



Innovation

Allianz Malaysia Berhad (12428-W)

(Formerly known as Allianz General Insurance Malaysia Berhad)

Laporan Tahunan 2007 Annual Report



Innovation through i2s

"i2s is about getting ideas to improve our services and operations and it's about constructive ideas from each employee and agent."

Michael Diekmann – Chairman of the Board of Management of Allianz SE

"By linking innovation with trust, we are sending out a clear message that we're not just innovating for the sake of it, but because we want to create real value for our customers, partners, brokers and agents, staff and, ultimately, the entire organisation."

Dr. Werner Zedelius – Innovation Board Sponsor and Member of the Board of Management of Allianz SE, Insurance Growth Markets

A brilliant idea sparked at Allianz Group in 2005. The idea was to enable all Allianz employees to share their ideas, in improving the Company in the many ways possible and centers primarily on the establishment of a more open, innovative culture for Allianz SE.

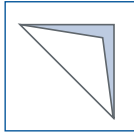
The groundwork was laid by the Allianz Excellence Program (AEP) team who conducted research, working diligently collaborating with Operating Entities and +One initiatives such as Customer Focus Initiative (CFI) and Sustainability. On their way to developing an innovation concept, the AEP team discovered that the critical success factors on generating and implementing value-creating ideas require process and culture, dedicated employee engagement and that is a leadership challenge.

In July 2006 Allianz began rolling out the innovation initiative - Ideas to Success "i2s", the first step in Allianz's journey to become a Trusted Innovator by the end of 2008. One year later, over 30,000 ideas have been generated by employees from 72 Allianz companies in 37 countries. In the same year, the second phase extended and accelerated innovation in the Group so that Idea Management will evolve into Innovation Management.

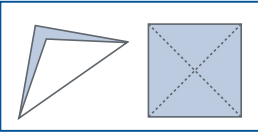
In 2008, almost every Allianz Company has launched i2s locally. Over 60,000 i2s ideas have been generated, of which 9,000 have been fully implemented. Today, Allianz aims to incorporate Innovation into its DNA - making it a natural part of the way we work.

Instructions for folding Cranes:

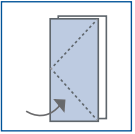
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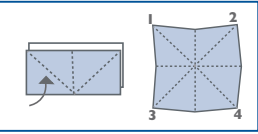
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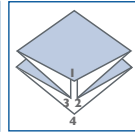
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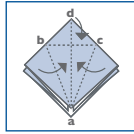
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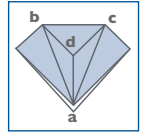
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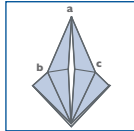
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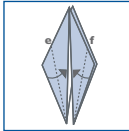
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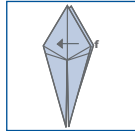
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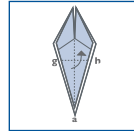
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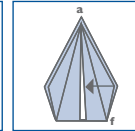
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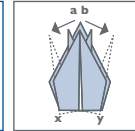
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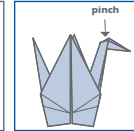
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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 34th Annual General Meeting of Allianz Malaysia Berhad (Formerly known as Allianz General Insurance Malaysia Berhad) will be held at Junior Ballroom, Level 2, Hotel Nikko, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 25 June 2008 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2007 and the Directors' and Auditors' Reports thereon. Resolution 1
2. To approve the payment of a first and final dividend of 2.00 sen per share less 26% tax for the financial year ended 31 December 2007. Resolution 2
3. To approve the payment of Directors' fees of RM218,264 for the financial year ended 31 December 2007 (2006: RM115,120). Resolution 3
4. To re-elect the following Directors:-
 - (a) Directors who retire by rotation in accordance with Article 96 of the Articles of Association of the Company and being eligible, offer themselves for re-election:-
 - (i) Mr. Dung Tri Nguyen @ Don Tri Nguyen Resolution 4
 - (ii) Mr. Foo San Kan Resolution 5
 - (b) To re-elect Mr. Cornelius Alexander Ioannis Ankel who retires in accordance with Articles 102 of the Company's Articles of Association and being eligible, offers himself for re-election. Resolution 6
5. To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration. Resolution 7
6. **Special Business**

To consider and if thought fit, pass the following resolutions:-

ORDINARY RESOLUTIONS

(i) Authority to Directors to Issue Shares

Resolution 8

"That pursuant to Section 132D of the Companies Act, 1965, and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one of financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(ii) Proposed Renewal of Shareholders' Mandate

Resolution 9

"That subject to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into the category of recurrent transactions of a revenue or trading nature which are necessary for its day to day operations with the Related Parties as specified in section 2.2 of the Circular dated 2 June 2008, subject further to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;
- (b) disclosure is made in the annual report of the breakdown of the aggregate value of the recurrent transaction conducted pursuant to the shareholders' mandate during the financial year where:-
 - (i) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1 million; or
 - (ii) any one of the percentage ratio of such aggregated transaction is equal to or exceeds 1 %,
 whichever is the higher; and
- (c) such authority shall take effect from the passing of this Ordinary Resolution and shall continue in force until:-
 - (i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by ordinary resolution passed at the said AGM, the authority is renewed; or
 - (ii) the expiration of the period within which next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
 - (iii) revoked or varied by resolution passed by the shareholders in a general meeting;
 whichever is the earlier.

That the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

SPECIAL RESOLUTION**Proposed Amendments to the Articles of Association**

Resolution 10

"That the Articles and Association of the Company be and is hereby amended in the manner and to the extent as set out in the Circular to Shareholders dated 2 June 2008."

7. To transact any other business for which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT the first and final dividend of 2.00 sen per share less 26% tax for the financial year ended 31 December 2007, if approved at the 34th Annual General Meeting, will be paid on 1 August 2008 to shareholders whose names appear in the Register of Members and/or the Record of Depositors at the close of business on 18 July 2008.

A Depositor shall qualify for entitlement to the first and final dividend only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 18 July 2008 in respect of transfers;
- (b) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 16 July 2008 in respect of shares exempted from mandatory deposit; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG SIEW GEK
Secretary

Kuala Lumpur
2 June 2008

NOTES:-

- 1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
- 2. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 3. A member who is an authorised nominee as defined under the Central Depository Act, may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 4. The instrument appointing a proxy/proxies must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
- 5. The instrument of proxy shall be deposited at the Registered Office of the Company at Suite 3A-15, Level 15, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than forty-eight (48) hours before the appointed time for holding the Annual General Meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

A. Resolution 8 – Authority to Directors to Issue Shares

This proposed resolution, if passed, will give authority to the Directors of the Company to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

B. Resolution 9 – Proposed Renewal of Shareholders' Mandate

This proposed resolution, if passed, will enable the Company and/or its subsidiaries to continue enter into recurrent related party transactions of a revenue or trading nature with the Related Parties.

Detailed information in relation to the Proposed Renewal of Shareholders' Mandate are set out in the Circular to Shareholders dated 2 June 2008, despatched together with this Annual Report.

C. Resolution 10 – Proposed Amendments to the Articles of Association

This proposed resolution, if passed, will bring the Articles of Association of the Company in line with the amendments made to the Listing Requirements of Bursa Malaysia Securities Berhad.

Detailed information in relation to the Proposed Amendments to the Articles of Association are set out in the Circular to Shareholders dated 2 June 2008, despatched together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-election at the 34th Annual General Meeting of the Company are set out in the Directors' profile on pages 15 to 21 of this Annual Report.

Corporate Information

Stock Exchange Listing	: Bursa Malaysia Securities Berhad
Stock Name	: ALLIANZ
Stock Code	: 1163
ISIN Code	: MYL116300004

Company Secretary and Registered Office

Ng Siew Gek

Suite 3A-15, Level 15, Block 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 03-22641188
Fax : 03-22641186

Head Office

Suite 3A-15, Level 15, Block 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 03-22641188/2264 0688
Fax : 03-22641199

Share Registrars

Tenaga Koperat Sdn Bhd

20th Floor, Plaza Permata, Jalan Kampar
Off Jalan Tun Razak, 50400 Kuala Lumpur
Tel : 03-40473883
Fax : 03-40426352

Auditors

KPMG

Level 10, KPMG Tower, 8, First Avenue
Bandar Utama, 47800 Petaling Jaya
Selangor
Tel : 03-77213388
Fax : 03-77213399

Principal Bankers

Citibank Berhad

Standard Chartered Bank Malaysia Berhad

RHB Bank Berhad

Principal Solicitors

Lim Kian Leong & Co

Wong & Partners



Nationwide Network
Growing Alongside Each Other

Nationwide Network

SUBSIDIARY COMPANIES

NETWORK OF OFFICES

GENERAL INSURANCE	SUITE 3A-15, LEVEL 15, BLOCK 3A PLAZA SENTRAL, JALAN STESEN SENTRAL 5 KUALA LUMPUR SENTRAL 50470 KUALA LUMPUR TEL : 03-22641188/22640688 FAX : 03-22641199		
CENTRAL REGION	KUALA LUMPUR WISMA ALLIANZ 33, JALAN GEREJA 50100 KUALA LUMPUR TEL : 03-20312211 FAX : 03-20789918 KAJANG GROUND & MEZZANINE FLOOR NO. 17 & 17A, JALAN M/J1 TAMAN MAJLIS JAYA SUNGAI CHUA 43000 KAJANG, SELANGOR TEL : 03-87339078/87337395/ 87340371/87340501 FAX : 03-87336985 SHAH ALAM NO. 32, JALAN RENANG 13/26 40100 SHAH ALAM SELANGOR TEL : 03-55103688 FAX : 03-55137633	PETALING JAYA NO. 15, GROUND, 1ST, 2ND & 3RD FLOOR JALAN 8/1D, SECTION 8 46050 PETALING JAYA SELANGOR TEL : 03-79564629/79564621 FAX : 03-79548210/79556727 MALURI 152- 4-5 KOMPLEKS MALURI JALAN JEJAKA, TAMAN MALURI 55100 KUALA LUMPUR TEL : 03-92825587 FAX : 03-92825629	KLANG NO. 11A, 1ST FLOOR JALAN KEPAYANG OFF JALAN MERU 41050 KLANG, SELANGOR TEL : 03-33429008/33420639 FAX : 03-33421901 KEPONG NO. 1, JALAN PRIMA 9 PUSAT NIAGA METRO PRIMA 52100 KEPONG, KUALA LUMPUR TEL : 03-62586888 FAX : 03-62592554
NORTHERN REGION	IPOH UNIT NO. A-G-1 & A-1-1, GROUND & 1ST FLOOR GREENTOWN SQUARE JALAN DATO' SERI AHMAD SAID 30450 IPOH, PERAK TEL : 05-2549150/2555103 FAX : 05-2542988 TAIPING NO. 49 & 51, GROUND FLOOR JALAN STATION 34000 TAIPING, PERAK TEL : 05-8068688/8068976 FAX : 05-8088975 PENANG NO. 76, BISHOP STREET 10200 PENANG TEL : 04-2637505/2637626/ 2632230/2636813 FAX : 04-2618455 LEVEL 27, MENARA BHL 51, JALAN SULTAN AHMAD SHAH 10050 PENANG TEL : 04-2266055 FAX : 04-2277055	ALOR STAR NO. 300 & 301, GROUND, 1ST & 2ND FLOOR JALAN LUMPUR 05100 ALOR STAR, KEDAH TEL : 04-7328575/7334655 FAX : 04-7337868 TELUK INTAN NO. 77-G, GROUND, 1ST & 2ND FLOOR JALAN INTAN 4, BANDAR BARU 36000 TELUK INTAN, PERAK TEL : 05-6215882/6217731/ 6217732 FAX : 05-6225229 GERIK PLOT NO.11, 1ST FLOOR JALAN TOH SHAHBANDAR ULU 33300 GERIK, PERAK TEL : 05-7912418 FAX : 05-7912112 BUKIT MERTAJAM NO. 486, GROUND, 1ST & 3RD FLOOR JALAN PERMATANG RAWA BANDAR PERDA 14000 BUKIT MERTAJAM, PENANG TEL : 04-5378328/5371628 FAX : 04-5374398/5371108	SUNGAI PETANI NO. 62B, 1ST, 2ND & 3RD FLOOR JALAN PENGKALAN, PEKAN BARU 08000 SUNGAI PETANI, KEDAH TEL : 04-4258282/4252894/ 4252895 FAX : 04-4252893 SITIAWAN NO. 12, 1ST FLOOR TAMAN SITIAWAN MAJU II 32000 SITIAWAN, PERAK TEL : 05-6912277/6928425/ 6928427 FAX : 05-6928429 BUTTERWORTH NO. 6770 & 6771, GROUND & 2ND FLOOR, JALAN KG. GAJAH 12200 BUTTERWORTH, PENANG TEL : 04-3333188 FAX : 04-3319778 KANGAR NO. 368, TINGKAT SATU JALAN KANGAR-ALOR SETAR TAMAN MUTIARA PENGKALAN ASAM 01000 KANGAR, PERLIS TEL : 04-9781892 FAX : 04-9781892

<p>EAST COAST REGION</p> <p>Main Office NO. 46, 2ND FLOOR JALAN GAMBUT 25000 KUANTAN PAHANG</p> <p>TEL : 09-5177662 FAX : 09-5177663</p>	<p>KUANTAN NO. 46, GROUND, 1ST & 2ND FLOOR, JALAN GAMBUT 25000 KUANTAN PAHANG TEL : 09-5144936/5143276 FAX : 09-5142936</p> <p>MENTAKAB NO. 125, 1ST & 2ND FLOOR JALAN TEMERLOH 28400 MENTAKAB, PAHANG TEL : 09-2771741/2778227 FAX : 09-2777476</p>	<p>KUALA TERENGGANU PT 3357 P, GROUND, 1ST & 2ND FLOOR JALAN SULTAN ZAINAL ABIDIN 20000 KUALA TERENGGANU TERENGGANU TEL : 09-6223678/6223233 FAX : 09-6234233</p> <p>TEMERLOH NO. 21, PUSAT KOMERSIL TEMERLOH JALAN DATO' BAHAMAN 3 28000 TEMERLOH PAHANG TEL : 09-2969292 FAX : 09-2960254</p>	<p>KOTA BHARU LOT 1184, GROUND, 1ST & 2ND FLOOR JALAN KEBUN SULTAN 15350 KOTA BHARU KELANTAN TEL : 09-7481196/7444566 FAX : 09-7446766</p>
<p>SOUTHERN REGION</p> <p>Main Office NO. 84, 2ND FLOOR JALAN SERAMPANG TAMAN PELANGI 80400 JOHOR BAHRU JOHOR</p> <p>TEL : 07-3340166 FAX : 07-3316881</p>	<p>JOHOR BAHRU NO. 84, GROUND, 1ST & 2ND FLOOR JALAN SERAMPANG TAMAN PELANGI 80400 JOHOR BAHRU, JOHOR TEL : 07-3340166/3340160 FAX : 07-3340167</p> <p>SEREMBAN NO. 44, GROUND, 1ST & 2ND FLOOR JALAN S2 B18, BIZ AVENUE SEREMBAN 2, 70300 SEREMBAN NEGERI SEMBILAN TEL : 06-6013636 FAX : 06-6013344</p>	<p>KLUANG NO. 5, GROUND, 1ST & 2ND FLOOR JALAN PERSIARAN YAYASAN 86000 KLUANG JOHOR TEL : 07-7723255/7732530 FAX : 07-7738097</p> <p>MELAKA NO. 374, GROUND & 1ST FLOOR JALAN MELAKA RAYA 6 TAMAN MELAKA RAYA 75000 MELAKA TEL : 06-2833821 FAX : 06-2844198</p>	<p>SEGAMAT NO. 52, 2ND FLOOR JALAN SUSUR GENUANG 85000 SEGAMAT JOHOR TEL : 07-9328117/9329117 FAX : 07-9322117</p> <p>BATU PAHAT NO.1-2,1-2A, GROUND & 1ST FLOOR JALAN MAJU 1,TAMAN MAJU 83000 BATU PAHAT, JOHOR TEL : 07-4338166 FAX : 07-4332166</p>
<p>SABAH REGION OFFICE</p> <p>Main Office BANGUNAN ALLIANZ 3RD FLOOR, LOT 30 BLOCK E, SEDCO COMPLEX JALAN ALBERT KWOK LOCKED BAG 69, 88000 KOTA KINABALU, SABAH</p> <p>TEL : 088-236589 FAX : 088-238589</p>	<p>KOTA KINABALU BANGUNAN ALLIANZ GROUND, 1ST, 2ND & 3RD FLOOR LOT 30, BLOCK E, SEDCO COMPLEX JALAN ALBERT KWOK LOCKED BAG 69 88000 KOTA KINABALU, SABAH TEL : 088-221397/221606/ 216197 FAX : 088-224870</p>	<p>TAWAU GROUND & 1ST FLOOR, TB 320 BLOCK 38, FAJAR COMPLEX JALAN ST. PATRICK W.D.T. NO. 33 91009 TAWAU, SABAH TEL : 089-779055/772976 FAX : 089-763015</p> <p>LAHAD DATU GROUND & 2ND FLOOR, MDLD 6887 BLOCK P, LOT 1, BANGUNAN SUDC 91100 LAHAD DATU, SABAH TEL : 089-880388/880488 FAX : 089-880188</p>	<p>SANDAKAN LOT 8, GROUND & 1ST FLOOR LOT 7, 1ST & 2ND FLOOR, BLOCK 2 BANDAR INDAH, MILE 4 NORTH ROAD W.D.T. NO. 291 90000 SANDAKAN, SABAH TEL : 089-211054/217197 FAX : 089-211052</p>
<p>SARAWAK REGION OFFICE</p> <p>Main Office 2ND FLOOR, LOT 1374 CENTREPOINT COMMERCIAL CENTRE (PHASE 2) BLOCK 10, MIRI CONCESSION LAND DISTRICT, KUBU ROAD 98000 MIRI, SARAWAK</p> <p>TEL : 085-417828 FAX : 085-417054</p>	<p>MIRI GROUND, 1ST & 2ND FLOOR LOT 1374, CENTREPOINT COMMERCIAL CENTRE (PHASE 2) BLOCK 10, MIRI CONCESSION LAND DISTRICT, KUBU ROAD 98000 MIRI, SARAWAK TEL : 085-423829/416828 FAX : 085-419153</p> <p>SARIKEI NO. 72, 1ST FLOOR & 2ND FLOOR REPOK ROAD 96108 SARIKEI, SARAWAK TEL : 084-652577/651877 FAX : 084-653908</p>	<p>SIBU NO. 12-I, GROUND, 1ST, 2ND & 3RD FLOOR JALAN KAMPUNG DATU 96000 SIBU, SARAWAK TEL : 084-332469/343205 FAX : 084-332470</p> <p>BINTULU LOT 259, 1ST FLOOR PARKCITY COMMERCE SQUARE (PHASE 4) 97000 BINTULU, SARAWAK TEL : 086-337312/312805 FAX : 086-312937</p>	<p>KUCHING 1ST, 2ND & 3RD FLOOR SUBLOT 3, BLOCK 10 JALAN LAKSAMANA CHENG HO KUCHING CENTRAL LAND DISTRICT 93350 KUCHING SARAWAK TEL : 082-417842/413849/ 419950/254007 FAX : 082-424624</p>

LIFE INSURANCE	HEAD OFFICE LEVEL 23 & 23A WISMA UOA II 21, JALAN PINANG 50450 KUALA LUMPUR Tel : 03-21623388 Fax : 03-21626720		
CENTRAL REGION	PUDU PLAZA, KUALA LUMPUR LOT 3.17,20,21,22,23 & 24 LOT 5.07 & 5.09 LOT 8.05 & 8.07 LOT 10.04 & 06 LOT 11.12 & 14 JALAN PUDU OFF JALAN LANDAK 55100 KUALA LUMPUR Tel : 03-21430822 Fax : 03-21448121	DESA JAYA - KEPONG WISMA ALLIANZ LIFE NO. 11-14, JALAN 53, DESA JAYA COMMERCIAL CENTRE TAMAN DESA 52100 KEPONG KUALA LUMPUR Tel : 03-62758000 Fax : 03-62751700	KLANG NO. 42A NO.46, JALAN TIARA 2C BANDAR BARU KLANG 41150 KLANG SELANGOR Tel : 03-33453253 Fax : 03-33453288
NORTHERN REGION	PENANG NO. 76, BISHOP STREET 10300, PENANG Tel : 04-2622999 Fax : 04-2626099 BUKIT MERTAJAM NO.486, NO. 487 JALAN PERMATANG RAWA BANDAR PERDA, 14000 BUKIT MERTAJAM PENANG Tel : 04-5377231 Fax : 04-5377231	ALOR STAR GROUND FLOOR 1ST & 2ND FLOOR NO. 301, JALAN LUMPUR 05100 ALOR STAR KEDAH Tel : 04-7345091 Fax : 04-7317271	IPOH UNIT NO. A-G-1, A-1-1 & A-2-1 GREENTOWN SQUARE JALAN DATO' SERI AHMAD SAID 30450 IPOH, PERAK Tel : 05-2419752 Fax : 05-2416898
SOUTHERN REGION	NEGERI SEMBILAN NO. 43, 1ST FLOOR JALAN S2 B18, BIZ AVENUE 70300 SEREMBAN 2 NEGERI SEMBILAN Tel : 06-6011007 Fax : 06-6011099 MELAKA NO. 524, GROUND FLOOR 1ST & 2ND FLOOR JALAN MELAKA RAYA TAMAN MELAKA RAYA 75000 MELAKA Tel : 06-2823377 Fax : 06-2820793	JOHOR BAHRU ROOM 301 ROOM 306 3RD FLOOR, WISMA DAIMAN NO. 64, JALAN SULAM TAMAN SENTOSA 80150 JOHOR Tel : 07-3325981 Fax : 07-3326462	YONG PENG, JOHOR NO. 16A, 1ST FLOOR JALAN BAYAN, TAMAN SEMBRONG BARAT YONG PENG, 83700 JOHOR Tel : 07-4676720 Fax : 07-4679400
EAST COAST REGION	MENTAKAB NO. 125, 1ST FLOOR, JALAN TEMERLOH P.O.BOX 28407 28400 MENTAKAB PAHANG Tel : 09-2776166 Fax : 06-2777476	KUANTAN NO. 18, GROUND FLOOR JALAN GAMBUT, 25000 KUANTAN PAHANG Tel : 09-5144936 Fax : 09-5142936	

SABAH REGION	SANDAKAN BLOCK 2, LOT 8 BANDAR INDAH, MILE 4 NORTH ROAD, 90009 SANDAKAN SABAH Tel : 089-274842 Fax : 089-274843	KOTA KINABALU LOT 30, BLOCK E, 3RD FLOOR LOT 29, BLOCK E, 2ND FLOOR SEDCO COMPLEX JALAN ALBERT KWOK LOCK BAG NO 69 88996 KOTA KINABALU SABAH Tel : 088-224551 Fax : 088-224506	TAWAU TB 320, 2ND FLOOR BLOCK 38 FAJAR COMPLEX 91000 TAWAU SABAH Tel : 089-765054 Fax : 089-764554
SARAWAK REGION	KUCHING SUBLOT NO. 3, GROUND FLOOR SUBLOT NO. 4, 2ND FLOOR KUCHING CENTRAL LAND DISTRICT JALAN LAKSAMANA CHENG HO KCLD 93200 KUCHING, SARAWAK Tel : 082-246515 Fax : 082-246713	SIBU LOT 1142, GROUND FLOOR LOT 1141, 1ST FLOOR BLOCK 4, JALAN KAMPUNG NYABOR 96000 SIBU, SARAWAK Tel : 084-346515 Fax : 084-326448	

Board of Directors

TAN SRI RAZALI ISMAIL

Chairman – Non-Independent Non-Executive

Y. Bhg. Tan Sri Razali Ismail, aged 69, Malaysian, was appointed to the Board of the Company on 25 September 2001. He is a member of the Audit Committee and Nominating Committee of the Company.

He obtained his Bachelor of Arts (Honours) degree from the University of Malaya in 1962. He was presented the Langkawi Environment Award by the Government of Malaysia in 1992. In 1993, he received an Honorary Doctorate from the National University of Malaysia and in 1998, an Honorary Doctorate in Law from University Sains Malaysia. Tan Sri Razali is also a recipient of the Patron's Ward from the World Wide Fund for Nature, Malaysia and the US National Wildlife Federation International Award.

He retired from government in 1998 after a career in the Malaysian Diplomatic Service over 35 years. In that period, he was assigned to various countries including to senior posts as Ambassador to Poland (and German Democratic Republic, Czechoslovakia and Hungary – 1978-1982), Ambassador to India (1982-1985), Deputy Secretary-General (Political Affairs at the Ministry - 1985-1988), and finally Malaysia's Ambassador to the United Nations (1988-1998). He had served in various capacities at the United Nations, inter alia, as Chairman of the Group of 77 in 1989, Chairman of the Commission on Sustainable Development in 1993 and as President of the United Nations General Assembly 1996-1997 session. He was closely involved in developing positions on issues such as development and sustainability, poverty and marginalisation, political reforms in the United Nations especially the Security Council and the General Assembly and on human rights and the environment. He continues to keep abreast on these subjects at home and abroad. He was appointed the United Nations Secretary-General's Special Envoy for Myanmar from 2001 to 2005.

In Malaysia, he is involved in IT and environmental industries. He is the Pro Chancellor of the University Sains Malaysia, Chairman of the National Peace Volunteer Corp (Yayasan Salam) and is appointed as the Malaysian Prime Minister's Special Envoy to facilitate assistance on Tsunami disaster victims in the affected areas. He is also a Council member of the Geneva-based Humanitarian Dialogue Centre and President of World Wildlife Fund in Malaysia.

Tan Sri Razali's other directorships in public companies are as follows:-

1. Chairman of Allianz Life Insurance Malaysia Berhad;
2. Chairman of Allianz General Insurance Company (Malaysia) Berhad;
3. Chairman of Commerce Assurance Berhad;
4. Chairman of IRIS Corporation Berhad;
5. Chairman of Leader Universal Holdings Berhad; and
6. Director of PLUS Expressways Berhad.

Tan Sri Razali does not hold any share in the Company and its subsidiaries and does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for offences within the past 10 years other than traffic offences.

Tan Sri Razali attended 6 out of 7 Board Meetings held in the financial year ended 31 December 2007.

DATO' SERI NIK ABIDIN BIN NIK OMAR
Independent Non-Executive Director

Y. Bhg. Dato' Seri Nik Abidin Bin Nik Omar, aged 64, Malaysian, was appointed to the Board on 5 January 2000. He is the Chairman of the Risk Management Committee, Nominating Committee and Remuneration Committee and a member of the Audit Committee of the Company. He obtained his Bachelor of Arts (Honours) degree from the University of Malaya in 1968.

He was a senior official of the Malaysian Government from 1968 till his retirement in 1999 serving in various capacities. He was the State Financial Officer of the State Government of Penang from 1979 to 1982 and President of the Municipal Council of Seberang Prai from 1982 to 1984. He was the UnderSecretary of Finance Division of the Ministry of Home Affairs from 1984 to 1990 followed by the appointment as the State Secretary of Perlis from 1990 to 1994. He was appointed the Director-General of the National Registration Department of Malaysia from 1994 to 1997. Prior to his retirement with the Government, he was the Deputy Secretary General I of the Ministry of Home Affairs.

Dato' Seri Nik Abidin's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad; and
2. Allianz Life Insurance Malaysia Berhad.

Dato' Seri Nik Abidin does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for offences within the past 10 years other than traffic offences.

Dato' Seri Nik Abidin attended all of the 7 Board Meetings held in the financial year ended 31 December 2007.

FOO SAN KAN
Independent Non-Executive Director

Mr. Foo San Kan, aged 59, Malaysian, was appointed to the Board on 25 November 2005. He is the Chairman of the Audit Committee and a member of the Risk Management Committee and Nominating Committee of the Company. He is a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. He is also a Fellow of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Taxation.

He was the Country Managing Partner of Ernst & Young Malaysia from 1997 to 2002 before he retired as a practising accountant. He had 34 years of experience in the accounting profession, of which the last 30 years were spent in various positions in Ernst & Young. During the course of his career, he was involved in various industry sectors including financial services, energy, manufacturing, plantations, property, construction, leisure and entertainment.

Mr. Foo San Kan's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad;
2. Allianz Life Insurance Malaysia Berhad;
3. Symphony House Berhad;
4. OSK Ventures International Berhad;
5. OSK Trustees Berhad;
6. OSK Investment Bank Berhad; and
7. SEG International Berhad.

Mr. Foo does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for offences within the past 10 years other than traffic offences.

Mr. Foo attended all of the 7 Board Meetings held in the financial year ended 31 December 2007.

DUNG TRI NGUYEN @ DON TRI NGUYEN
Non-Independent Non-Executive Director

Mr. Dung Tri Nguyen @ Don Tri Nguyen, aged 54, American, was appointed to the Board of the Company on 28 July 2000. He is a member of the Risk Management Committee, Nominating Committee and Remuneration Committee of the Company. He obtained his Bachelor of Science Degree from the University of Sorbonne in 1974. In 1976, he completed his Finance and Insurance Studies from the UC Berkeley's Graduate School in United States of America.

He has 33 years of experience in the insurance industry. He started his career with Allianz SE Group in 1991 and held the position of Chief Underwriting Officer in 1994. He is currently holding the position of Regional Head of Property and Casualty Division for Allianz Insurance Management Asia Pacific Pte Ltd and represents Allianz SE Group's interest on the Board of Directors of various companies within the Asia Pacific Region.

Mr. Nguyen's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad;
2. Allianz Insurance (Hong Kong) Limited;
3. PT Asuransi Allianz Utama Indonesia;
4. Bajaj Allianz General Insurance Company Ltd;
5. Allianz Fire & Marine Insurance Japan Ltd;
6. Allianz CP General Insurance Co. Ltd; and
7. Allianz Insurance Co Lanka Ltd.

He does not hold any share in the Company and its subsidiaries and does not have any family relationship with any Director and/or major shareholder, except by virtue of being a nominee Director of Allianz SE on the Board of the Company and its subsidiary. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Mr. Nguyen attended 6 out of 7 Board Meetings held in the financial year ended 31 December 2007.

CRAIG ANTHONY ELLIS
Non-Independent Non-Executive Director

Mr. Craig Anthony Ellis, aged 50, Australian, was appointed to the Board of the Company on 25 September 2001. He is the Chairman of the Investment Committee and a member of the Risk Management Committee, Remuneration Committee and Nominating Committee of the Company. He obtained his Bachelor of Commerce degree in 1979 from University of New South Wales, Australia. He is also a member of the Institute Accountants of Australia.

He has 29 years of experience in the financial services industry in Australia, Europe and Asia. He joined Allianz SE Group in 1998 as the Regional Chief Financial Officer of Allianz SE in Asia. He is currently holding the position of Regional General Manager, Life & Health of Allianz Insurance Management Asia Pacific Pte Ltd. Prior to his employment with Allianz SE Group, he was the General Manager of Manufacturers Mutual Insurance Sydney.

Currently, he represents Allianz SE Group's interest on the Board of Directors of various companies within the Asia Pacific Region.

Mr. Ellis's other directorships in public companies are as follows:-

1. Allianz Life Insurance Malaysia Berhad;
2. Allianz General Insurance Company (Malaysia) Berhad;
3. CPRN Holdings Ltd;
4. PT Asuransi Allianz Life Indonesia;
5. Allianz Taiwan Life Insurance Co. Ltd;
6. Hana Life Insurance Co. Ltd; and
7. Allianz Life Insurance Japan Ltd.

Mr. Ellis does not hold any share in the Company and its subsidiaries and does not have any family relationship with any Director and/or major shareholder, except by virtue of being a nominee Director of Allianz SE on the Board of the Company and its subsidiaries. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Mr. Ellis attended all of the 7 Board Meetings held in the financial year ended 31 December 2007.

ROBERT HENRY STEAD
Non-Independent Non-Executive Director

Mr. Robert Henry Stead, aged 54, British, was appointed to the Board of the Company on 10 July 2006. He is a Chartered Insurer and an Associate of the Chartered Insurance Institute (ACII). He has 36 years experience in the insurance industry in United Kingdom, Kenya and Asia. He joined Allianz SE Group in 2000 as the Chief Executive Officer/Managing Director of Allianz Insurance (Hong Kong) Limited and in 2005 became the Chief Executive Officer of Allianz SE Reinsurance Branch Asia Pacific. He is currently holding the position of Chief Executive Officer of Allianz Insurance Company of Singapore Pte Ltd. Prior to his employment with Allianz SE Group, he was the Group General Manager of Jerneh Asia Berhad. Mr. Stead also spent 22 years with Provincial Insurance, where he held senior positions in various operating entities until 1997.

Mr. Stead is also a Director of Allianz General Insurance Company (Malaysia) Berhad, a wholly-owned subsidiary of the Company.

Mr. Stead does not hold any share in the Company and its subsidiary and does not have any family relationship with any Director and/or major shareholder, except by virtue of being a nominee Director of Allianz SE on the Board of the Company and its subsidiary. Mr. Stead also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Mr. Stead attended 6 out of 7 Board Meetings held in the financial year ended 31 December 2007.

CORNELIUS ALEXANDER IOANNIS ANKEL

Chief Executive Officer and Non-Independent Executive Director

Mr. Cornelius Alexander Ioannis Ankel, aged 43, German, was appointed as the Chief Executive Officer and Executive Director of the Company on 13 March 2004 and 13 February 2008 respectively. He obtained his Chartered Insurance Professional qualification from the German Chartered Insurance Institute in 1991. He is a member of the Investment Committee of the Company.

He has over 17 years of experience in the insurance industry in Europe and Asia. He joined Allianz SE Group in 1997 as the Senior Business Development Manager of Allianz Insurance Management Asia Pacific Pte Ltd and subsequently assumed the position as the Chief Executive Officer of Allianz Fire and Marine Insurance Japan Ltd from 2000 to 2004. Prior to his employment with Allianz SE Group, he was the Regional Representative of Johnson & Higgins Insurance Brokers for Far East.

Mr. Ankel's other directorships in public companies are as follows:-

1. Allianz Life Insurance Malaysia Berhad;
2. Allianz General Insurance Company (Malaysia) Berhad;
and
3. Commerce Assurance Berhad.

Mr. Ankel does not hold any share in the Company and its subsidiaries and does not have any family relationship with any Director and/or major shareholder of the Company except by virtue of being a nominee Director of Allianz SE on the Board of the Company and its subsidiaries. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Mr. Ankel attended all of the 7 Board Meetings held in the financial year ended 31 December 2007 in his capacity as Chief Executive Officer of the Company.

Chairman's Statement



Tan Sri Razali Ismail
Chairman

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2007.

2007 continues to be a challenging year. Global economic worries precipitated by the US sub-prime crisis and record levels of oil prices are among the concerns. Despite these external conditions, the Malaysian economy remained resilient with a Gross Domestic Product growth of 6.3% and the services sector emerging as a key driver of growth. Finance and insurance sector grew at 10.7%. In the year 2007, the Group reached another milestone with the successful acquisition of Commerce Assurance Berhad ("CAB") and the re-quotation of the shares of the Company on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

FINANCIAL PERFORMANCE

Following the completion of the acquisition of CAB on 28 August 2007, the Group has consolidated CAB's 4 months financial performance in the financial results of the Group for the financial year ended 31 December 2007. I am pleased to report that for the year 2007, the Group's total operating revenue grew significantly by 27.3% to RM1.4 billion as compared to RM1.1 billion in 2006 while the gross premium income recorded RM1.3 billion in the financial year ended 31 December 2007. Net premium income also increased from RM772.3 million to RM991.8 million in 2007.

As at 31 December 2007, the Group's total asset stood at RM3.6 billion, an impressive growth of 63.6% over previous year of RM2.2 billion while the shareholders' funds decreased by RM17.1 million to RM319.5 million.

The Group's overall profit before tax reduced to RM12.3 million from RM50.3 million after accounted for the acquisition and integration related expenses of CAB and the substantial provisions in the incurred but not reported ("IBNR") claims and doubtful debts in the books of CAB following the alignment of the practices of CAB with the Group.

REVIEW OF OPERATIONS

General Insurance Operations

The Group's general insurance operation, carried out via the Company's wholly-owned subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") after consolidated with CAB (collectively referred to as "Allianz General") has become the second largest general insurance operator with a market share of close to 10%.

Allianz General continues to perform credibly in a challenging market which grew 4.3% in 2007. Whilst adhering to our underwriting policy of focusing on diligent risk selection, gross written premium grew by 33.2% over last year to RM748.6million (2006: RM561.9 million).

Allianz General recorded a net surplus of RM21.1 million as compared to RM48.1 million last year. The sharp decrease was mainly contributed by the additional provision provided for IBNR claims reserve and doubtful debts in CAB books.

Allianz General will continue in 2008 to pursue its profitable growth strategy through its multi-channel distribution and improvement in services.

Life Insurance Operations

The life insurance operation, carried out via the Company's wholly-owned subsidiary, Allianz Life Insurance Malaysia Berhad ("Allianz Life"), posted a strong 20.6% growth in gross written premium in the year 2007. The growth was attributed to its successful multi distribution strategy, which comprises the agency, worksite marketing, direct marketing and employee business channels. The agency channel, which is the core distribution channel of Allianz Life, turned in an impressive double digit growth of 36% in terms of new business premium for the year.

The shareholders' fund achieved a profit of RM1.9 million before taxation as compared to RM1.7 million last year. Total assets grew to RM1.7 billion as compared to RM1.4 billion while policyholders' fund increased to RM1.4 billion from RM1.1 billion.

For 2008, Allianz Life will continue to pursue profitable growth by intensifying the sales of unit linked business through its multi distribution strategy.

Allianz Life aims to launch more innovative investment products to meet the increasing customers' requirements for better investment opportunities and will continue to emphasis and strive for service excellence and operational efficiency.

DIVIDENDS

I am pleased to announce that the Board is recommending a first and final dividend of 2.00 sen per share less tax at 26% totalling RM2.3 million, subject to the approval from the shareholders at the forthcoming Annual General Meeting.

CORPORATE DEVELOPMENTS

During the year under review, the Group has successfully completed the following corporate exercises:-

- (a) Implementation of an internal restructuring which entailed, amongst others, the transfer of the Company's general insurance business ("Business Transfer") to its wholly-owned subsidiary, AGIC and the placement of the shares in the Company by the Company's major shareholder and holding company, Allianz SE ("Placement"), in order to facilitate the Company's compliance with the public shareholding spread requirement.

The Business Transfer was effected on 1 July 2007. Following the Business Transfer, the Company assumed as an investment holding company and changed its name from Allianz General Insurance Malaysia Berhad to Allianz Malaysia Berhad.

- (b) Concurrent with the Placement, new shares of the Company were allotted and issued to the employees of the Group pursuant to the Allianz Malaysia Employee Share Scheme ("ESS").

With the completion of the Placement and the issuance of shares pursuant to the ESS, the Company had complied with the public shareholding spread requirement and the shares of the Company were re-quoted on the Main Board of Bursa Malaysia on 2 October 2007.

- (c) The acquisition of CAB was successfully completed on 28 August 2007. With this acquisition, the Group increased its general insurance agency force and branches and added another important distribution channel via a bancassurance tie-up with CIMB Bank Berhad. The next milestone for the Group will be to integrate and merge the general insurance business of AGIC and CAB.

Corporate Social Responsibility

During the year, the Group carried out various corporate social responsibility initiatives.

In line with Allianz SE's participation in the United Nation Global Compact initiatives where organisations are encouraged to support a precautionary approach to environmental challenges and undertake initiatives to promote greater environmental responsibility, the Group embarked on the rehabilitation of approximately three acres of shoreline in Sarawak, along the Bungai beach front in Miri with indigenous casuarina trees in May 2007. Five more acres will be re-greened in 2008 and the locals will also be made aware of the severe implications of the shoreline destruction.

During the year, the Group organised annual food charity drive for the under-privileged children. Two homes namely Rita Handicapped and Disabled Children's home and Rumah Kebajikan Anak-Anak Yatim Al Khairiah in Klang were the beneficiaries of this year's food charity drive.

In addition, the Group collaborated with Mercy Malaysia Miri Chapter to provide free medical relief which includes eye checks, dental work, pap smear and breast self examination to 329 fishing villages from Kuala Sibuti, Sarawak.

As part of the Group's commitment towards building a better tomorrow for the younger generation, two significant initiatives were undertaken by the Group to make this pledge a reality.

The first initiative undertaken by the Group was to cultivate and promote road safety among the young Malaysian road users. An 'Allianz F1 Road Safety Forum and Exhibition' was organised by AGIC on 25 February 2008 where students and guests learned about road safety with speakers who ranged from an F1 expert, as well as experts from the Malaysian Institute of Road Safety and Allianz Centre of Technology, Munich. In conjunction with the event, AGIC also launched a 'Allianz Road Safety Video Contest' for all college and university students where students were invited to make a 30 second video on road safety that is represented through an advertisement or public safety announcement.

The Group embarked on its second initiative with the aim to provide opportunities to young citizens to play their role in self development. The Group sponsored a 14-year old tennis champion, Theiviya Selvarajoo for her participation in all tennis tournaments, training programmes and events for 2008. Theiviya Selvarajoo is currently the number one junior tennis players in the girls 14 and under category in the country for the year 2007 (Source: Lawn Tennis Association of Malaysia).

The year 2007 also saw the Group continuing its commitment to the physically disabled through the renewal of its sponsorship for Persatuan Mobiliti Selangor dan Kuala Lumpur (MOBILITI). MOBILITI is a not-for-profit charitable organisation providing "door-to-door" transport service to the disabled within the Klang Valley. It also has the distinction of being the first community transport service in Malaysia and also in South-East Asia. The Group provides regular monthly sponsorship of operational and insurance costs for three of MOBILITI's specially modified vans used to provide transport service to the disabled, as well as support to the organisation to raise funds for other purposes such as joining as the main sponsor for its 5th Annual Charity Bazaar. Together with its agents, the Group raised a total of RM58,000 for MOBILITI to purchase a bigger van for its service.

Regulatory Development

Bank Negara Malaysia ("BNM") issued a revised Code of Good Practice for Life Insurance Business ("Code") in November 2006. The Code aims to promote a high standard of professionalism in the sales of life insurance products. The Code prescribed requirements for ethical product features and design, fair and sound pricing of products and full and proper disclosures of products features.

BNM's Risk Based Capital Framework ("RBC") for insurers is expected to be implemented on 1 January 2009, after parallel run calculation with the existing solvency framework beginning April 2007. The implementation of the RBC framework will see insurers maintaining an appropriate level of capital that commensurate with their risk profiles. The RBC framework also aims to promote greater transparency and comparability between insurers in the financial sector.

Prospects For The Current Year

The Malaysian economy has been forecasted by BNM to grow by between 5.0-6.0% while inflation is expected to grow by 2.5-3.0% in 2008 on the back of a diversified economy and strong domestic demand.

The insurance industry is expected to grow in tandem with the overall economy and coupled with the strategic and positioning of the Group, the Group is optimistic of its prospects in 2008.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I am pleased to welcome Mr. Alexander Ankel to the Board. We would also like to extend our deepest appreciation to Mr. Alan John Wilson who has resigned as Director of the Company, for his invaluable contributions to the Company and the Board of Directors. I would also like to take this opportunity to thank my fellow Directors for their invaluable contributions during the year.

Together with the Board, we would like to express our appreciation to the management and staff for their dedication, contribution and untiring commitment to ensure the continued growth and success of the Group to become an established name in the local insurance industry.

We also wish to express our sincere appreciation to our valued shareholders, customers, agents, brokers, reinsurers, business partners and bankers for their continuous support and confidence in the Group.

Last but not least, our sincere gratitude to BNM, Bursa Malaysia and all other relevant authorities for their continued guidance and advice.

TAN SRI RAZALI ISMAIL

Chairman

Bagi pihak Lembaga Pengarah, dengan sukacitanya saya mengemukakan Laporan Tahunan dan Penyata Kewangan Kumpulan dan Syarikat bagi tahun berakhir 31 Disember 2007.

2007 terus menjadi satu tahun yang mencabar. Kebimbangan ekonomi global yang dicetuskan oleh krisis sub-perdana US dan tahap rekod harga minyak adalah antara yang menjadi perhatian. Meskipun terdapat faktor luaran ini, ekonomi Malaysia kekal anjal dengan pertumbuhan Keluaran Dalam Negeri Kasar sebanyak 6.3% dan sektor perkhidmatan muncul sebagai pemacu utama kepada pertumbuhan. Sektor kewangan dan insurans meningkat kepada 10.7%. Dalam tahun 2007, Kumpulan telah mencapai satu lagi aras tanda dengan kejayaan pengambilalihan Commerce Assurance Berhad ("CAB") dan sebut harga semula saham-saham Syarikat di Papan Utama Bursa Malaysia Securities Berhad.

PRESTASI KEWANGAN

Berikutan dengan penyelesaian pengambilalihan CAB pada 28 Ogos 2007, Kumpulan telah menggabungkan prestasi kewangan 4 bulan CAB dalam penyata kewangan Kumpulan bagi tahun berakhir 31 Disember 2007. Sukacita saya melaporkan bahawa pada tahun 2007, jumlah penghasilan operasi Kumpulan bertambah sebanyak 27.3% kepada RM1.4 bilion berbanding RM1.1 bilion dalam tahun 2006 sementara pendapatan premium kasar direkodkan pada RM1.3 bilion dalam tahun kewangan berakhir 31 Disember 2007. Pendapatan premium bersih juga meningkat daripada RM772.3 juta kepada RM991.8 juta dalam tahun 2007.

Pada 31 Disember 2007, jumlah aset Kumpulan berada pada paras RM3.6 bilion, satu peningkatan membanggakan sebanyak 63.6% berbanding RM2.2 bilion pada tahun sebelumnya sementara dana pemegang saham telah menurun sebanyak RM17.1 juta kepada RM319.5 juta.

Keuntungan sebelum cukai keseluruhan Kumpulan menurun kepada RM12.3 juta daripada RM50.3 juta selepas mengambil kira perbelanjaan berkaitan pengambilalihan dan integrasi CAB dan peruntukan yang besar bagi tuntutan Ditanggung Tapi Tidak Dilaporkan ("IBNR") dan hutang ragu dalam buku-buku CAB berikutan penjajaran amalan CAB dengan Kumpulan.

TINJAUAN SEMULA OPERASI

Operasi Insurans Am

Operasi insurans am Kumpulan yang dijalankan menerusi anak syarikat milik penuhnya, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") yang mana selepas penggabungan dengan CAB (secara umumnya dirujuk sebagai "Allianz General") telah menjadi operator insurans am kedua terbesar dengan syer pasaran hampir kepada 10%.

Allianz General terus menunjukkan prestasi yang mengagumkan dalam pasaran yang mencabar dengan peningkatan 4.3% dalam tahun 2007. Sepanjang mematuhi polisi taja jamin kami yang memfokuskan kepada pemilihan risiko, premium bertulis kasar telah meningkat sebanyak 33.2% daripada tahun lepas kepada RM748.6 juta (2006: RM561.9 juta).

Allianz General merekodkan lebih bersih sebanyak RM21.1 juta berbanding RM48.1 juta tahun lepas. Penurunan yang mendadak ini sebahagian besarnya disebabkan oleh peruntukan tambahan untuk rizab tuntutan IBNR dan hutang ragu dalam buku-buku CAB.

Dalam tahun 2008 Allianz General akan meneruskan strategi pertumbuhan keuntungannya menerusi pengedaran pelbagai saluran dan penaikan taraf dalam perkhidmatannya.

Operasi Insurans Hayat

Operasi insurans hayat yang dijalankan melalui anak syarikat milik penuh Kumpulan, Allianz Life Insurance Malaysia Berhad ("Allianz Life") mencatatkan pertumbuhan yang mantap sebanyak 20.6% dalam premium bertulis kasar dalam tahun 2007. Pertumbuhan tersebut berpunca daripada kejayaan strategi multi pengedarannya yang terdiri daripada agensi, pemasaran tapak kerja, pemasaran langsung dan saluran perniagaan kakitangan. Saluran agensi yang merupakan saluran pengedaran utama Syarikat, muncul dengan pertumbuhan sekali ganda yang impresif sebanyak 36% dalam sebutan premium perniagaan baru bagi tahun tersebut.

Dana pemegang saham mencapai keuntungan sebelum cukai sebanyak RM1.9 juta berbanding RM1.7 juta pada tahun lepas. Jumlah aset meningkat kepada RM1.7 bilion berbanding RM1.4 bilion sementara dana pemegang polisi meningkat kepada RM1.4 bilion daripada RM1.1 bilion.

Untuk tahun 2008, Allianz Life akan meneruskan pertumbuhan keuntungan dengan memperhebatkan perniagaan jualan unit link melalui strategi multi pengedarannya.

Allianz Life menyasarkan untuk melancarkan lebih banyak produk pelaburan yang inovatif untuk memenuhi kehendak pelanggan yang meningkat terhadap peluang pelaburan yang lebih baik dan akan terus menekankan dan berusaha untuk perkhidmatan yang cemerlang dan operasi yang efisien.

DIVIDEN

Saya dengan sukacitanya mengumumkan bahawa Pihak Lembaga mengesyorkan dividen awal dan akhir sebanyak 2.00 sen sesaham selepas pencukaian sebanyak 26% yang berjumlah RM2.3 juta, tertakluk kepada kelulusan daripada pemegang saham di Mesyuarat Agung Tahunan akan datang.

PEMBANGUNAN KORPORAT

Dalam tahun kajian, Kumpulan telah berjaya menyelesaikan amalan korporat seperti yang berikut:-

- (a) Implementasi penstrukturan semula dalaman yang melibatkan antara lain, pemindahan perniagaan insurans am Syarikat ("Pemindahan Perniagaan") ke anak syarikat milik penuh AGIC dan peletakan saham dalam Syarikat oleh pemegang saham utama dan syarikat induk, Allianz SE ("Peletakan"), bertujuan memudahkan pematuhan Syarikat dengan keperluan tebaran pegangan saham awam.

Pemindahan Perniagaan telah berkuat kuasa pada 1 Julai 2007. Berikutan Pemindahan Perniagaan, Syarikat dianggap sebagai Syarikat induk pelaburan dan menukar namanya daripada Allianz General Insurance Malaysia Berhad kepada Allianz Malaysia Berhad.

- (b) Sejarar dengan Peletakan, saham-saham baru Syarikat telah diuntukkan dan diterbitkan kepada kakitangan Kumpulan selaras dengan Skim Saham Pekerja ("ESS") Allianz Malaysia.

Dengan penyelesaian Peletakan dan penerbitan saham menurut ESS, Syarikat telah mematuhi keperluan tebaran pegangan saham awam dan saham Syarikat telah di sebut harga semula pada Papan Utama Bursa Malaysia Securities Berhad pada 2 Oktober 2007.

- (c) Pengambilalihan CAB telah berjaya diselesaikan pada 28 Ogos 2007. Dengan pengambilalihan ini, Kumpulan telah meningkatkan keupayaan agensi insurans am dan cawangan-cawangannya serta menambahkan satu lagi saluran pengedaran penting melalui pakatan bank insurans dengan CIMB Bank Berhad. Aras tanda seterusnya bagi Kumpulan ialah untuk mengintegrasikan dan menggabungkan perniagaan insurans am AGIC dan CAB.

Tanggungjawab Sosial Korporat

Semasa tahun ini, Kumpulan telah melaksanakan pelbagai inisiatif tanggungjawab sosial korporat.

Selari dengan penyertaan Allianz SE dalam inisiatif United Nation Global Compact di mana organisasi digalakkan untuk menyokong pendekatan awasan bagi cabaran persekitaran dan mengambil inisiatif untuk mempromosi tanggungjawab persekitaran yang lebih besar-Kumpulan telah memulakan rehabilitasi lebih kurang 3 ekar pinggir laut di Sarawak, di sepanjang pesisiran pantai Bungai di Miri dengan pokok casuarina asli pada Mei 2007. 5 ekar lagi akan dihijaukan semula dalam tahun 2008 dan penduduk tempatan akan juga diberi kesedaran tentang implikasi buruk berkenaan pemusnahan pesisiran pantai berkenaan.

Dalam tahun ini, Kumpulan telah menganjurkan kempen amal makanan tahunan untuk kanak-kanak kurang bernasib baik. Dua rumah kebajikan iaitu Rumah Rita Handicapped and Disabled Children dan Rumah Kebajikan Anak-Anak Yatim Al-Khairiah di Klang mendapat manfaat daripada kempen amal makanan tahunan ini.

Selain daripada itu, Kumpulan telah bekerjasama dengan Mercy Malaysia Miri Chapter untuk menyediakan bantuan perubatan percuma yang melibatkan pemeriksaan mata, rawatan gigi, pap smear dan pemeriksaan sendiri payu dara kepada 329 perkampungan nelayan daripada Kuala Sibuti, Sarawak.

Sebagai sebahagian daripada komitmen Kumpulan terhadap pembinaan masa depan yang lebih baik kepada generasi muda, dua inisiatif besar telah diambil oleh Kumpulan untuk menjadikan ikrar ini satu realiti.

Inisiatif pertama yang telah dilaksanakan oleh Kumpulan ialah untuk memupuk dan mempromosi keselamatan jalan raya di kalangan pengguna jalan raya generasi muda Malaysia. Forum dan pameran keselamatan jalan raya Allianz F1 telah dianjurkan oleh AGIC pada 25 Februari 2008 di mana pelajar-pelajar dan para tetamu mempelajari tentang keselamatan jalan raya dengan penceramah daripada kalangan pakar F1 dan juga pakar daripada Malaysian Institute of Road Safety dan Allianz Centre of Technology di Munich. Sempena acara tersebut, AGIC juga telah melancarkan 'Pertandingan Video Keselamatan jalan raya Allianz' untuk semua pelajar kolej dan universiti di mana pelajar dijemput untuk menghasilkan video 30 saat tentang keselamatan jalan raya yang digambarkan melalui pengiklanan atau pengumuman keselamatan awam.

Kumpulan telah memulakan inisiatif keduanya dengan sasaran untuk menyediakan peluang-peluang kepada warga muda memainkan peranan mereka dalam pembangunan diri. Kumpulan telah menaja juara tenis berumur 14 tahun, Theiviya Selvarajoo bagi penyertaannya dalam semua pertandingan tenis, program latihan dan acara untuk 2008. Theiviya Selvarajoo pada masa ini adalah pemain tenis remaja nombor satu bagi kategori perempuan 14 tahun dan ke bawah dalam Negara bagi tahun 2007 (Sumber: Persatuan Tenis Padang Malaysia).

Tahun 2007 juga melihatkan Kumpulan meneruskan komitmennya terhadap golongan kurang upaya melalui pembaharuan penajaannya kepada Persatuan Mobiliti Selangor dan Kuala Lumpur (MOBILITI). MOBILITI ialah organisasi kebajikan tanpa untung yang menyediakan perkhidmatan pengangkutan "pintu ke pintu" untuk golongan kurang upaya di sekitar Lembah Klang. Ia juga diiktiraf sebagai perkhidmatan pengangkutan komuniti pertama di Malaysia dan juga di Asia Tenggara. Kumpulan menyediakan tajaan bulanan tetap untuk kos operasi dan insurans bagi tiga van MOBILITI yang telah diubahsuai khas; yang digunakan untuk menyediakan perkhidmatan pengangkutan kepada golongan kurang upaya, di samping menyokong organisasi tersebut mengumpul dana untuk tujuan yang lain seperti usahasama sebagai penaja utama untuk Bazar Amal Tahunan Ke 5. Bersama ejen-ejennya, Kumpulan mengumpul sejumlah RM58,000 untuk MOBILITI bagi membeli van yang lebih besar untuk perkhidmatannya.

Pembangunan Kawal Selia

Bank Negara Malaysia ("BNM") telah menerbitkan semakan semula Kod Amalan Baik untuk Perniagaan Insurans Nyawa ("Kod") pada November 2006. Kod tersebut bertujuan mempromosi standard profesionalisme yang tinggi dalam penjualan produk insurans nyawa. Kod tersebut menetapkan keperluan etika ciri-ciri dan reka bentuk produk, harga produk yang berpatutan dan pendedahan ciri-ciri produk yang penuh dan betul.

Rangka Kerja Modal Berasaskan Risiko ("RBC") BNM untuk penginsurans dijangka akan dilaksanakan pada 1 Januari 2009 selepas pengiraan dalaman selari dengan rangka kerja mampu bayar sedia ada bermula April 2007. Pelaksanaan rangka kerja RBC akan memperlihatkan penginsurans mengekalkan tahap modal yang sesuai yang sepadan dengan profil risiko mereka. Rangka kerja RBC juga bertujuan mempromosi lebih ketelusan dan kebolehbandingan antara penginsurans dalam sektor kewangan.

Prospek Tahun Semasa

BNM meramalkan ekonomi Malaysia akan berkembang antara 5.0-6.0% sementara inflasi dianggarkan akan meningkat sebanyak 2.5-3.0% dalam tahun 2008 berdasarkan kepelbagaian ekonomi dan permintaan domestik yang tinggi.

Industri insurans dianggarkan untuk berkembang seiring dengan keseluruhan ekonomi dan ditambah dengan strategi dan penempatan Kumpulan, Kumpulan optimis dengan prospeknya dalam tahun 2008.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya mengalu-alukan Mr Alexander Ankel ke Pihak Lembaga. Kami juga ingin menyampaikan penghargaan kami kepada Mr Alan John Wilson yang telah meletakkan jawatan sebagai Pengarah Syarikat, atas sumbangannya yang tidak ternilai kepada Syarikat dan Lembaga Pengarah. Saya juga ingin mengambil kesempatan ini untuk berterima kasih kepada Pengarah-pengarah yang lain atas sumbangan mereka yang tidak ternilai sepanjang tahun ini.

Bersama-sama Lembaga Pengarah, kami ingin mengucapkan penghargaan kami kepada pihak pengurusan dan kakitangan atas dedikasi, sumbangan dan komitmen mereka yang tidak mengenal lelah untuk memastikan peningkatan dan kejayaan berterusan Kumpulan untuk menjadi nama yang mapan dalam industri insurans tempatan.

Kami juga ingin menyatakan penghargaan kami kepada para pemegang saham kami yang dihargai, pelanggan, ejen, broker, pengambil insurans semula, rakan kongsi perniagaan dan pihak bank atas sokongan dan keyakinan yang berterusan terhadap Kumpulan ini.

Akhir sekali dan tidak kurang pentingnya, penghargaan kami kepada Bank Negara Malaysia, Bursa Malaysia Securities Berhad dan semua pihak berkuasa relevan atas bimbingan dan nasihat mereka yang berterusan.

TAN SRI RAZALI ISMAIL

Pengerusi

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Audit Committee Report

Making Sound Decisions, Together

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Audit Committee Report

COMPOSITION OF AUDIT COMMITTEE ("AC")

Composition of AC	Status of Directorship
Foo San Kan (Chairman)	Independent Non-Executive Director
Tan Sri Razali Ismail (Member)	Non-Independent Non-Executive Director
Dato' Seri Nik Abidin Bin Nik Omar (Member)	Independent Non-Executive Director

TERMS OF REFERENCE

1. Composition

- 1.1 The AC should consist of a minimum of three members appointed from the Board of the Company and shall act as the AC for the Company and its subsidiaries ("Group").
- 1.2 The members of the AC should be appointed by the Board, after taking into consideration the recommendations of the Nominating Committee. In determining the appropriate size and composition of the AC, the Board should in particular, take into consideration the necessary mix of skills and experience required for the AC to effectively discharge its responsibilities. The term of office and performance of the AC and each of its members must be reviewed by the Board at least once every 3 years to determine whether the AC and members have carried out their duties in accordance with the terms of reference.
- 1.3 If for any reason the number of AC members at any point in time is reduced to below three, notification should be provided to Bank Negara Malaysia ("Bank") within two weeks. The notification should be addressed to Pengarah, Jabatan Penyeliaan Insurans dan Takaful ("JPI"). The Board should fill the vacancy/vacancies arising within three months.
- 1.4 Notification should also be provided to JPI where any director ceases to be a member of the AC within two weeks of the cessation. Such notifications should include reasons for the cessation.

2. Independence of AC Members

- 2.1 No AC member should be employed in an executive position in the Company or its related corporations (as defined under section 6 of the Companies Act, 1965), or otherwise have a relationship which in the opinion of the Board will interfere with the exercise of independent judgement in carrying out the functions of the AC. In addition, members of the AC should not be directly responsible for, or part of any committee involved in, the management functions of the Group.
- 2.2 As best practice, all AC members should be independent. Where this cannot be achieved, the majority of the AC members, including the Chairman, should be independent.
- 2.3 An independent director should not:-
 - (a) hold more than 5% equity interest directly or indirectly in the Company or in its related corporations;
 - (b) be employed in an executive position in the Company or its related corporations at least two years prior to his appointment date;
 - (c) have an immediate family member who is, or has been in the past two years, employed by the Company or any of its related corporations as a key senior officer. For this purpose, an 'immediate family member' refers to the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child, of the independent director;

- (d) be engaged, or have been engaged in the past two years, as a professional adviser by the Company or any related corporations of the Company, either personally or through a firm or company in which he is a partner, director or major shareholder; and
- (e) be engaged, or have been engaged in the past two years, in any for-profit-business transaction (other than transactions relating to the sale of insurance policies) of a value exceeding RM1 million with the Company, whether with other persons or through a firm or company in which he is a partner, director or major shareholder. However, "transactions" as stated above exclude transactions entered into:-
 - (i) for personal use of the said director; or
 - (ii) for personal investment of the said director other than for the purpose of carrying on a trade or business, provided that such transactions are on normal commercial terms.

3. Qualification, Experience, Knowledge and Skills

- 3.1 Candidates for the AC should have sound judgement, objectivity, an independent attitude, management experience and adequate knowledge of the industry. They should be committed to the task and demonstrate a keen perception of the internal control environment within the Company and an ability to make probing inquiries.
- 3.2 Collectively, the AC should have a wide range of necessary skills to undertake its duties and responsibilities. Ideally, all AC members should be able to understand the financial reporting process and be financially literate. At least one member of the AC:-
 - (a) must be a member of the Malaysian Institute of Accountants;
 - (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - (c) fulfils any of the following requirements or the requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia"):-
 - (i) a degree/master/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
 - (ii) at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- 3.3 In addition, in view of the important role of the AC in ensuring that there are adequate checks and balances within the operations of the Company, all AC members, either individually or collectively, are also expected to be familiar with areas included in the scope of internal insurance audits, including risk management, underwriting, investment and claims management.

4. Authority

- 4.1 The AC should have the authority to investigate any matter within its terms of reference and should have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Group.
- 4.2 The AC should be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by management or the internal audit department. Fraud and irregularities discovered by management should be referred to the internal audit department for investigation.
- 4.3 The AC should have access to copies of audit reports (including interim financial audits) on a timely basis and should be kept regularly informed of corrective actions arising from internal and external audit findings.
- 4.4 The AC should have adequate resources to perform its duties and discharge its responsibilities and should be authorised to obtain independent professional advice as considered necessary.
- 4.5 The AC must be able to convene meeting with the external auditors, the internal auditors or both, excluding the attendance of other directors and the employees of the Group, whenever deemed necessary.
- 4.6 The Chairman of the AC should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

5. Meetings

- 5.1 The AC should hold regular meetings in order to effectively fulfil its duties.
- 5.2 In addition, the Chairman of the AC should call a meeting of the AC if requested to do so by any AC member, the management or the internal or external auditors.
- 5.3 The quorum of AC meetings should be at least two thirds of the members with independent directors forming the majority.
- 5.4 While the AC may invite any person to be in attendance to assist it in its deliberations (e.g. relevant officers concerned in the management of the Company, the external auditor and the internal auditor), the AC should ensure that it meets exclusively when necessary.
- 5.5 The company secretary should act as secretary of the AC and should be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to AC members within a reasonable timeframe prior to each meeting.
- 5.6 The secretary should also be responsible for keeping the minutes of meetings of the AC, their timely circulation to AC members and other members of the Board, and following up on outstanding matters in relation to the meetings.
- 5.7 The Chairman of the AC should report to the Board on the deliberations of the AC on a regular basis. In addition, the Chairman should also present a summary of all significant matters (highlighting the risks and implications) and resolutions made by the AC at Board meetings.

6. Duties and responsibilities

The AC's duties and responsibilities in relation to the internal audit and external audit functions should include the following:-

6.1 Internal Audit

6.1.1 Governance

6.1.1.1 The AC should:-

- (a) ensure that the internal audit department is distinct and has the appropriate status and the necessary authority within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;
- (b) ensure the effective organisation of the internal audit function, with due regard to the professionalism, capacity and competence of the internal audit personnel;
- (c) review and approve the audit plan, audit charter and budget required under Part B of the Bank's Circular JPI/GPI 13: Guidelines on Audit Committees and Internal Audit Departments for Insurance Companies issued on 25 February 1995 ("Guidelines");
- (d) ensure that reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the internal auditors. In particular, internal audit reports should not be subject to the clearance of the chief executive officer or any executive director;
- (e) ensure that the internal audit function is independent of the activities it audits and that the internal audit function reports directly to the AC.

6.1.1.2 The AC should also review the scope of internal audit procedures, in particular:-

- (a) any restrictions placed on access by the internal auditors to any of the Company's records, assets, personnel or processes which are relevant to the conduct of audits;
- (b) appropriateness of the risk assessment methodology employed pursuant to Part B of the Guidelines to determine the frequency and scope of audits, having regard to the nature, size and complexity of the Company's operations;
- (c) compliance with internal auditing standards; and
- (d) coordination between internal and external auditors.

6.1.1.3 AC members should ensure that they are adequately informed of, and understand, the risks and implications of internal audit findings and recommendations. The AC should pay particular attention to internal audit assessments of:-

- compliance with company policies, relevant laws and regulatory requirements;
- effectiveness of internal controls in critical areas of operations (e.g. accounting, underwriting, claims, investment, derivatives and information technology management); and
- management's responsiveness to, and corrective actions taken in respect of, internal audit findings and recommendations.

6.1.1.4 The AC should ensure that all findings and recommendations are resolved effectively and in a timely manner.

6.1.1.5 The AC should note any significant disagreements between the internal auditor and management irrespective of whether they have been resolved in order to identify any impact that this may have on the audit process or findings.

6.1.2 Resources and staffing

- 6.1.2.1 The AC should ensure on an ongoing basis, the adequacy of the scope, functions, competency and resource of the internal audit department, given the size and complexity of the Company's operations. In this respect, the AC should:-
- (a) approve the appointment, remuneration, performance evaluation, removal and redeployment of the Chief Internal Auditor ("CIA") and senior officers of the internal audit function; and
 - (b) be informed of any resignation of the internal audit staff and reasons therefore, and provide resigning staff with an opportunity to submit reasons for their resignations.
- 6.1.2.2 The AC should ensure that internal audit staff receive necessary training to perform audit work. In this respect, there should be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.

6.2 External Auditor

6.2.1 Appointment of external auditor

- 6.2.1.1 The AC is responsible for the appointment of the external auditor, having particular regard to the external auditor's objectivity, performance and independence.
- 6.2.1.2 The AC should:-
- (a) review and assess various relationships between the external auditor and the Company or any other entity that may impair or appear to impair the external auditors' judgement or independence in respect of the Company. This may include affiliations resulting from the Company's employment of former employees of the external auditor in senior positions within the Company.
 - (b) review and assess fees paid to the external auditor, considering:-
 - the economic importance of the Company (in terms of total fees paid) to the external auditor;
 - fees paid for non-audit services as a proportion of total fees; and
 - whether an effective, comprehensive and complete audit could be reasonably conducted for the audit fees paid.

The fees paid should not impair or appear to impair the external auditor's judgement or independence in respect to the Company; and
 - (c) investigate reasons for any request made by management to dismiss the external auditor, or any resignation by the external auditor. The results of the investigation should be disclosed to the full Board together with the AC's recommendations on proposed actions to be taken. The decisions of the Board in relation to the recommendations made by the AC should be documented in the Board minutes, with a copy of the relevant minutes extended to JPI within two weeks of the Board's decision.

6.2.2 Provision of non-audit services by the external auditor

- 6.2.2.1 Any provision of non-audit services by the Company's external auditor should be approved by the AC before the commencement of the service, or whenever there is a significant change in the level of services provided.
- 6.2.2.2 In considering the provision of non-audit services by the external auditor, the AC should have regard to restrictions on outsourcing to external auditors set out in JPI/GPI 31: Guidelines on Outsourcing for Insurers.
- 6.2.2.3 The AC's decisions with respect to the provision of non-audit services should be documented in a statement which outlines whether or not it believes the level of provision of non-audit services by the external auditor is compatible with maintaining auditor independence (together with supporting reasons).

6.2.3 Audit plan, findings and recommendations

- 6.2.3.1 The AC should review with the external auditors, the:-
- (a) audit plan prior to the commencement of the annual audit;
 - (b) financial statements (before the audited financial statements are presented to the Board), including:-
 - whether the auditor's report contained any qualifications which must be properly discussed and acted upon to remove the cause of the auditors' concerns;
 - significant changes and adjustment in the presentation of financial statements;
 - major changes in accounting policies and principles;
 - alternative accounting treatments discussed with management and the ramifications of the alternatives;
 - compliance with relevant laws and accounting standards;
 - material fluctuations in the statements;
 - significant variations in audit scope;
 - significant commitments or contingent liabilities; and
 - the validity of going concern assumptions.
 - (c) audit reports, including obligatory reports to the Bank on matters covered under Section 82 of the Insurance Act, 1996 ("Act");
 - (d) external auditor's evaluation of the Group's system of internal controls;
 - (e) any significant disagreements between the external auditor and management irrespective of whether they have been resolved; and
 - (f) any other findings, issues or reservations faced by the external auditor arising from interim and financial audits.
- 6.2.3.2 The AC should review and monitor management's responsiveness to, and actions taken on, external audit findings and recommendations. In this regard, the AC should ensure that all findings and recommendations are resolved effectively and in a timely manner.
- 6.2.3.3 In order to allow external auditors to express concerns, problems and reservations arising from financial audits effectively, the AC should meet at least twice a year with the external auditor without the presence of management.

6.3 Other responsibilities

6.3.1 The AC should also:-

(a) review:-

- the Chairman's statement and preliminary announcements;
- interim financial reports including quarterly results, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;
- corporate governance disclosure made in the Directors' Report pursuant to the requirement in JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers and be satisfied that any departure from the Framework principles and the circumstances justifying such departure are sufficiently explained;
- all representation letters signed by management, and be satisfied that the information provided is complete and appropriate;

(b) review internal control issues identified by auditors and regulatory authorities on Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") and evaluate the adequacy and effectiveness of the internal controls for its AML/CFT measures. At the minimum, the AC should:-

- ensure the roles and responsibilities of the auditor on AML/CFT are clearly defined and documented;
- ensure that independent audits are conducted to check and test the effectiveness of the policies, procedures and controls for AML/CFT measures;
- ensure the effectiveness of the internal audit function in assessing and evaluating the AML/CFT controls;
- ensure the AML/CFT measures are in compliance with the Anti-Money Laundering and Anti-Terrorism Financing Act 2001, its regulations and the relevant Guidelines; and
- assess whether current AML/CFT measures which have been put in place are in line with the latest developments and changes of the relevant AML/CFT requirements.

- (c) submit a written report on the audit findings on AML/CFT to the Board on a regular basis. The report should be used to highlight inadequacies of any AML/CFT measures and control systems within the Company;
- (d) review audit findings from internal and external auditors on risk management related issues, management responses and ensure actions are taken based on the recommendations;
- (e) review findings and reports from the Whistleblowing Committee;
- (f) review any related-party transactions and conflicts of interest situations that may arise within the Group including any transaction, procedure or conduct that raises questions of management integrity;
- (g) ensure that the respective company within the Group complies with Section 95 of the Act which requires an insurer to publish its accounts within 14 days of the laying of its accounts at its annual general meeting;
- (h) ensure that the accounts of the Company and its subsidiaries are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with regular reviews carried out on the adequacy of provisions made; and
- (i) ensure that supervisory issues raised by the Bank are resolved in a timely manner.

6.3.2 The AC shall also be responsible for any other functions as may be determined by the Board and reflected in its terms of reference.

7. Reporting to the Bank/Bursa Malaysia

- 7.1 The AC shall submit to the Bank, a summary of material concerns/weaknesses in the internal control environment of the respective company within the Group noted during the year and the corresponding measures taken to address these weaknesses. This should be submitted together with the annual report on the AC and its activities which is submitted to the Bank pursuant to principle 18 of JPI/GPI 25.
- 7.2 Where an AC is of the view that a matter reported by it to the Board had not been satisfactorily resolved resulting in a breach of Listing Requirements of Bursa Malaysia, the AC must promptly report such matter to the Bursa Malaysia.

AC MEETINGS

The AC meets at least four times a year to coincide with the review of the quarterly and annual financial statements prior to its presentation to the Board for approval. Special AC Meeting may be convened as and when necessary.

There were 5 AC Meetings held during the financial year ended 31 December 2007. The detailed attendance of the AC member during the financial year ended 31 December 2007 are as follows:-

Name of AC Members	Number of AC Meetings		Percentage of Attendance
	Held	Attended	
Foo San Kan	5	5	100
Tan Sri Razali Ismail	5	1 out of 1 meeting held after his appointment as a member of the AC on 31 October 2007	100
Dato' Seri Nik Abidin Bin Nik Omar	5	5	100

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2007, the following activities were carried out by the AC:-

1. Reviewed and recommended for the Board's approval, the unaudited quarterly reports for the financial quarters ended 31 December 2006, 31 March 2007, 30 June 2007 and 30 September 2007.
2. Reviewed and recommended for the Board's approval, the consolidated audited financial statements and Directors' Report thereon of the Company for the financial year ended 31 December 2006.
3. Reviewed the Management Letter prepared by the External Auditors and recommended for the Board's approval, the Management's response in respect thereto.
4. Reviewed and recommended for the Board's approval, the Chairman's Statement, Audit Committee Report and Statement on Corporate Governance and Statement on Internal Control of the Group for inclusion in the Company's Annual Report for the financial year ended 31 December 2006.
5. Discussed the Bank's Examination Report in respect of examination conducted on the Company by the Bank pursuant to Part VIII of the Insurance Act 1996 and Part IV of the Anti-Money Laundering Act 2001.

6. Approved the AC report made pursuant to the Bank's requirements as stipulated in Principle 18 of JPI/GPI 25: Prudential Framework of Corporate Governance for Insurance Companies and Paragraph 8 of Part A of JPI/GPI 13 (Revised): Guidelines on Audit Committees and Internal Audit Departments for Insurance Companies.
7. Reviewed and recommended for the Board's approval, the revised Terms of Reference of AC.
8. Reviewed and recommended for the Board's approval, the revised Internal Audit Charter.
9. Reviewed and recommended for the Board's approval, the External Audit Plan by KPMG for the financial year ended 31 December 2007 for the Company and its subsidiaries.
10. Reviewed and recommended for the Board's approval, the re-appointment of KPMG as the External Auditors and the re-appointment of KPMG to review the Statement on Internal Control for the financial year 2007.
11. Discussed the various Internal Audit Reports and other activities undertaken by the Internal Auditors.
12. Discussed the progress reports on various outstanding audit findings.
13. Reviewed and recommended for the Board's approval, the related party transactions to be entered by the Group.
14. Reviewed the review procedures for recurrent related party transactions.
15. Reviewed and recommended for the Board's approval, the engagement letters for KPMG's re-appointment as auditors of the Company for the financial year ended 31 December 2007 and for KPMG to review the Statement on Internal Control.
16. Evaluated the performance of the CIA.
17. Discussed the activities updates of the Whistleblowing Committee.

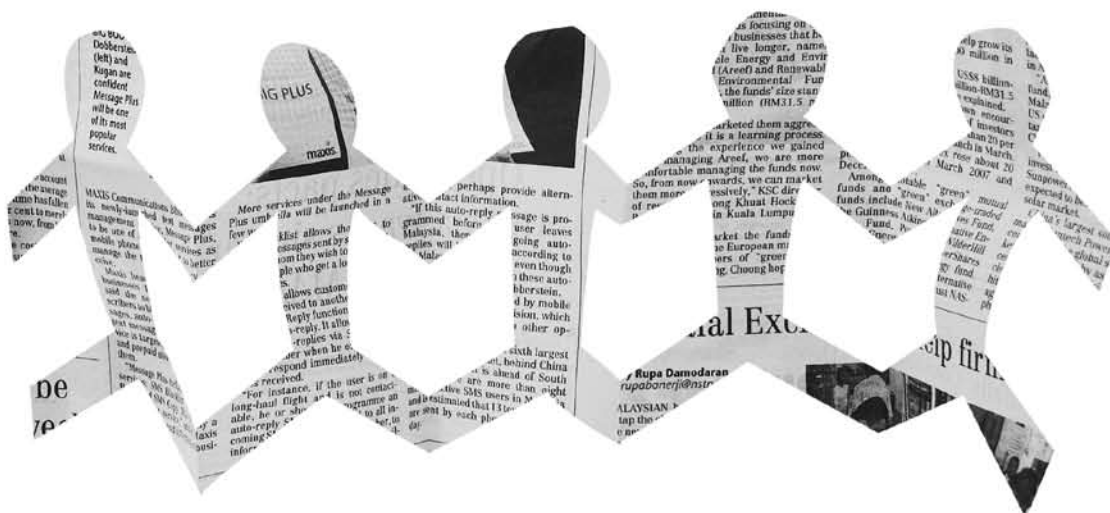
INTERNAL AUDIT FUNCTION

The primary objective of the Internal Audit Department ("IAD") is to assist the Management, AC and the Board of the Company in the effective discharge of their responsibilities. This is done through the independent assessment and appraisal of the internal controls and the evaluation of the effectiveness of risk management system and corporate governance process of the Company to ensure that organisational controls and management controls in the form of policies and standard operating procedures are adequate and effective, in line with the Company's goals. It includes promoting and recommending cost effective controls for safeguarding of assets of the Company and minimising the opportunities for error and fraud.

During the financial year ended 31 December 2007, the IAD carried out its duties in accordance with the audit plans approved by the respective AC of the companies within the Group. The audit reports which had incorporated the management's responses are tabled for discussion at the AC Meetings.

The IAD also established a follow-up audit review to monitor and ensure that audit recommendations have been effectively implemented. The progress reports on remedial measures taken by the management of the respective companies on audit observations are tabled at the respective AC Meetings for the AC's review.

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Statement On Corporate Governance

Integrity Gearing Our Business Principles

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Statement On Corporate Governance

The Board of Directors is committed to ensure that the highest standards of corporate governance are practiced throughout the Group as a fundamental obligation of discharging their duties and responsibilities to protect the interests of the Group's shareholders and policyholders.

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the best practices prescribed under the Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia ("BNM"), the Malaysian Code on Corporate Governance ("Code") as well as the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The Board is pleased to set out below the manner by which the Group has applied the principles of good governance and the extent to which it has complied with the best practices described above:-

1. BOARD OF DIRECTORS

The Board has the overall responsibilities for reviewing and adopting strategic plans for the Group, overseeing the conduct of business of the Group, implementing an appropriate system of risk management and ensuring the adequacy and the integrity of the Group's internal control systems.

The Board meets regularly in a year. In addition, Special Board Meetings are held as and when required. A total of 6 Board Meetings and 1 Special Board Meeting were held in the financial year ended 31 December 2007.

Details of attendance by Directors at Board Meetings held during the financial year ended 31 December 2007 are disclosed in page 86 of this Annual Report.

1.1 Board Balance

The Board comprises 6 Non-Executive Directors and 1 Executive Director. There are 2 Independent Non-Executive Directors on the Board.

Membership of the Board is drawn from various fields with a balance of skills and experiences appropriate to the business of the Company.

All the Directors have complied with the Bursa Malaysia Listing Requirements on restriction of directorships.

A brief profile of each Director is presented on pages 15 to 21 of this Annual Report.

1.2 Supply of Information

The Board has unrestricted access to relevant information in a timely manner in advance of Board Meetings. All Directors are given sufficient time to review materials prior to Board Meetings.

All Directors have access to the advice and services of the Company Secretary and may seek independent advice should the need arise.

1.3 Appointment to the Board

The appointments of all the Board members were approved by BNM. All appointments of Board members are subject to the evaluation by the Nominating Committee and approved by the Board before the applications are submitted to BNM for approval.

The Company has put in place a performance evaluation process and procedures for assessing the Directors and the effectiveness of the Board.

1.4 Directors' Training

All Directors have attended the Mandatory Accreditation Programme as prescribed under the Bursa Malaysia Listing Requirements.

The Nominating Committee oversees the training needs of the Directors. All new Directors are required to attend the orientation programme for newly appointed Directors to familiarise them with the insurance industry and the Group.

In order to keep the Directors abreast with the current developments as well as new statutory and regulatory requirements, the Board has approved the following areas of training for the Directors:-

- Laws and regulations imposed by the relevant authorities and any updates in respect thereto
- Risk Management and compliance controls
- Finance, accounting and insurance related requirements
- Corporate Governance

The Directors attended external training programmes on areas as prescribed by the Board during the financial year ended 31 December 2007.

1.5 Re-election

In accordance with the Articles of Association of the Company, one third of the Directors shall retire by rotation at each Annual General Meeting and that a Director who is appointed during the year shall be retired at the next following Annual General Meeting.

All Directors shall retire from office at least once in every three years pursuant to the Bursa Malaysia Listing Requirements.

In addition, any Director who attains the age of 70 is required to submit himself for re-appointment annually pursuant to the Companies Act, 1965.

1.6 Board Committees

The Board in the course of carrying out its duties, may set-up Board Committees delegated with specific authority and operating on the terms of reference as approved by the Board, to assist the Board in the execution of its responsibilities. These Committees shall have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board Committees set up to assist the Board on specific areas of responsibilities, are set out below.

(a) Audit Committee

The memberships and terms of reference of the Audit Committee are determined in accordance with the BNM's guidelines, Bursa Malaysia Listing Requirements and the Code. The composition and the terms of reference of the Audit Committee are detailed in the Audit Committee Report on pages 35 to 42 of this Annual Report.

(b) Investment Committee

The composition of the Investment Committee is as follows:-

Name of Investment Committee Members	Designation
Craig Anthony Ellis (Chairman)	Non-Independent Non-Executive Director
Cornelius Alexander Ioannis Ankel (Member)	Non-Independent Executive Director

The Investment Committee is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department which in turn is responsible for managing the investment functions of the Group.

(c) Nominating Committee

The composition of the Nominating Committee is as follows:-

Name of Nominating Committee Members	Designation
Dato' Seri Nik Abidin Bin Nik Omar (Chairman)	Independent Non-Executive Director
Tan Sri Razali Ismail (Member)	Non-Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Craig Anthony Ellis (Member)	Non-Independent Non-Executive Director
Dung Tri Nguyen @ Don Tri Nguyen (Member)	Non-Independent Non-Executive Director

The terms of reference of the Nominating Committee are determined in accordance with the BNM's guidelines and the Code and are detailed in the Directors' Report on pages 88 to 89 of this Annual Report.

(d) Remuneration Committee

The composition of the Remuneration Committee is as follows:-

Name of Remuneration Committee Members	Designation
Dato' Seri Nik Abidin Bin Nik Omar (Chairman)	Independent Non-Executive Director
Craig Anthony Ellis (Member)	Non-Independent Non-Executive Director
Dung Tri Nguyen @ Don Tri Nguyen (Member)	Non-Independent Non-Executive Director

The terms of reference of the Remuneration Committee are determined in accordance with the BNM's guidelines and the Code and are detailed in the Directors' Report on page 90 of this Annual Report.

(e) Risk Management Committee

The composition of the Risk Management Committee is as follows:-

Name of Risk Management Committee Members	Designation
Dato' Seri Nik Abidin Bin Nik Omar (Chairman)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Dung Tri Nguyen @ Don Tri Nguyen (Member)	Non-Independent Non-Executive Director
Craig Anthony Ellis (Member)	Non-Independent Non-Executive Director

The terms of reference of the Risk Management Committee are determined in accordance with the BNM's guidelines and are detailed in the Directors' Report on page 87 of this Annual Report.

2. DIRECTORS' REMUNERATION

2.1 The Level and Make-up of Remuneration

The Board has adopted a remuneration policy for Directors of the Company which sets out that Directors' remuneration shall be determined based on the following criteria:-

- (a) overall performance of the Group;
- (b) level of responsibility; and
- (c) attendance at meetings.

Individual Directors shall abstain from discussion of their own remuneration.

2.2 Procedure

The Remuneration Committee recommends to the Board the remuneration to be paid to each Director based on the remuneration policy as approved by the Board. It is, nevertheless the ultimate responsibility of the entire Board to decide the quantum for each Director.

2.3 Disclosure

The Board is made up of Non-Executive Directors and Executive Director. The Directors' remuneration for the financial year ended 31 December 2007, as detailed below, is only paid to those Directors who are not representing the interest of the major shareholder:-

- (a) The aggregate remuneration of Directors according to their appropriate classifications.

	RM
Fees	218,264
Others	222,967

- (b) The number of Directors whose remuneration falls into each successive band of RM50,000.

Band	No. of Directors
RM0 - RM50,000	-
RM50,001 - RM100,000	2
RM100,001 - RM150,000	-
RM150,001 - RM200,000	-
RM200,001 - RM250,000	-
RM250,001 - RM300,000	1

3. SHAREHOLDERS AND INVESTORS RELATIONSHIP

3.1 Dialogue with Shareholders/Investors

The Board acknowledges the need for shareholders to be informed of all material information affecting the Group. As such, information in respect of the Group's performance, corporate exercises and matters affecting shareholders' interests are disseminated to shareholders and investing public through annual reports, quarterly reports, shareholder circulars and specific announcements released to the Bursa Malaysia on a timely manner, in accordance with the provisions of the Listing Requirements of Bursa Malaysia.

In addition to the above, the Group also issues press releases and conducts media/analysts/investors briefings to provide the stakeholders of the Group with the up-to-date information in respect of the Group's business and/or corporate initiatives.

The Corporate Communications Department of the Company addresses inquiries from shareholders, investors and the public on all corporate matters relating to the Company.

3.2 Annual General Meeting

The Annual General Meeting is the forum to communicate with the shareholders of the Company. Shareholders are encouraged to raise questions or seek clarification pertaining to the operations and the financial status of the Group. Members of the Board, the Management and the Auditors are present at the meeting to respond to various questions raised by the shareholders.

In addition, shareholders of the Company are able to obtain up-to-date information on the Company's various activities by accessing to the Company's website at www.allianz.com.my.

4. ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements, quarterly reports and the annual report to the shareholders of the Company, the Board takes appropriate steps to present a clear and balanced assessment of the Group's position and prospects. This also applies to other price-sensitive public announcements and reports to regulators.

The financial statements of the Group before presenting to the Board for approval will be reviewed by the Audit Committee. The Audit Committee assists the Board by reviewing the information to be disclosed in the financial statements to ensure that the information disclosed is accurate, adequate and in compliance with the various disclosure requirements imposed by the relevant authorities. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Group.

Statement of Directors' Responsibility in Relation to Financial Statements

The Board, in preparing the financial statements, have adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates. All applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis.

The Board is responsible for ensuring that the Company maintains accounting records that disclose reasonable accuracy of the financial position of the Group and the Company.

The Board has overall responsibilities for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 in respect of the preparation of the Company's financial statements for the financial year ended 31 December 2007 is set out in page 96 of this Annual Report.

Statement on Internal Control

Board Responsibility

The Board recognises the importance of sound internal controls that cover risk management, financial, operational and compliance controls. The Board affirms its overall responsibilities for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of the system. Such a system, designed to safeguard shareholders' investments and the Group's assets however, can only manage rather than eliminate the risk of failure to achieve business objectives. The system, by its nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

The Board recognises the importance of having in place a risk management system to identify principal risks and implement appropriate controls to manage such risks as an integral part of the Group's operations. The Group accordingly has adopted Allianz SE Group's Top Risk Assessment (TRA) approach, a process of identifying, evaluating and managing the significant risks affecting the achievement of its business objectives.

The Group has in place Risk Management Framework Manuals applicable to the respective businesses of its subsidiaries which are approved and formally adopted by the respective Board of its subsidiaries. They outline the guiding principles of the risk management approach, risk assessment process, structure, roles, responsibilities, accountabilities and reporting requirements of the Group. They are designed to formalise the risk management functions across the Group and to increase awareness of the Group's employees to risk identification, measurement, control, ongoing monitoring and reporting.

Other Internal Control Processes

The Group's key internal control processes include the following:-

- Defined delegation of responsibilities to Committees of the Board and operating units, including authorisation levels for all aspects of the business.
- Internal policies and procedures which incorporate relevant Bank Negara Malaysia, Persatuan Insuran Am Malaysia (PIAM)/ Persatuan Insuran Hayat Malaysia (LIAM) requirements, Insurance Act and Regulations 1996 and internal guidelines are documented in procedural workflow of department and branch operations. These workflows are subject to review and improvement to reflect changing risks and process enhancement as and when required.
- Operational authority limits covering underwriting of risks, claims settlement, and capital expenditures were reviewed and updated regularly.
- The treaty program ensures that reinsurers have secure ratings from accredited rating agencies. The securities of treaty reinsurers are stringently reviewed on an annual basis.
- The Investment Committee is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. Detailed procedures and controls including an Investment Code of Ethics and Manual on Investment Policies, Organisations, Function and Processes are documented to safeguard the interest of the Group. The objective of the Investment Code of Ethics is to ensure that the Group's interests prevail over the personal interests of the employees.
- The Information Technology ("IT") Steering Committee chaired, by the Chief Executive Officer, is responsible for establishing effective IT plans, authorising IT related expenditure and monitoring the progress of approved projects.
- Yearly business plans and budgets are submitted to the Board for approval. Financial reports are also submitted to the Board for review at its regular meetings as part of the regular monitoring of the Group's performance. These reports cover all key operation areas and provide a basis for the Board to assess the Group's financial performance and to identify potential problems faced by the Group. Results of stress tests are also presented to the Board on regular basis for deliberation.
- A Business Continuity Plan has been formulated to ascertain that the Group suffers no material interruptions to its systems, processes or operations, or material damages to its assets upon the occurrence of any disastrous events.
- Training and development programs are conducted to enhance staff competencies and maintain a risk control conscious culture.
- The Internal Audit function undertakes regular reviews of the Group's operations and its system of internal controls. It provides continuous monitoring of the controls and risk management procedures. Internal audit findings are discussed at management level and actions are taken in response to the internal audit recommendations. The Audit Committee reviews all internal audit findings and management responses.
- The Whistleblowing Committee has been established in 2006 with the objectives to further enhance the corporate governance and to meet the expectations of the Code of Conduct for Business Ethics of the Group. Guidelines and procedures of the Whistleblowing Committee have been drawn up to handle, review, assess and take appropriate actions to the complaints/ concerns raised by the employees relating to any illegal or questionable activities in the Group. Such complaints/ concerns may be made anonymously. This in turn will help to promote transparency and accountability throughout the Group.

Relationship with Auditors

Through the Audit Committee, the Board has established a formal and appropriate relationship with the External Auditors. Details of the role of the Audit Committee in relation to the External Auditors are set out in the Audit Committee Report.

Additional Compliance Information

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM THE RIGHTS ISSUE COMPLETED IN YEAR 2002

The Company's shares were re-quoted on the Main Board of Bursa Malaysia Securities Berhad on 2 October 2007. Consequently, the proceeds from the subscription of the rights shares by the minority shareholders of the Company of RM1,255,495 which was previously set aside in an interest bearing account has been utilised for working capital purposes.

2. SHARE BUY-BACKS

During the financial year ended 31 December 2007, there were no share buy-backs by the Company.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2007, the Company has not issued any options, warrants or convertible securities.

4. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPTS (GDR) PROGRAMME

During the financial year ended 31 December 2007, the Company did not sponsor any ADR or GDR programme.

5. IMPOSITION OF SANCTIONS AND/OR PENALTIES

During the financial year ended 31 December 2007, there were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or Management by any regulatory bodies.

6. NON-AUDIT FEES

The amount of non-audit fees paid to the auditors of the Company, KPMG, for the financial year ended 31 December 2007 was RM685,300.

7. VARIATION IN RESULTS

There were no material variations between the audited results for the financial year ended 31 December 2007 and the unaudited results for the financial year ended 31 December 2007 of the Group.

8. PROFIT GUARANTEE

During the financial year ended 31 December 2007, there were no profit guarantees given by the Company.

9. MATERIAL CONTRACT

Saved as disclosed below, the Company and its subsidiaries have not entered into any material contracts involving the interest of the Directors and major shareholders which either still subsisting at the end of the financial year ended 31 December 2007 or had been entered into since the previous financial year ended 31 December 2006.

By an agreement dated 26 July 2007, the Company and its major shareholder, Allianz SE, entered into an agreement pursuant to which Allianz SE agreed to make available to the Company a facility ("Facility") denominated in Euro and agreed to be equivalent to RM490 million to enable the Company to acquire the entire issued and paid-up capital of Commerce Assurance Berhad from Commerce International Group Berhad. The parties agreed that no interest or any other charges shall be payable by the Company to Allianz SE on any amount that is drawn under the Facility. The repayment by the Company to Allianz SE of the amounts drawn under the Facility shall be in compliance with the terms and conditions imposed by the Controller of Foreign Exchange and at a date to be notified to the Company by Allianz SE.

10. ANALYSIS OF SHAREHOLDINGS AS AT 25 APRIL 2008

Authorised Share Capital	:	RM200,000,000
Issued and Paid-up Share Capital	:	RM153,869,238
Class of Shares	:	Ordinary shares of RM1 each
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Less than 100	11	0.56	299	0.00
100 to 1,000	1,208	61.92	292,180	0.19
1,001 to 10,000	469	24.04	1,991,376	1.29
10,001 to 100,000	213	10.92	7,359,766	4.78
100,001 to less than 5% of issued shares	49	2.51	28,863,322	18.77
5% and above of issued shares	1	0.05	115,362,295	74.97
	1,951	100.00	153,869,238	100.00

THIRTY LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS

Name of Shareholders	No. of Shares Held	% of Shares
1 Citigroup Nominees (Asing) Sdn Bhd Allianz SE	115,362,295	74.97
2 Employees Provident Fund Board	6,038,000	3.92
3 Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Regular Savings Fund (W14011940100)	3,276,800	2.13
4 Pertubuhan Keselamatan Social	2,812,622	1.83
5 Amanah Raya Nominees (Tempatan) Sdn Bhd Public Smallcap Fund	2,207,400	1.43
6 Alliencegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	1,552,000	1.01
7 Amsec Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for HLG Strategic Fund (UT-HLG-SF)	730,000	0.47

Name of Shareholders	No. of Shares Held	% of Shares
8 RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming (CEB)	562,700	0.37
9 UOBM Nominees (Tempatan) Sdn Bhd Exempt An for Fortress Capital Asset Management (M) Sdn Bhd	551,600	0.36
10 Amsec Nominees (Tempatan) Sdn Bhd Lim Su Tong @ Lim Chee Tong (8335-1101)	500,000	0.32
11 Chua Saw Year	500,000	0.32
12 HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	500,000	0.32
13 OSK Nominees (Tempatan) Sdn Bhd DMG & Partners Securities Pte Ltd for Noble Sound Sdn Bhd	500,000	0.32
14 Sai Yee & Sia Say Yee	495,000	0.32
15 Tanjong Equities Sdn Bhd	491,200	0.32
16 Hasrat Jaguh Sdn Bhd	485,000	0.32
17 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Equity Trust (3175)	458,000	0.30
18 Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for CIMB-Principal Equity Aggressive Fund 3 (980050)	400,900	0.26
19 Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Chong Mei Ngor (PB)	400,000	0.26
20 Insas Plaza Sdn Bhd	400,000	0.26
21 Thong Kok Yoon	400,000	0.26
22 Lim Su Tong @ Lim Chee Tong	350,000	0.23
23 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for HwangDBS Select Opportunity Fund (3969)	340,200	0.22
24 Thong Kok Khee	304,100	0.20
25 Cartaban Nominees (Tempatan) Sdn Bhd Meridian Asset Management Sdn Bhd for Malaysian Assurance Alliance Bhd (1/154-6)	300,000	0.19
26 Amsec Nominees (Tempatan) Sdn Bhd Rashidi bin Che Harun (9313-1301)	270,000	0.18
27 Amsec Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for HLG Dividend Fund (UT-HLG-Div)	249,900	0.16
28 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for HwangDBS Select Income Fund (4850)	241,000	0.16
29 HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-Asing)	230,000	0.15
30 Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Maakl Eagle Fund (250283)	220,000	0.14

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Allianz SE	115,362,295	74.97	-	-

11. REVALUATION POLICY

The self-occupied properties of the Group is revalued at regular intervals of at least once in every 5 years or earlier if its market value depreciates by more than 10 percent. The Group is using fair value model for the measurement of investment properties after recognition following the adoption of FRS140 Investment Property.

12. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2007 OWNED BY THE GROUP

Location	Existing Use	Tenure	Land Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation/ acquisition	Net Book Value RM'000
Level 10,12,13,13A & 15 Block 3A Plaza Sentral, Jln Stesen Sentral 5 50470 Kuala Lumpur	Head office	Freehold	40,162	Corporate Office	6 years	21/09/2007#	23,927
Wisma Allianz Lot PT1 & 263 Section 49 Town of Kuala Lumpur	Branch office	PT1-Leasehold Expiring 09/06/2072 Lot 263-Freehold	525	7-Storey Office Building	24 years	28/05/2006#	5,185
					26 years	31/05/2006#	4,312
No. 11 to 14, Jalan 53 Desa Jaya, Commercial Centre Kepong 52100 Kuala Lumpur	Branch office, Agency office, Store & rental	Leasehold	637	4-Storey Shophouse	22 years	13/11/2006#	4,341
No. 42A & 46 Jalan Tiara 2C Bandar Baru Klang 41150, Klang, Selangor	Branch Office	Leasehold	551	4&3 Storey Shophouse	5 years	13/11/2006#	3,615
Lot 22,23,24 & 25 Kajang Utama – Phase 4A 43000 Kajang	Branch office	Freehold	612	6-Storey Shophouse	8 years	21/09/2007#	1,827
Unit A-G-1, A-1-1 Greentown Square, 30450 Ipoh	Branch Office	Leasehold	882	6-Storey Shophouse	2 years	22/11/2006	1,795
No.15,Jalan 8/1D Section 8, Off Jalan Barat 46050 Petaling Jaya, Selangor	Branch office	Leasehold Expiring 21/07/2062	174	4-Storey Shop Office	41 years	31/05/2006	1,735
Lot No L1, Phase 4A Metro Prima Business Centre 52100 Kepong, Selangor	Branch office	Leasehold Expiring 02/04/2096	239	5-Storey Shophouse	10 years	21/09/2007#	1,639
No. 300 & 301 Jalan Lumpur 05100 Alor Star, Kedah Darul Aman	Branch office	Freehold	386	3-Storey Shophouse	4 years	31/05/2006	1,468

The dates refer to the date of the last revaluation.

13. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the financial year ended 31 December 2007 were as follows:

Nature of Recurrent Transaction	Name of Related Parties	Income/ (Expenses) Amount RM'000
Reinsurance arrangement with Allianz General Insurance Company (Malaysia) Berhad and/or Commerce Assurance Berhad for general insurance business where the risk and premium are shared between the parties in accordance with reinsurance arrangement entered into.	* Allianz SE Group	(95,467)
Reinsurance arrangement with Allianz Life Insurance Malaysia Berhad for life insurance business where the risk and premium are shared between the parties in accordance with reinsurance arrangement entered into.	* Allianz SE Group	(29,165)
Consultancy and related expenses of Open Product Underwriting System project.	* Allianz SE Group	(743)
Payment of license and maintenance fees for eLearning solution by the Company and/or its subsidiaries.	* Allianz SE Group	(7)
Payment of fund management fees by Allianz Life Insurance Malaysia Berhad to Allianz SE Group.	* Allianz SE Group	(291)

Note:-

- * Allianz SE and its subsidiary and associated companies (collectively "Allianz SE Group") are deemed to be related parties to the Company via Allianz SE's direct interest as a major shareholder of the Company.



Our Moments

Exploring New Waters, Exploring New Opportunities

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Business Moments

A New Phase for 2007



Allianz first began in Berlin over 100 years ago, initially offering transport and accident insurance. Over the years, Allianz embarked into international waters and created a presence in many countries offering general and life insurance solutions.

Allianz officially ventured into Malaysia in 2001 when it became the controlling shareholder of Allianz General Insurance Malaysia Berhad (AGIM) (now known as Allianz Malaysia Berhad). In 2007, the general insurance business of AGIM was transferred to its newly incorporated wholly-owned subsidiary, Allianz General Insurance Company (Malaysia) Berhad (AGIC). Following the completion of the transfer of general insurance business, AGIM changed its name to Allianz Malaysia Berhad (AMB) and became an investment holding company.

Just a little over a month after this, AMB created another milestone in its books – completing a 100 percent acquisition of Commerce Assurance Berhad (CAB) on 28 August 2007. This significant step has set AGIC and CAB to be collectively, one of the top two leading players in the Malaysian general insurance market. This landmark event was the second major direct foreign investment that Allianz has made in Malaysia, which underlines the commitment of Allianz to Malaysia and the Asia Pacific region.

This move has thus far strengthened Allianz's distribution channel, expanding branches and agent strength and has also boosted the Gross Written Premium (GWP) to almost RM1 billion, proposing growth within the Company. The general insurance business achieved 33.2 percent growth in GWP in 2007 as compared with the market's growth of 4.3 percent while the Net Written Premium increased by 38.2 percent, indicating a profitable record.

The CAB acquisition also entails a long bancassurance partnership with CIMB Bank Berhad, which has enabled AMB to tap into CIMB's 4.7 million customers and a network of 366 branches nationwide. Customers can purchase AGIC's general insurance products that amongst others range from fire, motor, home and marine at any of the CIMB Bank branches nationwide. CIMB Bank is the second largest consumer bank in Malaysia and this strategic partnership is further establishing Allianz's strong position in the industry.

AMB successfully carried out the integration process of the two companies, with various initiatives to keep the organisation, customers and staff always well informed without compromising Allianz standards to its stakeholders. The three core areas focused to ensure the success of the integration were branch relocation, IT and Human Resources.

Allianz has successfully achieved integrating and relocating 16 branches and offices, under one roof in a short span of four months.

In line with this, Allianz has also synergised its IT infrastructure in order to create a more uniformed platform for all its customers. This step has allowed significant reduction in turn-around time which in turn adds value to agents and customer satisfaction.

On the Human Resource front, Allianz has placed a great importance on communication, transparency and sincerity during the integration. Besides town hall meetings with the staff, which explained the progress and outcome of the acquisition, Allianz also constantly informed its staff on the necessary developments via its monthly newsletter, BluePoint.

Another highlight in Allianz Malaysia's calendar for the year was a restructuring exercise on 2 October 2007, when AMB's shares were re-quoted on Bursa Malaysia after six years. 36.35 million shares have been placed to local investors, representing approximately 23.6 percent of AMB's shareholding. The re-quotations was a great success for Allianz and a testament to the trust it has established with investors and regulators in Malaysia.

Easy Claims Updates

Allianz made claims updates easy since October 2007 with its online mobile solution where customers are updated on the progress of their claims by receiving text messages direct to their mobile phones.

This is through an auto triggering mode that works when updates on the status are done. The claimant will then receive a notification at three different stages, once when the claim notification has been received, a second notification to inform on the approval process and the third notification when the claimant's vehicle is ready for collection.

This new mobile solution is certainly beneficial not only to customers, but also to AGIC. It is cost effective, time saving and increases customer retention and loyalty as their queries will be attended to almost instantaneously.

National Marketing Convention



From 29 May to 1 June 2007, AGIC's top agents and staff who achieve sales target spent four days of adventure in Penang at the 2007 National Marketing Convention, themed 'Friendship'.

Some of the highlights for this event included Penang city day tour, highlights on company performance and product briefing by some key personnel of AGIC. Dato' Paduka Sharifah Mazlina was also invited to give a motivational talk on how, she as a woman has managed to go on a solo expedition to the South Pole.

The agents were also treated to a 'Moulin Rouge' theme dinner held at the E&O Hotel. Dressed smartly and elegantly in black and white, agents were greeted with opulence and colour of the night where these top achievers were honoured with tribute and awards.

Allianz Wins Award



On 26 October 2007, AGIC was awarded the top-notch Technology Business Review Award for Excellence in the Financial Sector. Hosted by the business-to-business magazine, Technology Business Review, the event gives recognition to companies that have achieved excellence in business through the adaptation and pursuit of innovation.

The winners have been chosen by the Technology Business Review Asean Awards International Selection Committee, which comprises of prominent corporate citizens of Malaysia and high-ranking members of the diplomatic service in Malaysia.

Launch of 'Allianz Travel Care'



AGIC launched a new travel product on 7 March 2007 that is more competitive and attractive to meet the needs of customers.

Aimed to reach a wider base of customers, 'Allianz Travel Care' comes with additional attributes that covers more than just your travel needs as it even provides home care benefits that are extended to protect household contents against fire while travelling.

The launch was held throughout the whole country simultaneously. In Kuala Lumpur, the launch was held in the Blue Room at Wisma Allianz. Since its launch, 'Allianz Travel Care' has received positive feedback and sales have been moving in the right direction as it is recognized as state of the art travel product, satisfying the evolving needs of its customers.

Branding Moments

Outstanding corporate design is an essential part of a strong brand. But having a great design is just the beginning. In order to benefit from the advantages of a unique and recognizable appearance, it is necessary to ensure that this design is implemented consistently – in all print media, at every event, on every billboard or poster, on television and online.

Allianz on TV and Radio



Television and radio are mediums that are widely subscribed to. Audio visual media allows us to appeal directly to people's emotions. With this in mind, Allianz launched a global campaign, the 'Allianz Moments' which focuses on everyday moments in the lives of Allianz customers, demonstrating that they can rely on Allianz to find the best insurance solutions for their needs.

Allianz Malaysia placed three television advertisements focusing on life and general insurance businesses on 8TV, beginning 6 August 2007. These three fifteen-seconds advertisements, were on air two days a week for seven months.

Radio advertisements have also been part of Allianz Malaysia's medium for the past few years, and have played a role in communicating Allianz messages through this medium.

Walk the Talk



In April 2007, the 'Walk the Talk' crew from NTV7 visited Allianz offices in Selangor and Kuala Lumpur to film the first episode of the programme. The concept of this programme was to get an inside view of companies from numerous industries as their CEOs grappled with various issues daily.

The angle that Allianz focused on was 'Customer Service'. The filming crew followed CEO, Alexander Ankel closely as he spent his time going through the workshop processes, visiting a branch and meeting a top agent. The second day of filming saw the crew shooting at the Head Office and the first staff briefing for 2007. 'Walk the Talk' has enabled people to see how the CEO and people at Allianz work in overcoming day-to-day challenges.

The programme was aired on NTV7 on 10 June 2007 at 4pm.

Print Advertisements and Billboards



Allianz has placed strategic print advertisements in major dailies in the country. These advertisements convey Allianz's message and reinforce the Allianz commitment across to potential and existing customers, staff and other stakeholders.

Allianz also continues to further build the brand through billboards across Malaysia. The Allianz billboards are a common and prominent sight in certain parts of Kuala Lumpur, Johor, Penang, Selangor and Perak. New to the edition is a bus stop in Sibul, Sarawak which is branded the Allianz way.

New Customer Service Centre



Allianz opened its doors to customers through the new 'One Stop Customer Service Centre', fondly known as the 'Allianz Arena' by staff and customers. Covered with a copy of the blue tinge from the Allianz Arena of Germany, this is a place where customers receive quality and efficient insurance related services that are user-friendly and conducive.

The services at this centre include on the spot endorsement of policy, non-monetary endorsement of policy and renewal of Road Tax. For the convenience of customers, the centre is equipped with an electronic queue management system to ease customers while waiting during peak hours.

The 'Allianz Arena' officially opened its doors on 17 December 2007. The 3381 square feet building has eight customer service counters, four agents' self service counters, a discussion room, supporting tools and machineries such as fax and photocopy machines and a conducive waiting area with television, magazines, a café bar and a computer terminal.

Community Moments

Delivering in the Moment of Truth



The flood that hit the country in late 2006 left many people homeless. As a corporate organisation, Allianz took proactive steps to help ease the burden of the victims.

A toll free line was set up and widely advertised in all major newspapers to assist policyholders in the affected areas and Allianz donated RM10,000 cash at initial stages of the flood via the Malaysian Red Crescent Society.

Out of 22 cases reported, Allianz has settled 16 cases totalling RM161,680.33. Besides that, Allianz compensated policyholders with individual fire policies even though they did not have flood coverage and for commercial cases, Allianz adjusters made immediate interim payments amounting to RM513,774.85 to help reduce the hardship of claimants.

Besides company wide efforts, relief efforts have been taken at branch level. Branches in affected areas were involved in distributing mineral water and dry food items to the victims at relief centres.

Saving the Casuarina Trees



In line with Allianz's global objective to reverse the effect of global warming, Allianz in the Sarawak region (Allianz Sarawak) embarked on a reforestation programme.

The indigenous Casuarina trees along the Bungai beach front in Miri were destroyed by farmers and left at the mercy of the rampaging monsoon. The Sarawak forestry and Allianz Sarawak decided to reverse this process through reforestation and education of the locals on the effect destruction has on the shoreline.

In May 2007, a joint effort was put into motion where an area of approximately three acres was rehabilitated with Casuarina trees. Since this is an ongoing project, the region will take on the effort to re-green five more acres in 2008.

Sarawak Region on a Medical Relief Mission



Allianz touched the lives of 329 fishing villagers from Kuala Sibuti, which is about a 45 minute drive from Miri town, Sarawak. The community service was held alongside Mercy Malaysia Miri Chapter which involved a charity project with the organisation providing free medical relief to the villagers.

Allianz sponsored 200 hygiene packs for the students, ice-cream for the children and food and beverages for the volunteers. Among the events organised for the children were colouring activities, a balloon blowing contest and distribution of soft toys. The villagers were given medical check-up which included eye checks, dental checks, pap smears and breast self examinations.

Christmas Joy for Children



Christmas started in November for Allianz. Staff were seen buying beautiful presents, all colourfully wrapped in various shapes and sizes. All this for a Christmas party held for 50 Myanmar refugee children on 14 December 2007.

The children were all smiles as they were entertained and amused with clowns who had bagful of tricks, games and balloon sculptures. Then came Santa Claus – none other than CEO, Alexander Ankel who brought more cheer to the kids in his Santa Claus attire. He gave them some Santa Claus advice and distributed all the gifts from Allianz staff to the children.

Showing their gratitude, the children performed a traditional Myanmar dance and sang two Christmas carols for all those present, which simply melted our hearts.

Food Charity Drive



It was a joyous day on 11 July 2007 for almost 200 children and the disabled at the Rita Handicapped and Disabled Children's Home and Rumah Kebajikan Anak-Anak Yatim Al-Khairiah in Kapar, Klang as Allianz embarked on its third annual project of a food charity drive.

As the goodies ranging from food items, toiletries and stationeries were carried out of the Allianz Hilux light-weight truck, smiles were seen on the faces of the occupants of these two homes. Many bags of rice, cereals, condensed milk and nutritional drinks were contributed as these were the most consumed by the homes.

The items were donated by Allianz staff from all over the country to ease the burden of these children and those running the underprivileged homes.

Allianz on the Tracks



In conjunction with the Christmas celebration, Hilton Hotel, Petaling Jaya hosted its annual Hilton Christmas Train project where it displayed a 58-sqm Christmas themed train track with locomotives that were truly eye-catching. This annual charity event raises funds for the underprivileged through corporate sponsorship.

Allianz also played its part by sponsoring a majestic hot air balloon, which together with other corporations has benefited over 500 less privileged children and the physically challenged from 25 charity homes.

Commitment Towards Developing Youths



As part of Allianz Malaysia's commitment towards building a better tomorrow for the younger generation, two significant initiatives were taken to make this pledge a reality.

The first was a competition to promote road safety among the young Malaysian road users. The 'Allianz Road Safety Video Contest' was launched on 25 February 2008 by CEO, Alexander Ankel in conjunction with the 'Allianz F1 Road Safety Forum and Exhibition' where students and guests learned about road safety with several speakers including an F1 expert, as well as experts from the Malaysian Institute of Road Safety Research (MIROS) and Allianz Center for Technology.

The 'Allianz Road Safety Video Contest' was organised for all college and university students. The students were required to make a 30 second video on road safety that was represented through an advertisement or public safety announcement.

Allianz Malaysia received many entries and the winning entry came from Low Tiong Lim and Chow Yee Hui from Universiti Putra Malaysia who won top-notch F1 tickets each with RM1,000 prize money. Allianz believes that the competition has helped in cultivating young drivers to appreciate the importance of being careful and cautious when they are on the road.

In line with this, Allianz believes in building and giving opportunity to young people to play their role in self development and for the future of the country. Allianz Malaysia is sponsoring a 14-year old tennis champion, Theiviya Selvarajoo who is the number one junior tennis player in the girls 14 & under, age category in the country for the year 2007 (Source: Lawn Tennis Association of Malaysia). Theiviya has travelled to Bangladesh, Sri Lanka, Indonesia, Pakistan, Philippines and Thailand to play in International and Asian Tennis Federation Championships.

Confident with her progressive, successful and proven track record, Allianz has taken the initiative in sponsoring her participation at all tennis tournaments, training programmes, events and purchases related to the sport for 2008. Theiviya will in turn promote Allianz by wearing sports attire provided by Allianz during her training sessions, tournaments, interviews and prize-giving ceremonies.

With these two initiatives thus far, Allianz hopes to embark on more projects in educating and supporting the youth of Malaysia.

Continuous Commitment



Having sponsored the Persatuan Mobiliti Selangor dan Kuala Lumpur (MOBILITI) since 2006, 2007 saw Allianz continuing its commitment to the physically disabled by renewing the sponsorship. MOBILITI is a non-profit charitable organisation providing 'door-to-door' transport service to the disabled within the Klang Valley. It also has the distinction of being the first community transport service in Malaysia and South-East Asia.

Allianz provides regular monthly sponsorship of operational and insurance costs for three of MOBILITI's specially modified vans used to provide transport service to the disabled. Allianz has also supported the organisation in raising more funds by joining as the main sponsor for its 5th Annual Charity Bazaar. This year was also extra special, as Allianz together with the agents were able to raise RM58,000 for MOBILITI to purchase a bigger van for its service. Sporting the Allianz look, the van can comfortably transport four wheelchair users at one go!

Employee Moments

Staff Briefings



In line with Allianz's Leadership Value 'Aligning Strategy and Communication', staff briefings were held throughout the country to address the concerns of staff and agents alike.

The first staff briefing was held in January 2007 where CEO, Alexander Ankel shared with the staff the Allianz's then proposed acquisition of CAB. On April 2007, the second staff briefing saw the presentation of the CEO on 2006 and First Quarter 2007 results.

In September 2007, another milestone was created when the first joint briefing was held with AGIC and CAB staff. This time, the CEO spoke on the past, present and future plans and information on Allianz. He answered questions raised and encouraged staff to write to him and voice out their ideas, opinions and suggestions. Other presentations included HR related matters, Corporate Risk and Compliance matters and i2s.

The final staff briefing for 2007 was held for CAB staff in December where staff were updated on the overall yearly performance, the future of CAB, relocation and the integration process.

The staff briefings not only address any issues in the minds of staff but are also regarded as fulfilment of the 'transparency promise' that has been advocated throughout.

Winning Ideas from Staff



Having embedded i2s amongst Allianz staff worldwide, many contributions came in from the many countries. In view of this, the CEOs from New Europe and Asia Pacific nominated their best idea givers to attend an incentive event, 'Best Idea Giver Workshop' in Munich from 10 to 13 May 2007.

Two lucky staff from AGIC - Clara Jayanthi and Saiful Helmi were the Malaysian representatives who were selected to attend this prominent event.

They were taken on an 'Innovation journey' through Germany with visits to Allianz Arena, Allianz Group office in Germany and other interesting spots in Germany, experiencing life there for almost one week.

The programme is part of Allianz's effort and commitment in giving opportunities to staff to give ideas that would be beneficial for Allianz; even simple ideas can make a lot of difference.

Allianz Sports Club Futsal Tournament



The Allianz Futsal Tournament took place on 10 February 2007 at Sports Planet Ampang which saw a total of 13 teams who hailed from both Allianz's general and life insurance branches from Klang Valley taking part.

The tournament had both women's and men's categories and prizes were given out by CEO, Alexander Ankel. The futsal tournament was an opportunity for staff to foster closer ties with each other.

Unleashing Child Designers



Allianz organised a Chinese New Year greeting card designing contest for staffs' children in November 2007. Three young winning designers received cash prize each and their designs were used to create Lunar New Year greeting cards. Allianz received good response and many creative designs from the children which also helped unleash their talents.



Financial Statements

Soaring Above Expectations

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Financial Statements

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Directors' Report for the year ended 31 December 2007

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

Principal activities

The Company changed its principal activity on 1 July 2007 from underwriting of all classes of general insurance business to an investment holding company following the transfer of its general insurance business to its wholly-owned subsidiary, Allianz General Insurance Company (Malaysia) Berhad pursuant to a scheme approved and confirmed by the High Court of Malaya in accordance with Part XI of the Insurance Act, 1996 ("Business Transfer") on the same date. Subsequent to the completion of the Business Transfer, the Company changed its name from Allianz General Insurance Malaysia Berhad to Allianz Malaysia Berhad with effect from 3 July 2007.

The principal activities of the subsidiaries, including Commerce Assurance Berhad which was acquired during the year, are as stated in Note 7 to the financial statements.

Results

	Group	Company
	RM'000	RM'000
(Loss)/Profit attributable to the shareholders of the Company	(2,610)	12,961

Dividends

Since the end of the previous financial year, the Company paid a final ordinary tax exempt dividend of 9.06 sen per share totaling RM13,931,121 in respect of the financial year ended 31 December 2006 on 1 August 2007.

The first and final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2007 is 2.00 sen per ordinary share less tax at 26% totaling RM2,277,261.

Reserves and provisions

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

Provision for outstanding claims

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

Bad and doubtful debts

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

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

Current assets

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

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

Valuation methods

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

Contingent and other liabilities

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

- i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- ii) any contingent liability of the Group and of the Company that has arisen since the end of the financial year.

No contingent or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

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

Change of circumstances

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

Items of an unusual nature

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature except for the gain on disposal of investments in quoted equity securities in corporations quoted in Malaysia as disclosed in Note 21 to the financial statements.

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

Employee Share Scheme

The Company has on 24 July 2007 ("Effective Date") implemented an employee share scheme ("ESS") for the eligible employees of the Group.

The ESS involves the issuance of new ordinary shares of RM1 each of the Company ("Shares") to the employees of the Group who meet the criteria of eligibility for participation in the ESS as set out in the bylaws for the ESS ("Bylaws").

The salient features of the ESS are as follows:

(i) Maximum number of Shares

The total number of new Shares which may be made available for subscription pursuant to the ESS shall not exceed 15% of the total issued and paid-up share capital of the Company at the time of the making of any offer.

(ii) Eligibility

Any employee of the Group shall be eligible to participate in the ESS if, as at the date of the offer, the employee:

- (a) has attained the age of 18 years;
- (b) is in the full time employment and is on the payroll of a company within the Group; and
- (c) falls within such other categories and criteria that the Scheme Committee may at its absolute discretion determine.

The following persons shall not be eligible to participate in the ESS:

- (a) an employee who is a chief executive officer of the Group; and
- (b) a Director of the Group.

(iii) Maximum allowable allotment

The maximum number of new Shares that can be offered and allotted for an eligible employee is 300 Shares.

(iv) Subscription price

The Subscription Price shall be the higher of the following:-

- (a) the weighted average market price of the Shares as quoted on the Official List of Bursa Malaysia Securities Berhad for the 5 Market Days immediately preceding the offer date, with a discount that does not exceed 10%; or
- (b) the par value of the Shares.

(v) Duration of the ESS

The ESS shall be in force for a duration of 2 years from the Effective Date.

(vi) Ranking of new shares

The new Shares to be issued pursuant to the ESS shall upon allotment and issue, rank pari passu in all respects with the then existing issued Shares save and except that such new Shares shall not be entitled to any dividends, rights or other entitlement where the entitlement date is a date prior to the date of allotment of the new Shares.

During the financial year, 104,700 new Shares were offered to the eligible employees of the Group and 104,100 new Shares were allotted to the eligible employees following the acceptance received from the eligible employees.

Issue of shares

During the financial year, the issued and paid-up share capital of the Company was increased from RM153,765,138 to RM153,869,238 by way of issuance of 104,100 new Shares at RM3 per Share for cash pursuant to the ESS.

The resulting Share premium amounting to RM208,200 has been credited to share premium account as shown in the financial statements.

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

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

A. Corporate governance

Board responsibilities and oversight

The Board of Directors ("the Board") has overall responsibility for reviewing and adopting strategic plans for the Company, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's internal control systems.

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the prescriptive and best practices prescribed under the Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia ("BNM"), the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the Malaysian Code of Corporate Governance ("Code"). The Board is committed to ensure that the highest standard of corporate governance is practiced throughout the Company as a fundamental of discharging their duties and responsibilities to protect the interests of its shareholders and policyholders.

Composition of the Board

The Board is made up of 6 non-executive Directors and 1 executive Director. There are 2 independent non-executive Directors on the Board.

The Board comprises members from various fields with a balance of skills and experiences appropriate to the business of the Company.

All the members of the Board have complied with the requirements of serving on the Board of not more than 15 groups of companies and the Listing Requirements on restriction of not more than 25 directorships.

The appointments of all the Board members were approved by BNM. All appointments and re-appointments of Board members are subject to the evaluation and review by the Nominating Committee and approved by the Board before the applications are submitted to BNM for approval.

Board meetings

The Board meets regularly which is at least six times in a year. Additional Special Board Meetings are held as and when required. 6 Board Meetings and 1 Special Board Meeting were held during the financial year ended 31 December 2007.

The number of Board Meetings attended by the existing Directors during the financial year ended 31 December 2007 is as follows:-

Name of Directors		No. of Board Meetings Held	No. of Board Meetings Attended
Tan Sri Razali Ismail	Chairman (Non-Independent Non-Executive Director)	7	6
Dato' Seri Nik Abidin Bin Nik Omar	(Independent Non-Executive Director)	7	7
Foo San Kan	(Independent Non-Executive Director)	7	7
Dung Tri Nguyen @ Don Tri Nguyen	(Non-Independent Non-Executive Director)	7	6
Craig Anthony Ellis	(Non-Independent Non-Executive Director)	7	7
Robert Henry Stead	(Non-Independent Non-Executive Director)	7	6
Cornelius Alexander Ioannis Ankel	Executive Director	7	Not applicable*

Note :

* - Mr. Cornelius Alexander Ioannis Ankel was appointed to the Board on 13 February 2008.

The Board in the course of carrying out its duties may set-up Board committees delegated with specific authority and operating on the terms of reference as approved by the Board to assist the Board in the execution of its responsibilities. These committees shall have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

With effect from 1 January 2008, the Board Committees of the Company are also overseeing the respective functions of its subsidiaries.

Audit Committee

The members of the Audit Committee are as follows:-

Foo San Kan (Chairman-Independent Non-Executive Director)
Tan Sri Razali Ismail (Non-Independent Non-Executive Director)
Dato' Seri Nik Abidin Bin Nik Omar (Independent Non-Executive Director)

The terms of reference of the Audit Committee complied with the requirements of the Listing Requirements, the Guidelines from BNM and the Code.

There were 5 Audit Committee Meetings held during the financial year ended 31 December 2007.

The attendance of the existing members of the Audit Committee at the Audit Committee Meetings held during the financial year ended 31 December 2007 are as follows:-

Name of Directors	No. of Audit Committee Meetings Held	No. of Audit Committee Meetings Attended
Foo San Kan	5	5
Dato' Seri Nik Abidin Bin Nik Omar	5	5
Tan Sri Razali Ismail	5	1 out of 1 meeting held after his appointment as a member of the Audit Committee on 31 October 2007

Risk Management Committee

The members of the Risk Management Committee are as follows:-

Dato' Seri Nik Abidin Bin Nik Omar (Chairman-Independent Non-Executive Director)

Foo San Kan (Independent Non-Executive Director)

Dung Tri Nguyen @ Don Tri Nguyen (Non-Independent Non-Executive Director)

Craig Anthony Ellis (Non-Independent Non-Executive Director)

The Risk Management Committee's major responsibility is to drive the risk management framework of the Company and its subsidiaries and to report to the respective Boards on its recommendations and/or decisions.

The responsibilities of the Risk Management Committee are stated below and shall be applicable to the Company and its subsidiaries:-

- (i) to address strategic and corporate level risks and recommend to the Board the strategies to manage these risks and ensure its implementation;
- (ii) to review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (iii) to review and recommend risk management strategies, policies and risk parameters/tolerance levels for the Board's approval;
- (iv) to ensure adequate infrastructure, resources and systems are in place for effective risk management e.g. ensuring that the Chief Risk Officers who are responsible for implementing risk management systems perform those duties independently of the risk taking activities of the respective companies within the Group;
- (v) to review the Key Risks Profile using the Allianz SE Group's Top Risk Assessment approach and those risks raised by business units and monitor the progress of action plans implemented especially that of high probability or significant impact to business units and the organisation;
- (vi) to review and recommend the contingency planning, including its effectiveness testing covering policies, processes and resources in place to address potential crises, unusual circumstances and stress situations for the Board's approval;
- (vii) to review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (viii) to report to the Board on risk management status on a regular basis;
- (ix) to discuss and decide on risk methodology in facilitating risk assessment; and
- (x) to provide a risk decision taking and/or recommend framework to ensure timely reaction to early warnings related to risk issues.

There were 3 Risk Management Committee Meetings held during the financial year ended 31 December 2007.

The attendance of the existing members of the Risk Management Committee at the Risk Management Committee Meetings held during the financial year ended 31 December 2007 are as follows:-

Name of Directors	No. of Risk Management Committee Meetings Held	No. of Risk Management Committee Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	3	2 out of 2 meetings held after his appointment as a member of the Risk Management Committee on 1 April 2007
Foo San Kan	3	3
Dung Tri Nguyen @ Don Tri Nguyen	3	1
Craig Anthony Ellis	3	3

Nominating Committee

The members of the Nominating Committee are as follows:-

Dato' Seri Nik Abidin Bin Nik Omar (Chairman-Independent Non-Executive Director)
 Tan Sri Razali Ismail (Non-Independent Non-Executive Director)
 Foo San Kan (Independent Non-Executive Director)
 Craig Anthony Ellis (Non-Independent Non-Executive Director)
 Dung Tri Nguyen @ Don Tri Nguyen (Non-Independent Non-Executive Director)

The primary objective of the Nominating Committee is to establish a documented formal and transparent procedure for the appointment of Directors, Chief Executive Officer ("CEO"), Key Senior Officers ("KSOs") of the Company and its subsidiaries and to assess the effectiveness of individual director, the Board as a whole (including various committee of the Board), CEO and KSOs of the Company and its subsidiaries on an on-going basis.

The responsibilities of the Nominating Committee are stated below and shall be applicable to the Company and its subsidiaries:-

- (a) establishing minimum requirements for the Board and the CEO to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and the mix of skills and other core competencies required, through annual reviews;
- (b) recommending and assessing the nominees for directorship, the Directors to fill Board committees, as well as nominees for the CEO position. This includes assessing Directors and the CEO proposed for reappointment, before an application for approval is submitted to BNM. The Nominating Committee in making its recommendation on candidates for directorship should consider the candidates':-
 - (i) skill, knowledge, expertise and experience;
 - (ii) professionalism;
 - (iii) integrity; and
 - (iv) in the case of candidate for the position of independent non-executive directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors;

- (c) establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director including the independent non-executive directors to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions should be properly documented;
- (d) recommending to the Board on removal of a Director/CEO if he is ineffective, errant or negligent in discharging his responsibilities;
- (e) ensuring that all Directors undergo appropriate induction programmes and receive continuous training; and
- (f) overseeing the appointment, management succession planning and performance evaluation of KSOs, and recommending to the Board the removal of KSOs if they are ineffective, errant or negligent in discharging their responsibilities.

There was 1 Nominating Committee Meeting held during the financial year ended 31 December 2007.

The attendance of the existing members of the Nominating Committee at the Nominating Committee Meeting held during the financial year ended 31 December 2007 are as follows:-

Name of Directors	No. of Nomination Committee Meetings Held	No. of Nomination Committee Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	1	1
Tan Sri Razali Ismail	1	1
Foo San Kan	1	Not applicable *
Craig Anthony Ellis	1	1
Dung Tri Nguyen @ Don Tri Nguyen	1	1

* Mr. Foo San Kan was appointed as a member of the Nominating Committee on 1 April 2007. There was no Nominating Committee Meeting held following his appointment as a member of Nominating Committee.

The Company has put in place a performance evaluation process and procedures for assessing the Directors and the effectiveness of the Board.

Re-appointment of Directors who are due for retirement and eligible for re-election at the Annual General Meeting of the Company and/or Directors whose terms of office as approved by BNM are due for renewal, will be reviewed by the Nomination Committee and approved by the Board before the applications are submitted to BNM for approval.

In the opinion of the Nominating Committee, the Board has a good mix of skills and experience appropriate for the business of the Company.

Remuneration Committee

The members of the Remuneration Committee are as follows:-

Dato' Seri Nik Abidin Bin Nik Omar (Chairman-Independent Non-Executive Director)
 Craig Anthony Ellis (Non-Independent Non-Executive Director)
 Dung Tri Nguyen @ Don Tri Nguyen (Non-Independent Non-Executive Director)

The primary objective of the Remuneration Committee is to provide a formal and transparent procedure for developing a remuneration policy for Directors, CEO and KSOs of the Company and its subsidiaries and ensuring that their compensation is competitive and consistent with the culture, objective and strategy of the Group.

The responsibilities of the Remuneration Committee are stated below and shall be applicable to the Company and its subsidiaries:-

- (a) recommending a framework of remuneration for Directors, CEO and KSOs. The remuneration policy should:-
- be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
 - reflect the experience and level of responsibility borne by individual Directors, the CEO and KSOs;
 - be sufficient to attract and retain Directors, CEO and KSOs of calibre needed to manage the Company successfully; and
 - be balanced against the need to ensure that the funds of the insurer are not used to subsidise excessive remuneration packages;
- (b) recommending specific remuneration packages for Directors, CEO and KSOs. The remuneration packages should:-
- be based on an objective consideration and approved by the full Board;
 - take due consideration of the assessments of the Nomination Committee of the effectiveness and contribution of the Directors, CEO or KSOs concerned;
 - not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
 - be competitive and is consistent with the Company's culture, objective and strategy of the Group.

There was 1 Remuneration Committee Meeting held during the financial year ended 31 December 2007.

The attendance of the existing members of the Remuneration Committee at the Remuneration Committee Meetings held during the financial year ended 31 December 2007 are as follows:-

Name of Directors	No. of Remuneration Committee Meetings Held	No. of Remuneration Committee Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	1	1
Craig Anthony Ellis	1	Not applicable *
Dung Tri Nguyen @ Don Tri Nguyen	1	1

- * Mr. Craig Anthony Ellis was appointed as a member of the Remuneration Committee on 31 October 2007. There was no Remuneration Committee Meeting held following his appointment as a member of Remuneration Committee.

The Board has established a remuneration policy for Directors of the Company. The Remuneration Committee recommends to the Board the remuneration to be paid to each Director based on the remuneration policy as approved by the Board. Nevertheless, it is the ultimate responsibility of the Board to decide on the quantum for each Director.

Investment Committee

The members of the Investment Committee as at 31 December 2007 are as follows:-

Tan Sri Razali Ismail (Chairman, Non-Independent Non-Executive Director)
 Craig Anthony Ellis (Non-Independent Non-Executive Director)
 Cornelius Alexander Ioannis Ankel (Executive Director)
 Christopher Mark James (Non-Independent Non-Executive Director)

The Investment Committee is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department which in turn is responsible for managing the investment functions of the Group.

There were 3 Investment Committee Meetings held during the financial year ended 31 December 2007.

The attendance of the abovementioned Investment Committee members at the Investment Committee Meetings held during the financial year ended 31 December 2007 are as follows:-

Name of Directors	No. of Investment Committee Meetings Held	No. of Investment Committee Meetings Attended
Tan Sri Razali Ismail	3	3
Craig Anthony Ellis	3	3
Cornelius Alexander Ioannis Ankel	3	3
Christopher Mark James	3	1 out of 1 meeting held after his appointment as a member of the Investment Committee on 31 October 2007

B. Management Accountability

Organisational structure

The organisational structure of the Company clearly shows lines of reporting responsibility and authority for all levels of staff of the Company. Authority is delegated by the Board to the Chief Executive Officer and Senior Management Committee for the implementation of strategy and for managing the Company. The Company has in place a well-documented organisational structure, allocation of duties and responsibilities for all its employees.

Communication

To support an effective flow of information within the Company and to ensure that important information reaches the appropriate personnel in a timely manner, the Company has in place the following practices:-

- Documentation of important policies and procedures in the form of operating manuals/workflows.
- Regular meetings to discuss issues of common concern.
- Induction programs for all new staff upon joining the Company.
- Regular staff dialogue.
- Monthly staff newsletter.

Corporate Independence

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (JPI/GPI 19) and the Listing Requirements in respect of all its related party undertakings. The necessary disclosures were made to the Board and where required, the prior approval of the Board and/or shareholders for the transaction had also been obtained. In line with Part E, Paragraph 10.09 of the Listing Requirements on recurrent related party transactions of a revenue or trading nature with related parties ("Recurrent Transactions"), the Company had obtained the shareholders' mandate for the Company and its subsidiaries to enter into Recurrent Transactions ("Shareholders' Mandate"). The Shareholders' Mandate will be renewed on a yearly basis at the Annual General Meeting of the Company.

C. Internal Controls and Operational Risk Management

The Board recognises the importance of having in place a risk management system to identify significant risks and implement appropriate controls to manage such risks as an integral part of the Company's operations.

The Company accordingly has in place the Top Risk Assessment ("TRA") approach, a process of identifying, evaluating and managing the significant risks affecting the achievement of its business objectives.

The Company has in place a Risk Management Framework Manual which is approved and formally adopted by the Board of the Company. It outlines the guiding principles of the risk management approach, structure, roles, responsibilities, accountabilities, reporting requirements as well as the TRA process of the Company. It is designed to formalise the risk management functions across the Company and to increase awareness of the Company's employees to risk identification, measurement, control, ongoing monitoring and reporting.

The Company's key internal control processes prior and subsequent to the completion of the Business Transfer and the acquisition of the entire equity interest of Commerce Assurance Berhad are detailed below. Unless otherwise stated, the key internal control processes in relation to its general insurance business have been assumed by Allianz General Insurance Company (Malaysia) Berhad and Commerce Assurance Berhad following the completion of the Business Transfer and the acquisition:-

Underwriting

The Company exercises control over underwriting exposures covering both risks accepted and reinsured. Exposure limits are reviewed annually.

Operational authority limits covering underwriting of risks, claims settlement, and capital expenditures were reviewed and updated regularly.

The treaty program ensures that reinsurers have secure ratings from accredited rating agencies. The securities of treaty reinsurers are stringently reviewed on an annual basis.

Financial control procedures

Internal policies and procedures which incorporate relevant requirements of BNM and Persatuan Insuran Am Malaysia ("PIAM") and internal guidelines are documented in procedural workflows of department and branch operations. These workflows are subject to reviews and improvements to reflect changing risks and process enhancement as and when required.

Financial position

Yearly business plans and budgets are submitted to the Board for approval. Financial reports are also submitted to the Board for review at its regular meetings as part of the regular monitoring of the Company's performance. These reports cover all key operational areas and provide a sound basis for the Board to assess the Company's financial performance and to identify potential problems facing by the Company. Results of stress tests are also presented to the Board on regular basis for deliberation.

Save for the results on stress tests as required by PIAM, the Company maintained this practice following the completion of the Business Transfer.

Investment

The Investment Committee is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. Detailed procedures and controls, including an Investment Code of Ethics are documented to safeguard the interests of the Company. The objective of the Investment Code of Ethics is to ensure that the Company's interests prevail over the personal interests of the employees.

The performance of investment funds and the equity exposure reports are amongst the reports submitted to the Investment Committee for its review at its regular meetings. The investment limits are monitored continuously to ensure compliance with the specification of admitted assets pursuant to Section 46(2) of the Insurance Act, 1996.

With effect from 1 January 2008, the subsidiaries of the Company have formally used the services of the Investment Committee of the Company. Accordingly, the Investment Committee of the Company would continue overseeing the investment function of the Company and in addition, the investment function of its subsidiaries.

Information system

The Information Technology (IT) Steering Committee is responsible for establishing effective IT plans, authorising IT related expenditure and monitoring the progress of approved projects.

The requirements of BNM's Guidelines on Management of IT Environment (GPIS – 1) have been substantially complied with.

Internal audit

The Company has an Internal Audit Department which assists the Audit Committee in discharging its duties and responsibilities.

The Internal Audit function undertakes regular reviews of the Group's operations and its system of internal controls. It provides continuous monitoring of the controls and risk management procedures. Internal audit findings are discussed at management level and actions are taken in response to the internal audit recommendations. The Audit Committee reviews all internal audit findings and management responses.

The requirements of BNM's Guidelines on Minimum Audit Standards for Internal Auditors of Financial Institution (JPI/GPI 13) have been met.

With effect from 1 January 2008, the subsidiaries of the Company have formally used the services of the Audit Committee of the Company. Accordingly, the Audit Committee of the Company would review internal audit findings and management responses for the Group.

Whistleblowing procedures

The Whistleblowing Committee has been established in 2006 with the objectives to further enhance the corporate governance and to meet the expectations of the Code of Conduct for Business Ethics of the Company. Guidelines and procedures for the Committee have been drawn up to handle, review, assess and take appropriate actions on complaints/concerns raised by the employees relating to any illegal or questionable activities in the Company. Such complaints/concerns may be made anonymously. This in turn will help to promote transparency and accountability throughout the Company.

Following the completion of the Business Transfer and the acquisition of the entire equity interest of Commerce Assurance Berhad by the Company, the responsibilities of the Whistleblowing Committee of the Company have been expanded to cover all whistleblowing matters of Allianz General Insurance Company (Malaysia) Berhad and Commerce Assurance Berhad.

Public accountability

The Company complies with the provisions relating to policies under Parts XII and XV of the Insurance Act, 1996. Each member of the staff and the agency force is also required to adhere to PIAM's Code of Ethics and Conduct when dealing with customers.

Members of the public are made aware of avenues for appeal against the Company practices or decisions. A policy contract issued to any policy owner contains a written disclosure alerting them to the existence of the Financial Mediation Bureau ("FMB") and BNM's Consumer and Market Conduct Department ("CMC"). In addition, notices containing the same information are exhibited in the Head Office and all the Company's branches. The Company's letter to any claimant on the rejection of a claim also includes similar information for appeal to FMB and CMC.

Financial reporting

Due care and diligence is exercised by the Company in ensuring compliance with the requirements of statutory reporting to BNM, Bursa Malaysia Securities Berhad, Securities Commission and Companies Commission of Malaysia and the accuracy of information contained in the reports submitted to the respective authorities as well as the maintenance of appropriate accounting records. The external auditors are appointed according to the provisions of the Insurance Act, 1996 and the Companies Act, 1965. They provide an independent opinion as to whether the financial statements have been prepared in accordance with applicable approved Financial Reporting Standards and disclosure standards in Malaysia and present a true and fair view of the financial state of affairs of the Company.

The Company maintained these practices following the Business Transfer.

Directors

The Directors who served since the date of the last report are:

Tan Sri Razali Ismail (Chairman)
 Dato' Seri Nik Abidin Bin Nik Omar
 Foo San Kan
 Craig Anthony Ellis
 Dung Tri Nguyen @ Don Tri Nguyen
 Robert Henry Stead
 Cornelius Alexander Ioannis Ankel (Appointed on 13 February 2008)
 Alan John Wilson (Resigned on 8 October 2007)

Directors' interests

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of registered shares*			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Interest in ultimate holding company, Allianz SE:				
Dung Tri Nguyen @ Don Tri Nguyen	439	-	-	439
Craig Anthony Ellis	33	-	-	33

* The shares have no par value.

None of the other Directors holding office at 31 December 2007 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

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

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Company or of related companies / corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Holding company

The holding and ultimate holding company is Allianz SE, a public company incorporated in Germany.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

Tan Sri Razali Ismail

Cornelius Alexander Ioannis Ankel

Kuala Lumpur,

Date: 26 March 2008

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

In the opinion of the Directors, the financial statements set out on pages 99 to 184 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

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

Tan Sri Razali Ismail

Cornelius Alexander Ioannis Ankel

Kuala Lumpur,

Date: 26 March 2008

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

I, **Ng Hang Ming**, the officer primarily responsible for the financial management of Allianz Malaysia Berhad (Formerly known as Allianz General Insurance Malaysia Berhad), do solemnly and sincerely declare that the financial statements set out on pages 99 to 184 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 in Kuala Lumpur in the Wilayah Persekutuan on 26 March 2008.

Ng Hang Ming

Before me:

Wong Ah Ying
W 334
Commissioner of Oaths
Kuala Lumpur

Report of the Auditors to the members of Allianz Malaysia Berhad

We have audited the financial statements set out on pages 99 to 184. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong
Partner
Approval Number: 2613/12/08(I)

Kuala Lumpur

Date: 26 March 2008

Balance sheets as at 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000 Restated
Assets					
General business and shareholders' fund assets					
Property, plant and equipment	3	67,231	35,898	34,956	35,881
Intangible assets	4	333,533	4,990	-	-
Prepaid lease payments	5	5,542	5,102	5,024	5,102
Investment property	6	1,662	891	742	891
Investments in subsidiaries	7	-	-	793,408	169,253
Loans	9	3,652	3,022	360	3,022
Subordinated loans	13.2	-	-	17,600	3,600
Deferred tax assets	14	19,397	9,824	-	-
Receivables, deposits and prepayments	10	36,776	53,640	58	3,139
Total non-current general business and shareholders' fund assets		467,793	113,367	852,148	220,888
Less: Due from life fund	10	(35,305)	(50,335)	-	-
		432,488	63,032	852,148	220,888
Investments in debt and equity securities	8	1,322,189	675,923	37,451	621,760
Loans	9	853	591	37	591
Receivables, deposits and prepayments	10	191,890	136,111	2,320	135,587
Current tax assets		10,571	1,242	-	1,242
Cash and cash equivalents		8,125	5,161	135	5,138
Total current general business and shareholders' fund assets		1,533,628	819,028	39,943	764,318
Total life business assets (page 105)					
Non-current assets		23,391	29,436	-	-
Current assets		1,585,411	1,266,627	-	-
		1,608,802	1,296,063	-	-
Total assets		3,574,918	2,178,123	892,091	985,206
Shareholders' equity					
Share capital	17	153,869	153,765	153,869	153,765
Reserves	18	165,661	182,901	234,235	235,904
Total equity attributable to shareholders' of the Company		319,530	336,666	388,104	389,669
Total life policyholders' funds (page 105)		1,419,855	1,130,712	-	-

Balance sheets as at 31 December 2007 (continued)

	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000 Restated
Liabilities					
General business and shareholders' fund liabilities					
Payables and accruals	12	19,196	19,788	1,841	19,788
Deferred tax liabilities	14	3,982	1,825	1,502	1,825
Subordinated loans	13.1	490,000	-	490,000	-
Total non-current general business and shareholders' fund liabilities		513,178	21,613	493,343	21,613
Unearned premium reserves	15	279,550	144,098	-	144,098
Provision for outstanding claims	11	601,009	263,905	-	263,905
Payables and accruals	12	280,622	166,066	9,659	165,921
Current tax liabilities		7,532	47	985	-
Total current general business and shareholders' fund liabilities		1,168,713	574,116	10,644	573,924
Total life business liabilities (page 105)					
Non-current liabilities		54,874	61,466	-	-
Less: Due to general business and shareholders' fund	12	(35,305)	(50,335)	-	-
		19,569	11,131	-	-
Current liabilities		134,073	103,885	-	-
		153,642	115,016	-	-
Total equity and liabilities		3,574,918	2,178,123	892,091	985,206

The notes on pages 110 to 184 are an integral part of these financial statements.

Statements of changes in equity for the year ended 31 December 2007

	Note	Non-distributable			Distributable	
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Group						
At 1 January 2006		153,765	5,321	4,046	153,547	316,679
Revaluation of property, plant and equipment, net of tax	18	-	-	2,408	-	2,408
Profit for the year		-	-	-	34,961	34,961
Dividends to shareholders	27	-	-	-	(17,382)	(17,382)
At 31 December 2006 / 1 January 2007		153,765	5,321	6,454	171,126	336,666
Shares issued	17	104	208	-	-	312
Effect of deferred tax	18	-	-	(907)	-	(907)
Loss for the year		-	-	-	(2,610)	(2,610)
Dividends to shareholders	27	-	-	-	(13,931)	(13,931)
At 31 December 2007		153,869	5,529	5,547	154,585	319,530
Company						
At 1 January 2006		153,765	5,321	4,046	139,607	302,739
Profit for the year		-	-	-	101,904	101,904
Revaluation of property, plant and equipment, net of tax	18	-	-	2,408	-	2,408
Dividends to shareholders	27	-	-	-	(17,382)	(17,382)
At 31 December 2006 / 1 January 2007		153,765	5,321	6,454	224,129	389,669
Profit for the year		-	-	-	12,961	12,961
Shares issued	17	104	208	-	-	312
Effect of deferred tax	18	-	-	(907)	-	(907)
Dividends to shareholders	27	-	-	-	(13,931)	(13,931)
At 31 December 2007		153,869	5,529	5,547	223,159	388,104

The notes on pages 110 to 184 are an integral part of these financial statements.

Income statements for the year ended 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Operating revenue	19	1,445,366	1,133,965	294,654	588,384
Shareholders' fund:					
Investment income	20	4,329	2,203	2,476	452
Other operating income	21	39	3,619	2,835	3,618
Other operating expenses	22	(7,671)	(3,470)	(4,340)	(3,450)
Management expenses	23	(5,533)	(175)	(4,553)	-
		(8,836)	2,177	(3,582)	620
Transfers from general insurance revenue accounts		21,099	48,102	25,394	116,055
Profit before tax		12,263	50,279	21,812	116,675
Tax expense	25	(14,873)	(15,318)	(8,851)	(14,771)
(Loss)/Profit for the year		(2,610)	34,961	12,961	101,904
Basic (loss)/earnings per ordinary share (sen)	26	(1.7)	22.7		

The notes on pages 110 to 184 are an integral part of these financial statements.

General insurance revenue accounts for the year ended 31 December 2007

Group	Note	Fire		Motor		Marine, Aviation and Transit		Miscellaneous		Total	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross premium		181,218	138,592	228,327	141,713	70,471	40,511	268,593	241,112	748,609	561,928
Less: Reinsurance		(112,633)	(84,696)	(12,977)	(9,805)	(52,754)	(27,121)	(129,353)	(121,308)	(307,717)	(242,930)
Net premium		68,585	53,896	215,350	131,908	17,717	13,390	139,240	119,804	440,892	318,998
(Increase)/ Decrease in unearned premium reserves	15	(11,390)	(1,216)	(13,252)	(8,034)	2,069	(73)	(1,685)	(1,944)	(24,258)	(11,267)
Earned premium		57,195	52,680	202,098	123,874	19,786	13,317	137,555	117,860	416,634	307,731
Net claims incurred	28	(35,174)	(33,649)	(157,194)	(84,861)	(8,725)	(2,191)	(74,207)	(52,945)	(275,300)	(173,646)
Net commission		1,590	(498)	(24,380)	(13,911)	127	(1,125)	(11,016)	(11,885)	(33,679)	(27,419)
		(33,584)	(34,147)	(181,574)	(98,772)	(8,598)	(3,316)	(85,223)	(64,830)	(308,979)	(201,065)
Underwriting surplus before management expenses		23,611	18,533	20,524	25,102	11,188	10,001	52,332	53,030	107,655	106,666
Management expenses	23									(108,516)	(87,716)
Underwriting (deficit) / surplus										(861)	18,950
Investment income	20									35,486	26,004
Other operating income	21									10,533	33,863
Other operating expenses	22									(24,059)	(30,715)
Transfer to income statement										21,099	48,102

General insurance revenue accounts for the year ended 31 December 2007 (continued)

Company	Note	Fire		Motor		Marine, Aviation and Transit		Miscellaneous		Total	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross premium		67,367	138,592	73,098	141,713	18,025	40,511	119,966	241,112	278,456	561,928
Less: Reinsurance		(40,722)	(84,696)	(4,608)	(9,805)	(10,073)	(27,121)	(51,251)	(121,308)	(106,654)	(242,930)
Net premium		26,645	53,896	68,490	131,908	7,952	13,390	68,715	119,804	171,802	318,998
Increase in unearned premium reserves	15	(111)	(1,216)	(1,688)	(8,034)	(381)	(73)	(5,713)	(1,944)	(7,893)	(11,267)
Earned premium		26,534	52,680	66,802	123,874	7,571	13,317	63,002	117,860	163,909	307,731
Net claims incurred	28	(11,459)	(33,649)	(48,232)	(84,861)	(2,974)	(2,191)	(31,982)	(52,945)	(94,647)	(173,646)
Net commission		761	(498)	(7,589)	(13,911)	(719)	(1,125)	(7,339)	(11,885)	(14,886)	(27,419)
		(10,698)	(34,147)	(55,821)	(98,772)	(3,693)	(3,316)	(39,321)	(64,830)	(109,533)	(201,065)
Underwriting surplus before management expenses		15,836	18,533	10,981	25,102	3,878	10,001	23,681	53,030	54,376	106,666
Management expenses	23									(41,992)	(87,716)
Underwriting surplus										12,384	18,950
Investment income	20									13,722	26,004
Other operating income	21									4,394	101,816
Other operating expenses	22									(5,106)	(30,715)
Transfer to income statement										25,394	116,055

The notes on pages 110 to 184 are an integral part of these financial statements.

Life fund balance sheet as at 31 December 2007

	Note	2007 RM'000	2006 RM'000 Restated
Assets			
Property, plant and equipment	3	12,681	15,898
Intangible assets	4	690	1,180
Prepaid lease payments	5	4,793	4,854
Investment property	6	2,495	700
Loans	9	2,615	2,796
Receivables, deposits and prepayments	10	117	436
		23,391	25,864
Investment-linked business non-current assets	31	-	3,572
Total life business non-current assets		23,391	29,436
Investments in debts and equity securities	8	1,232,337	932,673
Loans	9	26,722	21,043
Receivables, deposits and prepayments	10	52,070	47,803
Current tax assets		1,683	6,158
Cash and cash equivalents		11,491	5,875
		1,324,303	1,013,552
Investment-linked business current assets	31	261,108	253,075
Total life business current assets		1,585,411	1,266,627
Total life business assets		1,608,802	1,296,063
Life policyholders' funds			
Life policyholders' fund		1,418,934	1,129,791
Life assets revaluation reserve		921	921
Total life policyholders' funds	16	1,419,855	1,130,712
Liabilities			
Payables and accruals	12	51,729	61,466
Deferred tax liabilities	14	3,137	-
		54,866	61,466
Investment-linked business non-current liabilities	31	8	-
Total life business non-current liabilities		54,874	61,466
Provision for outstanding claims	11	31,208	27,119
Payables and accruals	12	100,151	76,025
		131,359	103,144
Investment-linked business current liabilities	31	2,714	741
Total life business current liabilities		134,073	103,885
Total life business liabilities		188,947	165,351
Total life policyholders' funds and life business liabilities		1,608,802	1,296,063

The notes on pages 110 to 184 are an integral part of these financial statements.

Life fund revenue account for the year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
Gross premium		594,560	493,049
Less: Reinsurance		(43,634)	(39,744)
Net premium		550,926	453,305
Less: Benefits paid and payable:			
Surrender		(131,139)	(85,050)
Death		(13,495)	(9,164)
Maturity		(7,068)	(3,683)
Cash bonus		(13,481)	(9,855)
Others		(30,589)	(26,679)
		(195,772)	(134,431)
		355,154	318,874
Commission and agency expenses		(128,029)	(108,241)
Management expenses	23	(69,011)	(64,973)
Underwriting surplus		158,114	145,660
Investment income	20	50,270	38,838
Other operating income	21	33,328	44,645
Other operating expenses	22	(1,421)	(36,362)
Surplus before tax		240,291	192,781
Tax expense	25	(6,039)	528
Surplus after tax and before policy reserve		234,252	193,309
Surplus after tax and before policy reserve from investment-linked business	31	54,891	44,731
Fund at beginning of year		1,129,791	891,751
Fund at end of year	16.1	1,418,934	1,129,791

The notes on pages 110 to 184 are an integral part of these financial statements.

Cash flow statements for the year ended 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash flows from operating activities					
Profit before taxation		12,263	50,279	21,812	116,675
Adjustments for:					
Accretion of discounts		(9,536)	(7,375)	(1,059)	(2,032)
Amortisation of premiums		7,276	6,977	1,301	2,220
Amortisation of prepaid lease payments		141	-	78	-
Amortisation of intangible assets		790	691	-	-
Write back of allowance for diminution in value of investments in debt and equity securities		(318)	(76,956)	(108)	(36,028)
Allowance for doubtful debt		5,139	1,616	596	1,006
Bad debts written off		1,180	951	-	951
Depreciation of property, plant and equipment		10,443	12,014	5,811	8,800
(Gain)/Loss on disposal of investments in debt and equity securities		(83,150)	140,731	(3,824)	31,375
Change in fair value of investment property		-	313	-	363
Gain on disposal of investment property		-	(120)	-	(120)
(Gain)/Loss on disposal of property, plant and equipment		(91)	(261)	62	(153)
Increase in unearned premium reserves		24,257	11,267	7,893	11,267
Investment-linked fund surplus before tax and before policy reserve	31	59,754	41,552	-	-
Investment income		(99,907)	(78,587)	(16,440)	(26,642)
Interest expense		1,854	2,219	383	1,467
Life fund surplus before tax and before policy reserve		240,291	192,781	-	-
Property, plant and equipment written off		4,445	38	3,057	13
Reversal of impairment loss on investment in subsidiary		-	-	-	(67,953)
Unrealised gain of investment in debt and equity securities of investment-linked funds		(8,038)	(108,485)	-	-
Unrealised foreign exchange loss of investment-linked funds		1,775	1,405	-	-
Impairment loss on property, plant and equipment		10,316	-	1,218	-
Operating profit before changes in operating assets and liabilities		178,884	191,050	20,780	41,209
Business transferred	(ii)	-	-	128,000	-
Purchase of investments		(1,957,844)	(1,115,603)	(53,587)	(379,101)
Proceeds from disposal of investments		1,671,871	727,578	58,341	229,061
Increase/(Decrease) in fixed and call deposits		(82,316)	160,015	23,413	102,574
Increase in loans		(5,424)	(4,949)	(179)	(2)
Decrease/(Increase) in receivables		51,575	(48,168)	(3,410)	(34,824)
Increase in provision for outstanding claims		43,220	17,377	2,888	13,895
Increase/(Decrease) in payables		27,974	37,627	(26,563)	33,485
Decrease/(Increase) in banker's acceptances		14,444	(14,297)	-	-
Decrease in negotiable certificate of deposits		3,278	10,000	-	-

Cash flow statements for the year ended 31 December 2007 (continued)

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Net cash (used in) /generated from operations		(54,338)	(39,370)	149,683	6,297
Taxes paid		(18,809)	(9,035)	(7,854)	(3,936)
Investment income received:					
Dividend		11,772	12,732	622	1,587
Interest		85,818	64,995	22,009	23,797
Others		887	260	738	59
Interest paid		(274)	(1,470)	(383)	(718)
Net cash generated from operating activities		25,056	28,112	164,815	27,086
Cash flows for investing activities					
Proceeds from disposal of property, plant and equipment		433	2,378	33	2,085
Proceeds from disposal of investment property		149	2,080	149	2,080
Acquisition of property, plant and equipment		(10,165)	(15,373)	(7,249)	(13,095)
Acquisition of intangible assets		(300)	-	-	-
Increase of investments in subsidiaries		-	-	(128,000)	-
Acquisition of subsidiary, net of cash acquired	7	(482,211)	-	(496,155)	-
Net cash used in investing activities		(492,094)	(10,915)	(631,222)	(8,930)
Cash flows for financing activities					
Proceeds from issuance of shares		312	-	312	-
Dividends paid		(13,931)	(17,382)	(13,931)	(17,382)
Repayment of finance lease liabilities		(977)	(1,022)	(977)	(1,022)
Increase in subordinated loans		490,000	-	476,000	-
Net cash generated from/(used in) financing activities		475,404	(18,404)	461,404	(18,404)
Net increase/(decrease) in cash and cash equivalents		8,366	(1,207)	(5,003)	(248)
Cash and cash equivalents at 1 January		13,832	15,039	5,138	5,386
Cash and cash equivalents at 31 December	(i)	22,198	13,832	135	5,138
(i) Cash and cash equivalents					
Cash and cash equivalents comprise:					
Cash and bank balances:					
General business and shareholders' fund		8,125	5,161	135	5,138
Life fund		11,491	5,875	-	-
Investment-linked business	31	2,582	2,796	-	-
		22,198	13,832	135	5,138

Cash flow statements for the year ended 31 December 2007 (continued)

(ii) Transfer of business

The Company transferred its entire business, assets, liabilities, duties and obligation of the general insurance operations and all activities carried on in connection with or for the purpose of such general insurance business to its wholly owned subsidiary Allianz General Insurance Company (Malaysia) Berhad on 1 July 2007 pursuant to a scheme approved and confirmed by the High Court of Malaya in accordance with Part XI of the Insurance Act, 1996. The assets and liabilities transferred were as follows:

	RM'000
Investments	555,458
Loans	3,395
Receivables, deposits and prepayments	132,233
Cash and bank balances	4,374
Total assets	695,460
Unearned premium reserves	151,991
Provision for outstanding claims	266,793
Payables and accruals	148,676
Total liabilities	567,460
Cash flow on general business transferred	128,000

The notes on pages 110 to 184 are an integral part of these financial statements.

Principal activities and general information

Allianz Malaysia Berhad (formerly known as Allianz General Insurance Malaysia Berhad) is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Level 40, Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur

The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2007 do not include other entities.

The Company was principally engaged in the underwriting of all classes of general insurance business up to 30 June 2007. The Company became an investment holding company following the transfer of its general insurance business ("Business Transfer") to its wholly owned subsidiary, Allianz General Insurance Company (Malaysia) Berhad on 1 July 2007. Pursuant to the Business Transfer, the Company changed its name from Allianz General Insurance Malaysia Berhad to Allianz Malaysia Berhad on 3 July 2007. The principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

The holding and ultimate holding company is Allianz SE, a public company incorporated in Germany.

The financial statements were approved by the Board of Directors on 26 March 2008.

1. Basis of preparation

(a) Statement of compliance

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

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year except for the adoption of the new and revised FRSs issued by MASB that are effective for the financial period beginning on 1 January 2007 as follows:

- FRS 117 Leases
- FRS 124 Related Party Disclosures

Other than the expanded disclosure requirements as shown in Note 24 and Note 33 and the restatement of comparatives shown in Note 35, the adoption of FRS 117 and FRS 124 does not have any significant financial impact on the financial statements of the Group and the Company.

The MASB has also issued the following FRSs and Interpretations that are effective for annual periods beginning after 1 January 2007 and that have not been applied in preparing these financial statements:

FRSs / Interpretations	Effective date
FRS 107, <i>Cash Flow Statements</i>	1 July 2007
FRS 111, <i>Construction Contracts</i>	1 July 2007
FRS 112, <i>Income Taxes</i>	1 July 2007
FRS 118, <i>Revenue</i>	1 July 2007

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs / Interpretations	Effective date
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007
Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation</i>	1 July 2007
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8, <i>Scope of FRS 2</i>	1 July 2007

The Group and the Company plan to apply the above mentioned FRSs for the annual period beginning on 1 January 2008 except for FRS 111, FRS 120 and all the Interpretations as mentioned above which are not applicable to the Group and the Company and FRS 139 which the effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs are not expected to have any material impact on the financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities as explained in their respective accounting policy notes:

- Property, plant and equipment
- Investment property
- Investment in debt and equity securities of investment-linked business

General business assets and liabilities relates to both the general insurance fund and shareholders' fund.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (continued)

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(c) - revaluation of land and buildings
- Note 2(g) - valuation of investment property
- Note 2(o) and 2(p) - provision for outstanding claims (including IBNR)
- Notes 4 & 7 - determination of recoverable amount of intangible assets and investments in subsidiaries
- Note 14 - recognition of unutilised tax losses and unabsorbed capital allowances
- Note 16 - valuation of Life policyholders' fund
- Note 34 - fair value estimates of unquoted investments in debt and securities

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, unless otherwise stated.

Certain comparative figures have been restated as a result of the adoption of FRS 117, Leases (see Note 35).

(a) Basis of consolidation

(i) Subsidiaries

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

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted investees, if any, are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (continued)

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements/ revenue accounts.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group revalues its owner-occupied properties comprising land and buildings every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

The revalued amount of owner-occupied properties are determined by comparing its current value with recent sales of similar properties in the vicinity with appropriate adjustments made to differences in location, floor area and other relevant factors before arriving at the revalued amount of the owner-occupied properties. The determination of appropriate adjustments to the recent sale value involves a degree of judgement before arriving at the respective owner-occupied property's revalued amount. As such, the revalued amount of the owner-occupied properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statements/ revenue accounts.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements/ revenue accounts. When revalued assets are sold, the amounts included in the revaluation reserve account are transferred to retained earnings.

(ii) Reclassification to prepaid lease payments

The Group has previously classified leasehold lands as finance lease and had recognised the amounts of prepaid lease payments as properties within its property, plant and equipment. Following the adoption of FRS 117, Leases, leasehold land with title that is not expected to pass to the lessee by the end of the lease term is treated as an operating lease and has been accounted as prepaid lease payments.

This reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and comparative amounts have been restated as disclosed in Note 35.

(iii) Reclassification to intangible assets

Following the adoption of FRS 138, Intangible Assets in 2006, all software development costs were reclassified as intangible assets.

(iv) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statements/ revenue accounts.

(v) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements/ revenue accounts as incurred.

(vi) Depreciation

Depreciation is recognised in the income statements/ revenue accounts on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(vi) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--|----------|
| • buildings | 50 years |
| • office equipment, furniture and fittings | 10 years |
| • computers | 5 years |
| • motor vehicles | 5 years |
| • office renovations and partitions | 10 years |

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(d) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

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

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements/ revenue accounts.

(ii) Development costs

Expenditure incurred on software development is capitalised.

The expenditure capitalised includes the cost of materials, direct labour and other directly attributable costs. Other development expenditure is recognised in the income statements/ revenue accounts as an expense as incurred. Capitalised development expenditure is stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets, other than goodwill, that are acquired by the Group are stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

2. Significant accounting policies (continued)

(d) Intangible assets (continued)

(v) Amortisation

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired.

Intangible assets with finite useful lives are amortised from the date that they are available for use. Amortisation of intangible assets is charged to the income statements/ revenue accounts on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the current and comparative periods are as follows:

- capitalised software development costs 5 years
- other intangible assets 3 years

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

For operating leases, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, except for leasehold land classified as investment property.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(f) Investments in debt and equity securities

Investments in debt and equity securities are recognised initially at purchase price plus attributable transaction costs.

2. Significant accounting policies (continued)

(f) Investments in debt and equity securities (continued)

Subsequent to initial recognition:

- Malaysian Government Securities and other investments held to maturity and as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on a straight-line basis, from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the income statements/ revenue accounts.
- Quoted investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments. Allowance for diminution in value deemed necessary by the Directors is taken to the income statements/ revenue accounts. Additional specific allowance for diminution in value of quoted investments which is other than temporary will be made if any, when the market value has been less than 80% of its cost at all times during the preceding 24 months, by writing down the cost of that quoted investment to the average median price for each month during that 24 months.
- Unquoted investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.
- Investments of the investment-linked business are stated at the closing market prices. Any increase or decrease in value of these investments is taken into the investment-linked business revenue account.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements/ revenue accounts.

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(g) Investment property

(i) *Investment property carried at fair value*

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements/ revenue accounts.

2. Significant accounting policies (continued)

(g) Investment property (continued)

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statements/ revenue accounts. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statements/ revenue accounts.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Following the adoption of FRS 140, Investment Property in 2006, properties which are owner-occupied were reclassified as property, plant and equipment.

(iii) Determination of fair value

An external, independent valuation firm, having appropriate professional qualifications values the Group's investment property portfolio annually.

Fair value of investment properties is determined by comparing its current value with recent sale of similar properties in the vicinity with appropriate adjustments made to differences in location, floor area and other relevant factors before arriving at the fair value of the investment properties. The determination of appropriate adjustments to the recent sale value involves a degree of judgement before arriving at the respective investment property's fair value. As such, the fair value of the investment properties may be different from its actual market price.

(h) Loans

Loans which consist of policy loans, mortgage loans, automatic premium loans, other secured loans and other unsecured loans are stated at cost.

(i) Receivables

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

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

Known bad debts are written off and specific allowance for doubtful debts is made as follow:

- (i) motor premiums which remain outstanding for more than 30 days.
- (ii) non-motor premiums including agents and reinsurance balances which remain outstanding for more than six months.

Receivables are not held for the purpose of trading.

2. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, excluding fixed and call deposits.

(k) Impairment

The carrying amount of assets, except for financial assets (other than investments in subsidiaries), deferred tax assets, and investment property are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the same asset. Impairment losses are recognised in the income statements/ revenue accounts.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

For general business and shareholders' fund assets, impairment losses are recognised in the income statements/ revenue accounts, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity. For Life fund assets, impairment losses are recognised in the Life fund revenue account, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to Life fund revaluation reserve.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements/ revenue accounts in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation reserve. Where an impairment loss on the same revalued asset was previously recognised in the income statements/ revenue accounts, a reversal of that impairment loss is also recognised in the income statements/ revenue accounts.

For general business and shareholders' fund assets, the reversal of impairment losses are recognised in the income statements/ revenue accounts, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity. For Life fund assets, the reversal is recognised in the Life fund revenue account, unless it reverses an impairment loss on a revalued asset, in which case it is taken to the Life fund revaluation reserve.

2. Significant accounting policies (continued)

(l) Employee benefits

(i) Short term employee benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contribution to the statutory pension fund is charged to the income statements/revenue accounts in the year to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group and the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group and the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

(n) Payables

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

(o) General insurance underwriting results

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

2. Significant accounting policies (continued)

(o) General insurance underwriting results (continued)

Premium income from direct business

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

Unearned premium reserves

The Unearned Premium Reserves ("UPR") represent the portion of the net premiums of insurance policies written less deductible acquisition costs that relate to the unexpired period of the policies at the end of the financial year.

The method used that most accurately reflects the actual unearned premium reserves is as follows:

- 25% method for marine cargo, aviation cargo and transit business
- 1/24th method for all other classes of annual Malaysian general policies business
- 1/8th method for all other classes of annual overseas inward business

Provision for outstanding claims

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

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

Estimating of the provision for outstanding claims involves projection of the Group's future claims experience based on current and past claims experience and underwriting practice.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience and underwriting practice.

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

Acquisition costs

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

2. Significant accounting policies (continued)

(p) Life insurance underwriting results

Surplus/(Deficit) of Life Fund

The surplus/(deficit) transferable (to)/from the Life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders.

Premium income

First premium is firstly recognised from inception date and subsequently premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured and it is still within the grace period allowed for payment or covered by the cash surrender value of the policies.

Commission and agency expenses

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

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 insurer is notified.

Claims and provisions for outstanding claims arising on life insurance policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- (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 assured or occurrence of contingency covered.

Provision for outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present claim 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 balance sheet date, using a mathematical method of elimination.

Estimating the provision for outstanding claims involves projection of the Group's future claims experience based on current and past claims experience and underwriting practice.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience and underwriting practice.

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

2. Significant accounting policies (continued)

(q) Other revenue recognition

Interest income on other interest-bearing investments is recognised on an accrual basis.

Interest income on loans is recognised on an accrual basis except where a loan is considered non-performing i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

Other interest is recognised on a time proportion basis that takes into account the effective yield of the asset.

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

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

(r) Tax expense

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

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

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

Deferred tax liability is recognised for all taxable temporary differences.

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

(s) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

Group										
General business and shareholders' fund	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in-progress RM'000	Total RM'000
Cost/Valuation										
At 1 January 2006		5,880	5,852	6,388	-	36,060	5,000	7,131	-	66,311
Revaluation of owner-occupied properties		-	432	-	-	-	-	-	-	432
Effect of adopting FRS 117		-	(6,284)	-	-	-	-	-	-	(6,284)
At 1 January 2006, restated		5,880	-	6,388	-	36,060	5,000	7,131	-	60,459
Additions		-	-	-	-	6,458	1,090	582	4,965	13,095
Disposals		-	-	-	-	(1,924)	(4,695)	-	-	(6,619)
Written off		-	-	-	-	(247)	-	(98)	-	(345)
Reclassification		-	-	-	-	442	-	291	(733)	-
Revaluation of owner-occupied properties		(125)	-	1,318	-	-	-	-	-	1,193
Reclassified from prepaid lease payments	5	43	-	1,739	-	-	-	-	-	1,782
Transfer from investment property	6	-	-	743	-	-	-	-	-	743
At 31 December 2006/ 1 January 2007, restated		5,798	-	10,188	-	40,789	1,395	7,906	4,232	70,308
Acquisition of subsidiary	7	200	-	4,955	24,110	10,059	26	3,708	227	43,285
Additions		-	-	-	-	4,260	88	647	5,699	10,694
Disposals		-	-	-	-	(158)	(145)	(277)	-	(580)
Written off		-	-	-	-	(25,301)	-	(3,779)	(49)	(29,129)
Reclassification		-	-	-	-	392	-	1,286	(1,678)	-
At 31 December 2007		5,998	-	15,143	24,110	30,041	1,364	9,491	8,431	94,578

3. Property, plant and equipment (continued)

Group										
General business and shareholders' fund	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in-progress RM'000	Total RM'000
Depreciation										
At 1 January 2006		-	365	546	-	23,864	3,662	3,137	-	31,574
Offset of accumulated depreciation on revaluation		-	(108)	-	-	-	-	-	-	(108)
Effect of adopting FRS 117		-	(257)	-	-	-	-	-	-	(257)
At 1 January 2006, restated		-	-	546	-	23,864	3,662	3,137	-	31,209
Depreciation for the year		-	-	278	-	7,480	260	723	-	8,741
Disposals		-	-	-	-	(1,204)	(3,482)	-	-	(4,686)
Written off		-	-	-	-	(234)	-	(98)	-	(332)
Offset of accumulated depreciation on revaluation		-	-	(803)	-	-	-	-	-	(803)
Reclassified from prepaid lease payments	5	-	-	257	-	-	-	-	-	257
Transfer from investment property		-	-	24	-	-	-	-	-	24
At 31 December 2006/ 1 January 2007, restated		-	-	302	-	29,906	440	3,762	-	34,410
Depreciation for the year		-	-	395	183	5,882	280	1,004	-	7,744
Disposals		-	-	-	-	(121)	(131)	(184)	-	(436)
Written off		-	-	-	-	(22,279)	-	(2,408)	-	(24,687)
At 31 December 2007		-	-	697	183	13,388	589	2,174	-	17,031
Impairment loss										
At 1 January 2006/ 31 December 2006/ 1 January 2007		-	-	-	-	-	-	-	-	-
Additions		-	-	-	-	6,960	-	3,356	-	10,316
At 31 December 2007		-	-	-	-	6,960	-	3,356	-	10,316
Carrying amount										
At 1 January 2006, restated		5,880	-	5,842	-	12,196	1,338	3,994	-	29,250
At 31 December 2006/ 1 January 2007, restated		5,798	-	9,886	-	10,883	955	4,144	4,232	35,898
At 31 December 2007		5,998	-	14,446	23,927	9,693	775	3,961	8,431	67,231

* The carrying amounts of land and buildings are not segregated as the required information is not available.

3. Property, plant and equipment (continued)

Group				Office equipment, computers, furniture and fittings	Motor vehicles	Office renovations and partitions	Work-in- progress	Total
Life fund	Note	Freehold land RM'000	Buildings RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation								
At 1 January 2006		-	-	14,602	2,477	5,743	330	23,152
Additions		-	344	984	388	545	26	2,287
Disposals		-	-	(144)	(643)	-	-	(787)
Written off		-	-	(40)	(5)	(47)	-	(92)
Revaluation of owner-occupied properties		74	89	-	-	-	-	163
Reclassification		-	-	31	-	153	(193)	(9)
Transfer to intangible assets	4	-	-	(3,454)	-	-	-	(3,454)
Transfer from investment property	6	446	5,672	-	-	-	-	6,118
At 31 December 2006/1 January 2007		520	6,105	11,979	2,217	6,394	163	27,378
Additions		-	-	788	336	354	-	1,478
Disposals		-	-	(29)	(729)	-	-	(758)
Written off		-	-	(170)	-	-	-	(170)
Reclassification		-	-	105	-	-	(105)	-
Transfer to investment property	6	-	(1,795)	-	-	-	-	(1,795)
At 31 December 2007		520	4,310	12,673	1,824	6,748	58	26,133
Depreciation								
At 1 January 2006		-	-	7,494	1,206	1,923	-	10,623
Depreciation for the year	23	-	52	1,892	525	641	-	3,110
Disposals		-	-	(143)	(471)	-	-	(614)
Written off		-	-	(30)	(4)	(22)	-	(56)
Transfer to intangible assets	4	-	-	(1,583)	-	-	-	(1,583)
At 31 December 2006/1 January 2007		-	52	7,630	1,256	2,542	-	11,480
Depreciation for the year	23	-	52	1,862	110	675	-	2,699
Disposals		-	-	(16)	(544)	-	-	(560)
Written off		-	-	(163)	(4)	-	-	(167)
At 31 December 2007		-	104	9,313	818	3,217	-	13,452
Carrying amount								
At 1 January 2006		-	-	7,108	1,271	3,820	330	12,529
At 31 December 2006/1 January 2007		520	6,053	4,349	961	3,852	163	15,898
At 31 December 2007		520	4,206	3,360	1,006	3,531	58	12,681

3. Property, plant and equipment (continued)

Company					Office equipment, computers, furniture and fittings	Motor vehicles	Office renovations and partitions	Work-in- progress	Total
General business and shareholders' fund	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation									
At 1 January 2006		5,880	5,852	6,388	32,881	5,000	6,717	-	62,718
Revaluation of owner - occupied properties		-	432	-	-	-	-	-	432
Effect of adopting FRS 117		-	(6,284)	-	-	-	-	-	(6,284)
At 1 January 2006, restated		5,880	-	6,388	32,881	5,000	6,717	-	56,866
Additions		-	-	-	6,459	1,090	582	4,964	13,095
Disposals		-	-	-	(1,798)	(4,695)	-	-	(6,493)
Revaluations of owner - occupied properties		(125)	-	1,318	-	-	-	-	1,193
Reclassification		-	-	-	442	-	291	(733)	-
Reclassified from prepaid lease payments	5	43	-	1,739	-	-	-	-	1,782
Transfer from investment property	6	-	-	743	-	-	-	-	743
Written off		-	-	-	(51)	-	(64)	-	(115)
At 31 December 2006/ 1 January 2007, restated		5,798	-	10,188	37,933	1,395	7,526	4,231	67,071
Additions		-	-	-	2,822	88	647	5,699	9,256
Disposals		-	-	-	(82)	(64)	(231)	-	(377)
Written off		-	-	-	(23,669)	-	(1,254)	-	(24,923)
Reclassification		-	-	-	392	-	1,286	(1,678)	-
At 31 December 2007		5,798	-	10,188	17,396	1,419	7,974	8,252	51,027
Depreciation									
At 1 January 2006		-	365	546	20,706	3,662	2,762	-	28,041
Offset of accumulated depreciation on revaluation		-	(108)	-	-	-	-	-	(108)
Effect of adopting FRS 117		-	(257)	-	-	-	-	-	(257)
At 1 January 2006, restated		-	-	546	20,706	3,662	2,762	-	27,676
Depreciation for the year		-	-	302	7,463	260	698	-	8,723
Disposals		-	-	-	(1,079)	(3,482)	-	-	(4,561)
Written off		-	-	-	(39)	-	(63)	-	(102)
Offset of accumulated depreciation on revaluation		-	-	(803)	-	-	-	-	(803)
Reclassified from prepaid lease payments	5	-	-	257	-	-	-	-	257
At 31 December 2006/ 1 January 2007, restated		-	-	302	27,051	440	3,397	-	31,190
Depreciation for the year		-	-	352	4,404	275	780	-	5,811
Disposals		-	-	-	(67)	(50)	(165)	-	(282)
Written off		-	-	-	(21,011)	-	(855)	-	(21,866)
At 31 December 2007		-	-	654	10,377	665	3,157	-	14,853

3. Property, plant and equipment (continued)

Company					Office equipment, computers, furniture and fittings	Motor vehicles	Office renovations and partitions	Work-in- progress	Total
General business and shareholders' fund	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment loss									
At 1 January 2006/ 31 December 2006/1 January 2007		-	-	-	-	-	-	-	-
Additions		-	-	-	189	-	1,029	-	1,218
At 31 December 2007		-	-	-	189	-	1,029	-	1,218
Carrying amount									
At 1 January 2006, restated		5,880	-	5,842	12,175	1,338	3,955	-	29,190
At 31 December 2006/1 January 2007		5,798	-	9,886	10,882	955	4,129	4,231	35,881
At 31 December 2007		5,798	-	9,534	6,830	754	3,788	8,252	34,956

The Group and Company's owner-occupied properties were revalued in 2006 by independent professional qualified valuers using an open market value method.

Had the owner-occupied properties of the Group and the Company been carried at historical cost less accumulated depreciation and accumulated impairment, their carrying amount would have been as follows:

Group	General business and shareholders' fund		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Freehold land	5,378	5,178	446	446
Buildings	9,595	5,281	3,795	5,624
Land and buildings	15,551	-	-	-
	30,524	10,459	4,241	6,070
Company				
Freehold land	5,178	5,178		
Buildings	5,103	5,281		
	10,281	10,459		

Leased computer equipment

At 31 December 2007, the net carrying amounts of leased computer equipment of the Group and of the Company were RM3,271,000 (2006 – RM2,191,000).

3. Property, plant and equipment (continued)

Change in estimates

During the year ended 31 December 2006, the Group and Company reviewed the estimated useful lives of its property, plant and equipment, which resulted in changes in the expected usage of office equipment, computers, furniture and fittings. As a result, the expected useful lives of these assets were shortened. The effect, of these changes on depreciation expense, in current and future periods are as follows:

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Later RM'000
Increase/(Decrease) in depreciation expense	3,707	1,120	127	(75)	(700)	(3,879)

Title deed

The title to freehold land and buildings included in the carrying amount of the property, plant and equipment of the Group (general business and shareholders' fund) are still in the process of being registered in the Group's entity name. The Group has submitted the relevant documents to the authorities for the transfer of legal title to the Group's entity, and is waiting the process and formalities of the transfer to be completed.

4. Intangible assets

Group	General business and shareholders' fund				Life fund
	Note	Goodwill RM'000	Software development costs RM'000	Other Intangible costs RM'000	Total RM'000
Cost					
At 1 January 2006		17,610	-	-	-
Transfer from property, plant and equipment	3	-	3,454	-	3,454
Impact of FRS 3 adoption		(12,620)	-	-	-
At 31 December 2006/1 January 2007		4,990	3,454	-	3,454
Acquisition of subsidiary	7.1	328,543	-	-	-
Additions		-	-	300	300
At 31 December 2007		333,533	3,454	300	3,754
Amortisation					
At 1 January 2006		12,620	-	-	-
Transfer from property, plant and equipment	3	-	1,583	-	1,583
Amortisation for the year		-	691	-	691
Impact of FRS 3 adoption		(12,620)	-	-	-
At 31 December 2006/1 January 2007		-	2,274	-	2,274
Amortisation for the year		-	690	100	790
At 31 December 2007		-	2,964	100	3,064

4. Intangible assets (continued)

Group	General business and shareholders' fund			Life fund	
	Note	Goodwill RM'000	Software development costs RM'000	Other Intangible costs RM'000	Total RM'000
Carrying amounts					
At 1 January 2006		4,990	-	-	-
At 31 December 2006/1 January 2007		4,990	1,180	-	1,180
At 31 December 2007		333,533	490	200	690

Goodwill

The aggregate carrying amounts of goodwill are attributable to the acquisition of the following subsidiaries:

	Group	
	2007 RM'000	2006 RM'000
Allianz Life Insurance Malaysia Berhad ("ALIM")	4,990	4,990
Commerce Assurance Berhad ("CAB")	328,543	-
	333,533	4,990

Impairment testing for cash-generating unit ("CGU") containing goodwill

- For goodwill attributable to the acquisition of ALIM, the annual impairment test was done by comparing the recoverable amount of ALIM with its carrying amount including the goodwill attributed. The recoverable amount is the value in use which is measured by the Embedded Value attributable to ALIM and it was calculated by an appointed internal actuary. Embedded Value is the present value of all future shareholders distributable profits after tax discounted at the shareholders' required rate of return, or the risk discount rate plus the Net Assets Value. The cash flow used to project future shareholder distributable profits are based on best estimate assumptions, either derived from the operating unit experience or industry experience.
- For goodwill attributable to the acquisition of CAB, the carrying amount of goodwill was allocated to the entire integrated general insurance business as one cash generating unit which represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount used in annual impairment test was based on the value in use of the entire general insurance business which is the present value of future cash flows for 10 years discounted at the shareholders' required rate of return. The projected future cash flows of 10 years was based on management approved budgets for 3 years and certain key assumptions over the next 7 years. For the purpose of cash flows projection and discounting, premium growth rates ranging between 4% - 11% and a discount rate of 10% were used during the projection period.

4. Intangible assets (continued)

Software development costs

The software development costs are in relation to the internal development expenditures incurred for the Open Product Underwriting System ("OPUS"), the ongoing new integrated system to improve the efficiency of the business activity of the subsidiary. These software development costs are amortised over a period of five years.

Other intangible costs

The other intangibles are outbound call centre ("OCC") project acquired for the Company's direct marketing business. The OCC is another avenue for the Company to generate revenue for direct marketing business and reduces the Company reliance on external telemarketing companies. The cost is amortised over a period of three years.

5. Prepaid lease payments

Group	Note	Unexpired period more than 50 years	
		General business and shareholders' fund RM'000	Life fund RM'000
Cost			
At 1 January 2006		-	-
Effect of adopting FRS117	3	6,284	4,915
At 1 January 2006, restated		6,284	4,915
Reclassified as property, plant and equipment	3	(1,782)	-
Transfer from investment property	6	677	-
At 31 December 2006/ 1 January 2007, restated		5,179	4,915
Acquisition of subsidiary	7	520	-
At 31 December 2007		5,699	4,915
Amortisation			
At 1 January 2006		-	-
Effect of adopting FRS 117	3	257	61
At 1 January 2006, restated		257	61
Amortisation for the year		69	-
Reclassified as property, plant and equipment	3	(257)	-
Transfer from investment property		8	-
At 31 December 2006/ 1 January 2007, restated		77	61
Amortisation for the year		80	61
At 31 December 2007		157	122
Carrying amounts			
At 1 January 2006, restated		6,027	-
At 31 December 2006/ 1 January 2007, restated		5,102	4,854
At 31 December 2007		5,542	4,793

5. Prepaid lease payments (continued)

Company		Unexpired period more than 50 years
	Note	General business and shareholders' fund RM'000
Cost		
At 1 January 2006		-
Effect of adopting FRS117		6,284
At 1 January 2006, restated		6,284
Reclassified as property, plant and equipment	3	(1,782)
Transfer from investment property	6	677
At 31 December 2006/ 1 January 2007, restated		5,179
At 31 December 2007		5,179
Amortisation		
At 1 January 2006		-
Effect of adopting FRS 117		257
At 1 January 2006, restated		257
Amortisation for the year		69
Reclassified as property, plant and equipment	3	(257)
Transfer from investment property		8
At 31 December 2006/1 January 2007, restated		77
Amortisation for the year		78
At 31 December 2007		155
Carrying amounts		
At 1 January 2006, restated		6,027
At 31 December 2006/1 January 2007, restated		5,102
At 31 December 2007		5,024

6. Investment property

Group	Note	General business and shareholders' fund		Life fund	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At 1 January		891	4,634	700	11,721
Effect of adopting FRS 117		-	-	-	(4,943)
		891	4,634	700	6,778
Acquisition of subsidiary	7	920	-	-	-
Disposal		(149)	(1,960)	-	-
Transfer (to)/from property, plant and equipment	3	-	(743)	1,795	(6,118)
Change in fair value		-	(363)	-	40
Transfer to prepaid lease payments	5	-	(677)	-	-
At 31 December		1,662	891	2,495	700
Included in the above are:					
Freehold land		600	500	350	350
Leasehold land with unexpired lease period of less than 50 years		242	242	-	-
Buildings		820	149	2,145	350
		1,662	891	2,495	700

Company	Note	General business and shareholders' fund	
		2007 RM'000	2006 RM'000
At 1 January		891	4,634
Disposal		(149)	(1,960)
Transfer to property, plant and equipment	3	-	(743)
Transfer to prepaid lease payments	5	-	(677)
Change in fair value		-	(363)
At 31 December		742	891
Included in the above are:			
Freehold land		500	500
Leasehold land with unexpired lease period of less than 50 years		242	242
Buildings		-	149
At 31 December		742	891

6. Investment property (continued)

The investment properties are determined based on open market values. The following are recognised in the income statements in respect of investment property:

Group	General business and shareholders' fund		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Rental income	-	3	52	33

Company	General business and shareholders' fund	
Rental income	-	3

7. Investments in subsidiaries

Company	Note	General business and shareholders' fund	
		2007 RM'000	2006 RM'000
Unquoted shares: At 1 January		169,253	169,253
Acquisition of subsidiary	7.1	496,155	-
Business transfer	7.2	128,000	-
At 31 December		793,408	169,253

Note 7.1

Acquisition by the Company of the entire equity interest in Commerce Assurance Berhad ("CAB")

During the year ended 31 December 2007, the Company acquired the entire equity interest of CAB for a purchase consideration of approximately RM496.16 million. The acquisition contributed operating revenue of RM133,003,903 and loss after tax of RM31,892,254 to the Group for the period from 1 September 2007 to 31 December 2007. Had the acquisition occurred at the beginning of the financial year, the operating revenue and loss after tax of CAB for the year ended 31 December 2007 would amount to RM392,952,000 and RM41,172,944 respectively and the Group's operating revenue and loss attributable to equity shareholders of the Group for the financial year ended 31 December 2007 would have been RM1,687,141,596 and RM11,867,591 respectively.

The initial accounting for the acquisition of CAB has been accounted for provisionally under FRS 3, Business Combination. Any adjustments to the fair values initially recorded at the date of acquisition as a result of finalising the provisional fair values, will be made within twelve months as allowed by FRS 3 paragraph 62.

7. Investments in subsidiaries (continued)

Note 7.1

Acquisition by the Company of the entire equity interest in Commerce Assurance Berhad (continued)

The provisional fair values of the net assets and liabilities of CAB acquired are summarised below :

	Pre-acquisition carrying amount RM'000	Provisional fair value adjustments RM'000	Provisional fair value on acquisition RM'000
Property, plant and equipment	34,389	8,896	43,285
Prepaid lease payments	520	-	520
Investment property	999	(79)	920
Investments in debt and equity securities	510,491	(765)	509,726
Loans	966	-	966
Receivables, deposits and prepayments	101,521	-	101,521
Cash and cash equivalents	13,944	-	13,944
Unearned premium reserves	(111,194)	-	(111,194)
Provision for outstanding claims	(299,633)	-	(299,633)
Payables and accruals	(90,349)	(2,094)	(92,443)
Net identifiable assets and liabilities	161,654	5,958	167,612
Goodwill on acquisition			328,543
Purchase consideration paid (including acquisition cost of RM9,880,828), satisfied in cash			496,155
Less: Cash and cash equivalents acquired			(13,944)
Net cash outflow of the Group on acquisition of subsidiary			482,211

Note 7.2

Transfer of general insurance business from the Company to its wholly owned subsidiary, Allianz General Insurance Company (Malaysia) Berhad

On 1 July 2007, the Company transferred its general insurance business to its wholly owned subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") pursuant to a scheme approved and confirmed by the High Court of Malaya in accordance with Part XI of the Insurance Act, 1996; in consideration of the issuance of 127,999,998 new ordinary shares of RM1 each at par by AGIC to the Company.

7. Investments in subsidiaries (continued)

The principal activity of the subsidiaries, its place of incorporation and the interest of the Company are as follows:

Name of company	Principal activity	Country of incorporation	Effective ownership interest	
			2007 %	2006 %
Allianz Life Insurance Malaysia Berhad ("ALIM")	Underwriting life insurance	Malaysia	100	100
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")	Underwriting general insurance	Malaysia	100	100
Commerce Assurance Berhad ("CAB")	Underwriting general insurance	Malaysia	100	-

8. Investments in debt and equity securities

Group	2007		2006	
	Cost RM'000	Market value RM'000	Cost RM'000	Market value RM'000
General business and shareholders' fund				
Malaysian government securities	495,810		181,927	
Accretion of discounts	170		75	
Amortisation of premiums	(2,785)		(2,249)	
Allowance for diminution in value	(166)		-	
	493,029		179,753	
Malaysian government guaranteed bonds	81,671		19,072	
Accretion of discounts	2,360		632	
Amortisation of premiums	(42)		(32)	
	83,989		19,672	
Multilateral development bank guaranteed bonds	13,035		13,036	
Amortisation of premiums	(16)		(10)	
	13,019		13,026	

8. Investments in debt and equity securities (continued)

Group	2007		2006	
	Cost RM'000	Market value RM'000	Cost RM'000	Market value RM'000
General business and shareholders' fund (continued)				
Cagamas bonds	8,739		3,792	
Accretion of discounts	8		5	
Amortisation of premiums	-		(52)	
	8,747		3,745	
Quoted equity securities of corporations quoted in Malaysia	17,598	21,923	24,313	27,006
Unquoted equity securities in corporations	2,166		2,147	
Allowance for diminution in value	(19)		-	
	2,147		2,147	
Quoted bonds of corporations in Malaysia	5,156		5,729	
Accretion of discounts	2,403		2,233	
	7,559	8,130	7,962	8,989
Quoted unit trust in Malaysia	4,681		5,666	
Allowance for diminution in value	-		(107)	
	4,681	5,205	5,559	5,559
Unquoted bonds of corporations	386,152		258,113	
Accretion of discounts	1,800		1,423	
Amortisation of premiums	(1,944)		(1,708)	
Allowance for diminution in value	(600)		-	
	385,408		257,828	
Commercial loans	37,920		11,505	
Accretion of discounts	58		-	
	37,978		11,505	
Bankers' acceptances:				
Licensed banks	-		1,619	
Other licensed finance institutions	-		7,558	
Accretion of premiums	-		12	
	-		9,189	
Negotiable certificate of deposits:				
Licensed banks	30,000		15,000	
Other licensed finance institutions	7,969		7,801	
Amortisation of premiums	(217)		-	
	37,752		22,801	

8. Investments in debt and equity securities (continued)

Group	2007		2006	
	Cost RM'000	Market value RM'000	Cost RM'000	Market value RM'000
General business and shareholders' fund (continued)				
Fixed and call deposits:				
Licensed banks	171,602		60,602	
Other licensed finance institutions	58,680		57,821	
	230,282		118,423	
Total investments	1,322,189		675,923	
Life fund				
Malaysian government securities	441,424		179,164	
Accretion of discounts	293		87	
Amortisation of premiums	(1,190)		(1,813)	
	440,527		177,438	
Malaysian government guaranteed bonds	75,342		40,342	
Accretion of discounts	2,646		1,523	
Amortisation of premiums	(64)		(50)	
	77,924		41,815	
Multilateral development bank guaranteed bonds	22,035		22,035	
Accretion of discounts	10		4	
Amortisation of premiums	(31)		(17)	
	22,014		22,022	
Cagamas bonds	28,912		10,011	
Accretion of discounts	5		-	
Amortisation of premiums	-		(11)	
	28,917		10,000	
Quoted equity securities of corporations quoted in Malaysia	77,740		40,144	
	77,740	81,632	40,144	47,009
Quoted bonds of corporations in Malaysia	2,917		3,241	
Accretion of discounts	1,324		1,230	
	4,241	4,549	4,471	5,029

8. Investments in debt and equity securities (continued)

Group	2007		2006	
	Cost RM'000	Market value RM'000	Cost RM'000	Market value RM'000
Life fund (continued)				
Quoted unit trust in Malaysia	9,084		7,359	
Allowance for diminution in value	-		(342)	
	9,084	9,944	7,017	7,067
Unquoted bonds of corporations	454,314		454,163	
Accretion of discounts	4,119		3,338	
Amortisation of premiums	(2,376)		(4,308)	
Allowance for diminution in value	(131)		-	
	455,926		453,193	
Commercial loans	12,943		14,780	
Bankers' acceptances with: Licensed banks	-		5,247	
Accretion of discounts	-		8	
	-		5,255	
Negotiable certificate of deposits: Licensed banks	10,000		28,000	
Other licensed finance institutions	13,704		13,704	
Amortisation of premiums	(1,005)		(778)	
	22,699		40,926	
Fixed and call deposits: Licensed banks	63,310		102,593	
Other licensed financial institutions	17,012		13,019	
	80,322		115,612	
Total investments	1,232,337		932,673	

8. Investments in debt and equity securities (continued)

Group	2007		2006	
	Cost/ Valuation RM'000	Market value RM'000	Cost/ Valuation RM'000	Market value RM'000
Investment-linked funds				
Quoted equity securities of corporations quoted in Malaysia	77,000		99,738	
Unrealised gain	29,449		21,465	
	106,449	106,449	121,203	121,203
Quoted bonds of corporations in Malaysia	925		1,028	
Accretion of discounts	140		85	
Unrealised gain	104		178	
	1,169	1,169	1,291	1,291
Quoted unit trust in Malaysia	5,552		6,343	
Unrealised gain	1,528		(170)	
	7,080	7,080	6,173	6,173
Unquoted foreign unit trust	40,033		28,570	
Unrealised gain	109		1,706	
Unrealised foreign exchange loss	(3,180)		(1,405)	
	36,962		28,871	
Unquoted bonds of corporations	76,468		68,758	
Accretion of discounts	1,464		635	
Amortisation of premiums	(1,001)		(735)	
Unrealised gain	1,026		1,003	
	77,957		69,661	
Commercial loans	232		266	
Negotiable certificate deposits: Other licensed finance institutions	429		456	
Amortisation of premiums	-		(25)	
	429		431	
Fixed and call deposits: Licensed banks	15,436		16,825	
Other licensed finance institutions	11,047		3,911	
	26,483		20,736	
Total investments (Note 31)	256,761		248,632	

8. Investments in debt and equity securities (continued)

Company	2007		2006	
	Cost/ Valuation RM'000	Market value RM'000	Cost/ Valuation RM'000	Market value RM'000
General business and shareholders' funds				
Malaysian government securities	-		176,960	
Accretion of discounts	-		75	
Amortisation of premiums	-		(2,250)	
	-		174,785	
Malaysian government guaranteed bonds	-		14,047	
Accretion of discounts	-		632	
Amortisation of premiums	-		(16)	
	-		14,663	
Multilateral development bank guaranteed bonds	-		13,036	
Amortisation of premiums	-		(10)	
	-		13,026	
Cagamas bonds	-		3,792	
Accretion of discounts	-		5	
Amortisation of premiums	-		(52)	
	-		3,745	
Quoted equity securities of corporations quoted in Malaysia	-	-	24,313	27,006
Quoted bonds of corporations in Malaysia	-		5,729	
Accretion of discounts	-		2,233	
	-	-	7,962	8,989
Quoted unit trust in Malaysia	-		5,666	
Allowance for diminution in value	-		(107)	
	-	-	5,559	5,559
Unquoted bonds of corporations	8,323		253,084	
Accretion of discounts	71		1,421	
Amortisation of premiums	-		(1,705)	
	8,394		252,800	
Commercial loans	-		11,505	

8. Investments in debt and equity securities (continued)

Company	2007		2006	
	Cost/ Valuation RM'000	Market value RM'000	Cost/ Valuation RM'000	Market value RM'000
General business and shareholders' funds (continued)				
Negotiable certificate of deposits: Licensed banks	-		15,000	
Other licensed finance institutions	-		5,000	
	-		20,000	
Fixed and call deposits: Licensed banks	22,435		39,223	
Other licensed financial institutions	6,622		54,179	
	29,057		93,402	
Total investments	37,451		621,760	

9. Loans

Group	General business and shareholders' fund		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-current				
Mortgage loans	3,089	2,643	2,387	2,595
Other secured loans	556	378	228	201
Other unsecured loans	7	1	-	-
	3,652	3,022	2,615	2,796
Current				
Policy loans	-	-	4,988	3,987
Mortgage loans	693	395	337	33
Automatic premium loans	-	-	21,289	16,932
Other secured loans	132	183	98	69
Other unsecured loans	28	13	10	22
	853	591	26,722	21,043

9. Loans (continued)

Company	General business and shareholders' fund	
	2007 RM'000	2006 RM'000
Non-current		
Mortgage loans	359	2,643
Other secured loans	-	378
Other unsecured loans	1	1
	360	3,022
Current		
Mortgage loans	36	395
Other secured loans	-	183
Other unsecured loans	1	13
	37	591

10. Receivables, deposits and prepayments

Group	Note	General business and shareholders' fund		Life fund	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-current					
Non-trade receivables					
Other receivables		166	-	39	390
Deposits		815	2,915	-	-
Less: Allowance for doubtful debts		-	-	(22)	(54)
		981	2,915	17	336
Malaysian Institute of Insurance ("MII") bonds		490	390	100	100
Due from life fund	12	35,305	50,335	-	-
		36,776	53,640	117	436
Current					
Trade receivables					
Due premiums including agents, brokers and co-insurers balances		183,339	109,838	38,263	31,407
Due from reinsurers and cedants		38,550	21,475	476	349
		221,889	131,313	38,739	31,756
Less: Allowance for doubtful debts		(51,634)	(10,525)	(1,781)	(1,090)
		170,255	120,788	36,958	30,666
Due from related companies	10.1	3,133	4,792	-	-
		173,388	125,580	36,958	30,666

10. Receivables, deposits and prepayments (continued)

Group	Note	General business and shareholders' fund		Life fund	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non trade receivables					
Other receivables, deposits and prepayments	10.2	10,993	5,988	3,401	7,299
Less: Allowance for doubtful debts		(3,236)	(3,236)	(476)	(277)
		7,757	2,752	2,925	7,022
Income due and accrued		10,569	7,747	11,838	9,864
Due from subsidiaries	10.1	-	32	-	-
Due from related companies	10.1	176	-	349	251
		18,502	10,531	15,112	17,137
		191,890	136,111	52,070	47,803

Company	Note	General business and shareholders' fund	
		2007 RM'000	2006 RM'000
Non-current			
Non-trade receivables			
Deposits and advances		58	2,749
Malaysia Institute of Insurance ("MII") bonds		-	390
		58	3,139
Current			
Trade receivables			
Due premiums including agents, brokers and co-insurers balances		-	109,838
Due from reinsurers and cedants		-	21,475
		-	131,313
Less: Allowance for doubtful debts		-	(10,525)
		-	120,788
Due from related companies	10.1	-	4,792
		-	125,580
Non-trade receivables			
Other receivables, deposits and prepayments		1,580	5,929
Less: Allowance for doubtful debts		-	(3,236)
		1,580	2,693
Income due and accrued		235	7,173
Due from subsidiaries	10.1	505	141
		2,320	10,007
		2,320	135,587

10. Receivables, deposits and prepayments (continued)

Note 10.1

The amounts due from subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment.

Note 10.2

Included in the other receivables of the Group (life fund), is an amount of Nil (2006: RM5,379,000) relating to proceeds receivable from the disposal of certain quoted investment in equity securities.

11. Provision for outstanding claims

Group	General business		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Provision for outstanding claims	1,080,363	466,804	35,934	31,515
Recoverable from reinsurers	(479,354)	(202,899)	(4,726)	(4,396)
Net outstanding claims	601,009	263,905	31,208	27,119
Company				
Provision for outstanding claim	-	466,804		
Recoverable from reinsurers	-	(202,899)		
Net outstanding claims	-	263,905		

12. Payables and accruals

Group		General business and shareholders' fund				Life fund	
	Note	2007 RM'000	2006 RM'000	2007 RM'000		2006 RM'000	
Non-current							
Non-trade payables							
Due to general business and shareholders' fund	10	-	-	35,305		50,335	
Performance bond deposits	12.4	17,268	18,090	-		-	
Other payables	12.2	87	273	16,424		11,131	
Finance lease liabilities	12.3	1,841	1,425	-		-	
		19,196	19,788	51,729		61,466	

12. Payables and accruals (continued)

Group	Note	General business and shareholders' fund		Life fund	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current					
Trade payables					
Due to reinsurers and cedants		93,789	78,656	2,154	2,820
Due to agents, brokers, co-insurers and insureds		64,220	20,944	46,025	37,171
Due to related companies		18,810	15,902	4,838	7,091
Due to ultimate holding company	12.1	-	-	-	94
		176,819	115,502	53,017	47,176
Non-trade payables					
Performance bond deposits	12.4	40,164	21,383	-	-
Other payables	12.2	61,669	28,343	46,826	28,817
Finance lease liabilities	12.3	1,406	792	-	-
Due to related companies	12.1	243	46	-	-
Due to ultimate holding company	12.1	321	-	308	32
		103,803	50,564	47,134	28,849
		280,622	166,066	100,151	76,025

Company	Note	General business and shareholders' fund	
		2007 RM'000	2006 RM'000
Non-current			
Non-trade payables			
Performance bond deposits	12.4	-	18,090
Other payables		-	273
Finance lease liabilities	12.3	1,841	1,425
		1,841	19,788
Current			
Trade payables			
Due to reinsurers and cedants		-	78,656
Due to agents, brokers, co-insurers and insureds		-	20,944
Due to related companies	12.1	-	15,902
		-	115,502

12. Payables and accruals (continued)

Company	General business and shareholders' fund		
	Note	2007 RM'000	2006 RM'000
Non-trade payables			
Performance bond deposits	12.4	-	21,383
Finance lease liabilities	12.3	1,406	792
Other payables and accrued expenses		6,258	28,198
Due to related companies	12.1	132	46
Due to subsidiaries	12.1	1,863	-
		9,659	50,419
		9,659	165,921

Note 12.1

The amounts due to ultimate holding company, subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment.

Note 12.2

Included in other payables (non-current) of the Group (life fund) is an amount of RM12,949,000 (2006:RM7,152,000) relating to premium received in advance.

Included in other payables and accrued expenses (current) of the Group (life fund) is an amount of RM15,140,000 (2006: RM14,183,000) and RM15,160,000 (2006: Nil) relating to premium deposits and payables arising from the purchase of certain unquoted bonds of corporations.

Note 12.3

Finance lease liabilities

Group and Company	Minimum lease payments 2007 RM'000	Interest 2007 RM'000	Principal 2007 RM'000	Minimum lease payments 2006 RM'000	Interest 2006 RM'000	Principal 2006 RM'000
Less than one year	1,541	135	1,406	913	121	792
Between one and five years	1,912	71	1,841	1,507	82	1,425
	3,453	206	3,247	2,420	203	2,217

Note 12.4

Performance bond deposits are the collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

13. Subordinated loans

Note 13.1

Subordinated loans from ultimate holding company-Group and Company

In accordance with Exchange Control of Malaysia Notice 10 ("ECM10"), Controller of Foreign Exchange in Malaysia had on 27 June 2007 approved the Group and the Company's application to obtain a foreign currency credit facility denominated in Euro and equivalent to Ringgit Malaysia of RM490,000,000 from its holding company, to enable the Company to acquire the entire issued and paid-up capital of Commerce Assurance Berhad ("the Acquisition") from Commerce International Group Berhad.

By a letter dated 27 June 2007, BNM has approved the Acquisition and also granted a waiver to the Group and the Company from complying with solvency framework. The foreign currency credit facility is interest free and cannot be repaid without the prior approval from the relevant regulatory authority.

Note 13.2

Subordinated loans to subsidiaries - Company

a) Subordinated loan to Allianz General Insurance Company (Malaysia) Berhad ("AGIC")

On 1 July 2007, the Company extended a RM14,000,000 subordinated loan to AGIC. The subordinated loan is for a period of two years, interest free and cannot be repaid without the prior approval from the relevant regulatory authority.

BNM had on 29 June 2007 approved the immediate holding company's application to the granting of the said loan.

b) Subordinated loan to Allianz Life Insurance Malaysia Berhad ("ALIM")

On 20 December 2004, the Company extended a RM3,600,000 subordinated loan to ALIM. The subordinated loan is for a period of 2 years, interest free and cannot be repaid without the prior approval from the relevant regulatory authority.

On 24 November 2006, the Company's board of directors approved the extension of the subordinated loan to ALIM amounting to RM3,600,000 for another period of 2 years. The Company had written to Bank Negara Malaysia ("BNM") on 12 December 2006 seeking for an approval on the extension of period for granting subordinated loan to ALIM.

BNM had on 17 January 2007 approved the Company's application to extend the tenure of the subordinated loan for another 2 years with similar terms as previous approval. Accordingly, the subordinated loan will be due for repayment in January 2009.

14. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
General business and shareholders' fund						
Property, plant and equipment	-	-	(3,890)	(2,061)	(3,890)	(2,061)
Investment property	-	-	(92)	(113)	(92)	(113)
Tax losses carry forwards	8,720	9,824	-	-	8,720	9,824
Capital allowances carry forwards	80	-	-	-	80	-
Provisions	8,979	30	-	-	8,979	30
Other items	1,618	319	-	-	1,618	319
Tax assets / (liabilities)	19,397	10,173	(3,982)	(2,174)	15,415	7,999
Set off	-	(349)	-	349	-	-
Net tax asset/ (liabilities)	19,397	9,824	(3,982)	(1,825)	15,415	7,999

Life fund	Net	
	2007 RM'000	2006 RM'000
Property, plant and equipment	384	-
Other items	2,753	-
Tax assets	3,137	-

Company	Assets		Liabilities		Net	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
General business and shareholders' fund						
Property, plant and equipment	-	-	(1,666)	(2,061)	(1,666)	(2,061)
Investment property	-	-	(113)	(113)	(113)	(113)
Provisions	-	30	-	-	-	30
Other items	277	319	-	-	277	319
Tax assets / (liabilities)	277	349	(1,779)	(2,174)	(1,502)	(1,825)

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

14. Deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the year

Group	At 1.1.2006 RM'000	Recognised in income statement (Note 25) RM'000	Recognised in equity (Note 25) RM'000	At 31.12.2006 RM'000	Acquisition of subsidiary RM'000	Recognised in income statement (Note 25) RM'000	Recognised in equity (Note 25) RM'000	At 31.12.2007 RM'000
General business and shareholders' funds								
Property, plant and equipment	(3,289)	1,356	(128)	(2,061)	(4,579)	3,657	(907)	(3,890)
Investment property	(4)	(109)	-	(113)	21	-	-	(92)
Tax losses carry forwards	10,371	(547)	-	9,824	-	(1,104)	-	8,720
Capital allowances carry forwards	-	-	-	-	967	(887)	-	80
Provisions	10,118	(10,088)	-	30	4,184	4,765	-	8,979
Other items	104	215	-	319	1,589	(290)	-	1,618
	17,300	(9,173)	(128)	7,999	2,182	6,141	(907)	15,415

	At 1.1.2006 RM'000	Recognised in income statement (Note 25) RM'000	At 31.12.2006 RM'000	Recognised in income statement (Note 25) RM'000	At 31.12.2007 RM'000
Life fund					
Property, plant and equipment	-	-	-	(384)	(384)
Other items	-	-	-	(2,753)	(2,753)
	-	-	-	(3,137)	(3,137)

Company	At 1.1.2006 RM'000	Recognised in income statement (Note 25) RM'000	Recognised in equity (Note 25) RM'000	At 31.12.2006 RM'000	Recognised in income statement (Note 25) RM'000	Recognised in equity (Note 25) RM'000	At 31.12.2007 RM'000
Property, plant and equipment	(3,289)	1,356	(128)	(2,061)	1,302	(907)	(1,666)
Investment property	(4)	(109)	-	(113)	-	-	(113)
Provisions	10,118	(10,088)	-	30	(30)	-	-
Other items	104	215	-	319	(42)	-	277
	6,929	(8,626)	(128)	(1,825)	1,230	(907)	(1,502)

15. Unearned premium reserves

Group					
	Fire	Motor	Marine, Aviation and Transit	Miscellaneous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
General business					
2007					
At 1 January 2007	25,076	61,929	3,958	53,135	144,098
Increase/ (Decrease) during the year	11,390	13,252	(2,069)	1,685	24,258
Acquisition of subsidiary	13,479	78,215	6,163	13,337	111,194
At 31 December 2007	49,945	153,396	8,052	68,157	279,550
2006					
At 1 January 2006	23,860	53,895	3,885	51,191	132,831
Increase during the year	1,216	8,034	73	1,944	11,267
At 31 December 2006	25,076	61,929	3,958	53,135	144,098
Company					
2007					
At 1 January 2007	25,076	61,929	3,958	53,135	144,098
Increase during the year	111	1,688	381	5,713	7,893
Business Transfer	(25,187)	(63,617)	(4,339)	(58,848)	(151,991)
At 31 December 2007	-	-	-	-	-
2006					
At 1 January 2006	23,860	53,895	3,885	51,191	132,831
Increase during the year	1,216	8,034	73	1,944	11,267
At 31 December 2006	25,076	61,929	3,958	53,135	144,098

16. Total life policyholders' funds

Group		Life fund	
	Note	2007 RM'000	2006 RM'000
Life policyholders' fund	16.1	1,418,934	1,129,791
Life assets revaluation reserve	16.2	921	921
		1,419,855	1,130,712

16. Total life policyholders' funds (continued)

Group	Life fund		
	Note	2007 RM'000	2006 RM'000
Note 16.1			
Life policyholders' fund			
Actuarial liabilities			
At 1 January		1,084,858	870,670
Add: Increase in policy reserve:			
- Participating policies		139,324	110,491
- Non-participating policies		61,174	56,798
- Investment-linked		3,451	22,217
- Bonus allocated to participating policyholders		26,487	24,682
At 31 December	(a)	1,315,294	1,084,858
Unallocated surplus			
At 1 January		44,933	21,081
Add: Surplus arising during the year		85,194	48,534
Less: Bonus allocated to participating policyholders		(26,487)	(24,682)
At 31 December	(b)	103,640	44,933
Life policyholders' fund at 31 December	(a) + (b)	1,418,934	1,129,791

Valuation of Life policyholders' fund involves the projection of the present value of net premium and sum assured, guaranteed cash bonuses, and certain underlying assumptions including interest rates, withdrawal rate, mortality rate, inflation rate and disability rate using a projection model.

As with all projections, there are elements of uncertainties and thus the projected future benefit payable may be different from the actual benefit paid due to the level of uncertainty involved in projecting the Life policyholders' fund.

Group	Life fund		
	Note	2007 RM'000	2006 RM'000
Note 16.2			
Life assets revaluation reserve			
At 1 January		921	796
Surplus on revaluation of owner-occupied properties		-	135
Reversal of asset revaluation reserve of investment property	21	-	(10)
At 31 December		921	921

17. Share capital

	Group/Company			
	Amount 2007 RM'000	Number of shares 2007 '000	Amount 2006 RM'000	Number of shares 2006 '000
Ordinary shares of RM1 each:				
Authorised	200,000	200,000	200,000	200,000
Issued and fully paid:				
On issue at 1 January	153,765	153,765	153,765	153,765
Issued for cash	104	104	-	-
On issued at 31 December	153,869	153,869	153,765	153,765

During the financial year, the issued and paid-up share capital of the Company was increased from RM153,765,138 to RM153,869,238 by way of issuance of 104,100 new Shares at RM3 per Share for cash pursuant to the ESS.

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

18. Reserves

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Share premium	18.1	5,529	5,321	5,529	5,321
Revaluation reserves	18.2	5,547	6,454	5,547	6,454
Retained earnings		154,585	171,126	223,159	224,129
At 31 December		165,661	182,901	234,235	235,904

Note 18.1

Share premium

	Group/Company	
	2007 RM'000	2006 RM'000
At 1 January	5,321	5,321
Increase during the year	208	-
At 31 December	5,529	5,321

During the financial year, the Company issued 104,100 new ordinary shares of RM1 each at RM3 per share for cash pursuant to the Employee Share Scheme ("ESS") and share premium of RM208,200 has been arising as a result of this shares issued exercise.

18. Reserves (continued)

Note 18.2

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment in regards to the owner-occupied properties for the general business and shareholder's fund.

Owner-occupied properties are stated at valuation based on revaluation conducted during the year by independent professional qualified valuers from Henry Butcher using an open market value method.

	Group/Company	
	2007 RM'000	2006 RM'000
At 1 January	6,454	4,046
Revaluation reserve arising from revaluation of owner occupied properties	(907)	(128)
Deferred tax on revaluation reserve of owner-occupied properties	-	2,536
At 31 December	5,547	6,454

Note 18.3

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank in full all of its retained earnings at 31 December 2007 if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiring of the six year transitional period on 31 December 2013, whichever is earlier.

19. Operating revenue

Group	General business RM'000	Shareholders' fund RM'000	Life fund RM'000	Total RM'000
2007				
Gross premium	748,609	-	594,560	1,343,169
Investment income (Note 20)	35,486	4,329	50,270	90,085
Investment income from investment-linked business (Note 31)	-	-	12,112	12,112
	784,095	4,329	656,942	1,445,366
2006				
Gross premium	561,928	-	493,049	1,054,977
Investment income (Note 20)	26,004	2,203	38,838	67,045
Investment income from investment-linked business (Note 31)	-	-	11,943	11,943
	587,932	2,203	543,830	1,133,965

19. Operating revenue (continued)

Company	General business RM'000	Shareholders' fund RM'000	Total RM'000
2007			
Gross premium	278,456	-	278,456
Investment income (Note 20)	13,722	2,476	16,198
	292,178	2,476	294,654
2006			
Gross premium	561,928	-	561,928
Investment income (Note 20)	26,004	452	26,456
	587,932	452	588,384

20. Investment income

Group	Shareholders' fund	
	2007 RM'000	2006 RM'000
Interest from:		
Malaysian government securities	428	536
Malaysian government guaranteed bonds	172	172
Cagamas bonds	108	-
Unquoted bonds of corporations	1,168	291
Negotiable certificate of deposits	169	169
Fixed and call deposits	2,127	1,204
Mortgage loans	14	-
Other secured loans	5	-
Gross dividends from equity securities of corporations quoted in Malaysia	-	54
Accretion of discounts on:		
Malaysian government securities	53	2
Unquoted bonds of corporations	167	18
Bankers' acceptances	35	15
Amortisation of premiums on:		
Malaysian government securities	(5)	(182)
Malaysian government guaranteed bonds	(4)	(4)
Negotiable certificate of deposits	(49)	(49)
Unquoted bonds of corporations	(89)	(23)
Rental of premises	30	-
	4,329	2,203

20. Investment income (continued)

Group	General business		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest from:				
Malaysian government securities	11,285	4,890	10,223	4,846
Malaysian government guaranteed bonds	439	363	1,039	345
Multilateral development bank guaranteed bonds	530	276	868	591
Cagamas bonds	153	525	1,673	1,707
Quoted convertible loan stocks	-	-	-	2
Unquoted bonds of corporations	14,357	11,656	23,239	19,011
Commercial loans	823	911	1,058	1,170
Negotiable certificate of deposits	709	766	1,353	2,076
Fixed and call deposits	5,425	5,066	4,216	3,119
Policy loans	-	-	336	263
Mortgage loans	120	121	115	95
Automatic premium loans	-	-	1,430	1,129
Other secured loans	22	23	11	10
Reinsurance deposits inwards	1	2	-	-
Gross dividends from:				
Quoted equity securities of corporations quoted in Malaysia	928	1,453	2,356	2,958
Quoted unit trusts in Malaysia	468	78	656	478
Rental of premises from:				
Immediate holding company	-	-	-	128
Related company	-	-	135	-
Third parties	35	59	11	73
Accretion of discounts on:				
Malaysian government securities	285	32	844	87
Malaysia government guaranteed bonds	430	199	1,123	1,123
Multilateral development bank guaranteed bonds	3	-	6	4
Cagamas bonds	2	2	-	4
Quoted bonds of corporations in Malaysia	430	437	-	-
Unquoted bonds of corporations	1,931	1,345	3,120	3,306
Bankers' acceptances	-	-	192	132
Amortisation of premiums on:				
Malaysian government securities	(1,417)	(843)	(928)	(750)
Malaysian government guaranteed bonds	(4)	(4)	(14)	(14)
Multilateral development bank guaranteed bonds	(8)	(7)	(14)	(13)
Cagamas bonds	-	(13)	-	(17)
Quoted convertible loan stocks	-	-	-	(1)
Unquoted bonds of corporations	(1,461)	(1,333)	(2,560)	(2,797)
Negotiable certificate of deposits	-	-	(227)	(227)
	35,486	26,004	50,261	38,838

20. Investment income (continued)

Company	Shareholders' fund	
	2007 RM'000	2006 RM'000
Interest from:		
Unquoted bonds of corporations	304	171
Fixed and call deposits	1,373	230
Mortgage loans	8	-
Gross dividends from quoted equity securities of corporations quoted in Malaysia	-	54
Accretion of discounts on unquoted bonds of corporations	110	17
Amortisation of premiums on unquoted bonds of corporations	(26)	(20)
Rental of premises	707	-
	2,476	452

Company	General business	
	2007 RM'000	2006 RM'000
Interest from:		
Malaysian government securities	4,281	4,890
Malaysian government guaranteed bonds	180	363
Multilateral development bank guaranteed bonds	257	276
Cagamas bonds	76	525
Unquoted bonds of corporations	6,309	11,656
Commercial loans	426	911
Negotiable certificate of deposits	380	766
Fixed and call deposits	1,408	5,066
Mortgage loans	64	121
Other secured loans	12	23
Reinsurance deposits inwards	1	2
Gross dividends from:		
Quoted equity securities of corporations quoted in Malaysia	432	1,453
Quoted unit trusts in Malaysia	191	78
Rental of premises from:		
Subsidiary	-	50
Third parties	31	9
Accretion of discounts on:		
Malaysian government securities	28	32
Malaysian government guaranteed bonds	1	199
Cagamas bonds	1	2
Quoted bonds of corporations in Malaysia	217	437
Unquoted bonds of corporations	702	1,345

20. Investment income (continued)

Company	General business	
	2007 RM'000	2006 RM'000
Amortisation of premiums on:		
Malaysian government securities	(560)	(843)
Malaysia government guaranteed bonds	(2)	(4)
Multilateral development bank guaranteed bonds	(4)	(7)
Cagamas bonds	-	(13)
Unquoted bonds of corporations	(709)	(1,333)
	13,722	26,004

21. Other operating income

Group	Shareholders' fund	
	2007 RM'000	2006 RM'000
Gain on disposal of property, plant and equipment	1	1
Gain on disposal of unquoted bonds of corporations	38	-
Write back of diminution in value of quoted investments	-	3,618
	39	3,619

Group	General business		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gain on disposal of investments in:				
Cagamas bonds	-	-	71	-
Quoted convertible loan stocks	-	-	-	181
Quoted equity securities of corporation quoted in Malaysia	8,068	-	23,541	-
Quoted bonds of corporations in Malaysia	-	-	-	14
Unquoted bonds of corporations	813	260	5,767	143
Quoted unit trusts in Malaysia	441	-	211	71
Gain on disposal of investment property	-	120	-	-
Gain on disposal of property, plant and equipment	20	153	132	108
Reversal of revaluation deficit of property, plant and equipment	-	50	-	-
Change in fair value of investment property	-	30	-	40
Reversal of asset revaluation reserve of investment property	-	-	-	10
Write back of allowance for diminution in value of quoted investments	107	32,517	211	40,929
Services and transfer fee	780	552	-	-
Interest from overdue premiums	-	-	140	133
Sundry income	304	181	3,255	3,016
	10,533	33,863	33,328	44,645

21. Other operating income (continued)

Company	Shareholders' fund	
	2007 RM'000	2006 RM'000
Writeback for diminution in value of quoted investments in Malaysia	-	3,618
Sundry income	2,835	-
	2,835	3,618

Company	General business	
	2007 RM'000	2006 RM'000
Gain on disposal of investments in:		
Quoted equity securities of corporation quoted in Malaysia	3,749	-
Unquoted bonds of corporations	100	260
Gain on disposal of investment property	-	120
Change in fair value of investment property	-	30
Reversal of impairment loss on investment in subsidiary	-	67,953
Reversal of revaluation deficit of property, plant and equipment	-	50
Gain on disposal of property, plant and equipment	-	153
Write back of allowance for diminution in value of:		
Quoted investments in Malaysia	-	32,517
Quoted unit trusts in Malaysia	108	-
Services and transfer fee	358	552
Sundry income	79	181
	4,394	101,816

22. Other operating expenses

Group	Shareholders' fund	
	2007 RM'000	2006 RM'000
Loss on disposal of investments in:		
Quoted equity securities of corporations quoted in Malaysia	6	3,469
Property, plant and equipment written off	3,103	1
Voluntary separation scheme expenses	274	-
Loss on foreign exchange-realised	2	-
Impairment loss on property, plant and equipment	1,218	-
Loss on disposal of property, plant and equipment	62	-
Sundry expenses	3,006	-
	7,671	3,470

22. Other operating expenses (continued)

Group	General business		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Loss on disposal of investments in:				
Malaysian government securities	-	-	15	-
Quoted equity securities of corporations quoted in Malaysia	1	28,185	-	35,279
Unquoted bonds of corporations	376	-	-	-
Quoted unit trust in Malaysia	18	-	-	-
Loss on foreign exchange-realised	64	122	-	-
Change in fair value of investment property	-	393	-	-
Allowance for diminution in value of quoted investments	-	107	-	-
Property, plant and equipment written off	1,339	12	3	25
Interest expense on:				
Cash collateral refund	724	1,359	-	-
Reinsurance deposits	99	108	199	226
Survival benefits	-	-	521	423
Agency Provident Fund	-	-	169	103
Claims	-	-	142	-
Voluntary separation scheme expenses	9,780	-	-	-
Impairment loss on property, plant and equipment	9,098	-	-	-
Sundry expenses	2,560	429	372	306
	24,059	30,715	1,421	36,362

Company	Shareholders' fund	
	2007 RM'000	2006 RM'000
Loss on disposal of investments in quoted equity securities of corporations quoted in Malaysia	7	3,450
Loss on disposal of property, plant and equipment	62	-
Impairment loss on property, plant and equipment	1,218	-
Property, plant and equipment written off	3,035	-
Loss on foreign exchange - realised	2	-
Sundry expenses	16	-
Other operating expenditure	4,340	3,450

22. Other operating expenses (continued)

Company	General business	
	2007 RM'000	2006 RM'000
Loss on disposal of investments in:		
Quoted equity securities of corporations quoted in Malaysia	-	28,185
Quoted unit trust in Malaysia	18	-
Loss on foreign exchange – realised	11	122
Allowance for diminution in value of quoted investments	-	107
Property, plant and equipment written off	22	12
Voluntary separation scheme expenses	4,572	-
Interest expense on:		
Cash collateral	341	1,359
Reinsurance deposits	42	108
Change in fair value of investment property	-	393
Sundry expenses	100	429
	5,106	30,715

23. Management expenses

Group	Shareholders' fund	
	2007 RM'000	2006 RM'000
Auditors' remuneration	9	40
Bad debts recovered	-	(20)
Depreciation of property, plant and equipment	3,030	42
Directors' remuneration:		
Non-executive directors		
- Fees	112	-
- Other remuneration	115	-
Insurance guarantee scheme fund	3	-
Rental of premises	32	-
Staff costs (including key management personnel)		
- Contributions to Employee Provident Fund	80	-
- Wages, salaries and others	1,094	-
Amortisation of prepaid lease payments	39	-
Other expenses	1,019	113
	5,533	175

23. Management expenses (continued)

Group	General business		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Advertising expenses	-	-	10,984	10,628
Amortisation of intangible assets	-	-	790	691
Auditors' remuneration	266	100	65	55
Bank charges	-	-	3,847	3,265
Allowance for doubtful debts	4,249	1,006	858	570
Bad debts written off	1,105	889	66	60
Depreciation of property, plant and equipment	4,714	8,723	2,699	3,110
Directors' remuneration:				
- Fees	327	115	150	54
- Other remuneration	188	279	89	44
Rental of office equipment	16	189	-	-
Insurance guarantee scheme fund	1,105	908	140	67
Rental of premises:				
Related company	-	-	7	-
Immediate holding company	-	-	54	50
Third parties	3,092	2,406	2,835	2,727
Staff costs (including key management personnel):				
- Contribution to Employee Provident Fund	5,419	4,992	2,768	2,584
- Wages, salaries and others	50,234	45,251	27,698	26,400
Other expenses	37,760	22,781	15,900	14,607
Amortisation of prepaid lease payments	41	77	61	61
	108,516	87,716	69,011	64,973

Company	General business	
	2007 RM'000	2006 RM'000
Amortisation of prepaid lease payments	39	77
Auditors' remuneration	110	100
Bad debts written off	-	889
Depreciation of property, plant and equipment	2,891	8,723
Directors' remuneration:		
Non-executive directors		
- Fees	105	115
- Other remuneration	111	279
Rental of office equipment	141	189
Insurance guarantee scheme fund	448	791
Rental of premises:		
Subsidiary	-	128
Third parties	1,314	2,278

23. Management expenses (continued)

Company	General business	
	2007 RM'000	2006 RM'000
Staff costs (including key management personnel):		
- Contribution to Employee Provident Fund	2,345	4,992
- Wages, salaries and others	21,687	45,251
Allowance for doubtful debts	596	1,006
Other expenses	12,205	22,898
	41,992	87,716
	Shareholders' fund	
	2007 RM'000	2006 RM'000
Amortisation of prepaid lease payments	39	-
Depreciation of property, plant and equipment	2,920	-
Directors' remuneration:		
Non-executive directors		
- Fees	105	-
- Other remuneration	111	-
Rental of premises	18	-
Staff costs (including key management personnel):		
- Contribution to Employee Provident Fund	44	-
- Wages, salaries and others	785	-
Other expenses	531	-
	4,553	-

24. Key management personnel compensation

The key management personnel compensations are follows:

Group	General business and shareholders' fund		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-Executive Directors				
- Fees	439	115	150	54
- Other remuneration	303	279	152	66
Total short-term employee benefits	742	394	302	120
Other key management personnel:				
- short-term employee benefits	7,398	5,589	6,040	5,681
	8,140	5,983	6,342	5,801

24. Key management personnel compensation (continued)

Company	General business and shareholders' fund	
	2007 RM'000	2006 RM'000
Non-Executive Directors		
- Fees	210	115
- Other remuneration	222	279
Total short-term employee benefits	432	394
Other key management personnel*		
- Short-term employee benefits	3,798	5,589
	4,230	5,983

* Other key management personnel comprise persons other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

25. Tax expense

Recognised in the income statements

Group	Note	General business and shareholders' fund		Life fund	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax expense					
Current year		21,361	6,094	3,693	157
(Over)/Under provision in prior years		(347)	51	(791)	(685)
		21,014	6,145	2,902	(528)
Deferred tax expense					
Origination and reversal of temporary differences		(6,523)	9,173	2,777	-
Under provision in prior year		-	-	360	-
Effect of changes in tax rate		382	-	-	-
	14	(6,141)	9,173	3,137	-
Tax expense		14,873	15,318	6,039	(528)

25. Tax expense (continued)

Recognised in the income statements (continued)

Company	General business and shareholders' fund	
	2007 RM'000	2006 RM'000
Current tax expense		
Current year	9,980	6,094
Under provision in prior year	101	51
	10,081	6,145
Deferred tax expense		
Origination and reversal of temporary differences	(1,272)	8,626
Effect of change in tax rate	42	-
	(1,230)	8,626
Tax expense	8,851	14,771

Reconciliation of tax expense:

Group	General business and shareholders' fund		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before tax	12,263	50,279	240,291	192,781
Tax at Malaysian tax rates	3,311	14,078	19,223	15,422
Items excluded from life insurer tax computation	-	-	(12,813)	(11,809)
Non-deductible expenses	11,296	1,552	-	-
Tax exempt income	(133)	(77)	-	-
Utilisation of capital allowance	-	-	-	(167)
Recognition of previously unrecognised tax benefits	-	-	-	(3,343)
Other items	364	(286)	60	54
Effect of change in tax rate	382	-	-	-
	15,220	15,267	6,470	157
(Over)/Under provision in prior year	(347)	51	(431)	(685)
Total tax expense	14,873	15,318	(6,039)	(528)

The income of the general business and shareholders' fund is taxed at 27% (2006: 28%). The income tax provided in the Life Fund for the current and previous financial years is in respect of investment income which is taxed at a reduced tax rate of 8% applicable for life insurance business and 27% (2006: 28%) on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967.

25. Tax expense (continued)

Recognised in the income statements (continued)

Company	General business and shareholders' fund	
	2007 RM'000	2006 RM'000
Profit before tax	21,812	116,675
Tax using Malaysian tax rates of 27% (2006: 28%)	5,889	32,669
Effect of change in tax rate	42	-
Non-deductible expenses	3,013	1,441
Tax exempt income	(56)	(77)
Other items	(138)	(19,313)
	8,750	14,720
Under provision in prior year	101	51
Tax expense	8,851	14,771

Recognised in equity

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revaluation of owner-occupied properties	14	907	128	907	128

26. (Loss)/ Earnings per ordinary share – Group

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/ earnings per ordinary share at 31 December 2007 was based on the (loss)/ profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2007 RM'000	2006 RM'000
(Loss)/ Profit for the year attributable to shareholders	(2,610)	34,961

26. (Loss)/ Earnings per ordinary share – Group (continued)**Basic (loss)/earnings per ordinary share (continued)**

Weighted average number of ordinary shares:

	Group	
	2007	2006
Issued ordinary shares at 1 January	153,765,138	153,765,138
Effect of ordinary shares issued on 25 September 2007	25,725	-
Effect of ordinary shares issued on 26 October 2007	200	-
Weighted average number of ordinary shares at 31 December	153,791,063	153,765,138

	Group	
	2007 Sen	2006 Sen
Basic (loss)/ earnings per ordinary share	(1.7)	22.7

27. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2007			
Final 2006 ordinary	9.06	13,931	1 August 2007
2006			
Interim 2006 ordinary	8.78	13,507	29 December 2006
Final 2005 ordinary	2.52	3,875	1 August 2006
		17,382	

After the balance sheet date the following dividend were proposed by the Directors. This dividend will be recognised in subsequent financial reports upon approved by the shareholders.

	Sen per share (net of tax)	Total amount RM'000
Final 2007 ordinary	1.48	2,277

28. Net claims incurred

Group					
	Fire	Motor	Marine, Aviation and Transit	Miscellaneous	Total
General business	RM'000	RM'000	RM'000	RM'000	RM'000
2007					
Gross claims paid less salvage	83,060	136,747	20,198	98,858	338,863
Reinsurance recoveries	(48,511)	(7,069)	(12,931)	(32,523)	(101,034)
Net claims paid	34,549	129,678	7,267	66,335	237,829
Net outstanding claims: At 31 December 2007	64,119	404,724	19,328	112,838	601,009
At 1 January 2007	(37,912)	(144,142)	(10,501)	(71,350)	(263,905)
Acquisition of subsidiary	(25,582)	(233,066)	(7,369)	(33,616)	(299,633)
Net claims incurred	35,174	157,194	8,725	74,207	275,300
2006					
Gross claims paid less salvage	52,611	84,447	10,595	72,668	220,321
Reinsurance recoveries	(27,461)	(6,406)	(5,987)	(20,716)	(60,570)
Net claims paid	25,150	78,041	4,608	51,952	159,751
Net outstanding claims: At 31 December 2006	37,912	144,142	10,501	71,350	263,905
At 1 January 2006	(29,413)	(137,322)	(12,918)	(70,357)	(250,010)
Net claims incurred	33,649	84,861	2,191	52,945	173,646

Company					
	Fire	Motor	Marine, Aviation and Transit	Miscellaneous	Total
General business	RM'000	RM'000	RM'000	RM'000	RM'000
2007					
Gross claims paid less salvage	41,279	47,189	4,746	47,913	141,127
Reinsurance recoveries	(26,697)	(3,315)	(1,661)	(17,695)	(49,368)
Net claims paid	14,582	43,874	3,085	30,218	91,759
Net outstanding claims: At 31 December 2007	-	-	-	-	-
At 1 January 2007	(37,912)	(144,142)	(10,501)	(71,350)	(263,905)
Business Transfer	34,789	148,500	10,390	73,114	266,793
Net claims incurred	11,459	48,232	2,974	31,982	94,647

28. Net claims incurred (continued)

Company					
	Fire	Motor	Marine, Aviation and Transit	Miscellaneous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
General business					
2006					
Gross claims paid less salvage	52,611	84,447	10,595	72,668	220,321
Reinsurance recoveries	(27,461)	(6,406)	(5,987)	(20,716)	(60,570)
Net claims paid	25,150	78,041	4,608	51,952	159,751
Net outstanding claims: At 31 December 2006	37,912	144,142	10,501	71,350	263,905
At 1 January 2006	(29,413)	(137,322)	(12,918)	(70,357)	(250,010)
Net claims incurred	33,649	84,861	2,191	52,945	173,646

29. Operating leases

Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Less than one year	4,721	5,800	-	4,175
Between one and five years	7,919	5,967	-	4,564
	12,640	11,767	-	8,739

The leases typically run for an initial year of three years, with an option to renew the leases. None of the leases include contingent rentals.

Leases as lessor

The Group leases out its investment property under operating leases (see note 6). The future minimum lease receipts under non-cancellable leases are as follows:

	Group	
	2007 RM'000	2006 RM'000
Less than one year	52	30
Between one and five years	13	47
	65	77

30. Capital commitments

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment				
Approved but not contracted for	4,485	8,150	3,852	7,144
Contracted but not provided for	2,788	1,988	2,040	1,405

31. Investment-linked business - Group

Balance sheet at 31 December 2007

	Note	2007 RM'000	2006 RM'000
Assets			
Deferred tax assets		-	3,572
Total non-current assets		-	3,572
Investments in debt and equity securities	8	256,761	248,632
Receivables, deposits and prepayments		1,164	745
Current tax assets		601	902
Cash and bank balances		2,582	2,796
Total current assets		261,108	253,075
Total assets		261,108	256,647
Liabilities			
Deferred tax liabilities		8	-
Total non-current liabilities		8	-
Provision for outstanding claims		2,385	725
Payables and accruals		329	16
Total current liabilities		2,714	741
Total liabilities		2,722	741
Net asset value of funds		258,386	255,906
Represented by:			
Unit holders' account		258,386	255,906

31. Investment-linked business - Group (continued)

Income statement for the year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
Investment income	19	12,112	11,943
Net realised gain/ (loss) on disposal of investments		44,618	(74,469)
Unrealised gain of investments in debt and equity securities		8,038	108,485
Unrealised foreign exchange loss		(1,775)	(1,405)
Other operating income		-	55
Other operating expenses		(3,239)	(3,057)
Surplus before tax		59,754	41,552
Tax expense		(4,863)	3,179
Surplus after tax and before policy reserve for the year		54,891	44,731

32. Segment information

Segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segmental capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Investment holding	Investment holding company
General insurance	Underwriting of all classes of general insurance business
Life insurance	Underwriting of all classes of life insurance business

Geographical segments

The Group operates predominantly in Malaysia and, accordingly, the Directors are of the opinion that the financial information by geographical segments of the Group's operations is not necessary to be presented.

32. Segment information (continued)

Business Segments	Investment holding RM'000	General business RM'000	Life business RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
2007						
Segment revenue	2,476	786,624	656,942	1,446,042	(676)	1,445,366
Segment results	(3,582)	18,698	-	15,116	(2,853)	12,263
Profit before tax						12,263
Tax expense						(14,873)
Loss for the year						(2,610)
Segment assets	892,091	1,553,158	1,608,802	4,054,051	(479,133)	3,574,918
Segment liabilities	503,987	1,194,402	153,642	1,852,031	(16,498)	1,835,533

Business Segments	Investment holding RM'000	General business and shareholders' fund RM'000	Life business RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
2007						
Capital expenditure	9,256	1,438	-	10,694	-	10,694
Depreciation of property, plant and equipment	2,920	4,824	-	7,744	-	7,744
Amortisation of:						
- Prepaid lease payments	39	41	-	80	-	80
- Impairment loss	1,218	9,098	-	10,316	-	10,316
Write back of diminution in value of investments	-	108	-	108	-	108
Allowance for doubtful debts	-	4,249	-	4,249	-	4,249
Amortisation of premium	26	3,011	-	3,037	-	3,037
Accretion of discounts	110	3,226	-	3,336	-	3,336
2006						
Segment revenue	-	590,135	543,830	1,133,965	-	1,133,965
Segment results	-	118,232	-	118,232	(67,953)	50,279
Profit before tax						50,279
Tax expense						(15,318)
Profit for the year						34,961
Segment assets	-	1,049,974	1,296,063	2,346,037	(167,914)	2,178,123
Segment liabilities	-	599,379	115,016	714,395	(3,650)	710,745

32. Segment information (continued)

Business Segments	Investment holding RM'000	General business and shareholders' fund RM'000	Life business RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
2006						
Capital expenditure	-	13,095	-	13,095	-	13,095
Depreciation of property, plant and equipment	-	8,765	-	8,765	-	8,765
Amortisation of: - Prepaid lease payments	-	77	-	77	-	77
Non-cash expenses: - Write back of diminution in value of investments	-	32,517	-	32,517	-	32,517
Allowance for diminution in value of investments	-	107	-	107	-	107
Allowance for doubtful debts	-	1,006	-	1,006	-	1,006
Amortisation of premium	-	2,458	-	2,458	-	2,458
Accretion of discounts	-	2,050	-	2,050	-	2,050

33. Related parties

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Group and the Company, and certain members of senior management of the Group and the Company.

The significant transactions and balances with related parties are as follows:

Group		2007		2006	
	Note	Transactions amount RM'000	Balance outstanding RM'000	Transactions amount RM'000	Balance outstanding RM'000
General business and shareholders' fund					
Trade					
Related companies					
Reinsurance premium		95,467	(13,953)	103,470	(11,111)
Reinsurance arrangement		(55,730)	-	(41,820)	-

33. Related parties

Group		2007		2006	
	Note	Transactions amount RM'000	Balance outstanding RM'000	Transactions amount RM'000	Balance outstanding RM'000
General business and shareholders' fund (continued)					
Non-trade					
Holding company					
Expenses paid on behalf		330	-	31	-
Reimbursement of staff costs		893	-	1,925	-
Subordinated loan		490,000	(490,000)	-	-
Related companies					
Expenses paid on behalf		(17)	2	(22)	-
Reimbursement of staff costs		(138)	-	194	(45)
Consultation fees paid		-	-	15	-
Reimbursement of expenses related to common resources		-	-	(28)	-

Group	2007		2006	
	Transactions amount RM'000	Balance outstanding RM'000	Transactions amount RM'000	Balance outstanding RM'000
Life fund				
Trade				
Holding company				
Reinsurance premium	(70)	-	(40)	(94)
Related company				
Reinsurance arrangement	(29,165)	(4,838)	(25,986)	(7,091)
Motor insurance premium	(47)	-	-	-
Non-trade				
Holding company				
Group equity incentive	(817)	-	-	-
License and maintenance fees	(743)	-	(335)	-
Reimbursement of personnel expenses	(206)	-	(435)	-
Related companies				
Consultation fees paid	-	-	(5)	-
Investment in funds managed by AGI	(291)	-	-	-
Reimbursement of personnel expenses	(975)	-	(1,437)	-
Rental expenses	7	-	-	-
Rental income	135	-	-	-
Sharing of common expenses	214	212	-	-

33. Related parties (continued)

Group	2007		2006	
	Transactions amount RM'000	Balance outstanding RM'000	Transactions amount RM'000	Balance outstanding RM'000
General business and shareholders' fund				
Trade				
Related companies				
Reinsurance premium	46,268	-	103,470	(11,111)
Reinsurance arrangement	(26,692)	-	(41,820)	-
Non-trade				
Holding company				
Expenses paid on behalf	2	-	31	-
Reimbursement of staff costs	893	-	1,925	-
Subordinated loan	490,000	(490,000)	-	-
Subsidiaries				
Rental of other premises	(362)	-	(50)	-
Rental of other premises	60	-	128	-
Rental of property, plant and equipment	(70)	-	-	-
Reimbursement of expenses related to common resources	(3,064)	(1,358)	(330)	91
Expenses paid on behalf	(59)	-	(50)	50
Insurance paid	11	-	208	-
Subordinated loan	(14,000)	14,000	-	-
Related companies				
Expenses paid on behalf	(71)	-	(22)	-
Reimbursement of staff costs	(59)	-	194	(45)
Consultation fees paid	-	-	15	-
Reimbursement of expenses related to common resources	-	-	(28)	-

These transactions of the Group and of the Company have been entered into in the normal course of business and have been established under negotiated terms.

34. Financial instruments

Financial risk management objectives and policies

Exposure to market, underwriting, credit, liquidity, foreign currency and interest rate risks arises in the normal course of the Group and the Company's business. The Group is guided by its risk management framework as well as policies and guidelines from the Allianz SE Group which set out the general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure their appropriateness to the strategic, operational and financial risks tolerance.

Market risk

The carrying amounts of the investments by the Group and the Company may fluctuate due to changing economic, political or market conditions. Market risk is managed through portfolio diversification and asset allocation.

34. Financial instruments (continued)

Underwriting risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Group and the Company seek to minimise underwriting risks with an appropriate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits and standards applied to the security of reinsurers.

Credit risk

Credit risk involves the potential losses that may result due to the default of a counterparties to meet their contractual obligations. The Group is exposed to credit risk from the underwriting of general business and group life business and the Group has a general business and group life business credit policy in place to mitigate this risk. The exposure to credit risk is monitored on an ongoing basis.

All bond investments must carry a minimum rating of A or P2 by rating agencies established in Malaysia or by any internationally recognised rating agency as outlined in the Company's Manual on Investment Policies, Organisation, Function and Processes approved by the Board of Directors.

At balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset.

Liquidity risk

Liquidity risk is the risk whereby the Group and the Company are unable to meet their obligations at a reasonable cost or at any time. The Group and the Company manage this risk by holding sufficient quantity of liquid investments that can be readily converted to cash.

Foreign currency risk

The Group and the Company incur foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Exposures to foreign currency risk are monitored on an ongoing basis. The Group and the Company do not hedge their foreign currency risk.

Interest rate risk

The Group and the Company's earnings are affected by changes in market interest rate due to the impact such changes have on interest income from investments.

In managing interest rate risk, the Group and the Company aim to reduce the impact of short term fluctuations on their earnings by adopting an approach which focuses on achieving the overall targeted interest rate based on their long term view of the interest rate and the macroeconomic conditions. Over the longer term, however, any prolonged adverse changes in interest rates would have an impact on earnings.

Effective interest rates and repricing analysis

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

34. Financial instruments (continued)

The following table shows information about the Group and the Company's exposure to interest rate risk.

Group	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
General business and shareholders' fund								
2007								
Financial assets								
Debt securities held to maturity:								
Malaysian government securities	3.68	493,029	39,683	40,681	130,954	259,580	4,983	17,148
Malaysian government guaranteed bonds	3.56	83,989	78,996	-	-	4,993	-	-
Multilateral development bank guaranteed bonds	3.94	13,019	-	-	5,016	8,003	-	-
Cagamas bonds	3.85	8,747	-	3,747	5,000	-	-	-
Quoted bonds of corporations in Malaysia	9.94	7,559	-	-	-	7,559	-	-
Unquoted bonds of corporations	4.82	385,408	77,509	83,493	120,357	51,862	51,121	1,066
Commercial loans	4.69	37,978	27,903	-	-	-	-	10,075
Bankers' acceptances	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	3.94	37,752	30,000	-	-	7,752	-	-
Fixed and call deposits	3.40	230,282	230,282	-	-	-	-	-
Mortgage loans	4.35	3,782	693	306	299	270	260	1,954
Other secured loans	4.65	688	132	123	133	216	74	10

Group	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
General business and shareholders' fund								
2006								
Financial assets								
Debt securities held to maturity:								
Malaysian government securities	4.35	179,753	17,191	10,028	31,025	-	113,452	8,057
Malaysian government guaranteed bonds	3.73	19,672	-	14,680	-	-	4,992	-
Multilateral development bank guaranteed bonds	3.75	13,026	-	-	-	5,022	8,004	-
Cagamas bonds	4.15	3,745	-	3,745	-	-	-	-
Quoted bonds of corporation in Malaysia	9.94	7,962	-	-	-	-	7,962	-
Unquoted bonds of corporations	5.15	257,828	22,312	23,718	101,034	60,791	35,077	14,896
Guaranteed term loans/Commercial loans	7.68	11,505	-	-	-	-	-	11,505
Bankers' acceptances	3.58	9,189	9,189	-	-	-	-	-
Negotiable certificate of deposits	3.80	22,801	5,000	10,000	-	-	7,801	-
Fixed and call deposits	3.37	118,423	118,423	-	-	-	-	-
Mortgage loans	4.00	3,038	-	13	15	118	49	2,843
Other secured loans	4.00	561	395	57	62	40	7	-

34. Financial instruments (continued)

Group	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
Life fund								
2007								
Financial assets								
Debt securities held to maturity:								
Malaysian government securities	4.05	440,527	4,591	30,169	-	33,354	-	372,413
Malaysian government guaranteed bonds	3.64	77,924	14,898	-	28,026	-	-	35,000
Multilateral development bank guaranteed bonds	3.91	22,014	-	-	10,031	11,983	-	-
Cagamas bonds	4.33	28,917	-	-	-	1,000	-	27,917
Quoted bonds of corporations in Malaysia	9.92	4,241	-	-	-	4,241	-	-
Unquoted bonds of corporations	5.25	455,926	53,755	24,081	39,565	64,060	92,622	181,843
Commercial loans	7.68	12,943	-	-	-	-	-	12,943
Bankers' acceptances	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	3.92	22,699	10,000	-	-	12,699	-	-
Fixed and call deposits	3.32	80,322	80,322	-	-	-	-	-
Policy loans	7.50	4,988	4,988	-	-	-	-	-
Mortgage loans	4.27	2,724	188	188	188	188	188	1,784
Automatic premium loans	7.50	21,289	21,289	-	-	-	-	-
Other secured loans	4.00	326	98	85	80	28	19	16

Group	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
Life fund								
2006								
Financial assets								
Debt securities held to maturity:								
Malaysian government securities	4.13	177,438	10,069	4,690	50,643	-	33,454	78,582
Malaysian government guaranteed bonds	3.44	41,815	-	14,753	-	27,062	-	-
Multilateral development bank guaranteed bonds	3.91	22,022	-	-	-	10,044	11,978	-
Cagamas bonds	4.24	10,000	10,000	-	-	-	-	-
Quoted bonds of corporations in Malaysia	9.92	4,471	-	-	-	-	4,471	-
Unquoted bonds of corporations	8.88	453,193	30,114	22,822	42,128	60,296	112,480	185,353
Commercial loans	7.68	14,780	-	-	-	-	-	14,780
Bankers' acceptances	3.58	5,255	5,255	-	-	-	-	-
Negotiable certificate of deposits	3.70	40,926	18,000	10,000	-	-	12,926	-
Fixed and call deposits	3.10	115,612	115,612	-	-	-	-	-
Policy loans	7.50	3,987	3,987	-	-	-	-	-
Mortgage loans	4.30	2,628	33	33	33	33	27	2,469
Automatic premium loans	7.50	16,932	16,932	-	-	-	-	-
Other secured loans	4.00	270	69	20	30	-	61	90

34. Financial instruments (continued)

Group	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
Investment-linked funds								
2007								
Debt securities held to maturity:								
Quoted bonds of corporations in Malaysia	8.77	1,169	-	-	-	1,169	-	-
Unquoted bonds of corporations	6.28	77,957	5,968	11,928	33,977	12,987	5,907	7,190
Commercial loans	7.68	232	-	-	-	-	-	232
Negotiable certificate of deposits	4.27	429	-	-	-	429	-	-
Fixed and call deposits	3.18	26,483	26,483	-	-	-	-	-
2006								
Debt securities held to maturity:								
Quoted bonds of corporations in Malaysia	8.77	1,291	-	-	-	-	1,291	-
Unquoted bonds of corporations	5.96	69,661	-	509	11,335	40,331	17,486	-
Commercial loans	7.68	266	-	-	-	-	-	266
Negotiable certificate of deposits	4.27	431	-	-	-	-	431	-
Fixed and call deposits	3.30	20,736	20,736	-	-	-	-	-

Company	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
General business and shareholders' fund								
2007								
Financial assets								
Debt securities held to maturity:								
Malaysian government securities	-	-	-	-	-	-	-	-
Malaysian government guaranteed bonds	-	-	-	-	-	-	-	-
Multilateral development bank guaranteed bonds	-	-	-	-	-	-	-	-
Cagamas bonds	-	-	-	-	-	-	-	-
Quoted bonds of corporations in Malaysia	-	-	-	-	-	-	-	-
Unquoted bonds of corporations	11.67	8,394	2,799	956	4,639	-	-	-
Commercial loans	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-
Fixed and call deposits	3.44	29,057	29,057	-	-	-	-	-
Mortgage loans	4.00	395	36	36	36	36	36	215
Other secured loans	-	-	-	-	-	-	-	-

34. Financial instruments (continued)

Company	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
General business and shareholders' fund								
2006								
Financial assets								
Debt securities held to maturity:								
Malaysian government securities	4.36	174,785	17,191	10,028	31,025	-	108,484	8,057
Malaysian government guaranteed bonds	3.87	14,663	-	9,671	-	-	4,992	-
Multilateral development bank guaranteed bonds	3.75	13,026	-	-	-	5,022	8,004	-
Cagamas bonds	4.15	3,745	-	-	3,745	-	-	-
Quoted bonds of corporations in Malaysia	9.94	7,962	-	-	-	-	7,962	-
Unquoted bonds of corporations	5.14	252,800	22,312	23,718	99,041	60,791	32,042	14,896
Commercial loans	7.68	11,505	-	-	-	-	-	11,505
Negotiable certificate of deposits	3.74	20,000	5,000	10,000	-	-	5,000	-
Fixed and call deposits	3.35	93,402	93,402	-	-	-	-	-
Mortgage loans	4.00	3,038	-	13	15	118	49	2,843
Other secured loans	4.00	561	11	57	62	40	201	190

Fair values

Recognised financial instruments

The carrying amounts of financial instruments in respect of cash and bank balances, receivables, deposits and prepayments and payables and accruals approximate their fair values due to the relatively short term nature of these financial instruments.

The aggregate fair values of the financial assets and liabilities on the balance sheet as at 31 December are as shown below:

Group	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
General business and shareholders' fund				
Financial assets				
Malaysian government securities	493,029	495,302	179,753	183,630
Malaysian government guaranteed bonds	83,989	83,903	19,672	19,626
Multilateral development bank guaranteed bonds	13,019	13,084	13,026	13,067
Cagamas bonds	8,747	8,705	3,745	3,774
Quoted equity securities of corporations quoted in Malaysia	17,598	21,923	24,313	27,006
Unquoted equity securities in corporations	2,147	*	2,147	*
Quoted unit trusts in Malaysia	4,681	5,205	5,559	5,559

34. Financial instruments (continued)

Group	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
General business and shareholders' fund (continued)				
Quoted bonds of corporations in Malaysia	7,559	8,130	7,962	8,989
Unquoted bonds of corporations	385,408	387,496	257,828	260,713
Commercial loans	37,978	37,978	11,505	11,505
Bankers' acceptances	-	-	9,189	9,189
Negotiable certificate of deposits	37,752	37,752	22,801	22,801
Fixed and call deposits	230,282	230,282	118,423	118,423
Mortgage loans	3,782	3,782	3,038	3,038
Other secured loans	688	688	562	562
Other unsecured loans	35	35	13	13
Financial liabilities				
Subordinated loans	490,000	*	-	-

* Not applicable

Group	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Life fund				
Financial assets				
Malaysian government securities	440,527	439,448	177,438	182,880
Malaysian government guaranteed bonds	77,924	77,394	41,815	41,383
Multilateral development bank guaranteed bonds	22,014	22,116	22,022	22,085
Cagamas bonds	28,917	27,991	10,000	9,999
Quoted equity securities of corporations quoted in Malaysia	77,740	81,632	40,144	47,009
Quoted bonds of corporations in Malaysia	4,241	4,549	4,471	5,029
Quoted unit trusts in Malaysia	9,084	9,944	7,017	7,067
Unquoted bonds of corporations	455,926	461,287	453,193	463,278
Commercial loans	12,943	12,943	14,780	14,780
Bankers' acceptance	-	-	5,255	5,255
Negotiable certificate of deposits	22,699	22,699	40,926	40,926
Fixed and call deposits	80,322	80,322	115,612	115,612
Policy loans	4,988	4,988	3,987	3,987
Mortgage loans	2,724	2,724	2,628	2,628
Automatic premium loans	21,289	21,289	16,932	16,932
Other secured loans	326	326	270	270
Other unsecured loans	10	10	22	22

34. Financial instruments (continued)

Group	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Investment-linked funds				
Financial assets				
Quoted equity securities of corporations quoted in Malaysia	106,449	106,449	121,203	121,203
Quoted bonds of corporations in Malaysia	1,169	1,169	1,291	1,291
Quoted unit trusts in Malaysia	7,080	7,080	6,173	6,173
Unquoted foreign unit trust	36,962	36,962	28,871	28,871
Unquoted bonds of corporations	77,957	77,957	69,661	69,661
Commercial loans	232	232	266	266
Negotiable certificate of deposits	429	429	431	431
Fixed and call deposits	26,483	26,483	20,736	20,736

Company	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
General business and shareholders' fund				
Financial assets				
Malaysian government securities	-	-	174,785	178,615
Malaysian government guaranteed bonds	-	-	14,663	14,648
Multilateral development bank guaranteed bonds	-	-	13,026	13,067
Cagamas bonds	-	-	3,745	3,774
Quoted equity securities of corporations quoted in Malaysia	-	-	24,313	27,006
Quoted bonds of corporations in Malaysia	-	-	7,962	8,989
Quoted unit trusts in Malaysia	-	-	5,559	5,559
Unquoted bonds of corporations	8,394	8,243	252,800	255,485
Commercial loans	-	-	11,505	11,505
Negotiable certificate of deposits	-	-	20,000	20,000
Fixed and call deposits	29,057	29,057	93,402	93,402
Mortgage loans	395	395	3,038	3,038
Other secured loans	-	-	561	561
Other unsecured loans	2	2	14	14
Subordinated loans	17,600	17,600	3,600	3,600

34. Financial instruments (continued)

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

- The fair values of Malaysian government securities, Malaysian government guaranteed bonds and Cagamas bonds are based on the indicative market prices;
- The fair values of quoted equity securities of corporations quoted in Malaysia, quoted bonds of corporations in Malaysia and quoted unit trusts in Malaysia are based on quoted market price as at balance sheet date;
- The fair values of multilateral development bank guaranteed bonds and unquoted bonds of corporations are based on the indicative market yields obtained from three financial institutions; and
- The fair value of unquoted unit trusts are based on the net asset values of the unit trusts as at the date of statements of assets and liabilities obtained from fund managers.
- It was not practicable to estimate the fair value of the Group's and Company's investment in unquoted equity securities in corporations and subordinated loans due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.
- The carrying amount of commercial loans, policy loans, mortgage loans, automatic premium loans, other secured loans, other unsecured loans, bankers acceptances, negotiable certificate of deposits, subordinated loan and fixed and call deposits are assumed to approximate their fair values.

Estimating the fair values of multilateral development bank guaranteed bonds, unquoted bonds of corporations and unquoted foreign unit trusts are based on the indicative market yields obtained from three financial institutions which involves projections of the market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in underlying risk and overall economic conditions. As such, the projected market yield may be different from its actual market yields in future.

35. Comparative figures

The following comparative figures have been restated as a result of the adoption of FRS 117, Leases:

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance sheet				
Property, plant and equipment	35,898	41,000	35,881	40,983
Prepaid lease payments	5,102	-	5,102	-

36. Significant events during the year

- (a) On 1 July 2007, the Company became an investment holding company following the transfer of its general insurance business to its wholly-owned subsidiary, Allianz General Insurance Company (Malaysia) Berhad pursuant to a scheme approved and confirmed by the High Court of Malaya in accordance with Part XI of the Insurance Act, 1996 ("Business Transfer") on the same date. Subsequent to the completion of the Business Transfer, the Company changed its name from Allianz General Insurance Malaysia Berhad to Allianz Malaysia Berhad with effect from 3 July 2007.
- (b) On 28 August 2007, the Company completed the acquisition of the entire issued and paid-up share capital of 110,000,000 ordinary shares of RM1.00 each in Commerce Assurance Berhad ("CAB") from Commerce International Group Berhad for a cash consideration of RM496,154,828. With the completion of the acquisition, CAB became a wholly-owned subsidiary of the Company.

ALLIANZ MALAYSIA BERHAD (12428-W)
(Formerly known as Allianz General Insurance Malaysia Berhad)
(Incorporated in Malaysia)

FORM OF PROXY

Number of Shares Held	
-----------------------	--

I/We (name of shareholder) _____
NRIC No./Passport No./Company No. _____ (new) _____ (old)
of (full address) _____
being a member of ALLIANZ MALAYSIA BERHAD (Formerly known as Allianz General Insurance Malaysia Berhad), hereby appoint
(name of proxy/proxies) _____ NRIC No./Passport No. _____ of
(full address) _____
_____ or
failing him/her, _____ NRIC No./Passport No. _____
of (full address) _____
as my/our proxy to attend and vote for me/us on my/our behalf at the 34th Annual General Meeting of the Company to be held at
Junior Ballroom, Level 2, Hotel Nikko, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 25 June 2008 at 10.00 a.m. and at any
adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
1	To receive and adopt the Audited Financial Statements and Directors' and Auditors' Reports thereon		
2	To approve the first and final dividend		
3	To approve Directors' fees		
4	To re-elect Mr. Dung Tri Nguyen @ Don Tri Nguyen, as Director		
5	To re-elect Mr. Foo San Kan, as Director		
6	To re-elect Mr. Cornelius Alexander Ioannis Ankel, as Director		
7	To re-appoint Auditors		
Special Business			
8	To authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
9	To approve the Proposed Renewal of Shareholders' Mandate		
10	To approve the Proposed Amendments to the Articles of Association		

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain as he/she thinks fit.

As witness my/our hand this _____ day of _____ 2008.

Signature of shareholder/common seal

Representation at Meeting

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member who is an authorised nominee as defined under the Central Depository Act, may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy/proxies must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
5. The instrument of proxy shall be deposited at the Registered Office of the Company at Suite 3A-15, Level 15, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than forty-eight (48) hours before the appointed time for holding the Annual General Meeting.

Affix Stamp

Allianz Malaysia Berhad (12428-W)
(Formerly known as Allianz General Insurance Malaysia Berhad)
(Incorporated in Malaysia)

Suite 3A-15, Level 15, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

Attention : The Company Secretary

Allianz Malaysia Berhad (12428-W)

(Formerly known as Allianz General Insurance Malaysia Berhad)

Allianz General Insurance Company (Malaysia) Berhad (735426-V)

Commerce Assurance Berhad (59131-M)

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