | (68,488) |
| Decrease in deposit and money market placements | 22,940 | 707 |
| Increase in receivables | (11,375) | (1,072) |
| Increase/(decrease) in outstanding claims | 1,505 | (5) |
| Increase in payables | 7,632 | 1,041 |
| Decrease in Qardh | 1,654 | 197 |
| Increase/(decrease) in amount due to related companies | 142 | (992) |
| Increase in provision for zakat | 623 | - |
| | <hr/> | <hr/> |
| | (740) | (7,734) |
| Profit received from investments | 3,619 | 4,218 |
| Dividend received from investments | 58 | 57 |
| Tax paid | - | (26) |
| | <hr/> | <hr/> |
| Net cash generated from/(used in) operating activities | 2,937 | (3,485) |
| | <hr/> | <hr/> |

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010
(CONTINUED)

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of intangible assets | (129) | (61) |
| Purchase of property, plant and equipment | (406) | (164) |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (535) | (225) |
| | <hr/> | <hr/> |
| Net increase/(decrease) in cash and cash equivalents | 2,402 | (3,710) |
| Cash and cash equivalents at beginning of financial year | 2,060 | 5,770 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of the financial year | 4,462 | 2,060 |
| | <hr/> | <hr/> |
| Cash and cash equivalents comprise: | | |
| Shareholders' fund | 861 | 634 |
| Family fund | 2,730 | 1,237 |
| Investment-linked business | - | 131 |
| General fund | 871 | 58 |
| | <hr/> | <hr/> |
| | 4,462 | 2,060 |
| | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes form an integral part of the financial statements

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1 CORPORATE INFORMATION

The Company is engaged principally in the managing of family takaful including investment-linked business and all classes of general takaful business. There has been no significant change in the nature of these activities 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 Level 8, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur. The principal place of business of the Company is located at Level 5, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 3 September 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ.

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards and amendments to published statements and interpretation to existing standards that are applicable and relevant to the Company

- IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

(ii) Standards that are applicable and relevant to the Company but not yet effective and have not been early adopted

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

- The revised FRS 101 "Presentation of financial statements" prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- FRS 139 "Financial Instruments: Recognition and Measurement" establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations.

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards that are applicable and relevant to the Company but not yet effective and have not been early adopted (continued)

The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.

- The amendments to FRS 132 "Financial instruments: Presentation" and FRS 101 (revised) "Presentation of financial statements" - "Puttable financial instruments and obligations arising on liquidation" require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions.
- The amendments to FRS 139 "Reclassification of Financial Assets" allow an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss "FVTPL" by the entity upon initial recognition) out of the FVTPL category in particular circumstances. It also allows an entity to transfer from the available-for-sale ("AFS") to the loans and receivables ("LAR") category for which have met the definition of LAR (if the financial assets had not been designated as AFS), if the entity has the intention to hold that financial asset for foreseeable future. It is not expected to have significant changes on the Company's accounting policies.
- FRS 4 "Insurance contract" allows entities to continue with their existing accounting policies for insurance contracts if those policies meet certain minimum criteria. One of the minimum criteria is that the amount of the insurance liability is subject to a liability adequacy test.
- FRS 7 "Financial instruments: Disclosures" provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.
- IC Interpretation 9 "Reassessment of Embedded Derivatives" 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. The improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards that are applicable and relevant to the Company but not yet effective and have not been early adopted (continued)

- FRS 5 “Non-current assets held for sale and discontinued operations”. Improvement effective from 1 January 2010 clarifies that FRS 5 disclosures apply to non-current assets or disposal groups that are classified as held for sale and discontinued operations. Improvement effective from 1 July 2010 clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.
- FRS 107 “Statement of cash flows” clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities. It is not expected to have a material impact on the Company's financial statements.
- FRS 110 “Events after the balance sheet date” reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time. It is not expected to have a material impact on the Company's financial statements.
- FRS 116 “Property, plant and equipments” (consequential amendment to FRS 107 “Statement of cash flows”) requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. It is not expected to have a material impact on the Company's financial statements.
- FRS 117 “Leases” (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117. It is not expected to have a material impact on the Company's financial statements.
- FRS 118 “Revenue” (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a ‘principal’ or as an ‘agent’. It is not expected to have a material impact on the Company's financial statements.

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards that are applicable and relevant to the Company but not yet effective and have not been early adopted (continued)

- FRS 119 “Employee benefits” clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. It is not expected to have a material impact on the Company’s financial statements.
- FRS 138 “Intangible Assets” improvement clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for mail order catalogues when the entity has access to the catalogues and not when the catalogues are distributed to customers. It confirms that the unit of production method of amortisation is allowed. The amendment will not have an impact on the Company’s operations, as all intangible assets are amortised using the straight-line method.
- FRS 140 “Investment property” requires assets under construction/development for future use as investment property to be accounted as investment property rather than property, plant and equipment. Where the fair value model is applied, such property is measured at fair value. However, where fair value is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and fair value becomes reliably measurable. It also clarifies that if a valuation obtained for an investment property held under lease is net of all expected payments, any recognised lease liability is added back in order to determine the carrying amount of the investment property under the fair value model. It is not expected to have a material impact on the Company’s financial statements.

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 following standards and interpretations on the financial statements of the Company.

- FRS 139 - Financial Instruments: Recognition and Measurement, Amendments to FRS 139 on eligible hedged items, Improvement to FRS 139 and IC Interpretation 9
- FRS 4 - Insurance Contracts
- FRS 7 - Financial Instruments: Disclosures, Amendments to FRS 7 on Improving Disclosures About Financial Instruments

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

The following standards will be effective for accounting periods beginning on or after 1 July 2010.

| <u>FRS/Interpretations</u> | <u>Effective date</u> |
|---|-----------------------|
| FRS 120 - Accounting for government grants | 1 January 2010 |
| FRS 123 - Borrowing costs | 1 January 2010 |
| FRS 127 - Consolidated and separate financial Statements | 1 January 2010 |
| FRS 128 - Investments in associates | 1 January 2010 |
| FRS 129 - Financial reporting in hyperinflationary economies | 1 January 2010 |
| FRS 131 - Interests in joint ventures | 1 January 2010 |
| FRS 134 - Interim financial reporting | 1 January 2010 |
| FRS 136 - Impairment of assets | 1 January 2010 |
| Amendment to FRS 1 - First-time adoption of Financial Reporting Standards and Revised FRS 127 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | 1 January 2010 |
| Amendment to FRS 2 - Vesting Conditions and Cancellations | 1 January 2010 |
| IC Interpretation 10 - Interim Financial Reporting and Impairment | 1 January 2010 |
| IC Interpretation 11 - FRS 2: Group and Treasury Share Transaction | 1 January 2010 |
| IC Interpretation 13 - Customer Loyalty Programmes | 1 January 2010 |
| IC Interpretation 14 - FRS 119 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interpretations | 1 January 2010 |
| Revised FRS 3 - Business combinations | 1 July 2010 |
| IC Interpretation 12 - Service concession arrangements | 1 July 2010 |
| IC Interpretation 15 - Agreements for construction of real estates | 1 July 2010 |
| IC Interpretation 16 - Hedges of a net investment in a foreign operation | 1 July 2010 |
| IC Interpretation 17 - Distribution of non-cash assets to owners | 1 July 2010 |

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment

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

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

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

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

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

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

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

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets - computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

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

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

(d) Investments

Islamic corporate debentures

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

Quoted investments

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments except that if diminution in value of a particular investment is not regarded as temporary, allowance is made against the value of that investment. Market value is determined by reference to the stock exchange closing price at the balance sheet date.

Unquoted investments

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments (continued)

Investment-linked business

Quoted investments of investment-linked business, are stated at closing market prices as at balance sheet date.

Unquoted islamic corporate debentures are stated at average indicative market prices quoted by at least two licensed financial institutions.

Structured investments are investments where a substantial amount of the fund is invested in fixed income instruments issued by financial institutions while the remaining amount is invested in instruments which are linked to the performance of one or more equity, commodity and/or currency indices and market prices that introduce certain risks that will affect the performance of these instruments. Structured investments are carried at fair values quoted by counter parties based on a specific valuation model as at the balance sheet date.

Any increase or decrease in value of these investments is recognised in the investment-linked business revenue account.

(e) Impairment of non-financial assets

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

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

(f) Trade receivables

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

Known bad debts are written off and specific allowances are made for any contributions including agents' or retakaful balances which remain outstanding for more than six months from the date on which they become receivable and for all debts which are considered doubtful, except for outstanding motor contributions for which allowance is made for amounts outstanding for more than thirty days.

(g) Cash and cash equivalents

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Payables

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

(i) Taxation

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

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

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

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

(j) Zakat

Zakat represents tithes payable by the Company to comply with Shariah principles and as approved by the Shariah Advisory Committee. Zakat provision is calculated based on 2.5% of net asset method. Zakat is only provided when there is a commitment or an obligation exists as at financial year end.

(k) Management expenses, commission expenses and wakalah fee

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

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

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Management expenses, commission expenses and wakalah fee (continued)

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

(l) Employee benefits

Short-term employee benefits

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

Post employment benefits

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

(m) Family Takaful Fund

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

Any actuarial deficit in the family takaful fund will be made good by the shareholder's fund via a benevolent loan or Qardh.

Contribution income

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

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

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

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Family Takaful Fund (continued)

Provision for outstanding claims

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

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

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

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

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

(n) General Takaful Underwriting Results

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

General Takaful fund

The general takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and consists of participants' account and participants' special account. Participants' account represents the proportion of contributions set aside for the purpose of investment. Participants' special account represents the accumulated participants' share in the net surplus of the general takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of the Company.

Any deficit in the participants' special account will be made good by the shareholders' fund via a benevolent loan or Qardh.

Contribution income

Contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been raised as of the balance sheet date are accrued at that date.

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General Takaful Fund (continued)

Unearned contribution reserves

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

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

Provision for outstanding claims

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

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

(o) Other revenue recognition

Profit 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.

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

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

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Foreign currencies

(i) Functional and presentation currencies

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

(ii) Transactions and balances

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

(q) Contingent liabilities and contingent assets

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

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial instruments

Description

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

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

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

Recognition

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

Fair value estimation for disclosure purpose

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

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

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

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

For the financial year ended 30 June 2010, the IBNR claims estimates have been computed by a qualified actuary from Mercer Zainal Consulting Sdn Bhd ("MERCER"). MERCER has considered the Ultimate Loss Ratio ("ULR") method for the IBNR claims estimates given the fact that the Company only has four years of operations and hence is limited in its choice of method. The method requires a selected ULR to be applied to the net earned contribution in order to project the amount of ultimate claims incurred for each loss year. The claims incurred for known claims is then subtracted from the projected ultimate claims incurred for each loss year in order to estimate the amount of claims to be incurred for IBNR claims.

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

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

Given that this is only the fourth year of the Company's operations, it is impracticable to determine the extent of the possible effects of the potential deviations to the key assumptions used in assessing the IBNR claims. However, it is reasonably possible that outcomes within the next financial year which are different from the current assumptions could cause material adjustments to the IBNR claims of the Company.

Actuarial liabilities for family takaful fund

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

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Actuarial liabilities for family takaful fund (continued)

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

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

It is impracticable to disclose the extent of the possible effects of the potential changes to the key assumptions used in assessing the actuarial liabilities for family takaful fund due to the number of variables included in the assessment. However, it is reasonably possible that outcomes within next financial year which are based on key assumptions that are different from the current assumptions could cause material adjustments to the actuarial liabilities for family takaful fund.

Critical judgments in applying the Company's accounting policies:

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

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT

Shareholders' fund

| | Furniture & fittings, office equipment and renovations RM'000 | Computer and peripherals RM'000 | Motor vehicles RM'000 | Total RM'000 |
|--|--|------------------------------------|--------------------------|-----------------|
| <u>2010</u> | | | | |
| <u>Cost</u> | | | | |
| At 1 July 2009 | 731 | 443 | 273 | 1,447 |
| Additions | 352 | 55 | - | 407 |
| | <u>1,083</u> | <u>498</u> | <u>273</u> | <u>1,854</u> |
| At 30 June 2010 | <u>1,083</u> | <u>498</u> | <u>273</u> | <u>1,854</u> |
| <u>Accumulated depreciation</u> | | | | |
| At 1 July 2009 | 329 | 203 | 43 | 575 |
| Depreciation charge for the financial year | 169 | 95 | 24 | 288 |
| | <u>498</u> | <u>298</u> | <u>67</u> | <u>863</u> |
| At 30 June 2010 | <u>498</u> | <u>298</u> | <u>67</u> | <u>863</u> |
| <u>Net book value</u> | | | | |
| At 30 June 2010 | <u>585</u> | <u>200</u> | <u>206</u> | <u>991</u> |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Shareholders' fund

| | Furniture & fittings, office equipment and <u>renovations</u> RM'000 | Computer and <u>peripherals</u> RM'000 | Motor <u>vehicles</u> RM'000 | <u>Total</u> RM'000 |
|--|--|---|------------------------------------|------------------------|
| <u>2009</u> | | | | |
| <u>Cost</u> | | | | |
| At 1 July 2008 | 579 | 431 | 273 | 1,283 |
| Additions | 152 | 12 | - | 164 |
| At 30 June 2009 | <u>731</u> | <u>443</u> | <u>273</u> | <u>1,447</u> |
| <u>Accumulated depreciation</u> | | | | |
| At 1 July 2008 | 204 | 115 | 20 | 339 |
| Depreciation charge for the financial year | 125 | 88 | 23 | 236 |
| At 30 June 2009 | <u>329</u> | <u>203</u> | <u>43</u> | <u>575</u> |
| <u>Net book value</u> | | | | |
| At 30 June 2009 | <u>402</u> | <u>240</u> | <u>230</u> | <u>872</u> |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

5 INTANGIBLE ASSETS

Shareholders' fund

| | <u>Computer software</u> | |
|--|--------------------------|--------------|
| | <u>2010</u> | <u>2009</u> |
| | RM'000 | RM'000 |
| <u>Cost</u> | | |
| At 1 July | 2,408 | 2,347 |
| Additions | 129 | 61 |
| At 30 June | <u>2,537</u> | <u>2,408</u> |
| <u>Accumulated amortisation</u> | | |
| At 1 July | 1,072 | 594 |
| Amortisation charge for the financial year | 488 | 478 |
| At 30 June | <u>1,560</u> | <u>1,072</u> |
| <u>Net book value</u> | | |
| At 30 June | <u>977</u> | <u>1,336</u> |

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

6 INVESTMENTS

| | 2010 | | 2009 | |
|--|-------------------|-----------------|-------------------|-----------------|
| | Carrying value | Market value | Carrying value | Market value |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) Shareholders' fund | | | | |
| Quoted in Malaysia: | | | | |
| Equity securities of corporations, at cost | 2,802 | | 1,917 | |
| Allowance for diminution in value | (307) | | (656) | |
| | 2,495 | 2,495 | 1,261 | 1,261 |
| Unquoted: | | | | |
| Government guaranteed debt securities, at cost | 9,006 | | 9,006 | |
| Government investment issues, at cost | 4,320 | | 4,306 | |
| Islamic debt securities, at cost | 50,036 | | 37,310 | |
| Accretion of discount | 216 | | 30 | |
| | 63,578 | 64,458 | 50,652 | 50,671 |
| Unit-linked funds (seed money), at cost | 4,000 | | 4,000 | |
| Deposits and money market placements with licensed banks | 23,909 | | 38,080 | |
| Total investments | 93,982 | | 93,993 | |

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

6 INVESTMENTS (CONTINUED)

| | <u>2010</u> | | <u>2009</u> | |
|--|---------------------------|-------------------------|---------------------------|-------------------------|
| | <u>Carrying value</u> | <u>Market value</u> | <u>Carrying value</u> | <u>Market value</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (b) General takaful fund | | | | |
| Unquoted: | | | | |
| Government guaranteed debt securities, at cost | 100 | | 100 | |
| Government investment Issues, at cost | 1,499 | | - | |
| Islamic debt securities, at cost | 610 | | - | |
| | <u>2,209</u> | <u>2,228</u> | <u>100</u> | <u>100</u> |
| Deposits and money market placements with licensed banks | 510 | | 1,828 | |
| Total investments | <u><u>2,719</u></u> | | <u><u>1,928</u></u> | |
| (c) Family takaful fund | | | | |
| Unquoted: | | | | |
| Government guaranteed debt securities, at cost | 900 | | 900 | |
| Government investment Issues, at cost | 12,995 | | - | |
| Islamic debt securities, at cost | 5,426 | | 1,384 | |
| Accretion of discounts | 23 | | 13 | |
| | <u>19,344</u> | <u>19,567</u> | <u>2,297</u> | <u>2,296</u> |
| Deposits and money market placements with licensed banks | 5,880 | | 16,258 | |
| Total investments | <u><u>25,224</u></u> | | <u><u>18,555</u></u> | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

6 INVESTMENTS (CONTINUED)

| | <u>2010</u> Carrying value RM'000 | <u>2009</u> Carrying value RM'000 |
|---|--|--|
| (d) Investment-linked fund | | |
| Quoted in Malaysia: | | |
| Equity securities of corporations, at cost | 174 | 168 |
| Unrealised capital loss | (51) | (59) |
| | <u>123</u> | <u>109</u> |
| At fair value | | |
| Unquoted: | | |
| Government investment issues, at cost | 1,580 | 1,080 |
| Unrealised capital loss | (60) | (78) |
| | <u>1,520</u> | <u>1,002</u> |
| At fair value | | |
| Unquoted: | | |
| Islamic debt securities, at cost | 3,327 | 3,964 |
| Unrealised capital gain/(loss) | 57 | (26) |
| | <u>3,384</u> | <u>3,938</u> |
| At fair value | | |
| Structured investments, at cost | 207,895 | 189,783 |
| Unrealised capital loss | (623) | (1,235) |
| | <u>207,272</u> | <u>188,548</u> |
| At fair value | | |
| Deposits and money market placements with licensed banks | 5,195 | 2,269 |
| | <u>217,494</u> | <u>195,866</u> |
| Total investments | | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

6 INVESTMENTS (CONTINUED)

The maturity structure of Government guaranteed securities, Islamic debt securities, structured investments and deposit and money market placements with licensed banks above is as follows:

| | <u>Shareholders'</u> <u>fund</u> RM'000 | <u>General</u> <u>takaful</u> <u>fund</u> RM'000 | <u>Family</u> <u>takaful</u> <u>fund</u> RM'000 | <u>Investment-</u> <u>linked fund</u> RM'000 | <u>Total</u> RM'000 |
|---------------------------------------|---|---|--|--|------------------------|
| <u>2010</u> | | | | | |
| Investments maturing within 12 months | 30,964 | 510 | 5,880 | 146,970 | 184,324 |
| Investments maturing after 12 months | 56,523 | 2,209 | 19,344 | 70,401 | 148,477 |
| Total | <u>87,487</u> | <u>2,719</u> | <u>25,224</u> | <u>217,371</u> | <u>332,801</u> |
| <u>2009</u> | | | | | |
| Investments maturing within 12 months | 42,583 | 1,828 | 16,258 | 2,208 | 62,877 |
| Investments maturing after 12 months | 46,149 | 100 | 2,297 | 193,549 | 242,095 |
| Total | <u>88,732</u> | <u>1,928</u> | <u>18,555</u> | <u>195,757</u> | <u>304,972</u> |

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

| 7 RECEIVABLES | <u>Shareholders' fund</u> RM'000 | <u>General takaful fund</u> RM'000 | <u>Family takaful fund</u> RM'000 |
|---|---|---|--|
| <u>2010</u> | | | |
| Trade receivables: | | | |
| Outstanding contributions | - | 7,990 | 857 |
| Amount due from retakaful operator | - | - | 828 |
| Amount due from cotakaful | - | 1,260 | - |
| | - | 9,250 | 1,685 |
| Less: Allowances for doubtful debts | - | (1,053) | - |
| | - | 8,197 | 1,685 |
| Other receivables: | | | |
| Amount due from shareholders' fund (Note 8) | - | 1,271 | - |
| Amount due from family takaful fund (Note 8) | 605 | - | - |
| Amount due from investment-linked fund (Note 19 (a)) | - | - | 3,916 |
| Profits receivable | 469 | 52 | 270 |
| Qardh | 1,812 | - | - |
| Other debtors, deposits and prepayments | 279 | - | 44 |
| | 3,165 | 1,323 | 4,230 |
| Total receivables | 3,165 | 9,520 | 5,915 |
| <u>2009</u> | | | |
| Trade receivables: | | | |
| Outstanding contributions | - | 1,079 | 173 |
| Amount due from retakaful operator | - | - | 28 |
| | - | 1,079 | 201 |
| Less: Allowances for doubtful debts | - | (88) | - |
| | - | 991 | 201 |
| Other receivables: | | | |
| Amount due from family takaful fund (Note 8) | 1,410 | - | - |
| Amount due from general takaful fund (Note 8) | 29 | - | - |
| Amount due from investment-linked fund (Note 19(a)) | 16 | - | 3,699 |
| Profits receivable | 339 | 7 | 16 |
| Qardh | 158 | - | - |
| Other debtors, deposits and prepayments | 231 | 77 | 109 |
| | 2,183 | 84 | 3,824 |
| Total receivables | 2,183 | 1,075 | 4,025 |

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

7 RECEIVABLES (CONTINUED)

Qardh represents an interest-free loan to the general takaful fund to make good the actuarial deficit and underwriting deficit in the fund. The amount is unsecured, not subject to any profit element and has no fixed terms of repayment.

Amounts due from takaful funds and shareholders' fund are unsecured, not subject to any profit element and have no fixed terms of repayment.

8 PAYABLES

| | Shareholders' fund | General takaful fund | Family takaful fund |
|---|-----------------------|-------------------------|------------------------|
| | RM'000 | RM'000 | RM'000 |
| <u>2010</u> | | | |
| Trade payables: | | | |
| Amount due to retakaful operator | - | 5,061 | 1,507 |
| Amount due to agents, brokers, cotakaful | - | 1,358 | - |
| | - | 6,419 | 1,507 |
| Other payables: | | | |
| Contribution deposits | - | 432 | 664 |
| Amount due to shareholders' fund (Note 7) | - | - | 605 |
| Amount due to general fund (Note 7) | 1,271 | - | - |
| Amount due to investment-linked funds (Note 19) | 169 | - | - |
| Sundry payables and accruals | 3,532 | 261 | 96 |
| | 4,972 | 693 | 1,365 |
| Total payables | 4,972 | 7,112 | 2,872 |
| <u>2009</u> | | | |
| Trade payables: | | | |
| Amount due to retakaful operator | - | 1,573 | 125 |
| | - | 1,573 | 125 |
| Other payables: | | | |
| Contribution deposits | - | - | 792 |
| Amount due to shareholders' fund (Note 7) | - | 29 | 1,410 |
| Sundry payables and accruals | 2,482 | 59 | 173 |
| | 2,482 | 88 | 2,375 |
| Total payables | 2,482 | 1,661 | 2,500 |

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

8 PAYABLES (CONTINUED)

Amount due to general takaful fund in the shareholders' fund includes the interest-free loan from the shareholders' fund to the takaful funds under Qardh principle as disclosed in Note 2(n).

Amounts due to takaful funds and shareholders' fund are unsecured, not subject to any profit element and have no fixed term of repayment.

9 SHARE CAPITAL

| | <u>2010</u> | | <u>2009</u> | |
|------------------------------------|--------------------------|-------------------|--------------------------|-------------------|
| | No. of shares '000 | RM'000 | No. of shares '000 | RM'000 |
| Ordinary shares of RM1.00 each | | | | |
| Authorised: | | | | |
| At beginning/end of financial year | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Issued and fully paid: | | | | |
| At beginning/end of financial year | 100,000 | 100,000 | 100,000 | 100,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

10 OPERATING REVENUE

| | Shareholders' fund <u>RM'000</u> | General takaful fund <u>RM'000</u> | Family takaful fund <u>RM'000</u> | <u>Total</u> <u>RM'000</u> |
|---------------------|--|---|--|-------------------------------|
| <u>2010</u> | | | | |
| Gross contributions | - | 16,716 | 46,034 | 62,750 |
| Investment income | 3,491 | 72 | 833 | 4,396 |
| | <u>3,491</u> | <u>16,788</u> | <u>46,867</u> | <u>67,146</u> |
| | <u><u>3,491</u></u> | <u><u>16,788</u></u> | <u><u>46,867</u></u> | <u><u>67,146</u></u> |
| <u>2009</u> | | | | |
| Gross contributions | - | 4,454 | 59,230 | 63,684 |
| Investment income | 3,506 | 23 | 542 | 4,071 |
| | <u>3,506</u> | <u>4,477</u> | <u>59,772</u> | <u>67,755</u> |
| | <u><u>3,506</u></u> | <u><u>4,477</u></u> | <u><u>59,772</u></u> | <u><u>67,755</u></u> |

Investment income of family takaful fund includes investment income of investment-linked fund of RM121,000 (2009: RM143,000).

11 WAKALAH FEES

| | General takaful fund <u>RM'000</u> | Family takaful fund <u>RM'000</u> | <u>Total</u> <u>RM'000</u> |
|-------------------------|---|--|-------------------------------|
| <u>2010</u> | | | |
| Net commission expenses | 2,542 | 2,715 | 5,257 |
| Management expenses | 2,167 | 2,786 | 4,953 |
| | <u>4,709</u> | <u>5,501</u> | <u>10,210</u> |
| | <u><u>4,709</u></u> | <u><u>5,501</u></u> | <u><u>10,210</u></u> |
| <u>2009</u> | | | |
| Net commission expenses | 743 | 1,815 | 2,558 |
| Management expenses | 504 | 1,848 | 2,352 |
| | <u>1,247</u> | <u>3,663</u> | <u>4,910</u> |
| | <u><u>1,247</u></u> | <u><u>3,663</u></u> | <u><u>4,910</u></u> |

Wakalah fee of family takaful fund includes deferred wakalah fee of RM213,716 (2009: RM146,362).

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

12 INVESTMENT INCOME

| | Shareholders' fund <u>RM'000</u> | General takaful fund <u>RM'000</u> | Family takaful fund <u>RM'000</u> |
|---|--|---|--|
| <u>2010</u> | | | |
| Gross dividends from equity securities of companies quoted in Malaysia | 57 | - | - |
| Profits from: | | | |
| - Government guaranteed debt securities | 172 | 54 | 466 |
| - Islamic debt securities | 2,237 | 10 | 172 |
| - Deposits and money market placements with licensed banks | 638 | 16 | 143 |
| Accretion of discounts – net | 181 | - | 10 |
| Gain on disposal of investments | 206 | - | - |
| | <u>3,491</u> | <u>80</u> | <u>791</u> |
| Less: | | | |
| Share of investment profit of takaful funds with shareholders' fund | - | (8) | (79) |
| | <u>3,491</u> | <u>72</u> | <u>712</u> |
| | <u><u>3,491</u></u> | <u><u>72</u></u> | <u><u>712</u></u> |
| <u>2009</u> | | | |
| Gross dividends from equity securities of companies quoted in Malaysia | 58 | - | - |
| Profits from: | | | |
| - Islamic debt securities | 2,217 | 4 | 120 |
| - Deposits and money market placements with licensed banks | 1,060 | 22 | 313 |
| Accretion of discounts – net | 120 | - | 10 |
| Gain on disposal of investments | 51 | - | - |
| | <u>3,506</u> | <u>26</u> | <u>443</u> |
| Less: | | | |
| Share of investment profit of takaful funds with shareholders' fund | - | (3) | (44) |
| | <u>3,506</u> | <u>23</u> | <u>399</u> |
| | <u><u>3,506</u></u> | <u><u>23</u></u> | <u><u>399</u></u> |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

13 OTHER OPERATING INCOME/(EXPENSES) - NET

| | Shareholders' fund <u>RM'000</u> | Family takaful fund <u>RM'000</u> |
|--|--|--|
| <u>2010</u> | | |
| Allowance for diminution in value of investments | 349 | - |
| Others | 11 | 24 |
| | <u>360</u> | <u>24</u> |
| | <u><u>360</u></u> | <u><u>24</u></u> |
| <u>2009</u> | | |
| Allowance for diminution in value of investments | (464) | - |
| Others | - | (17) |
| | <u>(464)</u> | <u>(17)</u> |
| | <u><u>(464)</u></u> | <u><u>(17)</u></u> |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

14 MANAGEMENT EXPENSES

| | General takaful fund <u>RM'000</u> | Family takaful fund <u>RM'000</u> | <u>Total</u> <u>RM'000</u> |
|--|---|--|-------------------------------|
| <u>2010</u> | | | |
| Staff costs: | | | |
| Salary and bonus | 1,834 | 1,952 | 3,786 |
| Social security costs | 11 | 12 | 23 |
| Employees' provident fund | 210 | 225 | 435 |
| Other staff related expenses | 152 | 152 | 304 |
| Directors' fees | 78 | 78 | 156 |
| Shariah committee remuneration and other Expenses | 54 | 54 | 108 |
| Depreciation of property, plant and equipment (Note 4) | 143 | 143 | 286 |
| Amortisation of intangible assets (Note 5) | 244 | 244 | 488 |
| Auditors' remuneration | | | |
| Statutory audit | 40 | 40 | 80 |
| Tax consultation | 15 | 15 | 30 |
| Rental of properties | 249 | 249 | 498 |
| Other expenses | 1,588 | 2,215 | 3,803 |
| Total | <u>4,618</u> | <u>5,379</u> | <u>9,997</u> |
| <u>2009</u> | | | |
| Staff costs: | | | |
| Salary and bonus | 1,374 | 1,374 | 2,748 |
| Social security costs | 8 | 8 | 16 |
| Employees' provident fund | 140 | 140 | 280 |
| Other staff related expenses | 144 | 144 | 288 |
| Directors' fees | 88 | 88 | 176 |
| Shariah committee remuneration and other expenses | 56 | 56 | 112 |
| Depreciation of property, plant and equipment (Note 4) | 118 | 118 | 236 |
| Amortisation of intangible assets (Note 5) | 239 | 239 | 478 |
| Auditors' remuneration | | | |
| Statutory audit | 30 | 30 | 60 |
| Tax consultation | 11 | 11 | 22 |
| Rental of properties | 152 | 152 | 304 |
| Other expenses | 1,010 | 1,030 | 2,040 |
| Total | <u>3,370</u> | <u>3,390</u> | <u>6,760</u> |

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

14 MANAGEMENT EXPENSES (CONTINUED)

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

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM588,997 (2009: RM315,643).

Included in the staff costs are the remuneration for key management personnel, which is disclosed in Note 23.

15 TAXATION

| | <u>Shareholders'</u> <u>fund</u> RM'000 | <u>General</u> <u>takaful</u> <u>fund</u> RM'000 | <u>Family</u> <u>takaful</u> <u>Total</u> RM'000 |
|---------------|---|---|---|
| <u>2010</u> | | | |
| Current tax: | | | |
| Foreign tax | - | - | 86 |
| | ===== | ===== | ===== |
| <u>2009</u> | | | |
| Current tax: | | | |
| Malaysian tax | 26 | - | - |
| Foreign tax | - | - | 89 |
| | ===== | ===== | ===== |

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

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

15 TAXATION (CONTINUED)

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

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|---|-----------------------|-----------------------|
| Loss before taxation | (842) | (1,442) |
| Taxation at Malaysian statutory rate of 25% (2009: 25%) | (210) | (360) |
| Tax effects of expenses not deductible for tax purposes | 266 | 276 |
| Current year unrecognised tax losses | 31 | (16) |
| Deductible temporary difference not recognised | (87) | 126 |
| | - | 26 |

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

| | <u>Shareholders'</u> <u>fund</u> RM'000 | <u>General</u> <u>takaful</u> <u>fund</u> RM'000 | <u>Family</u> <u>takaful</u> <u>fund</u> RM'000 |
|----------------------------------|---|---|--|
| <u>2010</u> | | | |
| Deductible temporary differences | 93 | 1,054 | - |
| Unutilised capital allowances | - | 215 | 1,320 |
| Unutilised tax losses | 255 | 1,261 | - |
| | 348 | 2,530 | 1,320 |
| <u>2009</u> | | | |
| Deductible temporary differences | 1,199 | - | - |
| Unutilised capital allowances | - | 52 | 1,918 |
| Unutilised tax losses | - | 115 | - |
| | 1,199 | 167 | 1,918 |

No deferred tax is recognised as the Company is currently in a tax loss position.

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

16 NET CLAIMS INCURRED

General takaful fund

| | <u>Fire</u> RM'000 | <u>Motor</u> RM'000 | <u>Marine, Aviation & Transit</u> RM'000 | <u>Misc</u> RM'000 | <u>Total</u> RM'000 |
|--------------------------------|-----------------------|------------------------|---|-----------------------|------------------------|
| <u>2010</u> | | | | | |
| Gross claims paid less salvage | 363 | 83 | - | 198 | 644 |
| Retakaful recoveries | (283) | - | - | (60) | (343) |
| Net claims paid | 80 | 83 | - | 138 | 301 |
| Net outstanding claims: | | | | | |
| At beginning of financial year | 242 | 22 | - | 54 | 318 |
| At end of financial year | 479 | 216 | 464 | 1,091 | 2,250 |
| Net claims incurred | 317 | 277 | 464 | 1,175 | 2,233 |
| <u>2009</u> | | | | | |
| Gross claims paid less salvage | 69 | | - | 92 | 161 |
| Retakaful recoveries | (64) | - | - | (12) | (76) |
| Net claims paid | 5 | | - | 80 | 85 |
| Net outstanding claims: | | | | | |
| At beginning of financial year | 235 | - | | 1 | 236 |
| At end of financial year | 242 | 22 | | 54 | 318 |
| Net claims incurred | 12 | 22 | | 133 | 167 |

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

17(a) GENERAL TAKAFUL FUND

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|---|-----------------------|-----------------------|
| <u>Liabilities to participants</u> | | |
| <u>Participants' Account ("PA"):</u> | | |
| At beginning of financial year | (225) | 40 |
| Add: Decrease in PA | (574) | (265) |
| | <hr/> | <hr/> |
| At end of financial year | (799) | (225) |
| | <hr/> | <hr/> |
| <u>Participants' Special Account ("PSA"):</u> | | |
| At beginning/end of financial year | - | - |
| | <hr/> | <hr/> |
| Liabilities to participants at end of financial year | (799) | (225) |
| | <hr/> | <hr/> |
| <u>Unallocated surplus:</u> | | |
| At beginning of financial year | - | - |
| Deficit after taxation | (2,228) | (68) |
| Increase/(decrease) in Qardh | 1,654 | (197) |
| Transfer to PA | 574 | 265 |
| | <hr/> | <hr/> |
| Unallocated surplus carried forward | - | - |
| | <hr/> | <hr/> |
| <u>General takaful fund at end of financial year:</u> | | |
| Liabilities to participants | (799) | (225) |
| Unallocated surplus | - | - |
| | <hr/> | <hr/> |
| | (799) | (225) |
| | <hr/> | <hr/> |
| Qardh as at end of financial year | 1,812 | 159 |
| | <hr/> | <hr/> |

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

17(b) FAMILY TAKAFUL FUND

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|--|-----------------------|-----------------------|
| <u>Liabilities to participants</u> | | |
| <u>Participants' Account ("PA"):</u> | | |
| At beginning of financial year | 212,410 | 160,131 |
| Add: Increase in PA | 30,362 | 52,279 |
| | <hr/> | <hr/> |
| At end of financial year | 242,772 | 212,410 |
| | <hr/> | <hr/> |
| <u>Participants' Special Account ("PSA"):</u> | | |
| At beginning of financial year | 445 | 417 |
| Add: Increase in PSA | 17 | 28 |
| | <hr/> | <hr/> |
| At end of financial year | 462 | 445 |
| | <hr/> | <hr/> |
| Liabilities to participants at end of financial year | 243,234 | 212,855 |
| | <hr/> <hr/> | <hr/> <hr/> |
| <u>Unallocated surplus:</u> | | |
| At beginning of financial year | 837 | 192 |
| Surplus after taxation | 31,058 | 52,952 |
| Increase in PA | (30,363) | (52,279) |
| Increase in PSA | (17) | (28) |
| | <hr/> | <hr/> |
| Unallocated surplus carried forward | 1,515 | 837 |
| | <hr/> | <hr/> |
| <u>Family takaful fund at end of financial year:</u> | | |
| Liabilities to participants | 243,234 | 212,855 |
| Unallocated surplus | 1,515 | 837 |
| | <hr/> | <hr/> |
| | 244,749 | 213,692 |
| | <hr/> <hr/> | <hr/> <hr/> |

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

18 UNEARNED CONTRIBUTION RESERVES

| | <u>Fire</u> RM'000 | <u>Motor</u> RM'000 | <u>Marine, Aviation & Transit</u> RM'000 | <u>Misc</u> RM'000 | <u>Total</u> RM'000 |
|---|-----------------------|------------------------|---|-----------------------|------------------------|
| <u>2010</u> | | | | | |
| At beginning of financial year | 656 | 285 | - | 366 | 1,307 |
| Increase /(decrease) during the financial year | 1,157 | (285) | 81 | 2,287 | 3,240 |
| At end of the financial year | <u>1,813</u> | <u>-</u> | <u>81</u> | <u>2,653</u> | <u>4,547</u> |
| <u>2009</u> | | | | | |
| At beginning of financial year | 501 | - | - | 39 | 540 |
| Increase during the financial year | 155 | 285 | - | 327 | 767 |
| At end of the financial year | <u>656</u> | <u>285</u> | <u>-</u> | <u>366</u> | <u>1,307</u> |

19 INVESTMENT-LINKED BUSINESS

(a) Balance sheet as at 30 June

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|---|-----------------------|-----------------------|
| <u>Assets</u> | | |
| Investments (Note 6(d)) | 217,494 | 195,866 |
| Receivables | 49 | 64 |
| Amount due from shareholders' fund (Note 7) | 169 | - |
| Deferred tax assets | 30 | 99 |
| Cash and bank balances | - | 131 |
| Investment-linked business assets | <u>217,742</u> | <u>196,160</u> |
| <u>Liabilities</u> | | |
| Amount due to shareholders fund (Note 7) | - | 16 |
| Amount due to family fund (Note 7) | 3,916 | 3,699 |
| Investment-linked business liabilities | <u>3,916</u> | <u>3,715</u> |
| Net asset value of funds | <u>213,826</u> | <u>192,445</u> |

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

19 INVESTMENT-LINKED BUSINESS (CONTINUED)

(a) Balance sheet as at 30 June (continued)

| | 2010 RM'000 | 2009 RM'000 |
|------------------------------------|----------------|----------------|
| Represented by: | | |
| <u>Unitholders' account</u> | | |
| At beginning of the financial year | 192,445 | 146,382 |
| Net creation of units | 24,620 | 46,220 |
| Cancellation of units | (3,944) | (3,338) |
| Surplus for the financial year | 705 | 3,181 |
| | <u>213,826</u> | <u>192,445</u> |

(b) Income statement for the financial year ended 30 June

| | | |
|--------------------------------|------------|--------------|
| Investment income* | 121 | 143 |
| Unrealised gain on investments | 720 | 3,318 |
| Other expenses | (69) | (12) |
| | <u>772</u> | <u>3,449</u> |
| Surplus before taxation | | |
| Taxation: | | |
| - current tax | - | - |
| - deferred tax | (68) | (268) |
| | <u>704</u> | <u>3,181</u> |

* Net of share of investment profit of takaful with shareholders' fund of RM34,000 (2009: RM23,000).

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

20 SEGMENTAL INFORMATION ON CASH FLOW

| | Shareholders' fund RM'000 | General takaful fund RM'000 | Family takaful fund RM'000 | Investment- linked fund RM'000 | Total RM'000 |
|--|---------------------------------|--------------------------------------|-------------------------------------|---|---------------------|
| <u>2010</u> | | | | | |
| Cash flows from: | | | | | |
| Operating activities | 762 | 813 | 1,362 | - | 2,937 |
| Investing activities | (535) | - | - | - | (535) |
| | <u>227</u> | <u>813</u> | <u>1,362</u> | <u>-</u> | <u>2,402</u> |
| Net increase in cash and cash equivalents | | | | | |
| | 227 | 813 | 1,362 | - | 2,402 |
| Cash and cash equivalents: | | | | | |
| At beginning of financial year | <u>634</u> | <u>58</u> | <u>1,237</u> | <u>131</u> | <u>2,060</u> |
| At end of financial year | <u><u>861</u></u> | <u><u>871</u></u> | <u><u>2,599</u></u> | <u><u>131</u></u> | <u><u>4,462</u></u> |
| <u>2009</u> | | | | | |
| Cash flows from: | | | | | |
| Operating activities | 469 | (207) | (3,875) | 128 | (3,485) |
| Investing activities | (225) | - | - | - | (225) |
| | <u>244</u> | <u>(207)</u> | <u>(3,875)</u> | <u>128</u> | <u>(3,710)</u> |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| | 244 | (207) | (3,875) | 128 | (3,710) |
| Cash and cash equivalents: | | | | | |
| At beginning of financial year | <u>390</u> | <u>265</u> | <u>5,112</u> | <u>3</u> | <u>5,770</u> |
| At end of financial year | <u><u>634</u></u> | <u><u>58</u></u> | <u><u>1,237</u></u> | <u><u>131</u></u> | <u><u>2,060</u></u> |

Company No.

738090

M

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

21 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|--|-----------------------|-----------------------|
| Future minimum lease | | |
| Not later than 1 year | 667 | 67 |
| Later than 1 year and not later than 5 years | 760 | - |
| | <u>1,427</u> | <u>67</u> |

22 RELATED PARTY TRANSACTIONS

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

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

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

22 RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|---|-----------------------|-----------------------|
| Transactions with ultimate holding company: | | |
| Other expenses | - | - |
| | <u> </u> | <u> </u> |
| Transactions with companies within the Hong Leong Company (Malaysia) Berhad Group: | | |
| - Commission expenses | (1,971) | (1,361) |
| - Profit from Islamic deposits and money market placements with licensed banks | 827 | 1,417 |
| - Profit from Islamic corporate debentures | 62 | 253 |
| - Office rental expenses | (497) | (304) |
| - Shared services fee | (532) | (16) |
| - Other expenses | (205) | (266) |
| | <u> </u> | <u> </u> |
| Transactions with companies within the Tokio Marine & Nichido Fire Insurance Co. Limited: | | |
| - Shared service fee | - | 30 |
| | <u> </u> | <u> </u> |

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

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

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

22 RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|---|-----------------------|-----------------------|
| Amount due from/(to) other related companies within the Hong Leong Company (Malaysia) Berhad Group: | | |
| - Bank balances | 2,785 | 777 |
| - Structured investments, at fair value (Note 6) | 23,699 | 23,621 |
| - Islamic deposits and money market placements with licensed banks (Note 6) | 34,652 | 57,790 |
| - Islamic corporate debentures (Note 6) | 5,012 | 5,007 |
| - Profit receivables (Note 7) | 43 | 47 |
| - Rental deposit (Note 7) | 162 | 101 |
| - Amount due to related companies* | (346) | (205) |
| | <u> </u> | <u> </u> |
| Transactions with companies within the Tokio Marine & Nichido Fire Insurance Co. Limited: | | |
| Amount due to related companies | - | - |
| | <u> </u> | <u> </u> |

* Included in trade payables in Note 8 to the financial statements

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

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

23 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are defined as those persons having authority and responsibility for the planning, directing and control of the Company's activities, either directly or otherwise. The key management personnel include all the Directors of the Company, and selected senior management members.

Key management personnel's remuneration is as follows:

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|---------------------------------|-----------------------|-----------------------|
| Non-executive directors' fees | 156 | 176 |
| <u>Key management personnel</u> | | |
| Short term employee benefits: | | |
| Salary and other remuneration | 571 | 314 |
| Benefits-in-kind/perquisite | 18 | 2 |
| | <hr/> | <hr/> |
| | 589 | 316 |
| | <hr/> | <hr/> |
| Total | 745 | 492 |
| | <hr/> <hr/> | <hr/> <hr/> |

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

The relevant risks affecting the Company are:

(1) Takaful risks

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

(2) Investment and pricing risks

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

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

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 **FINANCIAL INSTRUMENTS (CONTINUED)**

(3) Profit rate risks

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

(4) Equity price risks

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

(5) Credit risks

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

The Company's exposure to credit risk analysed by industry:

| | Carrying <u>Amount</u> <u>2010</u> RM'000 | Carrying <u>Amount</u> <u>2009</u> RM'000 |
|---|--|--|
| Islamic government guaranteed and debt securities: | | |
| Consumer products | 5,012 | 5,005 |
| Finance | 11,080 | 1,000 |
| Power | 7,055 | 7,773 |
| Properties/Plantation | 10,712 | 5,661 |
| Telecommunication | 12,064 | 9,832 |
| Transportation | - | 5,006 |
| Utilities | 1,051 | 1,058 |
| Trading/services | 7,749 | 7,341 |
| Other low risk assets | 5,015 | - |
| Other government guaranteed financing low risk assets | 30,296 | 15,313 |
| Structured investments: | | |
| Citibank Berhad | 183,572 | 165,485 |
| Hong Leong Bank Berhad | 23,699 | 23,063 |
| Total | <u>297,305</u> | <u>246,537</u> |

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(5) Credit risks (continued)

Ratings of Islamic corporate debentures, bonds and other government guaranteed low-risk asset securities on carrying value basis are as follows:

| | <u>2010</u> RM'000 | <u>2009</u> RM'000 |
|---|-----------------------|-----------------------|
| Islamic government guaranteed and debt securities: | | |
| AAA | 22,476 | 17,008 |
| AA | 36,262 | 24,668 |
| A | 1,000 | 1,000 |
| Other government guaranteed financing low risk assets | 30,296 | 15,313 |
| Structured investments: | | |
| AAA | 183,572 | 165,485 |
| AA | 23,699 | 23,063 |
| Total | <u>297,305</u> | <u>246,537</u> |

(6) Liquidity risks

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

(7) Business and operational risks

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

(8) Market risk

Equity risk

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

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| <u>Shareholders' fund</u> | <u>Non profit bearing</u> | <u>Profit bearing</u> | | | | | | <u>Total carrying value</u> | <u>Weighted average effective profit rate</u> |
|--|---------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|--------------------------|-----------------------------|---|
| | | <u>1 year or less</u> | <u>1 to 2 years</u> | <u>2 to 3 years</u> | <u>3 to 4 years</u> | <u>4 to 5 years</u> | <u>More than 5 years</u> | | |
| <u>2010</u> | | | | | | | | | |
| <u>Assets</u> | | | | | | | | | |
| Investments: | | | | | | | | | |
| - Islamic government guaranteed and debt securities | - | 7,055 | 5,003 | 3,048 | 11,956 | 15,764 | 20,752 | 63,578 | 4.30% |
| - Deposit and money market placement with licensed banks | - | 23,909 | - | - | - | - | - | 23,909 | 2.39% |
| - Equity securities of companies | 2,495 | - | - | - | - | - | - | 2,495 | |
| - Unit-linked funds (seed money) | 4,000 | - | - | - | - | - | - | 4,000 | |
| - Cash and bank balances | 861 | - | - | - | - | - | - | 861 | |
| Other receivables | 2,904 | - | - | - | - | - | - | 2,904 | |
| Financial assets | 10,260 | 30,964 | 5,003 | 3,048 | 11,956 | 15,764 | 20,752 | 97,747 | |
| Non-financial assets | | | | | | | | 2,229 | |
| Total assets | | | | | | | | 99,976 | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| | Non-profit bearing | Profit bearing | | | | | | Total carrying value | Weighted average effective profit rate |
|---------------------------------|--------------------|----------------|--------------|--------------|--------------|--------------|-------------------|----------------------|--|
| | | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years | | |
| <u>Shareholders' fund</u> | | | | | | | | | |
| <u>2010</u> | | | | | | | | | |
| <u>Liabilities</u> | | | | | | | | | |
| Other payables | 4,972 | - | - | - | - | - | - | 4,972 | |
| Amount due to related companies | 346 | - | - | - | - | - | - | 346 | |
| Financial liabilities | 5,318 | - | - | - | - | - | - | 5,318 | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| | Non profit bearing | Profit bearing | | | | | | Total carrying value | Weighted average effective profit rate |
|---|--------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|-------------------------|----------------------------|---|
| | | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years | | |
| <u>Shareholders' fund</u> | | | | | | | | | |
| <u>2009</u> | | | | | | | | | |
| <u>Assets</u> | | | | | | | | | |
| Investments: | | | | | | | | | |
| - Islamic government guaranteed and debt securities | - | 4,503 | 7,269 | 6,005 | - | 13,039 | 19,836 | 50,652 | 4.64% |
| - Deposit and money market placement with licensed banks | - | 38,080 | - | - | - | - | - | 38,080 | 1.73% |
| - Equity securities of companies | 1,261 | - | - | - | - | - | - | 1,261 | |
| - Unit-linked funds (seed money) | 4,000 | - | - | - | - | - | - | 4,000 | |
| - Cash and bank balances | 634 | - | - | - | - | - | - | 634 | |
| Other receivables | 2,183 | - | - | - | - | - | - | 2,183 | |
| Financial assets | 8,078 | 42,583 | 7,269 | 6,005 | - | 13,039 | 19,836 | 96,810 | |
| Non-financial assets | | | | | | | | 2,208 | |
| Total assets | | | | | | | | 99,018 | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| | Non-profit bearing | Profit bearing | | | | | | Total carrying value | Weighted average effective profit rate |
|---------------------------------|--------------------|----------------|--------------|--------------|--------------|--------------|-------------------|----------------------|--|
| | | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years | | |
| <u>Shareholders' fund</u> | | | | | | | | | |
| <u>2009</u> | | | | | | | | | |
| <u>Liabilities</u> | | | | | | | | | |
| Other payables | 2,482 | - | - | - | - | - | - | 2,482 | |
| Amount due to related companies | 205 | - | - | - | - | - | - | 205 | |
| Financial liabilities | <u>2,687</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,687</u> | |
| Non-financial liabilities | | | | | | | | 209 | |
| Total liabilities | | | | | | | | <u>2,896</u> | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| | Non-profit bearing | Profit bearing | | | | | | Total carrying value | average effective profit rate |
|--|--------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|--------------------------|----------------------|-------------------------------|
| | | Weighted | | | | | | | |
| <u>General fund</u> | <u>bearing</u> | <u>1 year or less</u> | <u>1 to 2 years</u> | <u>2 to 3 years</u> | <u>3 to 4 years</u> | <u>4 to 5 years</u> | <u>More than 5 years</u> | | |
| <u>2010</u> | | | | | | | | | |
| <u>Assets</u> | | | | | | | | | |
| Investments: | | | | | | | | | |
| - Islamic government guaranteed and debt securities | - | - | - | 610 | 100 | 1,499 | - | 2,209 | 4.21% |
| - Deposit and money market placement with licensed banks | - | 510 | - | - | - | - | - | 510 | 2.55% |
| Cash and bank balances | 871 | - | - | - | - | - | - | 871 | |
| Other receivables | 9,520 | - | - | - | - | - | - | 9,520 | |
| Financial assets | 10,391 | 510 | - | 610 | 100 | 1,499 | - | 13,110 | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| | Profit bearing | | | | | | | Weighted | |
|------------------------------|--------------------|----------------|--------------|--------------|--------------|--------------|-------------------|----------------------|-------------------------------|
| | Non-profit 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 value | average effective profit rate |
| <u>General fund</u> | | | | | | | | | |
| <u>Liabilities</u> | | | | | | | | | |
| Payables | 694 | - | - | - | - | - | - | 694 | |
| Financial liabilities | 694 | - | - | - | - | - | - | 694 | |
| Other financial liabilities* | | | | | | | | 7,869 | |
| Non-financial liabilities | | | | | | | | 4,547 | |
| Total liabilities | | | | | | | | 13,110 | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| | Profit bearing | | | | | | | Total carrying value | Weighted average effective profit rate |
|--|--------------------|----------------|--------------|--------------|--------------|--------------|-------------------|----------------------|--|
| | Non-profit 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 | | |
| <u>2009</u> | | | | | | | | | |
| <u>Assets</u> | | | | | | | | | |
| Investments: | | | | | | | | | |
| - Islamic government guaranteed and debt securities | - | - | - | - | - | 100 | - | 100 | 3.90% |
| - Deposit and money market placement with licensed banks | - | 1,828 | - | - | - | - | - | 1,828 | 2.02% |
| Cash and bank balances | 58 | - | - | - | - | - | - | 58 | |
| Other receivables | 84 | - | - | - | - | - | - | 84 | |
| Financial assets | 142 | 1,828 | - | - | - | 100 | - | 2,070 | |
| Other financial assets* | | | | | | | | 991 | |
| Total assets | | | | | | | | 3,061 | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| | Profit bearing | | | | | | | Total carrying value | Weighted average effective profit rate |
|------------------------------|--------------------|----------------|--------------|--------------|--------------|--------------|-------------------|----------------------|--|
| | Non-profit 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 | | |
| <u>General fund</u> | | | | | | | | | |
| <u>Liabilities</u> | | | | | | | | | |
| Payables | 88 | - | - | - | - | - | - | 88 | |
| Financial liabilities | 88 | - | - | - | - | - | - | 88 | |
| Other financial liabilities* | | | | | | | | 1,666 | |
| Non-financial liabilities | | | | | | | | 1,307 | |
| Total liabilities | | | | | | | | 3,061 | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| Family takaful fund including investment-linked | Profit bearing | | | | | | | Total carrying value | Weighted average effective profit rate |
|--|--------------------|----------------|--------------|--------------|--------------|--------------|-------------------|----------------------|--|
| | Non-profit 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 | | |
| <u>2010</u> | | | | | | | | | |
| <u>Assets</u> | | | | | | | | | |
| Investments: | | | | | | | | | |
| - Islamic government guaranteed and debt securities | - | - | 1,008 | 1,423 | 1,602 | 15,501 | 4,713 | 24,247 | 4.13% |
| - Structured investments | - | 141,774 | 23,699 | 20,768 | - | 21,030 | - | 207,271 | |
| - Deposit and money market placement with licensed banks | - | 11,076 | - | - | - | - | - | 11,076 | 2.38% |
| - Equity securities of Companies | 123 | - | - | - | - | - | - | 123 | |
| Cash and bank balances | 2,730 | - | - | - | - | - | - | 2,730 | |
| Other receivables | 4,448 | - | - | - | - | - | - | 4,448 | |
| Financial assets | 7,301 | 152,850 | 24,707 | 22,191 | 1,602 | 36,531 | 4,713 | 249,895 | |
| Other financial assets* | | | | | | | | 1,685 | |
| Non financial assets | | | | | | | | 31 | |
| Total assets | | | | | | | | 251,611 | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| Family takaful fund including investment-linked | Profit bearing | | | | | | | Total carrying value | Weighted average effective profit rate |
|---|--------------------|----------------|--------------|--------------|--------------|--------------|-------------------|----------------------|--|
| | Non-profit 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 | | |
| <u>2010</u> | | | | | | | | | |
| <u>Liabilities</u> | | | | | | | | | |
| Payables | 5,656 | - | - | - | - | - | - | 5,656 | |
| Financial liabilities | 5,656 | - | - | - | - | - | - | 5,656 | |
| Other financial liabilities* | | | | | | | | 245,955 | |
| Total liabilities | | | | | | | | 251,611 | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| Family takaful fund including investment-linked | Non-profit bearing | Profit bearing | | | | | | Total carrying value | Weighted average effective profit rate |
|--|--------------------|----------------|--------------|--------------|--------------|--------------|-------------------|----------------------|--|
| | | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years | | |
| <u>2009</u> | | | | | | | | | |
| <u>Assets</u> | | | | | | | | | |
| Investments: | | | | | | | | | |
| - Islamic government guaranteed and debt securities | - | 1,007 | - | 1,000 | - | 1,896 | 3,334 | 7,237 | 4.52% |
| - Structured investments | - | - | 143,352 | 23,621 | 21,575 | - | - | 188,548 | |
| - Deposit and money market placement with licensed banks | - | 18,527 | - | - | - | - | - | 18,527 | 1.72% |
| - Equity securities of companies | 109 | - | - | - | - | - | - | 109 | |
| Cash and bank balances | 1,368 | - | - | - | - | - | - | 1,368 | |
| Other receivables | 3,888 | - | - | - | - | - | - | 3,888 | |
| Financial assets | 5,365 | 19,534 | 143,352 | 24,621 | 21,575 | 1,896 | 3,334 | 219,677 | |
| Other financial assets* | | | | | | | | 201 | |
| Non financial assets | | | | | | | | 99 | |
| Total assets | | | | | | | | 219,977 | |

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (continued)

The weighted average effective profit rate as at financial year end and the maturity structure for each class of financial assets and liabilities are as follows:

| Family takaful fund including investment-linked | Non-profit bearing | Profit bearing | | | | | | Total carrying value | Weighted average effective profit rate |
|---|--------------------|----------------|--------------|--------------|--------------|--------------|-------------------|----------------------|--|
| | | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years | | |
| <u>2009</u> | | | | | | | | | |
| <u>Liabilities</u> | | | | | | | | | |
| Payables | 6,090 | - | - | - | - | - | - | 6,090 | |
| Financial liabilities | 6,090 | - | - | - | - | - | - | 6,090 | |
| Other financial liabilities* | | | | | | | | 213,887 | |
| Total liabilities | | | | | | | | 219,977 | |

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

Company No.

| | |
|--------|---|
| 738090 | M |
|--------|---|

HONG LEONG TOKIO MARINE TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (CONTINUED)

25 FAIR VALUES

The carrying values of financial assets and liabilities of the Company as at 30 June 2010 approximate their fair values, except for the following:

| | <u>2010</u> | | <u>2009</u> | |
|--|-----------------|---------------|-----------------|---------------|
| | <u>Carrying</u> | <u>Fair</u> | <u>Carrying</u> | <u>Fair</u> |
| | <u>values</u> | <u>values</u> | <u>values</u> | <u>values</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Investments: | | | | |
| Islamic government guaranteed and debt securities | 90,034 | 91,157 | 53,050 | 52,500 |

The carrying value of investments in Islamic corporate debentures at the balance sheet of the previous financial year was not written down to their fair value as the Directors were of the opinion that these investments would be held for long term purpose.