



MAA HOLDINGS BERHAD

471403-A



ANNUAL REPORT 2006



MAA HOLDINGS BERHAD • annual report 2006

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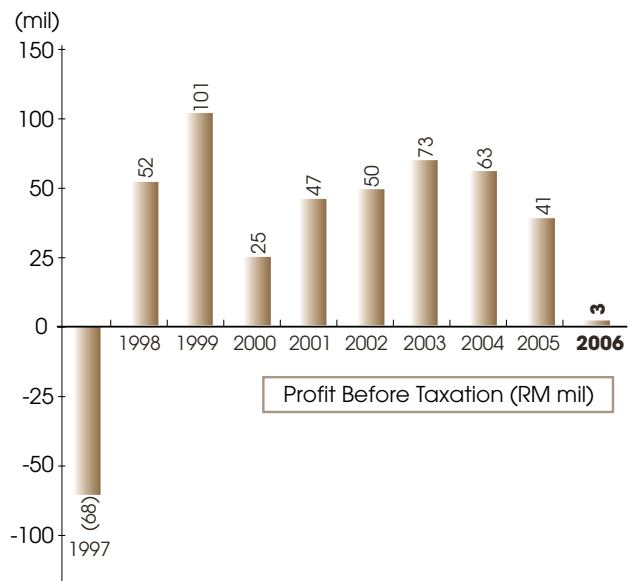
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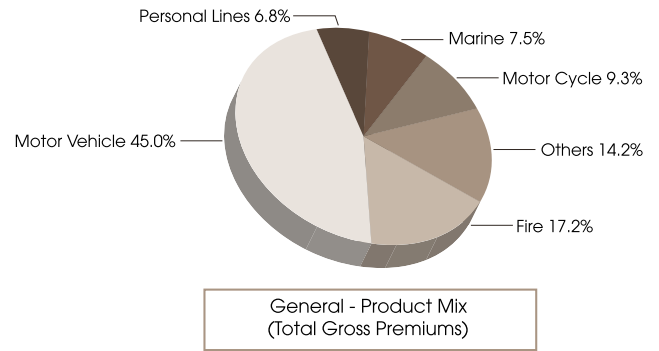
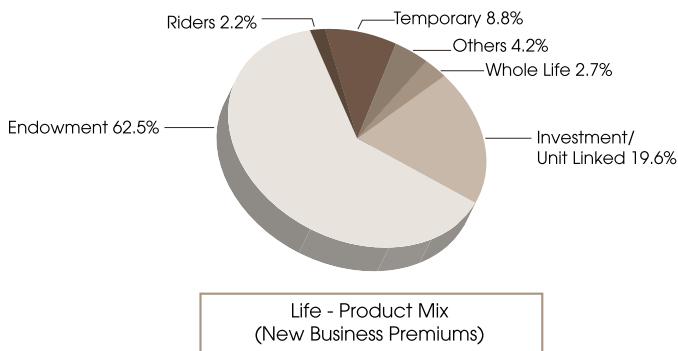
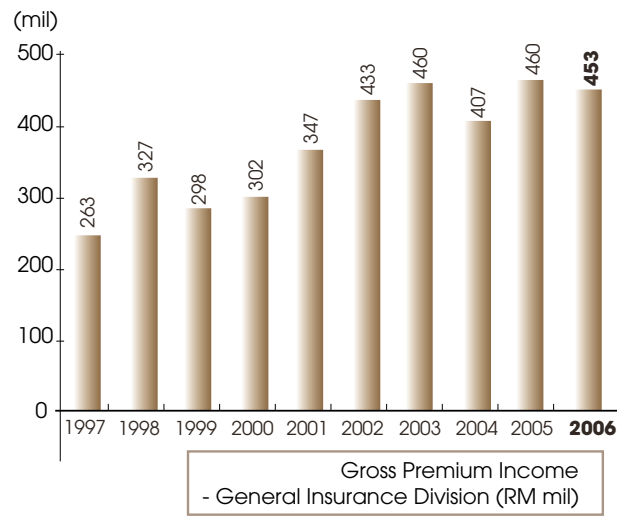
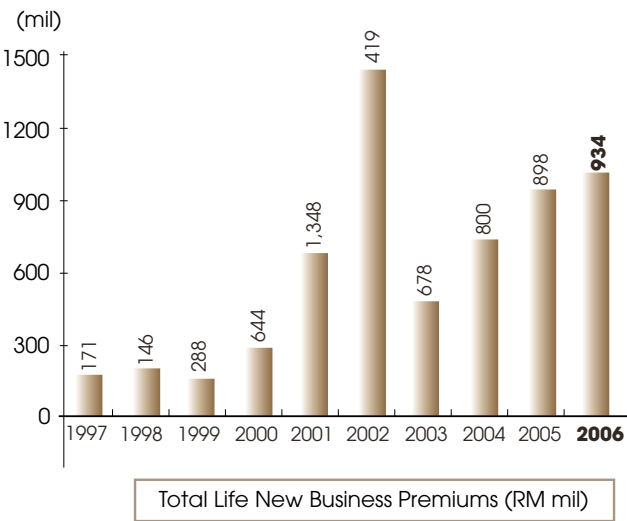
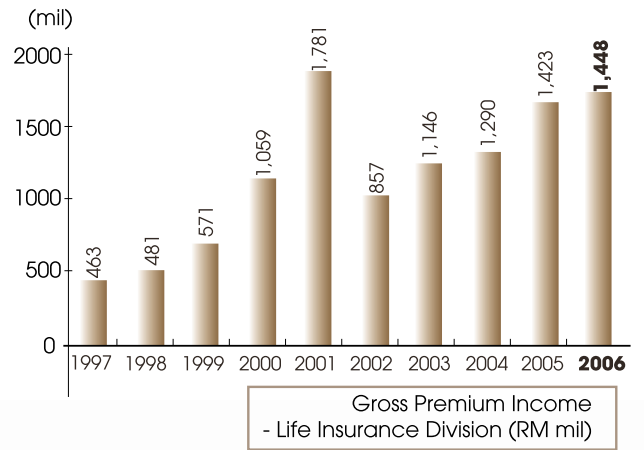
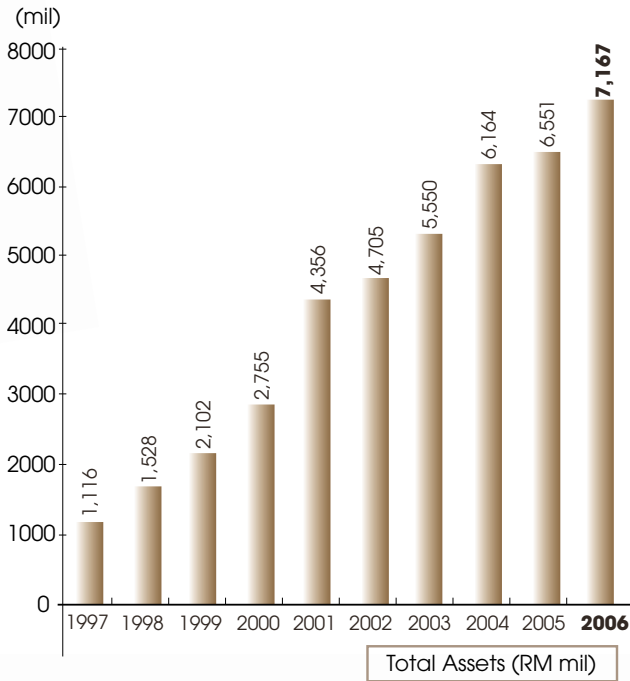


Financial Highlights

Ten Years in Review	1997 RM mil	1998 RM mil	1999 RM mil	2000 RM mil	2001 RM mil	2002 RM mil	2003 RM mil	2004 RM mil	2005 RM mil	2006 RM mil
Profit Before Taxation	(68)	52	101	25	47	50	73	63	41	3
Total Assets	1,116	1,528	2,102	2,755	4,356	4,705	5,550	6,164	6,551	7,167
Gross Premium Income-Life Insurance Division	463	481	571	1,059	1,781	857	1,146	1,290	1,423	1,448
Total Life New Business Premiums	171	146	288	644	1,348	419	678	800	898	934
Gross Premium Income-General Insurance Division	263	327	298	302	347	433	460	407	460	453



Financial Highlights



MAA Regional Network



● Currently in operations



Menara MAA

Kuala Lumpur



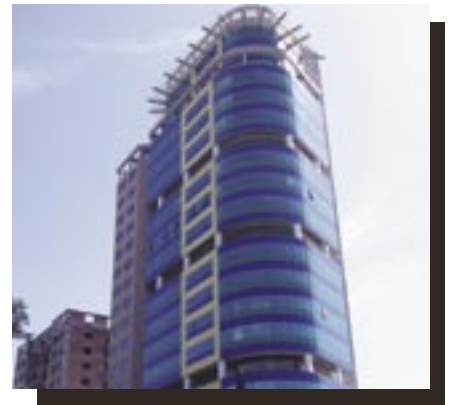
MAA Buildings (continued)



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18

1. Menara MAA Kota Kinabalu
2. Menara MAA Kuching
3. Menara MAA Seremban
4. Menara MAA Penang
5. Menara MAA Johor Bahru
6. Wisma MAA Butterworth
7. Wisma MAA Manjung
8. Wisma MAA Petaling Jaya

9. Wisma MAA Gurun
10. Wisma MAA Miri
11. Wisma MAA Segamat
12. Wisma MAA Kangar
13. Wisma MAA Kluang
14. Wisma MAA Melaka
15. Wisma MAA Sungai Petani

16. Wisma MAA Ipoh
17. Wisma MAA Kuantan
18. Wisma MAA Klang
19. Wisma MAA Batu Pahat
20. Wisma MAA Kuala Terengganu
21. Wisma MAA Tawau
22. Wisma MAA Muar



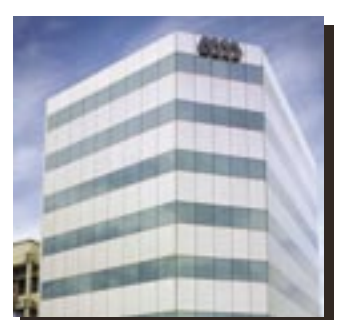
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Board Of Directors' Profile

Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman Non-Independent Non-Executive Chairman



Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman, aged 82, a Malaysian, is the Chairman of MAA Holdings Berhad ("MAAH"). He was appointed to the Board on 8 June 1999.

Tunku Tan Sri Abdullah is an indirect substantial shareholder by virtue of his relationship with Tunku Dato' Ya'acob who is the substantial shareholder of Iternum Melewar Sdn Bhd, the substantial shareholder of MAAH. His shareholding in the Company is disclosed in page 168 of the Directors' Report.

Tunku Tan Sri Abdullah holds a Diploma in Public Administration from University of Glasgow, Scotland and a Diploma in Agriculture from Miyazaki, Japan. He actively served in the civil service for more than 10 years before being involved in politics. He was the member for Parliament in Rawang Constituency from 1964 to 1974 whilst presiding in several voluntary organisations such as Malaysian Association of Youth Clubs (1954 - 1970), Malaysia Youth Council (1966 - 1972), Asian Youth Council (1972 - 1978) and was also an executive member of the World Assembly of Youth.

Currently, Tunku Tan Sri Abdullah also serves as the Chairman of the Board of Melewar Industrial Group Berhad.

Tunku Tan Sri Abdullah does not have any personal interest in any business arrangements involving the Company.

Tunku Tan Sri Abdullah does not have any conflict of interest with the Company and he has had no convictions for any offences within the past 10 years.

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah Non-Independent Executive Deputy Chairman + Member of Audit Committee

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, aged 46, a Malaysian, has been a Director since its inception in November 1998. He was appointed as the Group Managing Director/Chief Executive Officer in 1999. He was subsequently re-designated as Deputy Chairman of the Company on 7 September 2006.

Tunku Dato' Ya'acob obtained a Bachelor of Science (Honours) in Economics and Accounting from The City of London University and is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He is also Member of the Malaysian Institute of Accountants.

Tunku Dato' Ya'acob started his career as an Auditor with Price Waterhouse in London from 1982 to 1985 and subsequently, employed by the same firm in Kuala Lumpur from 1986 to 1987. Tunku Ya'acob joined Malaysian Assurance Alliance Berhad ("MAA") in 1987 as Chief General Manager and has been heading the MAAH Group of Companies since 1999.

Currently, Tunku Dato' Ya'acob is a Board Member of Malaysian Assurance Alliance Berhad ("MAA"), Melewar Industrial Group Berhad, M3nergy Berhad, Toyochem Corporation Berhad, Mycron Steel Berhad, Melewar Group Berhad and several private limited companies. His shareholding in the Company is disclosed in page 168 of the Directors' Report.

Tunku Dato' Ya'acob also serves in the following trade associations: the National Insurance Association of Malaysia (NIAM) as Chairman, the Federation of Public Listed Companies (FPLC) as Vice President, the Financial Planning Association of Malaysia (FPAM) as Immediate Past President and the Federation of Malaysian Unit Trust Managers (FMUTM) as Chairman.

Tunku Dato' Ya'acob does not have any personal interest in any business arrangements involving the Company.

Tunku Dato' Ya'acob does not have any conflict of interest with the Company and he has had no convictions for any offences within the past 10 years.





Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah

Non-Independent Non-Executive Director
+ Member of Nomination Committee
+ Member of Remuneration Committee

Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah, aged 60, a Malaysian, was appointed to the Board on 8 June 1999. He is an indirect substantial shareholder by virtue of his relationship with Tunku Dato' Ya'acob who is the substantial shareholder of Khyra Legacy Berhad, the ultimate substantial shareholder of the Company. His shareholding in the Company is disclosed in page 168 of the Annual Report.

Tunku Dato' Seri Iskandar holds a Master of Science degree in International Marketing from the University of Strathclyde, United Kingdom. He is a Fellow of the Chartered Institute of Marketing (UK), the Institute of Administrative Management (UK) and the Institute of Marketing Malaysia.

Presently, Tunku Dato' Seri Iskandar is the Chairman of Mycron Steel Berhad and also serves on the Boards of Melewar Industrial Group Berhad, MBF Holdings Berhad, MBF Corporation Berhad and Melewar Group Berhad.

Tunku Dato' Seri Iskandar does not have any personal interest in any business arrangements involving the Company.

Tunku Dato' Seri Iskandar does not have any conflict of interest with the Company and has had no convictions for any offences within the last 10 years.

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

Non-Independent Non-Executive Director

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah, aged 45, a Malaysian, was appointed to the Board on 10 January 2007. He is an indirect substantial shareholder by virtue of his relationship with Tunku Dato' Ya'acob who is the substantial shareholder of Khyra Legacy Berhad, the ultimate substantial shareholder of the Company. His shareholding in the Company is disclosed in page 168 of the Annual Report.

Tunku Yahaya graduated in 1983 with a Bachelor of Science (Hons) degree in Economics and Accountancy from the City University, London. That year in London, he joined Peat Marwick Mitchell & Co. In 1986, he obtained his Master of Science in Economics from Birkbeck College, University of London. Returning to Malaysia in 1986, he joined the advertising company, MZC-Saatchi & Saatchi. In 1988, he joined the management of the refurbished Central Market (KL) as Executive Director. In 1994, he was appointed to put into operation and manage the television station, Metro Vision as Managing Director. In 1997, he started the music recording label, Melewar Parallax Sdn Bhd.

He currently sits on the Boards of Melewar Industrial Group Berhad, Mithril Berhad, Melewar Group Berhad, The Melewar Corporation Berhad and other several private limited companies.

Tunku Yahaya does not have any personal interest in any business arrangements involving the Company.

Tunku Yahaya does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.





Major General Lai Chung Wah (Rtd)

Independent Non-Executive Director
+ *Chairman of Audit Committee*
+ *Member of Remuneration Committee*
+ *Member of Nomination Committee*

Major General Lai Chung Wah (Rtd), aged 74, a Malaysian, was appointed to the Board on 8 June 1999.

General Lai's directorships in other public companies in the MAAH Group are in MAAKL Mutual Bhd and MAA Bancwell Trustee Berhad. He is also a Board Member of several private limited companies.

General Lai served the Malaysian Armed Forces in general and the Army in particular for 35 years (1952 - 1987) and retired with the rank of Major General. He is a graduate of the Royal Military Academy Sandhurst, United Kingdom in 1955 and the Command & Staff College, Quetta, Pakistan in 1963. He was awarded a Diploma by the Armed Forces Defence College, Malaysia.

General Lai does not have any family relationship with any Director and/or major shareholder of MAAH. He has no personal interest in any business arrangements involving MAAH. He also does not have any shareholding in the Company. He has had no convictions for any offences within the past 10 years.

Dato' Iskandar Michael bin Abdullah

Independent Non-Executive Director
+ *Chairman of Nomination Committee*
+ *Chairman of Risk Management Committee*
+ *Member of Audit Committee*
+ *Member of Remuneration Committee*

Dato' Iskandar Michael bin Abdullah, aged 62, a Malaysian, was appointed to the Board on 30 April 2001.

Dato' Michael is the senior partner of the law firm of Balendran Chong & Bodi with office in Kuantan. He specialises in conveyancing and corporate law. He was born in Perak and did his schooling in St. Michael's Institution Ipoh. He is a Barrister-at-Law of Inner Temple, Inns of Court of London. Since 1969, he has been practising law in Kuantan and was the Chairman of the Pahang Bar from 1985 to 1987.

Dato' Michael does not have any family relationship with any Director and/or major shareholder of MAAH. He has no personal interest in any business arrangements involving MAAH. He also does not have any shareholding in the Company and he has had no convictions for any offences within the past 10 years.



General Dato' Sri Hj Suleiman bin Mahmud (Rtd)

Independent Non-Executive Director
+ Chairman of Risk Management Committee
+ Chairman of Remuneration Committee
+ Member of Audit Committee



General Dato' Sri Hj Suleiman bin Mahmud (Rtd), aged 59, a Malaysian, was appointed to the Board on 26 April 2005.

General Suleiman is a graduate of the Royal New Zealand Air Force Command and Staff College and the United States Air Force, Air War College. He holds a Master of Science Degree in Operational Research and Systems Analysis, and a Post Graduate Diploma in Business Administration, both from the University of Aston, United Kingdom. He has been appointed as an Honorary Fellow of the Malaysian Institute of Logistics.

General Suleiman is also a director of MAA, a wholly-owned subsidiary of MAAH. He also holds directorships in several private limited companies.

General Suleiman retired from the Royal Malaysian Air Force in March 2003 after serving more than 38 years. Besides being a pilot, he had held several command positions at various levels in the Air Force. He had also served in several positions in the Department of Air Force and the Armed Forces Headquarters. He then rose to become the Chief of Air Force before his retirement.

General Suleiman does not have any personal interest in any business arrangements involving the Company.

General Suleiman does not have any family relationship with any Director and/or major shareholder of MAAH and he has had no convictions for any offences within the past 10 years.

Datuk Razman Md Hashim

Independent Non-Executive Director

Datuk Razman Md Hashim, aged 67, a Malaysian, was appointed to the Board on 1 July 2006.

Datuk Razman completed his early secondary education in Australia and on completion studied Accounting and Banking where he became a member of the Australian Institute of Bankers.

Upon his return to Malaysia, Datuk Razman joined Standard Chartered Bank Malaysia Berhad ("SCB") as an Officer Trainee in 1967. He held various senior positions and was appointed as the Executive Director of SCB in 1994 until he retired in June 1999. Datuk Razman also served in various capacities including secondment to the branches of Standard Chartered Bank in London, Europe, Hong Kong and Singapore.

On his retirement in 1999, Datuk Razman was appointed Chairman of MBF Finance Berhad by the Central Bank as its nominee until January 2002 when it was sold to Arab-Malaysian Group.

Datuk Razman is currently the Deputy Chairman of the Sunway Group. He also holds several directorships including Multi-Purpose Holdings Berhad, Ranhill Berhad, Affin Bank Berhad, Sunway City Berhad, Sunway Infrastructure Berhad and MAA.

Datuk Razman does not have any personal interest in any business arrangements involving the Company.

Datuk Razman does not have any family relationship with any Director and/or major shareholder of MAAH and he has had no convictions for any offences within the past 10 years.



Tan Sri Ahmad bin Mohd Don

Independent Non-Executive Director

Y. Bhg. Tan Sri Ahmad Mohd Don, aged 59, a Malaysian, was appointed to the Board on 13 October 2006.

Tan Sri is a Summa cum Laude graduate in Economics and Business from the University of Wales, Aberystwyth, United Kingdom. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri has extensive experience in finance and banking, having worked in various capacities with Pernas Securities Sdn Bhd, Permodalan Nasional Berhad and Malayan Banking Berhad. He served as the Group Managing Director and Chief Executive Officer of Malayan Banking Berhad from 1991 to 1994. In May 1994, Tan Sri was appointed as the Governor of Bank Negara Malaysia for a period of three years and in May 1997, he was re-appointed for a further period of three years. He resigned in August 1998. Tan Sri currently serves on the Boards of KAF Investment Bank Berhad, J.P. Morgan Chase Bank Berhad, Hing Yiap Knitting Industries Berhad and United Malacca Berhad. Tan Sri is also the Independent Non-Executive Chairman of Malaysian Assurance Alliance Berhad.

Tan Sri does not have any personal interest in any business arrangements involving the Company.

Tan Sri does not have any family relationship with any Director and/or major shareholder of MAAH and he has had no convictions for any offences within the past 10 years. His shareholding in the Company is disclosed in page 168 of the Annual Report.



Muhamad Umar Swift

Chief Executive Officer/Group Managing Director

Encik Muhamad Umar Swift, aged 42, a British, was appointed to the Board on 13 October 2006.

Encik Umar has more than 15 years experience in the areas of banking and financial services. He graduated with the Bachelor of Economics from the Monash University, Clayton, Australia, in December 1985, and started his career with Price Waterhouse, Chartered Accountants in January 1986. He began his career in the banking industry in November 1992 as Manager, Corporate Finance, for the Bank of Singapore (Australia) Limited where he held a number of positions before joining Gas Malaysia Sdn Bhd, in January 1996, as General Manager, Corporate Finance. He was promoted to Chief Executive Officer of Gas Malaysia in July 1997. He left Gas Malaysia in January 2002 to become a Practice Leader for the Utilities Business of Deloitte Consulting in Malaysia. He joined Maybank in April 2004, as Executive Vice President - Head, Enterprise Financial Services Group. In May 2006, Encik Umar left Maybank and joined MAAH as Deputy Chief Executive Officer. He is appointed as the Chief Executive Officer/Group Managing Director of MAAH in September 2006. He also serves on the Board of MAA.

Encik Umar is an Associate of the Institute of Chartered Accountants in Australia, a member of AASA Certified Practising Accountant, a Fellow of Tax Institute of Australia and an Associate of the Institute of Securities Finance and Banking (ISFB) in Australia. He is also a Registered Accountant with the Malaysian Institute of Accountants.

Encik Umar does not have any personal interest in any business arrangements involving the Company.

Encik Umar does not have any family relationship with any Director and/or major shareholder of MAAH and he has had no convictions for any offences within the past 10 years.



Yeo Took Keat
Group Chief Operating Officer
Non-Independent Executive Director
+ Member of Risk Management Committee

Mr Yeo Took Keat, aged 49, a Malaysian, was appointed to the Board on 24 February 2005.

Mr Yeo has vast experience in accounting and finance having served various capacities in insurance companies and audit firm upon completing his studies in 1980. He joined MAA in 1986 and has held several positions, the last of which was as Senior Vice President - Finance & Admin before his transfer to MAAH in May 2002 as the Group Chief Operating Officer.

Mr Yeo is a Fellow of The Association of Chartered Certified Accountants, United Kingdom and a Member of the Malaysian Institute of Accountants. He is also an Executive Committee member of the Federation of Public Listed Companies Berhad and has contributed to the Working Groups on accounting standards led by the Malaysian Accounting Standards Board.

Presently, Mr Yeo holds several directorships in other public companies in the MAAH Group, namely, MAA, MAA Bancwell Trustee Berhad, MAAKL Mutual Bhd and Mithril Berhad. He also serves on the Boards of several private limited companies in the MAAH Group.

Mr Yeo does not have any personal interest in any business arrangements involving the Company.

Mr Yeo does not have any family relationship with any Director and/or major shareholder of MAAH and he has had no convictions for any offences within the past 10 years. His shareholding in the Company is disclosed in page 168 of the Annual Report.



Datuk Ramlan bin Abdul Rashid
Non-Independent Non-Executive Director

Datuk Ramlan bin Abdul Rashid, aged 49, a Malaysian, was appointed to the Board on 7 September 2006. He is the Executive Director/Chief Executive Officer of MAA.

Datuk Ramlan graduated with B.Sc. (Hons) in Mathematics from the Universiti Sains Malaysia (USM) in 1983 and Masters in Actuarial Science from Ball State University, Indiana, USA in 1985. He had attended most of the major conferences of the industry and top management courses such as Executive Program by Harvard Business School, Executive Development programme on Financial and Marketing Strategies by LIMRA and Global Leadership Development Programme by International Centre for Leadership in Finance (ICLIF).

Datuk Ramlan started his life insurance career with MAA as an Actuarial Executive in 1985 heading the Actuarial and Group Insurance Department. He became Actuarial Manager in 1987 and was then promoted to Assistant General Manager - Life Operations in 1989, responsible for the entire Life Operations and system comprises of Actuarial, Group Insurance, Underwriting, Customer Service, Claims, Information Technology and Agency Support Departments.

In 1991, he was promoted to be the General Manager - Life Insurance Division responsible for the Life Operations, Marketing, Sales and Training. He was also involved in the area of Business Strategic Planning, Financial performance and Human Resource of the Company. He was promoted to be the President - Life Division, Head Office in 1996 and subsequently promoted to Executive Director/Chief Executive Officer in August 2002.

Currently, he is also the Vice President of the Life Insurance Association of Malaysia (LIAM) and the Convenor of Persatuan Insuran Am Malaysia's (PIAM) Public Relations and Education/HRD committee. In addition, he is also the Director of the Malaysian Insurance Institute and Director of Malaysian Life Reinsurance Group Berhad.

Datuk Ramlan does not have any personal interest in any business arrangements involving the Company.

Datuk Ramlan does not have any family relationship with any Director and/or major shareholder of MAAH and he has had no convictions for any offences within the past 10 years. His shareholding in the Company is disclosed in page 168 of the Annual Report.



Corporate Information

BOARD OF DIRECTORS

Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman
Tunku Dato' Ya'acob Bin Tunku Tan Sri Abdullah
Tunku Dato' Seri Iskandar Bin Tunku Tan Sri Abdullah
Tunku Yahaya @ Yahya Bin Tunku Tan Sri Abdullah
Major General Lai Chung Wah (Rtd)
Dato' Iskandar Michael Bin Abdullah
General Dato' Sri Hj Suleiman Bin Mahmud (Rtd)
Datuk Razman Md Hashim
Tan Sri Ahmad Bin Mohd Don
Muhamad Umar Swift
Yeo Took Keat
Datuk Ramlan Bin Abdul Rashid

SECRETARIES

Yeo Took Keat (*MIA No. 3308*)
Lily Yin Kam May (*MAICSA No. 0878038*)

AUDITORS

PricewaterhouseCoopers
Chartered Accountants

REGISTERED OFFICE

Suite 20.03, 20th Floor, Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Telephone No.: 03-2141 3060
Facsimile No.: 03-2141 3061

PRINCIPAL PLACE OF BUSINESS

22nd Floor, Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Telephone No.: 03-2146 8300
Facsimile No.: 03-2142 5489

SHARE REGISTRAR

TRACE MANAGEMENT SERVICES SDN BHD
Suite 20.03, 20th Floor, Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Telephone No.: 03-2141 3060
Facsimile No.: 03-2141 3061

PANEL OF REINSURERS 2007

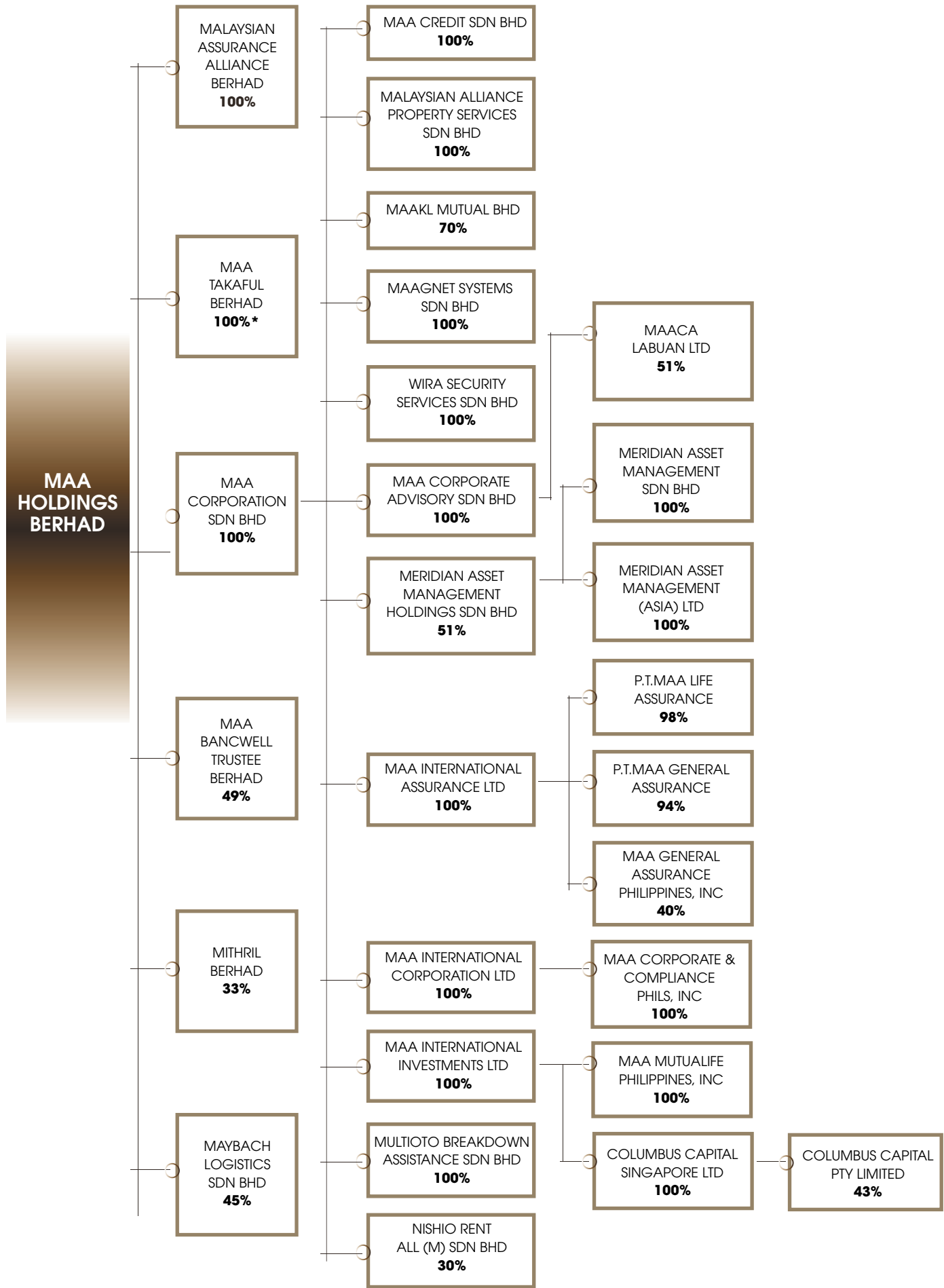
General Insurance

	Rating		Rating
Hannover Ruckversicherung, AG Malaysian Branch Suite 31-1, 31st Floor Wisma UOA II, 21, Jalan Pinang, 50450 Kuala Lumpur	AA- (S&P)	Odyssey America Reinsurance Corporation, Singapore Branch 9, Raffles Place, #37-01, Republic Plaza, Singapore 048619	A- (S&P)
Munich Reinsurance Company, Malaysian Branch Suite 13.1, Level 13, Menara IMC, 8, Jalan Sultan Ismail, 50250, Kuala Lumpur	AA- (S&P)	Mitsui Sumitomo Reinsurance Ltd., Labuan Branch Level 13 (F2) Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 W.P. Labuan. Marketing Office: Lot 14(A), 14th Floor, UBN Tower, 10 Jalan P. Ramlee, 50250 Kuala Lumpur.	AA- (S&P)
Sirius International Insurance Corporation (PUBL), Labuan Branch c/o MNI Offshore Insurance (L) Ltd., Level 11(B) Block 4, Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 W.P. Labuan. Management Office: 24, Raffles Place, #10-01/02, Clifford Centre, Singapore 048621	A- (S&P)	Caisse Centrale de Reassurance, Labuan Branch c/o MNI Offshore Insurance (L) Ltd, Level 11(B), Block 4, Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 W.P. Labuan.	AAA (S&P)
Malaysian Reinsurance Berhad 12th Floor, Bangunan Malaysian Re, No 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur	BBBpi (S&P)	Swiss Reinsurance Company Suite 28.01 & 28.02, 28th Floor, Menara Keck Seng, 203, Jalan Bukit Bintang, 55100 Kuala Lumpur	AA (S&P)
Labuan Reinsurance (L) Limited Level 4 (B) Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 W.P. Labuan	A- (AM Best)	B.E.S.T. Reinsurance Far East Regional Office, Malaysia Suite 3A, Level 8, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur	BBB (S&P)
Everest Reinsurance Co 20 Cecil Street, #08-06, Equity Plaza, Singapore 049705	AA- (S&P)	Limit - Lloyd's Syndicate 0566 STN Limit 566, Plantation Place, 30 Fenchurch Street, London, EC3M 3BD	A (S&P)
AXA Re Asia Pacific Pte Ltd 152 Beach Road, #27-01, Gateway East, Singapore 189721	AA- (S&P)	Wellington - Lloyd's Syndicate 2020 WEL Wellington Underwriting, 88 Leadenhall Street, London, EC3A 3BA	A (S&P)
China International Reinsurance Co Ltd, Labuan Branch c/o MNI Offshore Insurance (L) Ltd, Level 11(B), Block 4, Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 W.P. Labuan.	A- (S&P)	Momentum Underwriting Management Limited (MUM) as agents for 100% Transatlantic Reinsurance Company Momentum Underwriting Management, 37-39 Lime Street, London, EC3M 7AY	AA (S&P)
Partner Reinsurance Co Ltd., Labuan Branch Level 11(B), Block 4 Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 W.P. Labuan. Management Office : 2, Battery Road, #23-01 Maybank Tower, Singapore 049907	AA- (S&P)		

Life Reinsurers

	Rating		Rating
Malaysian Life Reinsurance Group Berhad 3B/21-3, Block 3B, Level 21, Plaza Sentral, Jalan Stesen 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur	AA- (S&P)	Cologne Reinsurance Company plc. Singapore Branch 9 Raffles Place, #24-01 Republic Plaza, Singapore 048619	AAA (S&P)
SCOR Vie Singapore Branch 143 Cecil Street, #20-04 GB Building, Singapore 069542	A- (S&P)	Hannover Ruckversicherung, AG Malaysia Branch Suite 31-1, 31st Floor, Wisma UOA II, 21, Jln Pinang, 50450 Kuala Lumpur.	AA- (S&P)
Munich Re Singapore Branch 20 Collyer Quay, #13-01 Tung Centre, Singapore 049319	AA- (S&P)		

GROUP STRUCTURE



* Note: The Group's shareholding will be 75% upon full capitalisation of share capital.

Notice Of Ninth Annual General Meeting



MAA HOLDINGS BERHAD

(471403-A)
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the **NINTH ANNUAL GENERAL MEETING** of the Company will be held at The Auditorium, Podium 1, Menara MAA, 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur on Thursday, 28 June 2007 at 10.00 a.m. for the following purposes: -

AS ORDINARY BUSINESS

Resolution

- | | |
|--|-----------|
| (1) To receive the Audited Financial Statements for the year ended 31 December 2006 together with the Reports of the Directors and the Auditors thereon. | |
| (2) To approve the payment of a first and final tax-exempt dividend of 2% in respect of the financial year ended 31 December 2006. | 1 |
| (3) To approve the increase of the Non-Executive Directors' fees commencing from 1 January 2007. | 2 |
| (4) To approve the payment of Directors' fees amounting to RM616,500.00 for the period from 1 January 2007 until the forthcoming Annual General Meeting to be held in 2008 to be payable quarterly in arrears. | 3 |
| (5) To re-elect Dato' Iskandar Michael bin Abdullah who is retiring in accordance with Article 73 of the Company's Articles of Association and who, being eligible, offers himself for re-election. | 4 |
| (6) To re-elect the following Directors of the Company who are retiring in accordance with Article 79 of the Company's Articles of Association and who, being eligible, offer themselves for re-election :- | |
| (i) Datuk Razman Md Hashim bin Che Din Md Hashim | 5 |
| (ii) Muhamad Umar Swift | 6 |
| (iii) Datuk Ramlan bin Abdul Rashid | 7 |
| (iv) Tan Sri Ahmad bin Mohd Don | 8 |
| (v) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah | 9 |
| (7) To re-appoint the following directors who are retiring pursuant to Section 129(6) of the Companies Act 1965 to hold office until the conclusion of the next Annual General Meeting :- | |
| (i) Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman | 10 |
| (ii) Major General Lai Chung Wah (Rfd) | 11 |
| (8) To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. | 12 |

AS SPECIAL BUSINESS

- (9) To consider and, if thought fit, to pass the following resolutions as Ordinary/Special Resolutions: -

ORDINARY RESOLUTIONS

- (a) Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965** **13**

"THAT subject to the Companies Act, 1965, Articles of Association of the Company and approvals from the Bursa Malaysia Securities Berhad and other Governmental or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue shares of the Company from time-to-time and upon such terms and conditions and for such purposes as the Directors may, in their discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed ten percent (10%) of the issued share capital of the Company for the time being and such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

(b) Proposed Renewal of authority for the Company to purchase its own shares

14

"THAT subject to compliance with Section 67A of the Companies Act 1965, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorized to purchase and hold such number of ordinary shares of RM1.00 each in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this Resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company and that an amount not exceeding the Company's total audited retained profits of RM41,442,000 as at 31 December 2006 would be allocated by MAAH for the Proposed Renewal of Share Buy-Back Authority.

AND THAT such authority shall commence immediately upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of shareholders of MAAH in a general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held whichever is the earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date;

AND THAT the Directors be and are hereby authorized to take all steps necessary to implement, finalise and to give full effect to the Proposed Renewal of Share Buy-Back Authority and further THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the shares so purchased as treasury shares or cancel them or both."

(c) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

15

"THAT the mandate granted by the shareholders of the Company on 21 June 2006 pursuant to paragraph 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), authorizing the Company and its subsidiaries ("the MAAH Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the MAAH Group's day-to-day operations as set out in Section 3 of Part B of the Circular to Shareholders ("the Circular") dated 6 June 2007 with the related parties mentioned therein, be and is hereby renewed, AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the additional recurrent related party transactions of a revenue or trading nature as set out in Section 3 of Part B of the Circular with the related parties mentioned therein provided that :-

- (a) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders of the Company;
- (b) the transactions are made at arm's length and on normal commercial terms; and
- (c) disclosure will be made in the annual report providing the breakdown of the aggregate value of the transactions conducted pursuant to the mandate during the financial year, amongst others, based on the following information: -
 - i) the type of the RRPTs made;
 - ii) the names of the related parties involved in each type of the RRPTs made and their relationship with the Company.

Notice Of Ninth Annual General Meeting (continued)

AND THAT, authority conferred by such renewed and granted mandate shall continue to be in force (unless revoked or varied by the Company in general meeting), until

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at that meeting or Extraordinary General Meeting whereby the authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

SPECIAL RESOLUTION

(d) Proposed Amendments to Articles of Association of the Company

16

"THAT the deletion, alterations, modifications and/or additions to the Articles of Association of the Company as set out under Section 1 of Part C of the Circular to Shareholders of the Company dated 6 June 2007 be and are hereby approved and adopted."

NOTICE IS ALSO HEREBY GIVEN that the Register of Members of the Company will be closed at 5.00 p.m. on 12 July 2007 for the purpose of determining shareholders' entitlement to the First and Final tax-exempt dividend of 2% in respect of the financial year ended 31 December 2006.

The dividend, if approved, will be paid on 10 August 2007 to shareholders whose names appear in the Record of Depositors dated 12 July 2007.

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

- (a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 12 July 2007 in respect of transfers; and
- (b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

YEO TOOK KEAT (MIA NO. 3308)
LILY YIN KAM MAY (MAICSA NO. 0878038)
Company Secretaries

Kuala Lumpur
Dated: 6 June 2007

Notice Of Ninth Annual General Meeting (continued)

NOTES: -

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account.
3. The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 20.03, 20th Floor, Menara MAA, No. 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. Any alteration in the form of proxy must be initialed.
6. Explanatory notes to Special Business of the Agenda 9 : -

(a) Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965.

This resolution is proposed pursuant to Section 132D of the Companies Act, 1965, and if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued share capital of the Company for such purposes as the Directors deem fit and in the interest of the Company. 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) Proposed Renewal of authority for the Company to purchase its own shares

The proposed Resolution 14, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(c) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

The Proposed Resolution 15, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

The detailed information on Recurrent Related Party Transactions is set out in Part B of the Circular dated 6 June 2007 which is dispatched together with this Annual Report.

(d) Proposed Amendments to Articles of Association of the Company

The Proposed Resolution 16, if passed, will update the Articles of Association of the Company to ensure continued compliance with the Listing Requirements of Bursa Securities and to further enhance the administration of the internal affairs of the Company as well as to streamline and add clarity to the Articles of Association.

Statement Accompanying Notice Of Annual General Meeting

The details of the Directors who are seeking for re-election or re-appointment in Agenda 5, 6 and 7 of the Notice of Ninth Annual General Meeting of the Company are set out in the Directors' Profile on pages 8 to 13 of this Annual Report. Their securities holdings in the Company are set out in the Analysis of Shareholdings which appears on page 168 of this Annual Report.



Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Akaun Kumpulan bagi tahun berakhir 31 Disember 2006.

PERSEKITARAN OPERASI

Sepanjang tahun 2006, ekonomi Malaysia terus mencatatkan pertumbuhan mantap dengan peningkatan Keluaran Dalam Negara Kasar (KDNK) sebanyak 5.9% (2005: 5.3%). Berasaskan tentimen pengguna yang lebih kukuh dan keyakinan berterusan terhadap prospek perniagaan, sektor swasta sekali lagi menjadi penyumbang utama kepada pertumbuhan ekonomi, dipacu oleh pertumbuhan kukuh sektor perkhidmatan dan pertanian serta disokong oleh pemulihan sektor perlombongan dan pembinaan.

Pertumbuhan dalam sektor perkhidmatan didorong oleh kegiatan pembiayaan dan perniagaan, khususnya dalam bidang pertumbuhan baru, seperti yang dipaparkan oleh kepesatan subsektor pembiayaan, insurans, hartanah dan perkhidmatan perniagaan yang meningkat 7.1% pada 2006 (2005: 5.7%). Secara khususnya, kegiatan insurans kekal rancak dengan lebih banyak produk insurans perubatan dan kesihatan juga prestasi produk berkaitan pelaburan yang memberangsangkan.

Kerajaan Malaysia dan Bank Negara Malaysia (BNM) terus mengamalkan dasar makroekonomi yang mendorong pertumbuhan ekonomi dalam jangka panjang, dalam usaha menggalakkan persekitaran perniagaan yang positif. MAA Holdings Berhad sebagai sebuah kumpulan perkhidmatan kewangan bukan bank bersedia untuk memanfaatkan pembangunan ekonomi yang pesat hasil daripada rangsangan positif Kerajaan.



TINJAUAN PRESTASI

Pada tahun yang dilaporkan, jumlah hasil operasi Kumpulan meningkat sebanyak 3.17% kepada RM2.28 bilion (2005: RM2.21 bilion). Pendapatan premium kasar Bahagian Insurans Hayat meningkat secara marginal sebanyak 2.11% kepada RM1.45 bilion (2005: RM1.42 bilion) sementara Bahagian Insurans Am mencatatkan kemerosotan kecil dalam jumlah premium kasar sebanyak 1.59% kepada RM452.64 juta (2005: RM459.96 juta).

Kumpulan mencatatkan keuntungan sebelum cukai lebih rendah berjumlah RM3.11 juta bagi tahun dilaporkan, berbanding keuntungan sebelum cukai RM41.13 juta pada 2005. Bahagian Insurans Hayat dan Bahagian Insurans Am masing-masing menyumbang keuntungan sebelum cukai RM34.32 juta (2005: RM20.23 juta) dan RM5.58 juta (2005: RM10.94 juta). Keuntungan lebih rendah bagi Bahagian Insurans Am dicatatkan terutamanya disebabkan nisbah tuntutan lebih tinggi dalam tahun dilaporkan dan peruntukan dibuat bagi pinjaman tak berbayar tertentu. Kerugian Dana Pemegang Saham dicatatkan terutamanya disebabkan peruntukan yang dibuat bagi pinjaman tidak berbayar anak syarikat bukan insurans yang terlibat dalam urusan niaga kredit. Dalam tahun dilaporkan, Kumpulan telah melaksanakan polisi peruntukan yang ketat bagi mengawal segmen operasi ini.

Pada 2005, Dana Pemegang Saham menghasilkan pendapatan operasi lain lebih tinggi terutamanya kerana kenaikan besar dalam nilai saksama pelaburan ekuiti disebut harga di Sri Lanka yang dibuat oleh anak syarikat bukan insurans.

Pada tahun dilaporkan, nisbah tuntutan Bahagian Insurans Am naik daripada 59.02% pada 2005 kepada 70.87%. Peningkatan ini dicatatkan terutamanya kerana keputusan pihak pengurusan untuk meningkatkan aras keyakinan bagi rizab tuntutan yang ditanggung tetapi belum dilaporkan (IBNR) daripada 50.00% kepada 65.00% bagi anak syarikat insurans tempatan. Langkah peningkatan secara beransur-ansur dibuat sebagai persiapan untuk menerima pakai cadangan Bank Negara Malaysia untuk melaksanakan Rangka Modal Berasaskan Risiko pada 2009.

Pada 31 Disember 2006, aset Kumpulan berjumlah RM7.17 bilion, naik 9.47% berbanding RM6.55 bilion pada 2005.

TINJAUAN OPERASI PERNIAGAAN

Pada tahun yang dilaporkan, Kumpulan terus memberi tumpuan kepada empat bidang teras operasi, iaitu Operasi Insurans Hayat Malaysia, Operasi Insurans Am Malaysia, Operasi Unit Amanah Malaysia dan Operasi Antarabangsa. Butiran prestasi setiap operasi dilaporkan secara berasingan pada halaman seterusnya.

DIVIDEN

Bagi tahun berakhir 31 Disember 2006, Lembaga Pengarah telah mengesyorkan pembayaran dividen bebas cukai pertama dan terakhir sebanyak 2% (2005: 10%) sebagai ganjaran kepada semua pemegang saham atas sokongan dan keyakinan mereka terhadap Kumpulan.

Kumpulan akan terus berusaha mencapai keseimbangan sewajarnya yang mendukung matlamat memberi

pemegang saham pulangan tunai berterusan daripada dividen, sambil mengekalkan dana secukupnya untuk membuat pelaburan semula yang diperlukan bagi meningkatkan keuntungan dan nilai masa depan Kumpulan.

Perkembangan Mengenai Cadangan Korporat Terkini

Kumpulan dengan sukacitanya memaklumkan tentang perkembangan terkini yang berikut:

- (a) Pada 29 September 2004, MAAH telah mengumumkan satu cadangan korporat untuk membuat terbitan hak boleh ditolak sehingga 152.18 juta Saham Keutamaan Tidak Boleh Ditebus Baru bernilai RM1.00 sesaham (IPS) (IPS Hak) bersama 152.18 juta Saham Biasa boleh cerai percuma bernilai RM1 sesaham (Saham Biasa) (Saham Bonus) dan sehingga 152.18 juta Waran boleh cerai percuma (Waran) atas dasar satu (1) IPS Hak bersama satu (1) Saham Bonus boleh cerai percuma dan satu (1) Waran boleh cerai percuma untuk setiap satu (1) Saham Biasa sedia ada yang dipegang dalam syarikat pada tarikh kelayakan yang akan ditentukan kemudian (Terbitan Hak IPS). Terbitan Hak IPS telah diluluskan oleh pemegang saham Syarikat di Mesyuarat Agung Tahunan Luar Biasa yang diadakan pada 22 Februari 2005.

Memandangkan sentimen yang kurang menggalakkan melanda pasaran ekuiti Malaysia pada waktu itu, MAAH, dengan kelulusan Suruhanjaya Sekuriti (SC), telah melanjutkan tarikh akhir Terbitan Hak yang dicadangkan sebanyak dua

MAAH sentiasa memberi anda layanan mesra.

kali, pertamanya dari 3 Jun 2005 ke 31 Disember 2005, dan seterusnya dari 1 Januari 2006 ke 30 Jun 2006. Pada 3 Mei 2006, MAAH mengumumkan bahawa selepas mengambil kira sentimen pasaran semasa dan prestasi saham biasa MAAH di pasaran, Kumpulan telah membuat keputusan membatalkan Terbitan Hak IPS yang dicadangkan.

Walaupun cadangan Terbitan Hak IPS dibatalkan, pada 3 Mei 2006 Lembaga Pengarah telah mengumumkan bahawa MAAH akan meneruskan Terbitan Bonus Dicadangkan, membabitkan sehingga 152.18 juta saham biasa baru bernilai RM1 sesaham sebagai berbayar penuh atas dasar satu (1) Saham Bonus bagi setiap satu (1) saham biasa sedia ada yang dipegang oleh pemegang saham berdaftar MAAH pada waktu penutup perniagaan pada tarikh kelayakan yang akan ditentukan dan diumumkan kemudian (Terbitan Bonus Dicadangkan).

Terbitan Bonus Dicadangkan akan dilaksanakan melalui kaedah permodalan sehingga RM152.18 juta daripada akaun berikut.

- (i) sehingga RM11.74 juta daripada akaun premium saham; dan
- (ii) sehingga RM140.44 juta daripada untung tertahan.

Terbitan Bonus Dicadangkan ini telah diluluskan oleh pemegang saham MAAH di Mesyuarat Agung Tahunan yang diadakan pada 21 Jun 2006.

Pada 19 Julai 2006, MAAH telah mengemukakan Permohonan bagi menyenaraikan saham biasa tambahan yang diterbitkan menerusi

Terbitan Bonus Dicadangkan itu kepada Bursa Malaysia Securities Berhad (Bursa Securities). Kelulusan Bursa diperolehi pada 1 Ogos 2006. Pada 9 Ogos 2006, MAAH mengumumkan 25 Ogos 2006 sebagai tarikh kelayakan Saham Bonus.

Seterusnya, sebanyak 152.18 juta saham biasa baru bernilai RM1 sesaham telah diumpukkan pada 8 September 2006 di bawah Terbitan Bonus Dicadangkan.

- (b) Pada 4 Ogos 2006, MAAH mengumumkan Cadangan Pengeluaran Kertas Komersil (CP) dan/atau Program Nota Jangka Pertengahan (MTN) bernilai sehingga RM200 juta ("Program Dicadangkan").

Program Dicadangkan ini akan membabitkan penerbitan CP bertempoh antara satu (1) bulan hingga dua belas (12) bulan dan/atau MTN dengan tempoh lebih daripada satu (1) tahun tetapi tidak melebihi tujuh (7) tahun. Hasil kutipan daripada Program Dicadangkan itu akan digunakan untuk membiayai pelaburan MAAH dalam perniagaan Takaful, untuk membayar balik pinjaman bank MAAH dan anak syarikatnya yang sedia ada, untuk membiayai penebusan Bon Bersiri Kadar Tetap sedia ada bernilai RM120 juta yang matang pada 21 Ogos 2007, sebagai prapembiayaan bagi akaun rizab bayaran hutang yang diwujudkan untuk Program Dicadangkan ini dan untuk membiayai modal kerja MAAH.

Berasaskan prestasi kewangan stabil dan pengurusan rapi Kumpulan, Rating Agency Malaysia (RAM)

telah memberi MAAH penarafan jangka panjang A2 dan penarafan jangka pendek P1 bagi Program Dicadangkan.

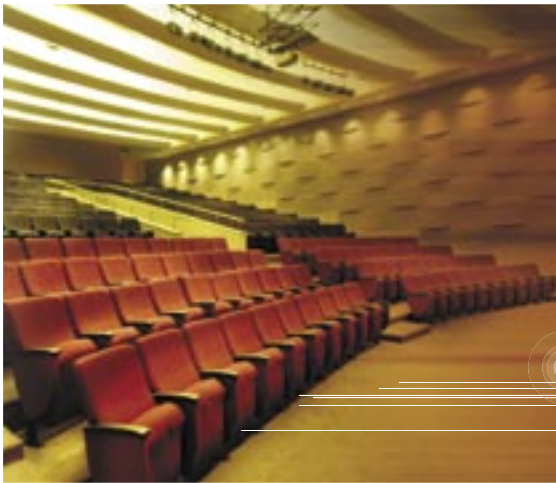
Kelulusan bagi Program Dicadangkan diperolehi pada 28 Ogos 2006 daripada SC.

Pada 5 Disember 2006, MAAH mengemukakan permohonan kepada SC untuk membuat perubahan berikut kepada terma dan syarat utama Program Dicadangkan:

- (i) menjamin terbitan Program Dicadangkan dengan kemudahan jaminan bank daripada DBS Bank Ltd, Cawangan Labuan (DBS Bank) sehingga jumlah prinsipal agregat maksimum, bersamaan nilai RM200 juta dalam mata wang dolar Amerika Syarikat; dan
- (ii) menukar penggunaan hasil kutipan Program Dicadangkan, di mana antara lain, pelaburan MAAH dalam perniagaan Takaful akan dibiayai daripada dana yang dihasilkan sendiri.

Berebalkan kekuatan jaminan bank daripada DBS Bank yang bertaraf AAA- dalam Program Dicadangkan itu, RAM telah memberikan penarafan AAA(bg) bagi terbitan Nota Jangka Pertengahan pertama bernilai sehingga RM200 juta dan bertempoh sehingga 5 tahun.

SC menerusi surat bertarikh 22 Disember 2006, telah meluluskan perubahan yang dinyatakan di atas.



PERKEMBANGAN BARU PENTING

KEKUATAN JENAMA

TUMPUAN TERHADAP KUALITI

PELABURAN

Pada 8 Januari 2007, MAAH berjaya menerbitkan Nota Jangka Pertengahan dengan nilai nominal RM200 juta untuk tempoh sehingga 5 tahun.

PERKEMBANGAN BARU PENTING

(a) MAA Takaful Berhad

Pada 3 Mac 2006, MAAH mendapat kelulusan BNM bagi mendapatkan lesen Takaful baru untuk syarikat usaha sama antara MAAH dengan Solidarity Company BSC (C) (Solidarity), Bahrain.

Solidarity ialah sebuah syarikat yang ditubuhkan di bawah undang-undang dan peraturan Bahrain dan terlibat dalam perniagaan Takaful. Syarikat ini ditubuhkan sebagai tindak balas langsung untuk memenuhi permintaan yang semakin meningkat bagi produk Takaful di seluruh rantau Timur Tengah. Solidarity beroperasi dengan mematuhi sepenuhnya prinsip Syariah dan menyediakan pilihan lengkap produk Takaful Keluarga dan Am. Dengan aset modal berjumlah lebih US\$100 juta, Solidarity ialah syarikat insurans terbesar (dari segi modal berbayar) di Bahrain dan merupakan syarikat Takaful dengan modal paling besar di dunia.

Pada 21 Februari 2006, Perjanjian Usaha Sama telah ditandatangani dengan Solidarity untuk menubuhkan sebuah syarikat usaha sama bagi menjalankan perniagaan Takaful di Malaysia. Syarikat usaha sama tersebut mempunyai modal berbayar RM100 juta, dengan 75% kepentingan ekuiti MAAH dan 25% Solidarity.

Pada 2 Mei 2006, sebuah anak syarikat baru, MAA Takaful Berhad (MAA

Takaful) ditubuhkan dengan modal saham dibenarkan RM150,000,000 yang merangkumi 150,000,000 saham biasa bernilai RM1.00 sesaham, yang mana RM2.00 telah diterbitkan dan berbayar penuh.

Pada 16 November 2006, MAA Takaful telah mengemukakan permohonan kepada SC bagi menambahkan modal berbayar.

Menerusi surat bertarikh 15 Januari 2007, SC meluluskan permohonan tersebut.

Setakat ini, MAAH dan Solidarity telah meletakkan saham modal ekuiti mereka ke MAA Takaful.

Kumpulan telah menetapkan sasaran untuk memulakan operasi Takaful pada tiga suku tahun 2007.

Kumpulan yakin syarikat usaha sama Takaful ini akan pulang modal dalam beberapa tahun awal operasi dengan memanfaatkan rangkaian agensi MAA yang kukuh, di mana kira-kira 40% atau 7,000 daripada tenaga agensi hayatnya adalah ejen Bumiputera, di samping kelebihanannya memiliki infrastruktur sedia ada yang akan membantu mencapai kos tetap yang rendah.

Akhir sekali, Kumpulan akan mengambil kesempatan daripada usaha sama Takaful dengan Solidarity sebagai landasan untuk menceburi pasaran global, khususnya bangsa Islam di Timur Tengah pada masa depan.

(b) Columbus Capital Pty Limited

Pada 13 September 2006, MAA International Investment Ltd (MAAIL), anak syarikat milik penuh Kumpulan, telah mengambil alih sebuah syarikat

tidak beroperasi bernama Columbus Capital Singapore Pte Ltd (CCS), sebuah syarikat ditubuhkan di Singapura yang akan menjadi entiti tujuan khas bagi sebarang pelaburan syarikat pada masa depan.

Pada 22 September 2006, CSS memeterai perjanjian langganan bersyarat dengan Columbus Capital Pty Limited (CCAU) untuk melanggan sehingga 20.0 juta Saham Keutamaan Siri A pada harga terbitan AUD1.00 setiap satu, yang merangkumi 50% kepentingan ekuiti dalam CCPL untuk pertimbangan tunai berjumlah AUD20.0 juta atau bersamaan RM57.0 juta (Langganan Dicadangkan). Secara serentak, CCS bersama pengasas CCAU telah memeterai perjanjian pemegang saham untuk mengawal selia hak dan kewajipan masing-masing sebagai ahli CCAU. CCAU telah diperbadankan di Australia.

Langganan Dicadangkan itu pada asasnya membabitkan dua (2) peringkat:

- (i) Peringkat 1 – Langganan 15.0 juta Saham Keutamaan CCS pada harga terbitan AUD1.00 sesaham, yang mencakupi kepentingan ekuiti 42.86% dalam CCAU bagi jumlah pertimbangan tunai AUD15.0 juta, yang dijangka disempurnakan menjelang Oktober 2006;
- (ii) Peringkat 2 – Langganan sebanyak 5 juta Saham Keutamaan oleh pelabur atau CCS pada harga terbitan AUD1.00 sesaham, yang mencakupi 12.5% daripada kepentingan ekuiti diperluas dalam CCAU, untuk jumlah pertimbangan tunai AUD5.0 juta, yang akan diselesaikan pada atau sebelum 300 hari kalendar



selepas selesainya peringkat 1, yang ditetapkan buat sementara waktu untuk disempurnakan pada Ogos 2007.

Pertimbangan tunai sehingga AUD20.0 juta akan dijelaskan menerusi pinjaman bank dan/atau daripada dana dalaman Kumpulan.

Langganan Dicadangkan akan membuka jalan bagi Kumpulan untuk meneroka perniagaan pinjaman gadai janji runcit dan pensukuritan pinjaman di Australia, sejajar dengan aspirasi Kumpulan untuk mempelbagaikan aliran pendapatannya.

Peringkat 1 Langganan Dicadangkan telah disempurnakan pada 6 Oktober 2006.

KEKUATAN JENAMA

Kumpulan akan meneruskan usaha membina kekuatan jenama untuk mengekalkan imej korporat teguh yang dibangunkan sehingga kini. Imej ini menjadi tunjang kekuatan dan menjadi tanggung yang memastikan pelanggan dan ejen terus setia.

Dalam pada itu, bangunan pejabat yang tersergam indah dan dimiliki sendiri di seluruh Malaysia, iklan televisyen, papan tanda lebu raya dan iklan media cetak, aktiviti perhubungan awam juga program kebajikan yang tersusun terus meyakinkan pelanggan dan ejen agar terus menaruh kepercayaan terhadap Kumpulan.

Cogan kata korporat kami sememangnya terkenal, "Katakan Ya kepada MAA. Katakan Ya Kepada Jaminan Kewangan Yang Teguh".

TUMPUAN TERHADAP KUALITI

Kumpulan juga berbangga untuk melaporkan bahawa operasi insurans Malaysia telah mengekalkan status kualiti ISO 9001 sejak tujuh tahun lalu. Tumpuan berterusan dalam usaha menyenggarakan sistem IT dan proses dalaman yang rapi, latihan kakitangan dan program pendidikan, disokong oleh pelaksanaan program Six Sigma sejak 2005 dalam operasi Insurans Malaysia telah membantu memastikan bahawa pelanggan kami mendapatkan perkhidmatan yang terbaik. Hanya menerusi usaha tertumpu terhadap kualiti barulah Kumpulan dapat menjamin kejayaan pada masa depan.

PELABURAN

Berikutan prestasi Bursa Saham Kuala Lumpur (BSKL) yang lebih baik sejak separuh kedua tahun, jumlah pendapatan pelaburan Kumpulan meningkat 68.32% kepada RM391.84 juta (2005: RM232.80 juta), selepas pengiraan semula peruntukan bagi pengurangan nilai pelaburan yang disebut harga berjumlah RM148.00 juta pada tahun dilaporkan (2005: peruntukan sebanyak RM90.96 juta dibuat bagi mengurangkan nilai pelaburan disebut harga). Pelaburan dalam sekuriti pendapatan tetap masih merangkumi sebahagian besar daripada portfolio pelaburan, iaitu 82.61% daripada jumlah pendapatan pelaburan.

Kumpulan akan meneruskan prinsip pelaburan konservatif yang menekankan pemeliharaan modal, keuntungan dan aliran pendapatan konsisten supaya nilainya terlindung daripada

ketidakstabilan pasaran. Pelaburan pendapatan tetap dijangka kekal sebagai aset portfolio teras, di mana bon korporat akan menjadi menjadi instrumen pilihan memandangkan hasilnya lebih tinggi berbanding deposit tetap dan tunai.

Sebagai langkah berdaya maju, kami akan mengkaji semula portfolio pelaburan dana Hayat tanpa penyertaan dan dana Am dengan mengurangkan pendedahan kepada portfolio ekuiti yang disebut harga untuk melindungi pendapatan Kumpulan daripada ketidakstabilan pasaran ekuiti. Namun begitu, Kumpulan akan terus meninjau dan menyemak semula strategi pelaburan untuk mengambil kesempatan daripada persekitaran ekonomi dan kewangan yang dijangka kukuh pada tahun-tahun akan datang.

TEKNOLOGI MAKLUMAT

Sejajar dengan Rancangan Strategi Teknologi Maklumat (IT) 5 tahun MAA yang dirumuskan pada 2005 dengan matlamat utama menyokong keperluan perniagaan masa depan, MAA berjaya melaksanakan beberapa sistem utama pada tahun yang dilaporkan:

(1) Sistem Jualan Pengurusan Konsultan (CMSS)

Sistem aplikasi ini memberi sokongan kepada konsultan Insurans Hayat dengan:

- menyediakan alat yang diperlukan dan laporan yang terkini untuk meningkatkan produktiviti para konsultan



- meningkatkan kualiti perkhidmatan kepada pelanggan dan menjalin hubungan yang lebih rapat dengan pelanggan
- menyediakan komunikasi berhadapan dalam talian dengan MAA

(2) Sistem e-Tuntutan Hayat

Sistem berasaskan aliran kerja ini meringkaskan kerja manual menggunakan pemprosesan berkomputer dengan:

- mengurangkan pencarian dokumen secara manual yang memakan masa
- menjejak status fail tuntutan
- menyediakan kemudahan kelulusan berhadapan dalam talian untuk masa pusing ganti pemprosesan yang pantas

(3) Sistem Insurans Am Baru Fasa 2

Sistem ini dilaksana berasaskan "tumpuan terhadap pelanggan" menggunakan proses berkomputer sepenuhnya untuk meningkatkan keupayaan pengawasan dan laporan.

(4) Pencetakan Polisi Motor Dalam Talian

Pencetakan polisi motor dalam talian membolehkan ejen yang mempunyai sambungan dalam talian untuk mengeluarkan nota lindung motor elektronik dan mencetak polisi motor dengan serta-merta.

PENILAIAN PERNIAGAAN INSURANS MALAYSIA

Seperti tahun-tahun lepas, Kumpulan telah melantik aktuari luar untuk mengira Nilai Taksiran bagi Perniagaan Insurans Hayat Malaysia, menggunakan teknik penilaian sama yang digunakan di peringkat antarabangsa untuk menilai perniagaan insurans hayat. Nilai Taksiran ialah aliran tunai keuntungan terdiskaun kepada pemegang saham, daripada polisi yang dijual pada masa lepas (nilai terbenam) dan daripada jualan polisi masa depan (nilai terstruktur).

Berasaskan Nilai Taksiran, seperti yang dibentangkan pada muka surat 41 hingga 44, portfolio insurans hayat Malaysia diberikan tiga (3) nilai, berasaskan andaian senario pertumbuhan masa depan, iaitu RM2.09 bilion, RM2.63 bilion dan RM3.37 bilion.

Jika seseorang menilai perniagaan insurans am Malaysia pada 85% pendapatan premium kasar berjumlah RM413.10 juta pada tahun 2006, maka nilai Bahagian ini adalah RM351 juta.

Bahagian Insurans Hayat dan Am kemudiannya dinilai pada RM3.73 bilion (Nilai Penuh), RM2.99 bilion (Nilai Pertengahan) dan RM2.45 bilion (Penilaian Rendah).

Lembaga Pengarah sentiasa memantau penilaian ini bagi operasi insurans Malaysia kerana perangkaannya boleh digunakan sebagai asas bagi rundingan penggabungan atau pemerolehan masa depan.

Harus diingat bahawa jika MAAH dinilai pada penilaian yang sama dengan operasi insurans Malaysia, nilai harga saham Kumpulan adalah jauh lebih tinggi daripada harga semasa RM1.76 sesaham pada 31 Disember 2006. Jika Dana Pemegang saham akhir tahun MAAH yang bernilai RM368.3 juta turut diambil kira, harga saham Kumpulan ialah RM13.47 sesaham (Penilaian Penuh), RM11.03 sesaham (Penilaian Pertengahan) dan RM9.26 sesaham (Penilaian Rendah).

TANGGUNGJAWAB SOSIAL KORPORAT

Kumpulan juga terus berpegang kukuh kepada iltizamnya untuk menjadi warga korporat yang prihatin dan bertanggungjawab. Untuk itu, Kumpulan telah menubuhkan Dana Amal Buah Pinggang MAA-MediCare sejak 1994, dengan matlamat menyediakan rawatan dialisis buah pinggang pada kos lebih rendah dan telah menaungi Yayasan Kebajikan Budimas pada 2002 dengan matlamat menjaga kebajikan kanak-kanak kurang bernasib baik dan golongan miskin.

Pelbagai aktiviti yang dianjurkan oleh Dana Amal Buah Pinggang MAA-Medicare dan Yayasan Kebajikan Budimas dalam tahun yang dilaporkan dipaparkan secara berasingan pada halaman yang dilampirkan.



PROSPEK

Laporan Tahunan BNM 2006 menyatakan bahawa ekonomi Malaysia dijangka tetap menggalakkan pada 2007 berasaskan permintaan dalam negara yang teguh dan pertumbuhan pesat aktiviti pelaburan, walaupun dalam keadaan ekonomi global yang agak sederhana. Pelaksanaan projek Rancangan Malaysia Kesembilan yang bermula pada suku keempat 2006 menyokong keyakinan BNM.

Kumpulan meramalkan bahawa tahun 2007 lebih mencabar dalam suasana persaingan lebih sengit dan proses liberalisasi industri perkhidmatan kewangan Malaysia, sejajar dengan pelaksanaan Rancangan Induk Sektor Kewangan oleh BNM.

Kumpulan mengambil kira segala cabaran yang bakal dihadapi dan akan meneruskan inisiatif untuk melabur dalam teknologi terbaru bagi meningkatkan lagi kecekapan operasi, mengukuhkan sistem pengedaran, sumber manusia dan pembangunan agensi dan menghasilkan produk inovatif untuk meningkatkan lagi kualiti perkhidmatan kepada pelanggan.

Kumpulan yakin bahawa dengan rangkaian cawangan luas, produk dan perkhidmatan inovatif, saluran pengedaran kukuh menerusi khidmat agensi dan bankasurans dan akhir sekali berlandaskan jenama MAA yang teguh, Kumpulan bersedia untuk menghadapi cabaran mendatang dan mencatat keputusan lebih baik pada tahun-tahun akan datang.

PENGIKTIRAFAN DAN PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin menyampaikan ucapan terima kasih kepada pasukan pengurusan dan kakitangan di atas komitmen, dedikasi dan sumbangan mereka dalam menjamin pertumbuhan dan kejayaan berterusan Kumpulan.

Saya juga ingin mengambil kesempatan ini untuk merakamkan penghargaan kepada pihak berkuasa kawal selia di atas segala panduan dan sokongan; juga ucapan terima kasih kepada para pelanggan, ejen, sekutu perniagaan dan pemegang saham yang dihargai di atas sokongan berterusan, keyakinan dan kepercayaan yang diberikan kepada kami.

Akhir sekali, saya ingin mengucapkan terima kasih kepada ahli Lembaga Pengarah atas panduan dan sumbangan mereka kepada Kumpulan.

**TUNKU TAN SRI ABDULLAH IBNI
ALMARHUM TUANKU ABDUL RAHMAN**
Pengerusi

TINJAUAN PERNIAGAAN MALAYSIA



TINJAUAN INSURANS HAYAT MALAYSIA

Meskipun menghadapi cabaran sengit daripada pesaing, Bahagian Insurans Hayat mencatat sedikit kenaikan jumlah pendapatan premium sebanyak 0.72%, untuk menghasilkan pendapatan premium berjumlah RM1.40 bilion (2005: RM1.39 bilion), dengan sebahagian besar jualan daripada perniagaan premium tunggal, khususnya pelan endowment dan pelan berkaitan pelaburan. Kejayaan mengekalkan tahap pendapatan premium ini adalah hasil kegigihan rangkaian cawangan MAA yang luas di seluruh negara (kini berjumlah 76 cawangan) dan keteguhan tenaga agensinya memantapkan kecekapan pengedaran dan meningkatkan kesedaran jenama. Kadar faedah semasa yang rendah dan perubahan kecenderungan pengguna, daripada polisi perlindungan biasa kepada polisi yang menawarkan tabung/pelaburan, telah menyumbang kepada jualan produk berkaitan pelaburan dan pelan endowment.

Dari segi premium perniagaan baru tunggal dan tahunan yang merupakan ukuran bagi aktiviti jualan tahunan baru, Bahagian Insurans Hayat telah mencatat pertumbuhan secara marginal sebanyak 3.97% kepada RM934.10 juta (2005: RM898.4 juta).

Sungguhpun mencatat jumlah pendapatan premium yang hampir sama, Bahagian Insurans Hayat melaporkan Keuntungan Sebelum Cukai lebih tinggi, yang meningkat daripada RM12.25 juta pada 2005 kepada RM21.96 juta pada 2006. Ini sebahagian besarnya adalah disebabkan penarikbalikan peruntukan bagi susut nilai pelaburan,

hasil daripada prestasi pasaran saham yang lebih baik pada separuh kedua 2006, walaupun terdapat kenaikan bayaran bonus tunai dan tuntutan perubahan daripada polisi perubahan. Tanpa mengira pemindahan keuntungan kepada akaun Dana Pemegang Saham, Lebihan Dana Insurans Hayat secara keseluruhan tetap kukuh, dengan lebihan terkumpul dibawa ke hadapan sebanyak RM482.88 juta pada 31 Disember 2006.

Dalam usaha latihan berterusan untuk memantapkan agensi, MAA telah memperkenalkan program Chartered Insurance Agency Manager (CIAM) kepada konsultan-konsultan insurans hayatnya pada 2006, dengan objektif untuk meningkatkan kemahiran pengurusan agensi, tanggungjawab pemimpin, misi dan matlamat agensi, teknik dan proses pengambilan konsultan, serta penyeliaan dan latihan. MAA percaya pasukan agensi patut memperkasakan diri supaya sentiasa mendahului pesaing.

Setakat akhir Disember 2006, MAA mempunyai seramai 10,671 konsultan (2005 : 12,773). Angka ini menyusut selepas MAA melaksanakan langkah pembersihan secara sistematik untuk menggugurkan agensi yang tidak aktif pada tahun dalam tinjauan. Dalam mengorak langkah ke hadapan, MAA memberi penekanan kepada usaha untuk meluas dan mengukuhkan agensinya dengan mengambil konsultan dan pemimpin baru bagi memantapkan saluran pengedarannya.

Bahagian Insurans Hayat menyedari perubahan kecenderungan orang ramai terhadap pelan berkaitan pelaburan. Kumpulan menjangkakan kecenderungan ini akan berterusan pada

masa hadapan dan kini merancang lebih banyak pelan berkaitan pelaburan yang menarik bagi memenuhi permintaan yang sentiasa meningkat.

Sepanjang 2006, beberapa pelan baru telah dilancarkan, termasuk pelan berkaitan pelaburan Maaster Capital Guaranteed, Pelan MAA Global Asset Capital Guaranteed, pelan kemalangan peribadi - Senior Gold, pelan hayat biasa - 20 PayMaster Guaranteed, Freedom 20 Star dan SmartLife Limited Pay.

MAA sentiasa mengutamakan kepuasan pelanggan. Ia akan mengekalkan strateginya dan meneruskan pelbagai inisiatif yang sudah dimulakan, termasuk pelaksanaan Indeks Kepuasan Pelanggan (CSI) bagi memperbaiki dan mempertingkatkan kualiti perkhidmatan kepada para pelanggan. Untuk itu, MAA telah menubuhkan Pasukan Projek Idea Factory pada 2006, dengan objektif untuk menggalakkan kakitangan menjangkakan idea-idea baru bagi memperbaiki perkhidmatan kepada pelanggan, membangunkan produk yang inovatif dan meningkatkan kecekapan operasi serta produktiviti menerusi inovasi organisasi, dengan menggunakan proses, pemikiran dan metodologi perniagaan yang tertentu.

TINJAUAN INSURANS AM MALAYSIA

Bahagian Insurans Am mencatat sedikit kemerosotan sebanyak 2.63% dalam premium bertulis kasar kepada RM413.10 juta (2005: RM424.25 juta), meskipun Industri Insurans Am mencatat pertumbuhan premium lebih rendah, iaitu 3.23% pada 2006 (2005: 7.80%).

Premium daripada insurans kenderaan bermotor merosot 6.58% kepada RM194.30 juta (2005: RM207.99 juta), sebahagian besarnya adalah disebabkan kelembapan jualan kenderaan dalam industri yang telah menjejaskan perniagaan ini. Walaubagaimanapun, premium perniagaan motorsikal meningkat sebanyak 1.76% kepada RM42.20 juta (2005: RM41.47 juta). Di samping itu, strategi taja jamin lebih ketat yang dilaksanakan pada 2004, telah dan akan terus, mengekang pertumbuhan dalam segmen ini walaupun kualiti portfolio insurans kenderaan meningkat. Namun, premium portfolio bukan kenderaan meningkat secara marginal sebanyak 1.03% kepada RM176.60 juta (2005: RM174.80 juta).

Perniagaan insurans kenderaan bermotor terus memainkan peranan penting, dengan menyumbang 47.03% daripada jumlah pendapatan premium kasar Bahagian Insurans Am (2005: 50.35%). Perkongsian perniagaan motorsikal telah meningkat dari 9.77% dalam 2005 kepada 10.21%. Sumbangan portfolio bukan kenderaan meningkat, dengan Insurans Kebakaran, Perniagaan Pelbagai dan Marin masing-masing menyumbang 15.45%, 20.98% dan 6.32% (2005: 15.31%, 22.18% dan 4.82%).

Sepanjang tahun dalam tinjauan, nisbah tuntutan meningkat kepada 71.83% (2005: 62.18%), sebahagian besarnya adalah disebabkan tuntutan lebih tinggi yang dialami oleh perniagaan insurans kenderaan dan motosikal.

Sungguhpun berdepan dengan tuntutan yang lebih tinggi, Bahagian ini mencatat Kerugian Sebelum Cukai lebih rendah sebanyak RM6.33 juta berbanding kerugian RM10.60 juta pada 2005. Keputusan yang lebih baik ini adalah disebabkan penarikbalikan peruntukan bagi susut nilai pelaburan pada tahun dalam tinjauan hasil daripada prestasi pasaran saham yang lebih baik pada separuh kedua 2006, meskipun terdapat kenaikan nisbah tuntutan daripada 62.18% pada 2005 kepada 71.83%. Kenaikan ini sebahagian besarnya adalah disebabkan keputusan pihak pengurusan untuk menaikkan aras keyakinan rizab tuntutan yang ditanggung tetapi tidak dilaporkan (IBNR), daripada 50.00% kepada 65.00% bagi anak syarikat insurans tempatan, kenaikan secara beransur sebagai persediaan menghadapi cadangan Bank Negara Malaysia untuk melaksanakan Rangka Kerja Modal Berasaskan Risiko pada 2009.

Sejak 2001, Industri Insurans Am telah mengemukakan cadangan kepada pihak berkuasa kawal selia untuk mengimbangkan semula tarif premium insurans kenderaan bermotor, yang kali terakhir disemak semula pada 1978, atau 28 tahun dahulu. Semakan semula tarif ini perlu untuk menampung kos alat ganti kenderaan yang sentiasa meningkat, kecurian kenderaan yang semakin kerap berlaku dan award lebih tinggi yang diputuskan oleh mahkamah. Tarif baru yang dicadangkan mengambil kira faktor-faktor baru yang dahulunya tidak dihiraukan, iaitu: lokasi, jantina, usia dan sejarah tuntutan pemandu, serta butir-butir seperti model dan syarikat yang membuat kenderaan. Sehingga sekarang, keputusan mengenai perkara ini masih belum dibuat.

Dalam usaha kami yang berterusan untuk memberikan perkhidmatan lebih baik kepada pelanggan, Bahagian Insurans Am telah melancarkan Skim Bantuan Kemalangan pada 2006, untuk memberikan bantuan di lokasi kepada semua yang membuat panggilan melaporkan kemalangan dan pelanggaran, selain perkhidmatan Bantuan Kerosakan MotorClub di seluruh negara. Pada masa yang sama, Bahagian ini telah melaksanakan peruntukan perkhidmatan pencegahan dan penilaian risiko kebakaran komprehensif secara percuma kepada pemegang polisi kebakaran. Ini akan membolehkan pemegang polisi kebakaran menikmati kadar premium lebih baik dengan sistem pencegahan kebakaran lebih baik juga berkesan dan serentak dengan itu, membantu mengurangkan kejadian kebakaran.

Dalam mengorak langkah ke hadapan, Bahagian ini merancang untuk meningkatkan portfolio bukan kenderaan dengan tumpuan kepada kelas insurans yang menguntungkan, khususnya insurans kebakaran, kargo marin, pekerja asing dan semua risiko kontraktor dan kejuruteraan, untuk merebut peluang-peluang daripada pembangunan infrastruktur di bawah Rancangan Malaysia Ke-9 dan projek mega yang lain. Pada masa yang sama, Bahagian ini akan meningkatkan strategi pengurusan tuntutannya yang antara lain termasuk sistem aliran kerja berasaskan internet bagi tuntutan Kenderaan OD (kerosakan sendiri), mengekalkan peranan Jabatan Penyelesaian Terus dan Awal Baru dalam mengurus dan menyelesaikan tuntutan baru dan kecil Insurans Motor Kecederaan Badan Pihak Ketiga mempercepat

urusan mendapatkan semula tuntutan kehilangan kenderaan dengan mewujudkan rangkaian yang luas dan kunjungan penyiasat secara kerap ke balai polis, serta latihan tetap pemeriksa OD untuk memperbaiki prestasi kerja dan menambah pengetahuan teknikal.

TINJAUAN UNIT AMANAH MALAYSIA

Pada 2006, industri unit amanah Malaysia sekali lagi mencatat pertumbuhan dua angka dengan Jumlah Nilai Aset Bersih (NAV) dana di bawah pengurusan meningkat 23.64% kepada RM121.77 bilion (2005: RM98.49 bilion).

Pada tahun dalam tinjauan, MAAKL Mutual Bhd (MAAKL Mutual) menambah RM225.85 juta kepada jumlah aset di bawah pengurusannya, dengan demikian meningkatkan lagi jumlah Nilai Aset Bersih dana unit amanah di bawah pengurusannya pada akhir Disember 2006 kepada RM920.05 juta (2005: RM694.20 juta). Dengan pertumbuhan 32.53% Nilai Aset Bersih, syarikat selama tiga tahun berturut-turut telah mengatasi kadar 23.64% pertumbuhan industri pada 2006.

Sebagai salah satu pengurus unit amanah yang paling pesat berkembang di Malaysia, MAAKL Mutual, yang boleh dianggap baru berbanding pengurus dana lain, telah melancarkan 2 dana baru pada tahun dalam tinjauan, iaitu Dana MAAKL Dividend dan MAAKL Al-Umran. Dengan tambahan 2 dana baru ini, MAAKL Mutual kini menawarkan rangkaian 11 dana biasa dan 5 dana berciri Islam kepada pelaburnya setakat Disember 2006, untuk membolehkan para pelabur mempelbagaikan portfolio unit amanah dan menyesuaikan dengan profil risiko dan matlamat pelaburan mereka yang unik.

Dana MAAKL Dividend adalah dana deposit pendapatan ekuiti yang bermatlamat memberikan pendapatan ulangan tetap yang berpotensi lebih tinggi daripada kadar deposit semasa, disertakan dengan keupayaan mendapatkan kenaikan nilai modal dalam jangka masa sederhana dan panjang. MAAKL Al-Umran pula merupakan dana pendapatan seimbang berciri Islam yang bertujuan untuk menghasilkan peningkatan modal dalam jangka masa sederhana dan panjang, dengan sebahagian besar pelaburan dalam ekuiti yang mematuhi prinsip

Syarikat dan instrumen pendapatan tetap berciri Islam.

Pertumbuhan mengagumkan dana di bawah pengurusannya dalam masa 3 tahun yang lalu telah membolehkan MAAKL Mutual memberi sumbangan positif kepada keputusan Kumpulan pada tahun dalam tinjauan, dengan pencapaian keuntungan sebelum cukai sebanyak RM865.46 juta. Kumpulan menjangkakan MAAKL Mutual akan meneruskan aliran sumbangan positifnya dalam tahun-tahun akan datang, sejajar dengan pertumbuhan progresif industri unit amanah.

Membina pasukan unit amanah yang profesional adalah satu keutamaan penting dalam rancangan MAAKL Mutual, dalam usaha mencapai wawasannya untuk menjadi syarikat unit amanah yang paling dipercayai dengan menawarkan produk dan perkhidmatan yang berkualiti kepada semua rakyat Malaysia. Sebagai sebahagian daripada usaha berterusan MAAKL Mutual untuk meningkatkan kualiti para penasihatnya, kontrak penasihat yang tidak mencapai kriteria kualiti telah dengan sengaja tidak diperbaharui menjadikan bilangan ejennya berjumlah 1,015 orang (2005: 1,125 ejen) pada akhir Disember 2006.

Selain melengkapkan para penasihat unit amanahnya dengan alat berasaskan pengetahuan yang perlu, khususnya MAAKL Home Office yang membolehkan mereka menawarkan perkhidmatan lebih baik dan profesional kepada pelanggan, MAAKL Mutual telah mengambil langkah seterusnya untuk membangunkan kursus jualan berasaskan proses - Kursus MAAKL Mutual's Signature. Kursus ini bertujuan untuk membolehkan penasihatnya menggunakan pendekatan yang lebih profesional dalam menjual unit amanah dan mengamalkan perancangan kewangan. Kursus MAAKL Mutual's Signature adalah berasaskan Proses 6 Langkah MAAKL Mutual, untuk menjelaskan tentang perkhidmatan kepada pelanggan; menganalisis keperluan kewangan, matlamat dan keutamaan pelanggan; memastikan keupayaan pelanggan untuk membiayai matlamat kewangan penting; memilih portfolio model paling sesuai untuk pelanggan; mencari dana unit amanah paling sesuai; dan akhir sekali menilai dan memantau prestasi pelanggan secara tetap.

Sebagai sebahagian daripada usaha berterusan MAAKL Mutual untuk memudah dan menyenangkan pelanggan melabur, MAAKL Mutual telah mengadakan pakatan dengan Maybank pada tahun 2006 untuk membolehkan para pelabur membuat pelaburan dalam talian menerusi Maybank2u.com dan kemudian menerusi ATM (Mesin Juruwang Automatik) Kawanku dan Perbankan Telefon Kawanku. Pada awal 2007, MAAKL Mutual meluaskan lagi kemudahan pelaburan dalam talian dengan penyertaan laman web perbankan dalam talian RHB. Di samping itu, dalam usaha untuk menjadi syarikat perancangan kewangan setempat, MAAKL Mutual bekerjasama dengan OSK Trustees Bhd (OSK) untuk menawarkan perkhidmatan menulis wasiat kepada pemegang unit amanahnya mulai bulan Januari 2007.

Kumpulan yakin dengan masa depan Bahagian ini. Pada 2007, MAAKL Mutual akan melancarkan banyak lagi dana baru, dan terus memberikan tumpuan khusus kepada strategi jangka panjangnya untuk membangunkan penasihat yang beretika dan cekap. Setakat bulan Januari 2007, syarikat telah melancarkan dua dana baru, iaitu Dana MAAKL-CM Flexi dan MAAKL Al-Ma'mun. Pada bulan Februari 2007, MAAKL Mutual melakar sejarah apabila jumlah Nilai Aset Bersih dana di bawah pengurusannya melepasi paras RM1 bilion.

TINJAUAN OPERASI ANTARABANGSA

MAA International Assurance Ltd (MAAIA), bahagian insurans dan pelaburan luar pesisir Kumpulan yang berpangkalan di Labuan, mencatat kenaikan 4.01% pendapatan premium kasar kepada RM64.53 juta (2005: RM62.04 juta). Bagaimanapun, syarikat mengalami kerugian sebelum cukai RM1.59 juta berbanding keuntungan RM7.32 juta pada 2005. Kerugian ini sebahagian besarnya adalah disebabkan tuntutan lebih tinggi yang ditanggung daripada serahan perniagaan insurans semula am, pelupusan hutang yang sepatutnya diterima daripada syarikat sekutu di Thailand serta kerugian yang timbul daripada penjualan pelaburan ini pada tahun yang dilaporkan.

MAAIA juga merupakan syarikat pegangan pelaburan bagi kepentingan

antarabangsa Kumpulan, termasuk operasi yang sedia ada di Indonesia, Filipina dan Thailand (pelaburan ini dijual pada tahun dalam tinjauan). Penjualan syarikat bersekutu di Thailand sebahagian besarnya adalah disebabkan kos kendalian yang tinggi dan pendapatan rendah yang mengakibatkan kerugian berterusan, disertakan persaingan sengit dalam pasaran insurans hayat di Thailand yang melibatkan kos bayaran pengambilan ejen yang tinggi.

Pada November 2006, MAAIA melancarkan pelan berkaitan pelaburan yang baru, iaitu Pelan MAAIA-Dominion Investment secara pakatan dengan Protrust AG dari Switzerland. Pelan pelaburan ini menawarkan empat dana eksklusif - Dana MAAIA-Domain PX2 USD, MAAIA-Domain NX2 USD, MAAIA-Domain PX2 Euro dan MAAIA-Domain NX2 Euro. Dana yang unik dan inovatif ini direka bentuk untuk menarik pelabur yang sofistikated dan berpengalaman, juga profesional, dan memberi mereka pulangan yang konsisten dan melebihi pulangan purata dalam jangka masa panjang.

Pada bulan Oktober 2006, Kumpulan menerusi MAA International Investments Ltd, anak syarikatnya yang lain di Labuan, menjual kepentingan 15% dalam Hatton National Bank, yang disenaraikan di Bursa Saham Colombo, Sri Lanka, dengan sedikit keuntungan modal kasar. Penjualan strategik ini tepat pada masanya memandangkan kekacauan politik yang berpanjangan di Sri Lanka.

Pada bulan Oktober 2006, Kumpulan juga memperoleh 42.86% kepentingan dalam Columbus Capital Pty Limited (CCAU), sebuah syarikat yang ditubuhkan di Australia, melalui anak syarikat luar pesisir yang lain. Aktiviti perniagaan utama CCAU adalah pinjaman gadaai janji runcit dan pensukiran pinjaman di Australia, sejajar dengan hasrat Kumpulan untuk mempelbagaikan aliran pendapatan. Pada fasa permulaan tahun pertama, CCAU telah mula menubuhkan sistem pengurusan pinjaman, mengusahakan rangkaian pengagihan bagi pengurus gadaai janji, menubuhkan garisan pendanaan borong bersama institusi-institusi kewangan, mengenal pasti sasaran pasaran serta membentuk sebuah infrastruktur yang sesuai untuk pertumbuhan dari segi jumlah perniagaan bagi tahun-tahun operasi akan datang.



On behalf of the Board of Directors, I am pleased to present the Annual Report and Accounts of the Group for the year ended 31 December 2006.

OPERATING ENVIRONMENT

For the whole year of 2006, the Malaysian economy continued to sustain steady growth with Gross Domestic Product (GDP) expanded by 5.9% (2005: 5.3%). Underpinned by stronger consumer sentiment and sustained business confidence, the private sector again was the main contributor to the economic growth, led by strong expansion in the services and agriculture sectors, and reinforced by the turnaround in the mining and construction sectors.

Growth in the services sector was underpinned by increased finance and business activities, particularly in the new growth areas, as reflected in the finance, insurance, real estate and business services sub-sector which expanded by 7.1% in 2006 (2005: 5.7%). In particular, insurance activity remained high underpinned by increases in the medical and health insurance products as well as continued strong performance of the investment-linked products.

Riding on the positive business environment as the Malaysian Government and Bank Negara Malaysia (BNM) continued to adopt supportive macroeconomic policies to position the economy for sustainability and long-term growth, the Group, as a non-bank financial services group stands firmly poised to capitalize on the promising economy development.



PERFORMANCE REVIEW

For the year under review, the Group's total operating revenue grew by 3.17% to RM2.28 billion (2005: RM2.21 billion). The Life Insurance Division's gross premium income increased marginally by 2.11% to RM1.45 billion (2005: RM1.42 billion) whereas the General Insurance Division registered a slight decrease of 1.59% in terms of total gross premium to RM452.64 million (2005: RM459.96 million).

The Group registered a lower profit before tax of RM3.11 million for the year under review, compared to the profit before tax of RM41.13 million in 2005. The Life Insurance Division and General Insurance Division contributing a profit before tax of RM34.32 million (2005: RM20.23 million) and RM5.58 million (2005: RM10.94 million) respectively. The lower profit in General Insurance Division was due mainly to higher claims ratio experienced during the year under review and provision made for certain non-performing loans. The loss in Shareholders' Fund was also due mainly to provision made for non-performing loans by non-insurance subsidiary engaged in credit business. During the year under review, the Group has implemented stringent provisioning policies to control these segments of operations.

In 2005, the Shareholders' Fund recorded higher other operating income mainly due to a substantial fair value gain from quoted equity investments in Sri Lanka by non-insurance subsidiaries.

During the year under review, the General Insurance Division experienced an increase in claims ratio to 70.87% from 59.02% in 2005. The increase was mainly due to the management's decision to increase the confidence level of incurred but not reported claim reserve (IBNR) from 50.00% to 65.00% for the local insurance subsidiary, a gradual step-up increase in anticipation of Bank Negara Malaysia's proposal to implement Risk Based Capital Framework in 2009.

As at 31 December 2006, the Group's total assets stood at RM7.17 billion, an increase of 9.47% over 2005 of RM6.55 billion.

BUSINESS OPERATIONS REVIEW

For the year under review, the Group continues to remain focused in its four core operations, namely Malaysian Life Insurance Operations, Malaysian General Insurance Operations, Malaysian Unit Trust Operations and the International Operations. Details of their performance are separately discussed in the attached pages.

DIVIDENDS

For the year ended 31 December 2006, the Board of Directors has recommended the payment of a first and final tax-exempt dividend of 2% (2005: 10%) to reward all the shareholders for their support and confidence to the Group.

The Group will strive to maintain an appropriate balance of providing shareholders with sustainable cash returns from dividends while conserving adequate funds for reinvestment that is necessary to enhance future profitability and the value of the Group.

UPDATES ON RECENT CORPORATE PROPOSALS

The Group is pleased to provide the following updates:

- (a) MAAH announced on 29 September 2004 the corporate proposal on renounceable rights issue of up to 152.18 million New Irredeemable Preference Shares of RM1.00 each (IPS) (Rights IPS) together with up to 152.18 million free detachable Ordinary Shares of RM1 each (Ordinary Shares) (Bonus Shares) and up to 152.18 million free detachable Warrants (Warrants) on the basis of one (1) Rights IPS with one (1) free detachable Bonus Share and one (1) free detachable Warrant for every one (1) existing Ordinary Share held in the Company at an entitlement date to be determined later (Rights Issue of IPS). The Rights Issue of IPS was approved by the shareholders of the Company at the Extraordinary General Meeting held on 22 February 2005.

Given the uncertain sentiments in the Malaysian equity market prevailing then, MAAH with the approval of

MAA, always caring for the customer.

the Securities Commission (SC) had extend the completion of the proposed Rights Issue of IPS twice, firstly from 3 June 2005 to 31 December 2005 and subsequently from 1 January 2006 to 30 June 2006.

On 3 May 2006, MAAH announced that after taking into consideration the current market sentiments and the market performance of the ordinary shares of MAAH, it has decided to abort the proposed Rights Issue of IPS.

Notwithstanding the abortion of the proposed Rights Issue of IPS, the Board of Directors on 3 May 2006 announced that MAAH will proceed with the Proposed Bonus Issue of up to 152.18 million new ordinary shares of RM1 each as fully paid on the basis of one (1) Bonus Share for every one (1) existing ordinary share held to the registered shareholders of MAAH at the close of business on an entitlement date to be determined and announced later (Proposed Bonus Issue).

The Proposed Bonus Issue will be issued via capitalization of up to RM152.18 million from the following:

- (i) up to RM11.74 million from share premium account; and
- (ii) up to RM140.44 million from retained earnings.

The Proposed Bonus Issue was approved by the shareholders of MAAH at the Annual General Meeting held on 21 June 2006.

On 19 July 2006, MAAH submitted an Application for listing of additional ordinary shares to be issued pursuant to the Proposed Bonus Issue to Bursa Malaysia Securities Berhad (Bursa Securities). The approval was obtained on 1 August 2006 from Bursa Securities. MAAH subsequently on 9 August 2006 announced 25 August 2006 as the Bonus Share entitlement date.

152.18 million new ordinary shares of RM1 each were subsequently allotted on 8 September 2006 pursuant to the Proposed Bonus Issue.

- (b) On 4 August 2006, MAAH announced the Proposed Issuance of Commercial Papers (CP) and/or Medium Term Notes (MTN) Programme of up to RM200 million ("Proposed Programme").

The Proposed Programme will comprise the issuance of CP with tenors ranging from one (1) month to twelve (12) months and/or MTN with tenors of more than one (1) year but not exceeding seven (7) years.

The proceeds from the Proposed Programme will be used in relation to financing MAAH's investment in Takaful business, to repay certain existing bank borrowings of MAAH and its subsidiaries, to finance redemption of its existing RM120 million Serial Fixed Rate Bonds maturing on 21 August 2007, to pre-fund the debt service reserve account to be established for the purposes of the Proposed Programme and to finance working capital of MAAH.

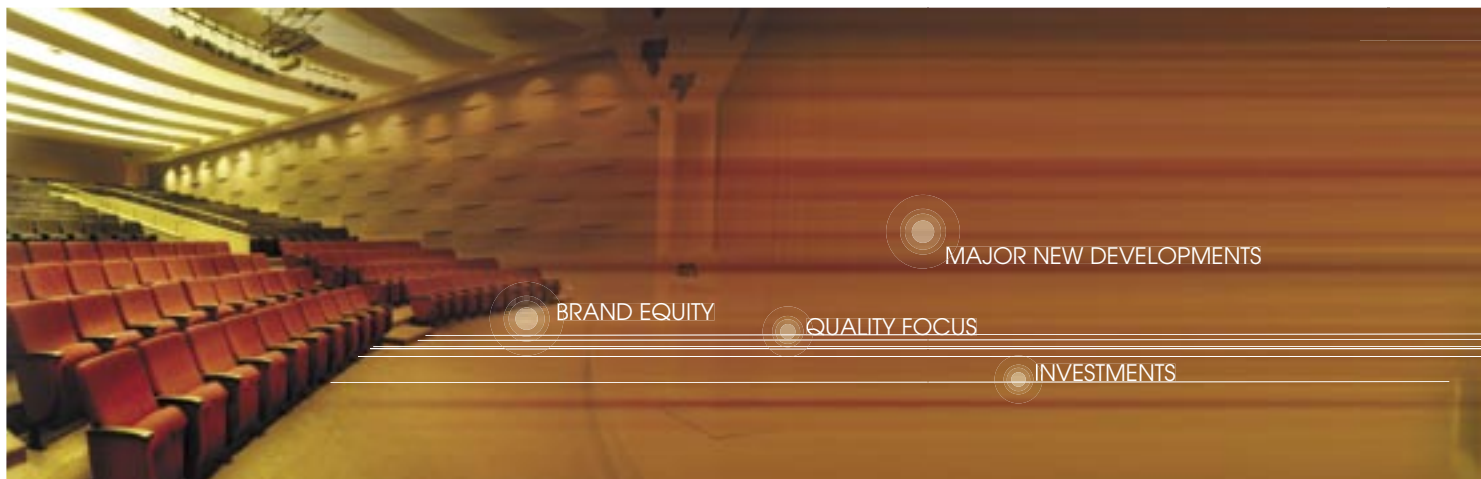
For the Proposed Programme, based on the Group's stable financial performance and prudent management, Rating Agency Malaysia (RAM) has assigned respectively long- and short-term ratings of A2 and P1 to MAAH.

Approval for the Proposed Programme was obtained on 28 August 2006 from the SC.

On 5 December 2006, MAAH submitted an application to the SC for the following variations to the principal terms and conditions of the Proposed Programme:

- (i) to secure the issuance under the Proposed Programme by a bank guarantee facility from DBS Bank Ltd, Labuan Branch (DBS Bank) up to the maximum aggregate principal amount of the United States Dollars equivalent to RM200 million; and
- (ii) to vary the utilization of proceeds of the Proposed Programme, where among others the MAAH's investment in Takaful business will be financed from internally generated fund

With the strength of the bank guarantee from AAA-rated DBS Bank added onto the Proposed Programme, RAM has assigned AAA(bg) rating to the first issuance of up to RM200 million with a tenure of up to 5 years of Medium Term Notes.



The SC has via its letter dated 22 December 2006 approved the above stated variations.

On 8 January 2007, MAAH successfully issued RM200 million nominal amount of Medium Terms Notes up to a tenure of 5 years.

MAJOR NEW DEVELOPMENTS

(a) MAA Takaful Berhad

On 3 March 2006, MAAH received BNM's approval for a new Takaful license for the joint-venture of MAAH and Solidarity Company BSC (C) (Solidarity), Bahrain.

Solidarity is a company incorporated under the laws and regulations of the Kingdom of Bahrain and engaged in Takaful business. It was set up in direct response to the growing demand for Takaful products across the Middle Eastern region. Solidarity operates in full accordance with the guiding principles of Syariah and provides a full range of Family and General Takaful products. With over US\$100 million in capital assets, Solidarity is the largest insurance company (in term of paid-up capital) in the Kingdom of Bahrain and the largest capitalized Takaful company in the world.

On 21 February 2006, a Joint-Venture Agreement was signed with Solidarity to form a joint-venture company to carry on the Takaful business in Malaysia. The joint-venture company will have a paid up capital of RM100 million with equity

interest of MAAH and Solidarity in the proportion of 75% and 25% respectively.

On 2 May 2006, a new subsidiary company namely MAA Takaful Berhad (MAA Takaful) was incorporated with an authorised share capital of RM150,000,000 comprising 150,000,000 ordinary shares of RM1.00 each of which RM2.00 have been issued and fully paid-up.

MAA Takaful has on 16 November 2006 submitted an application to the SC for the increase in its paid up capital.

The SC has via its letter dated 15 January 2007 approved the application.

Todate, both MAAH and Solidarity have put in their respective share of equity capital into MAA Takaful.

The Group targets the Takaful business to commence operations in third quarter of 2007.

The Group expects the joint-venture Takaful company to breakeven in its first few years of operations leveraging on MAA's strong agency network of which about 40% or 7,000 of its life agency force are Bumiputra agents, coupled with its existing infrastructure which will help to attain a low-fix cost.

Lastly, the Group will capitalize on its takaful collaboration with Solidarity as a springboard into the global markets, especially the Islamic nations in the Middle East in the near future.

MAJOR NEW DEVELOPMENTS

BRAND EQUITY

QUALITY FOCUS

INVESTMENTS

(b) Columbus Capital Pty Limited

On 13 September 2006, MAA International Investment Ltd (MAAIL), a wholly-owned subsidiary of the Group acquired a shelf company by the name of Columbus Capital Singapore Pte Ltd (CCS), a company incorporated in Singapore which act as a special purpose vehicle for any future investment in the Group.

On 22 September 2006, CCS entered into a conditional subscription agreement with Columbus Capital Pty Limited (CCA) to subscribe up to 20.0 million Series A Preference Shares at an issue price of AUD1.00 each, representing up to 50% equity interest in CCPL for a total cash consideration of AUD20.0 million or RM57.0 million equivalent (Proposed Subscription). Concurrently, CCS together with the founders of CCAU, had entered into a shareholders' deed to regulate their respective rights and obligations as members of CCAU. CCAU was incorporated in Australia.

The Proposed Subscription, in essence, comprise two (2) stages:

- (i) Stage 1 – subscription by CCS of 15.0 million Preference Shares at an issue price of AUD1.00 per share, representing 42.86% equity interest in CCAU for total cash consideration of AUD15.0 million, is expected to be completed by October 2006;
- (ii) Stage 2 – subscription by investor(s) or CCS of 5.0 million Preference Shares at an issue price of AUD1.00



per share, representing 12.5% of the enlarged equity interest in CCAU for total cash consideration of AUD5.0 million, will be completed on or before 300 calendar days of the completion of stage 1, which will be tentatively completed in August 2007.

The cash consideration of up to AUD20.0 million will be satisfied by way of bank borrowing and/or internal generated funds of the Group.

The proposed subscription will pave the way for the Group to venture into the business of retail mortgage lending and loan securitization in Australia, in line with the Group's aspiration to diversify its income stream.

Stage 1 of the Proposed Subscription was completed on 6 October 2006.

BRAND EQUITY

The Group will continue with its philosophy of brand equity to maintain the strong corporate image that has developed to-date. This image has been the mainstay of our continued growth, and has been the pillar that has kept our clients and our agents loyal to us.

In this respect, ownership of our own office buildings throughout Malaysia with excellent visibility, television commercials, highway billboards and newsprint advertisements, as well as concerted public relations activities and charity programmes have provided our clients and agents with the confidence

to continue to place their trust in our Group.

Our corporate tag-line is well recognized, "Say Yes to MAA. Say Yes To Solid Financial Security".

QUALITY FOCUS

The Group is also proud to report that the Malaysian insurance operation has for the last seven years been able to retain its ISO 9001 quality status. Its on-going focus on maintaining tip-top IT systems and internal processes, staff training and education programs, coupled with the adoption of Six Sigma programme since 2005 in its Malaysian Insurance operations, have help to ensure that our clients and agents get the best possible service. Only through a focused effort on quality, can the Group guarantee our success in the future.

INVESTMENTS

Following the better performance in the Kuala Lumpur Stock Exchange (KLSE) towards the second half of the year, the Group's total investment income increased by 68.32% to RM391.84 million (2005: RM232.80 million), after write back of provision for diminution in value of quoted investments of RM148.00 million during the year (2005: a provision made for diminution in value of quoted investments of RM90.96 million). Fixed income investments continue to accord for the bulk of the investment portfolio representing 82.61% of total investment income.

The Group will continue its conservative investment philosophy that emphasises capital preservation, profitability and consistent income flows to hedge against market volatility. Fixed income investments are expected to remain the core portfolio asset, with corporate bonds being the preferred instrument in view of their relatively better yields compared to fixed and cash deposits.

Moving forward we may reassess the investment portfolio of Life non-participating fund and the General fund by reducing the quoted equity portfolio to shelter the Group's earnings against the volatility of the equity market. Nevertheless, the Group will constantly review and revise its investment strategies to take advantage of the expected strong economic and financial environment in the coming years.

INFORMATION TECHNOLOGY

In line with MAA's 5 year Information Technology (IT) Strategy Plan formulated in 2005, with the main aim to support future business requirements, MAA has successfully rolled out a few major systems during the year under review:

(1) Consultant Management Sales System (CMSS)

This application system supports Life consultants by:

- increasing the consultant's productivity with the provision of necessary tools and up-to-date reports



- enhance the quality of services to customers and building more client relationship
- provide online communication interface with MAA

(2) Life e-Claim System

This workflow based system simplifies mutual processing into computerised processing by:

- cutting down tedious manual document searching
- tracking status of claim file
- providing online approval interface for rapid claim processing turnaround.

(3) New General Insurance System Phase 2

The system was implemented from a "customer-centric" focus with fully computerised processes to improve monitoring and reporting capabilities

(4) Online Motor Policy Printing

The online motor policy printing allows agents who are connected online to issue motor electronic cover notes and print motor policies on the spot

VALUATION OF THE MALAYSIAN INSURANCE BUSINESS

As in prior years, the Group has engaged an external actuary to compute the Appraisal Value of the Malaysian Life Insurance Business, following the same

valuation technique used internationally to value life insurance businesses. The Appraisal Value is the discounted cash flow of profits to the shareholder, from policies sold in the past (embedded value) and from future policy sales (structural value).

Based on the Appraisal Value, as set out on page 41 to 44, the Malaysian life insurance portfolio is assigned three (3) values, based on assumed future growth scenarios, namely RM2.09 billion, RM2.63 billion and RM3.37 billion.

If one were to value the Malaysian general insurance business at 85% of 2006 gross premium income of RM413.10 million, this would value the Division at RM351 million.

The combined life and general insurance divisions are thus valued at RM3.73 billion (Full Valuation), RM2.99 billion (Mid Valuation) and RM2.45 billion (Low Valuation).

The Board is constantly monitoring this valuation for the Malaysian insurance operations as it will be used as the base for any future merger or acquisition negotiations.

It is interesting to note that if MAAH were to take on the same valuation as its Malaysian insurance operations, the value for the Group's share price would be substantially higher than the prevailing share market price of RM1.76 per share as at 31 December 2006. If one included the year-end Shareholder Fund of MAAH of RM368.3 million, the corresponding value for Group's

shares would be RM13.47 per share (Full Valuation), RM11.03 per share (Mid Valuation) and RM9.26 per share (Low Valuation).

CORPORATE SOCIAL RESPONSIBILITY

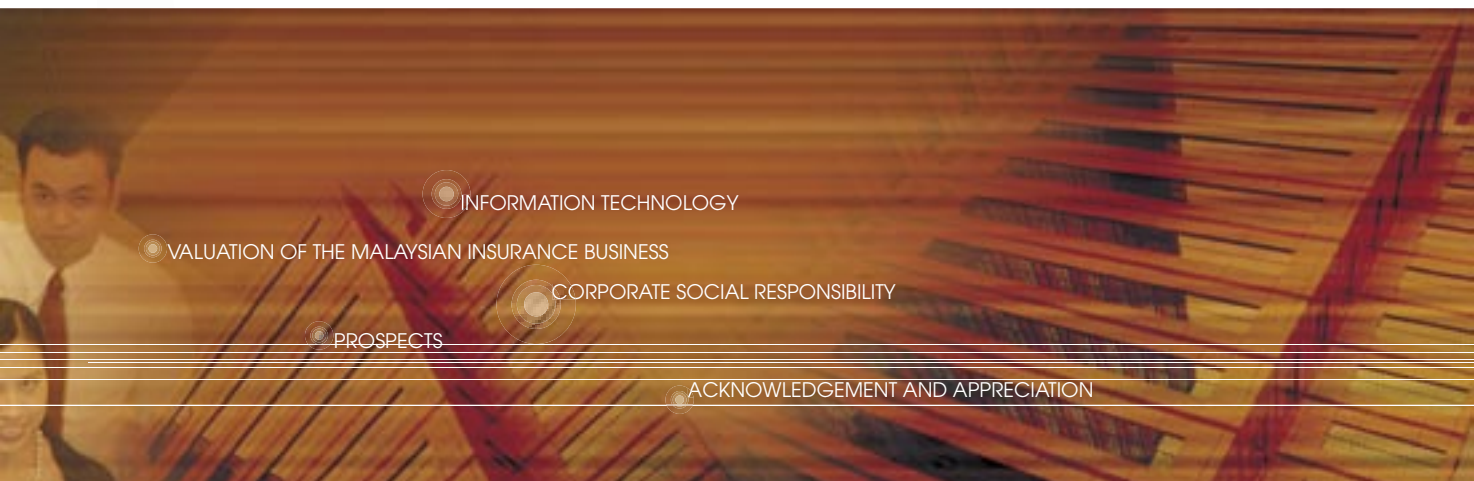
The Group also remains committed to its quest to be a responsible and caring citizen. Towards this end, the Group has set up MAA Medicare Kidney Charity Fund since 1994, with the aim to provide for cheaper kidney dialysis treatment cost and adopted The Budimas Charitable Foundation in 2002 with the objective of providing welfare to the under-privileged children and the poor.

The various activities carried out by MAA-Medicare Kidney Charity Fund and The Budimas Charitable Foundation during the year under review are separately discussed in the attached pages.

PROSPECTS

BNM reported in its Annual Report 2006 that the Malaysian economy in 2007 is expected to remain favourable through sustained domestic demand and continued expansion in the investment activity, despite some moderation in the global economic conditions. The implementation of the Ninth Malaysia Plan projects which have already commenced in the fourth quarter of 2006 further reinforced this.

The Group expects 2007 to be even more challenging than ever in the increasing



INFORMATION TECHNOLOGY

VALUATION OF THE MALAYSIAN INSURANCE BUSINESS

CORPORATE SOCIAL RESPONSIBILITY

PROSPECTS

ACKNOWLEDGEMENT AND APPRECIATION

competitive business environment and the unrelenting pace of liberalisation of the Malaysian financial services industry with the implementation of the Financial Sector Masterplan by BNM.

Embracing all these challenges, the Group will continue its initiative to invest in the latest technologies to further enhance operations efficiency, strengthening distribution system, human resource and agency development and developing innovative products to improve further the quality of services to customers.

The Group is confident with its extensive network of branches, innovative products and services, strong distribution channels through agency and bancassurance and lastly its strong MAA Brand, will well position the Group to overcome the challenges in its path to achieving better results in the years ahead.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to thank the management team and staff for their continued commitment, dedication and contributions to ensure the continued growth and success of the Group.

I would also like to take this opportunity to extend our appreciation to the regulatory bodies for their continued guidance and support; to our valued customers, agents, business associates and the shareholders for their invaluable

support, confidence and trust they have placed in us.

Finally, I would like to thank my fellow Board members for their stewardship and contribution to the Group.

**TUNKU TAN SRI ABDULLAH IBNI
ALMARHUM TUANKU ABDUL RAHMAN**
Chairman



MALAYSIAN BUSINESS REVIEW

MALAYSIAN LIFE INSURANCE REVIEW

The Life Insurance Division's total premium income increased slightly by 0.72% in its total premium income to RM1.40 billion (2005: RM1.39 billion), with sales largely from single premium business, in particular endowment and investment-linked plans, despite facing stiff challenges from its competitors. The sustainable premium was attributed to MAA's extensive network of branches countrywide (currently numbering 76), its sizeable agency force that underpin its distribution capacity and brand awareness. The current low interest rate regime and the shift in consumer preference from plain protection to savings/investments type of policies have contributed to the sales of investment-linked products and endowment plans.

In terms of single and annualised new business premiums, a measure of the year's new sales activity, the Life Insurance Division has registered a marginally growth of 3.97% to RM934.10 million (2005: RM898.4 million).

Despite the almost constant total premium income, the Life Insurance Division recorded a higher Profit Before Tax from RM12.25 million in 2005 to RM21.96 million in 2006. The higher profit before tax in 2006 was due mainly to reversal of provision for diminution in value of investments which was resulted from the better performance of stock market in the second half of 2006, albeit an increase in cash bonus payment and medical claims from medical policies. Notwithstanding the transfer of profit to Shareholders' Fund account, the overall Life Insurance Fund Surplus, remains healthy with a cumulative surplus carried forward of RM482.88 million as at 31 December 2006.

In its continuing effort on agency training, MAA has introduced the Chartered Insurance Agency Manager (CIAM) programme to its life insurance agents in 2006 with the objective to improve agency management skills, responsibilities of a leader, agency mission and goal, recruiting techniques and processes, supervision and training. MAA believes the agency force should reinvent themselves so that they are always ahead of the pack.

As at end of December 2006, MAA's agency force stood at 10,671 (2005: 12,773), a decrease after embarked on a clean-up exercise of systematically purging non-active agencies during the year. Moving forward, MAA's primary emphasis will be to grow its agency force by recruiting new consultants and leaders to further strengthen its distribution channels.

The Division has noted the public's changing demand trend towards investment-linked plans. The Group expects this trend to continue in the future, and is currently planning even more exciting investment-linked plans to meet this ever-increasing demand.

During the year, several new plans were launched that include the investment-linked Maaster Capital Guaranteed Plan, MAA Global Asset Capital Guaranteed Plan, personal accident plan - Senior Gold, ordinary life plan - 20 PayMaster Guaranteed, Freedom 20 Star and SmartLife Limited Pay.

MAA places great importance on meeting customers' satisfaction. It will continue to maintain its strategies and the various initiatives that it had already embarked on, including the implementation of a Customer

Satisfaction Index (CSI) to enhance and raise the quality of our services to customers. Towards this end, in 2006, MAA has set up Idea Factory Project Team with the objective of facilitating its staff to generate new ideas for excellent customer services, develop innovative products and improve operating efficiency and productivity via organisational innovation using specific processes, thinking and business methodologies.

MALAYSIAN GENERAL INSURANCE REVIEW

The General Insurance Division recorded a slight drop of 2.63% in gross written premium to RM413.10 million (2005: RM424.25 million), albeit a lower premium growth of 3.23% in the General Insurance Industry in 2006 (2005: 7.80%).

Motor vehicle business premiums decreased by 6.58% to RM194.30 million (2005: RM207.99 million) mainly due to slower vehicle sales in the motor industry that has impeded this line of business. However, motor cycle business premium increased by 1.76% to RM42.20 million (2005: RM41.47 million). Furthermore, the stricter underwriting strategies implemented since 2004, have and will continue to limit growth in this segment albeit increasing the quality of motor portfolio. For the non-motor portfolios, the premiums increased marginally by 1.03% to RM176.60 million (2005: RM174.80 million).

Motor vehicle business continues to be the dominant class, with a portfolio share of 47.03% of the total gross premium income of the Division (2005: 50.35%). The Motor cycle business share has increased from 9.77% in 2005 to 10.21%. Non-motor

portfolio share have increased, with Fire Insurance, Miscellaneous business and Marine business accounting for 15.45%, 20.98% and 6.32% respectively (2005: 15.31%, 22.18% and 4.82%).

During the year under review, the claim ratio increased to 71.83% (2005: 62.18%), mainly from higher claims recorded by the motor vehicle and motor cycle business.

Despite the higher claims registered, the Division recorded a lower Loss Before Tax of RM6.33 million from a loss of RM10.60 million in 2005. The improvement was due reversal of provision for diminution in value of investments during the year which was resulted from the better performance of the stock market in second half of 2006, despite an increase in claims ratio to 71.83% from 62.18% in 2005. The increase was mainly due to the management's decision to increase the confidence level of incurred but not reported claim reserve (IBNR) from 50.00% to 65.00% for the local insurance subsidiary, a gradual step-up increase in anticipation of Bank Negara Malaysia's proposal to implement Risk Based Capital Framework in 2009.

Since 2001, the General Insurance Industry has made proposals to the regulators to rebalance the motor vehicle insurance premium tariff, which was last revised in 1978, or 28 years ago. A revised tariff is needed to meet the ever increasing cost of vehicle spare-parts, vehicle theft frequencies and higher court awards. The proposed new tariff take into account new factors which were previously ignored, namely: geographical location, sex, age and claims history of the driver, and details of the vehicle's make and model. To-date, a decision on this matter is still pending.

In our continuing efforts to provide better services to our customers, The Division has rolled out the Accident Assistance Scheme in 2006, where on the scene assistance will be rendered for all called-in accidents and collisions, in addition to the existing MotorClub Breakdown Assistance service nationwide. At the same time, the Division has implemented the provision of free of charge comprehensive fire risk assessment and prevention services to its fire policyholders. This will help fire policyholders to enjoy better premium rates with improved and effective fire prevention systems and concurrently, help to mitigate incidence of fire occurrence.

Going forward, the Division will plan to increase its non-motor portfolio with focus on the profitable classes mainly fire, marine cargo, foreign workers and lastly contractor's all risks and engineering to take advantage of the infrastructure developments under the Ninth Malaysia Plan and other mega projects. On the same note, the Division will enhance its claims management strategies which amongst others include internet based workflow system on Motor OD (own damage) claims, maintaining the role of New Direct and Early Settlement Department in managing and settling new and small Motor Third Party Bodily Injury claims, intensify the recovery of motor theft claims by creating a wide recovery network and frequent visits to police stations by investigators, and regular training OD examiners for the improvement in work and technical knowledge.

MALAYSIAN UNIT TRUST REVIEW

In 2006, the Malaysian unit trust industry again registered a double digit growth with the total Net Asset Value (NAV) of funds under management expanded by 23.64% to RM121.77 billion (2005: RM98.49 billion).

During the year, MAAKL Mutual Bhd (MAAKL Mutual) added RM225.85 million to its total assets under management, raising further the total Net Asset Value of unit trust funds under its management as at end December 2006 to RM920.05 million (2005: RM694.20 million). With this growth of 32.53% in Net Asset Value, the company for the third consecutive year has outperformed the industry growth of 23.64% in 2006.

MAAKL Mutual, being one of the Malaysia's fastest growing unit trust managers, although the company is relatively young compared to other fund managers, launched 2 new funds during the year, namely MAAKL Dividend Fund and MAAKL Al-Umran. With the addition of these 2 new funds, MAAKL Mutual now offers a wide range of 11 conventional funds and 5 Islamic funds for its investors to build a well-diversified unit trust portfolio which matches their unique risk profile and investment goals as at end December 2006.

MAAKL Dividend Fund is an equity income deposit fund which aims to provide steady recurring income that is potentially higher than prevailing deposit rates coupled with attaining medium to long-term capital appreciation.

On the other hand, MAAKL Al-Umran is an Islamic balanced income fund seeks to produce medium to long-term capital appreciation, with investment predominantly in Syariah-compliant equities and Islamic fixed income instruments

With its impressive growth in funds under management over the last 3 years, MAAKL Mutual has turnaround to contribute positively to the results of the Group during the year with a profit before tax of RM865.46 million. The Group expects MAAKL Mutual to continue with its positive contribution trend in the years ahead, in line with the progressive growth of the unit trust industry.

Building a professional unit trust force is at the forefront of MAAKL Mutual's plans, to fulfill its vision to be the most trusted unit trust company by providing quality products and services for all Malaysian. As part of MAAKL Mutual's continuous effort to improve the quality of its advisers, it has deliberately not renewed those advisers who do not meet the quality criteria, with this the agency force stood at 1,015 agents (2005: 1,125 agents) as at end December 2006.

Beside equipping its unit trust advisers with the necessary knowledge-based tools, namely MAAKL Home Office that enable them to offer a higher level of service and professionalism to clients, MAAKL has embarked further in developing a process-based selling course - MAAKL Mutual's Signature Course to enable its advisers to be more professional in their approach to selling unit trusts and as well practising financial planning. The MAAKL Mutual's Signature Course is set on the MAAKL Mutual 6-Step Process that involves making services known to clients, analyse client's financial needs, goals and priorities, ascertain the client's ability to fund the key financial goal (s), choose the most appropriate model portfolio (s) for clients, look for the most appropriate unit trust funds and lastly evaluate and monitor client's performance regularly.

As part of MAAKL Mutual's continuous effort to make investing with MAAKL easy and convenient, in 2006 it has tied-up with Maybank to enable investors to make investment online through Maybank2u.com and later through Kawanku ATM (Automated Teller Machine) and Kawanku Phone Banking. In early part of 2007, MAAKL Mutual has further expanded the online investment facility to include RHB's online banking website. Additionally, in a move to be a one-stop financial planning company, MAAKL

Mutual has tied up with OSK Trustees Bhd (OSK) by offering will-writing services to its unitholders beginning January 2007.

The Group is optimistic about the future of this division. In 2007, MAAKL Mutual will be launching a variety of new funds, and will continue to focus exclusively on its long term strategy to develop advisers who are ethical and competent in their dealings. As at January 2007, the company further launched two new funds, namely MAAKL-CM Flexi Fund and MAAKL Al-Ma'mun. In February 2007, MAAKL made its historical milestone with total Net Asset Value of funds under management surpassed RM1 billion.

INTERNATIONAL OPERATIONS REVIEW

MAA International Assurance Ltd (MAAIA), the Labuan based offshore insurance and investment arm of the Group, recorded an increase of 4.01% in gross premium income to RM64.53 million (2005: RM62.04 million). However, the company recorded a loss before tax of RM1.59 million compared to a profit of RM7.32 million in 2005. The loss was due mainly to higher claims experience from ceded general reinsurance business, write off of debts due from associated company in Thailand coupled with loss arising from the disposal of this investment during the year.

MAAIA is also the investment holding company for the Group's international interest, which includes existing operations in Indonesia, Philippines and Thailand (the investment was disposed during the year). The disposal of the associated company in Thailand during was mainly due to high running costs and low revenue income which resulted in continuous losses coupled with intense market competition in the life insurance companies in Thailand in offering high agency compensation buy-out to recruit agents.

In November 2006, MAAIA launched new investment-link plan, namely MAAIA-Dominion Investment Plan in partnership with Switzerland's Protrust AG. The investment plan offers four exclusive funds - MAAIA-Domain PX2 USD Fund, MAAIA-Domain NX2 USD Fund, MAAIA-Domain PX2 Euro Fund and lastly MAAIA-Domain NX2 Euro Fund. These unique and innovative funds are designed to appeal to sophisticated, experienced

and professional investors, to provide them with consistent and above average returns over the long term.

In October 2006, the Group via MAA International Investments Ltd, an offshore subsidiary company in Labuan, disposed its 15% interest in Hatton National Bank, which is listed on the Colombo Stock Exchange, Sri Lanka with some gross capital gain. The strategic disposal was timely in view of the prolonged political unrest in Sri Lanka.

In October 2006, the Group has also acquired a 42.86% interest in Columbus Capital Pty Limited (CCAU), a company incorporated in Australia, via its other offshore subsidiary company. CCAU's principal business activities are retail mortgage lending and loan securitization in Australia, in line with the Group's aspiration to diversify its income stream. In its first year start-up phase, CCAU has embarked in establishing loan management system, develop distribution network of mortgage managers, establish wholesale funding lines with financial institutions, identify target markets and set-up a scalable infrastructure for growth in business volumes in subsequent years of operations.



Appraisal Value On The Life Insurance Business Of Malaysian Assurance Alliance Berhad

12 April 2007
The Directors
Malaysian Assurance Alliance Berhad
22nd Floor, Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Dear Sirs

Introduction

We have been engaged by Malaysian Assurance Alliance Berhad ("MAA" or "the Company") to perform an appraisal valuation of its life insurance business as at 31 December 2006. The appraisal valuation was carried out based on a set of assumptions that the management of MAA consider reasonable and realistic, taking into consideration the past performance of MAA, its operating structure, the economic growth of Malaysia and the stage of development of the life insurance industry in Malaysia.

Assumptions

MAA has projected a total new business premium for the year 2007 of RM934 million. This includes RM560 million in premiums from the Single Premium Fixed Dividend Endowment Plan. Premium received for this FDE plan amounted to RM577 million in 2006.

The following set of assumptions has been used in the appraisal valuation:

i) Base year total new business (2007)

	Project New Business Growth in 2006	Projected Premium (RM million)
Conventional Business		
- Par	-19%	19
- Non Par	-6%	135
- FDE	-3%	560
Investment Linked Business		
- Regular Premium	20%	65
- Single Premium	20%	155
Total Projected New Business in 2007		934

Appraisal Value On The Life Insurance Business Of Malaysian Assurance Alliance Berhad (continued)

ii) Subsequent New Business Growth (2008 onwards)

The range of expected subsequent new business growth is as follows:

Year	Range of expectation		
	Scenario A Low	Scenario B Medium	Scenario C High
2008-2016 2016 onwards	10% p.a. 3% p.a.	15% p.a. 3% p.a.	20% p.a. 3% p.a.

iii) Investment returns	Par Plans	7.0% p.a.
	Non Par Plans (excluding FDE)	6.5% p.a.
	FDE Plans (in-force)	5.5% p.a.
iv) Discount rates	Business in force	9% p.a.
	New business	12% p.a.

Appraisal Value

Due to the long-term nature of the life insurance business, reserves (the life fund) are set aside to meet future liabilities. Profits are only expected to emerge gradually over the years. An Appraisal Value takes into account the expected future cash flows and discounts future surpluses at a suitable rate. It is equal to the sum of the Embedded Value and the Structural Value.

The Embedded Value is the assessment of the present value of distributions that will accrue to the shareholders over the future lifetime of all existing policies.

The Structural Value is the assessment of the life business's ability to generate profits from its assets – as evidence by past performance – by continuing to write new business on profitable terms. It incorporates, among others, the value of the existing agency structure. It is based on the assumption that the projected mix of new business in 2007 and the profitability thereof is representative of the future flow of new business. Any change in the mix of new business (for example an increase in investment linked business at the expense of traditional business) would affect the valuation. It is also heavily dependent on the capitalization factor used to gross up the value of one year's business.

Appraisal Value On The Life Insurance Business Of Malaysian Assurance Alliance Berhad (continued)

The Appraisal Value of MAA's life insurance business as at 31 December 2006 is as follows (RM million):

Range of expected business growth rate	Scenario A	Scenario B	Scenario C
Embedded Value:			
Conventional	414.49	414.49	414.49
Investment Linked	186.83	186.83	186.83
Total Embedded Value	601.32	601.32	601.32
Structural Value:			
Conventional	872.27	1,187.26	1,619.12
Investment Linked	622.18	846.85	1,154.89
Total Structural Value	1,494.45	2,034.11	2,774.01
Appraisal Value:			
Conventional	1,286.76	1,601.75	2,033.61
Investment Linked	809.01	1,033.68	1,341.72
Total Appraisal Value	2,095.77	2,635.43	3,375.33

The Appraisal Value has been calculated based on the above set of assumptions of new business growth and the Company's expected future experience regarding agency costs, termination rates, claim payments, management expenses, taxation and bonuses that are consistent with the Company's past experience.

The Appraisal Value excludes the value of the Shareholders' Fund and the General Insurance Business of the Company.

Reliance

In preparing this report, we have relied on an extensive range of information, qualitative and quantitative, supplied by the Company. We have relied where possible on written materials including descriptive, financial and statistical information, and we have supplemented our understanding by interviews and other discussions with executives of the Company. While we have reviewed all information supplied to us for reasonableness and consistency, we have relied on the Company for accuracy and completeness of all information supplied.

We have relied on the Company for assumptions as to the expected future growth of its business.

The following table sets out the Company's actual sales performance against that projected/targeted for each year.

% of Sales Target Achieved	2006	2005	2004	2003	2002
Ordinary Life (excluding FDE)	81%	79%	122%	74%	80%
Investment Linked	119%	56%	122%	23%	67%

Appraisal Value On The Life Insurance Business Of Malaysian Assurance Alliance Berhad (continued)

Comments on Results

The Appraisal Value of the Company has reduced by 10% over the year to RM 2,096 million (at 9% base discount rate on Scenario Growth A) due to the change in the mix of new business projected.

The Embedded Value of the Life Fund has increased by 11% or RM60 million. This increase is contributed mainly due to new business achieved in 2006. In comparison, the Structural Value has reduced by 16% compared to last year. This is due to the lower levels of new business projected for conventional business in favour of investment-linked business. Further, within this business, there is a heavier weight on the single premium business which carries a thinner profit margin compared to regular premium business.

There is currently a Quota Share reinsurance arrangement with MAA International Assurance Ltd for some lines of business secured from 2000. This has been factored in our calculations.

Limitations

This report has been prepared at the request of the Directors of MAA for the purpose of disclosure of the Company's Appraisal Value in the Annual Report of MAA and MAA Holdings Berhad respectively and it may not be used for any other purpose.

This report has been prepared on the basis of the information provided to us and our understanding of the business of MAA. Nevertheless, the reader should be aware that future events cannot be predicted with certainty and, as a result, deviations from any financial estimates referred to in this report and pertaining to the future are normal and are to be expected.

The Appraisal Value has been calculated based on the current statutory reserving and capital requirements. In particular, that the solvency capital required for the whole life fund continue to be held within the participating fund statutory surplus. The impending change in the statutory reserving and solvency requirements is not yet finalized as at the date of this report, but is likely to increase the cost of capital.

The reader should also understand that an Appraisal Value is a subjective assessment and is cautioned that the figures in this statement should not be used as the sole basis for determining MAA's final value to an investor.

Yours faithfully

Zainal Abidin Mohd Kassim, FIA
Principal and Actuary
Mercer Zainal Consulting Sdn Bhd

Statement On Corporate Governance

This statement is made pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") where the Board of Directors of the Company ("Board") is required to make a statement in relation to its compliance with the Malaysian Code on Corporate Governance ("the Code"). The statement below sets out how the Company has applied the Principles and the extent of its compliance with the Best Practices under the Code throughout the financial year ended 31 December 2006.

1. BOARD OF DIRECTORS

1.1 Composition and Size of Board

The Board is composed as at the date of this Annual Report of 12 Directors, 5 of whom are Independent Non Executive Directors within the meaning of Chapter 1.01 of the Listing Requirements of Bursa Securities. At least 1/3 of the Board members are Independent Directors, who are free from any business or other relationship that could materially interfere with the exercise of their objective and independent judgment.

1.2 Board Balance

The Board is a balanced Board with a complementary blend of expertise with professionals drawn from varied backgrounds; such as banking and finance, legal, accounting and the armed forces, bringing with them, in depth and diversity in experience, expertise and perspectives to the Group's business operations. A brief profile of each of the Directors is presented separately in the Annual Report.

The Independent Non Executive Directors provide an unbiased and independent view, advice and judgment to take into account the interest, not only the Group but also of shareholders, employees and communities in which the Group conducts business.

During the third quarter of 2006, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah stepped down as the Group Managing Director/Chief Executive Officer ("Group MD/CEO") to assume the role as Deputy Chairman and Muhamad Umar Swift assumed the role as Group MD/CEO.

The roles of the Chairman and Group MD/CEO are distinct and separate and each as a clearly accepted division of responsibilities to ensure a balance of power and authority. The Chairman, Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman, is a Non Executive Director, while the Group MD/CEO, Muhamad Umar Swift, is an Executive Director.

The Chairman assumes responsibility for the management of the Board and ensures that regular Board meetings are held and ad hoc Board meetings are convened when necessary. The Board agenda is set by the Group MD/CEO and approved by the Chairman. The Chairman ensures that Board members are provided with complete, adequate and timely information.

The Group MD/CEO is the most senior executive in the Group and assumes executive responsibilities for the Group's business and is responsible to ensure the execution of strategic goals, effective operation within the Group, explain, clarify and inform the Board on matters pertaining to the Group.

1.3 Principal Duties and Responsibilities of the Board

In discharging its stewardship responsibilities, the Board has formally adopted a schedule of matters specifically reserved for its decision. The schedule of matters specifically reserved for the Board's decision is as follows:-

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholders communication policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

1.4 Board Meeting and Attendance of Directors to Board Meeting

Regular scheduled Board meetings and also ad hoc Board meetings are held as and when required to receive, deliberate and decide on matters reserved for its decision. The Board met 7 times during the financial year ended 31 December 2006.

Statement On Corporate Governance (continued)

The details of the attendance by each of the Directors are as follows:

Members of the Board	No. of Attendance	%
Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman	7/7	100
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	5/7	71
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	5/7	71
Major General Lai Chung Wah (Rtd)	7/7	100
Dato' Iskandar Michael bin Abdullah	7/7	100
Yeo Took Keat	7/7	100
General Dato' Sri Hj. Suleiman bin Mahmud (Rtd)	7/7	100
Tan Sri Dato' Abu Zarim bin Haji Omar (Resigned on 1 July 2006)	3/3	100
Datuk Razman Md Hashim (Appointed on 1 July 2006)	4/4	100
Muhamad Umar Swift (Appointed on 7 September 2006)	3/3	100
Datuk Ramlan bin Abdul Rashid (Appointed on 7 September 2006)	3/3	100
Tan Sri Ahmad bin Mohd Don (Appointed on 13 October 2006)	1/1	100

1.5 Supply of Information

The Directors are provided with the relevant agenda and Board papers in sufficient time prior to Board meeting for their perusal and consideration and to enable them to obtain further explanation and clarification on matters to be deliberated, to facilitate informed decision making.

The Board has unrestricted access to timely and accurate information, which is not only confined to qualitative and quantitative information, but also to other information deemed suitable such as customer satisfaction, products and services quality, market share and market reaction and macro economic performance.

All Directors have access to the advice and services of the Company Secretary and the Senior Management staff in the Group and may obtain independent professional advice at the Company's expense in furtherance of their duties.

The Directors are regularly updated by the Compliance Section on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors and the operation of the Group.

1.6 Appointments to the Board

The Nomination Committee comprising entirely of independent non-executive Directors is responsible for identifying and recommending to the Board suitable nominees for appointment to the Board and Board Committees.

In selecting a suitable candidate, the Nomination Committee takes into account of the size of the Board with a view of determining the impact of the number upon its effectiveness, the available vacancy due to retirement or death of a Director and the required mix of skill, expertise and experience required for an effective Board. The final decision on the appointment of a candidate recommended by the Nomination Committee rests with the whole Board. In making its decision, the Board is guided by a comprehensive Procedure for the Appointment and Removal of Directors, which it previously adopted.

The Board has also implemented the mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

1.7 Re-election

The Articles of Association of the Company provides that at least one third of the Directors will retire by rotation at each Annual General Meeting and that all Directors shall retire once in every 3 years. A retiring Director is eligible for re-election at the Annual General Meeting.

Directors who are 70 years of age or above are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

The Board ensures that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

1.8 Directors' Training

All new Directors are required to undergo an orientation programme to provide them with the necessary information to enable them to contribute effectively from the outset of their appointment. The orientation programme prescribes internal briefings on the Group's operations and financial performance. All Directors have attended the Mandatory Accreditation Programme prescribed by the Bursa Securities.

During the financial year review, the Directors have attended and participated in various programmes and forums which they have individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as Directors.

Statement On Corporate Governance (continued)

The Nomination Committee constantly evaluate the training needs of the Directors and recommend trainings to each Director to enable the Director to discharge his duties effectively and proficiently, taking into account the individual needs of each of the Directors.

The programmes or forums attended by them include, inter alia, the following:-

- Understanding Takaful
- Macro Economic: Malaysian Scenario 2006
- Corporate Fraud
- Innovation and Branding
- Macro Economics – Local & Global
- National Accountants Conference
- Taking Charge: Leaders in Action
- National Sales Congress
- Islamic Funds Asia 2007

2. DIRECTORS' REMUNERATION

2.1 Determination of Directors' Remuneration and Fees

The remuneration of Directors should commensurate with the level of professional experience, responsibilities and contribution to growth and profitability of the Company.

The remuneration of Directors is decided by the Board on the recommendation of the Remuneration Committee. The Board has adopted a Procedure for Determining the Remuneration of Directors, Chief Executive Officer and Key Senior Officers which sets out the criteria for determining the remuneration of Directors, Chief Executive Officer and Key Senior Officers of the Company.

The remuneration of the Executive Directors, namely the Group ED/CEO, Muhamad Umar Swift and the Executive Director/Group Chief Operating Officer, Yeo Took Keat ("ED/Group COO") are wholly based on their respective performance evaluation. The performance of the Group ED/CEO is evaluated by the Board whereas the performance of the ED/Group COO is evaluated by the Group ED/CEO.

Non Executive Directors do not receive remuneration but are paid yearly directors' fees which are approved by the Shareholders at the Annual General Meeting and meeting attendance allowance for each Board and Board Committee meeting. Non Executive Directors are evaluated based on their responsibilities and experience and the size of the particular companies they participate in.

2.2 Disclosure

The remuneration of the Directors of the Company for the financial year ended 31 December 2006 are set out below:

	Executive Directors (RM)	Non-Executive Directors (RM)
Fees	-	277,839
Salaries and allowances	2,493,712	58,000
Bonus	1,006,017	-
Other Benefits	95,391	35,200
Total	3,595,120	371,039

The number of Directors whose total remuneration falls within the following bands is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	6
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	1	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	1	-

3. BOARD COMMITTEES

The Board has established Board Committees to assist the Board in performing its duties and discharging its responsibilities more efficiently and effectively. The Board Committees operate on Terms of Reference approved by the Board and make regular reports to the Board on their activities. The details of the Board Committees are as follows:-

3.1 Audit Committee

The Board has established an Audit Committee principally to review the Company's and the Group's financial reporting and ensure the effectiveness of the systems of internal control and compliance.

The Audit Committee consists of 4 Directors, 3 of whom are Independent Non Executive Directors. The Audit Committee functions on a Terms of Reference approved by the Board. Full details on the membership, the Terms of Reference and the activities of the Audit Committee for the financial year ended 31 December 2006 are disclosed separately in this Annual Report under Statement of Internal Control.

3.2 Nomination Committee

In compliance with the Listing Requirements of Bursa Securities, a Nomination Committee was established on 30 August 2001. The Committee comprises 3 Non Executive Directors, 2 of whom are independent. The members of the Nomination Committee as at the date of this Annual Report are:-

Chairman: Dato' Iskandar Michael bin Abdullah - Independent Non Executive Director

Members: Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah - Non Executive Director

Major General Lai Chung Wah (Rtd) - Independent Non Executive Director

The Nomination Committee functions on a Terms of Reference approved by the Board. The principal duties and functions of the Nomination Committee are as follows:-

- (a) establishing the scope of work for the Board, Chief Executive Officer and Board Committees;
- (b) recommending and assessing new nominees for Board and Board Committees;
- (c) overseeing the overall composition of the Board in terms of appropriate size, mix of skill, and the balance between executive directors, non-executive directors and independent non-executive directors;
- (d) establishing a mechanism for the formal assessment and assessing the effectiveness of the Board as a whole, individual Directors, Board Committees and the Chief Executive Officer;
- (e) recommending to the Board on the removal of a director and/or chief executive officer if he is ineffective, errant or negligent in discharging his responsibilities;
- (f) ensuring that all directors undergo appropriate induction programmes and receive adequate and appropriate continuous training; and
- (g) overseeing appointment, management of succession planning and performance evaluation of key senior officers and recommending to the Board the removal of key senior officers if they are ineffective, errant and negligent in discharging their responsibilities.

The Nomination Committee meets at least once a year, with additional meetings convened as necessary. The Nomination Committee met 3 times during the financial year ended 31 December 2006.

3.3 Remuneration Committee

In compliance with the Listing Requirements of Bursa Securities, a Remuneration Committee was established on 30 August 2001. The Committee comprises 4 Non Executive Directors, 3 of whom are independent. The members of the Remuneration Committee as at the date of this Annual Report are:-

Statement On Corporate Governance (continued)

Chairman: General Dato' Sri Hj. Suleiman bin Mahmud (Rtd) – Independent Non Executive Director

Members : Major General Lai Chung Wah (Rtd) – Independent Non Executive Director

Dato' Iskandar Michael bin Abdullah - Independent Non Executive Director

Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah – Non Executive Director

The Remuneration Committee functions on a Terms of Reference approved by the Board. The primary duties and functions of the Remuneration Committee are as follows:-

- (a) recommending a policy and framework for determining the remuneration of Directors, Chief Executive Director and Key Senior Officers; and
- (b) recommending specific remuneration packages for Directors, Chief Executive Officer and Key Senior Officers.

The Remuneration Committee meets at least once a year, with additional meetings convened as necessary. The Remuneration Committee met 2 times during the financial year ended 31 December 2006.

3.4 Risk Management Committee

Under Best Practices AAI of the Code, the Board is expected to identify the principal risks affecting the Company and the Group and ensure the implementation of appropriate systems to manage these risks. A Risk Management Committee has been established on 29 May 2003 to evaluate the principal risks affecting the Company and the Group, assess the sufficiency of controls to minimise those risks and if necessary recommend a particular risk to be terminated.

The Risk Management Committee comprises 3 Directors, 2 of whom are independent. The members of the Risk Management Committee as at the date of this Annual Report are:-

Chairman: General Dato' Sri Hj. Suleiman bin Mahmud (Rtd) – Independent Non-Executive Director

Members: Dato' Iskandar Michael bin Abdullah – Independent Non Executive Director

Yeo Took Keat – Executive Director

The Risk Management Committee functions on a Terms of Reference approved by the Board. The principal duties and functions of the Risk Management Committee are, inter alia, as follows:-

- (a) setting up a risk management structure;
- (b) reviewing and recommending risk management strategies, policies and framework for identifying, measuring, monitoring and controlling risks;
- (c) ensuring adequate infrastructure, resources and systems are in place for effective risk management; and
- (d) reviewing of management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

The Risk Management Committee met 4 times during the financial year ended 31 December 2006.

4. SHAREHOLDERS

4.1 Dialogue between Companies and Investors

The Company values dialogue with shareholders as a means of effective communication that enables the Board to convey information about the Group's performance, corporate strategy and other matters affecting shareholders' interests.

The Company holds Investors Briefing every half yearly to update institutional shareholders on the development of the Group and invite questions from the floor. The ED/Group COO who is responsible for investors' relations also holds regular meetings with fund managers and analysts on a personal basis.

Institutional investors can also access the Company's website at www.maa.com.my for the latest corporate information of the Group.

4.2 Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with individual shareholders. At the Annual General Meeting, which is generally well attended, shareholders have direct access to the Board and are given the opportunity to ask questions during the open question and answer session prior to moving for adoption of the Company's Audited Financial Statements and Directors' Report for the financial year and other businesses (if applicable). The shareholders are encouraged to ask questions both about the resolutions being proposed and about the Group's operations in general.

Extraordinary General Meetings are held as and when shareholders' approvals are required on specific matters and shareholders are notified of such meetings in accordance with the Listing Requirements of Bursa Securities.

The Board is also committed to ensure that the shareholders and other investors are well informed of major developments of the Group and the information is also communicated to them through the following channels:

- (a) the Annual Report;
- (b) various disclosures and announcements made to Bursa Securities, including the quarterly results and annual results; and
- (c) the Company's website at www.maa.com.my through which shareholders and the public in general can gain access to the latest corporate information of the Group.

Further, the Board has appointed Major General Lai Chung Wah (Rtd) as the Senior Independent Director to whom all concerns may be conveyed.

5. ACCOUNTABILITY AND AUDIT

5.1 Financial Reporting

The Board is responsible to ensure that the Company's and the Group's financial statements are in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Group publishes full financial statements annually, half yearly and quarterly as required by the Listing Requirements of Bursa Securities.

Before financial statements are released to Bursa Securities, the financial statements are reviewed by the Audit Committee and approved by the Board. The details of the Company's and the Group's financial positions are included in the Financial Statements section of the Annual Report.

5.2 Internal Control

System of Internal Control

The Board maintains a sound system of internal control to safeguard shareholders' investment and the Group's assets. The system of internal control covers not only financial controls but also controls relating to operations, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed. The system of internal control, by its nature, can only provide reasonable and not absolute assurance against material errors, frauds or losses occurring.

A sound system of internal controls can only operate within a defined organisational and policy framework. The management framework of the Company clearly defined the roles, responsibilities and reporting lines of each business units and support units. Delegations of authority, control processes and operational procedures are documented and disseminated to staff. While all employees have a part to play in upholding the system of internal control, the Company has established certain sections to provide independent oversight and control. These sections include the Internal Audit Department, Legal Affairs Section, Compliance Section, Risk Management Section and Fraud Control Section.

Internal Audit

The internal audit function is performed by the Internal Audit Department which is independent of the activities it audit and is performed with impartiality, proficiency and due professional care. Its role is to provide independent and objective reports on the organisation's management, records, accounting policies and controls to the Audit Committee. The internal audits include evaluation of the processes by which significant risks are identified, assessed and managed. Such audits also ensure instituted controls are appropriate and are effectively applied to achieve acceptable risk exposures in line with the Group's risk management framework.

Statement On Corporate Governance (continued)

Legal

The Legal Affairs Section seeks to manage the legal risks of the Company and the Group by ensuring that all legal documentations are properly executed and that the interest of the Company and the Group are protected at all times. It further monitors the quality of legal services provided by external solicitors and acts as a liaison between the Management and the external solicitors.

Compliance

The compliance function has specific accountability for instilling and maintaining a strong compliance culture and framework within the Group. The compliance function is undertaken by an independent Compliance Section which ensures the Company's compliance with the Listing Requirements of Bursa Securities and other regulatory requirements.

Risk Management

The Risk Management Section assist the Risk Management Committee in instituting an enterprise risk management framework and infrastructure for the Company and the Group. It further acts as a liaison between the Business Units and the Risk Management Committee in the reporting of key risks of the Company and the Group.

Fraud Control

In an effort to minimise the risk of fraud, the Board has adopted an Anti-Fraud Framework for the Company and the Group. The Anti-Fraud Framework consists of strategies for prevention and detection of fraud. A Fraud Control Section has been set up at the end of 2005 to assist the Audit Committee in the implementation of the Anti-Fraud Framework.

During the year 2006, the Fraud Control Section has conducted a series of anti-fraud awareness training and enhanced the policies and procedures of the Company to incorporate the Anti-Fraud Framework.

The effectiveness of the system of internal controls of the Company and the Group is reviewed periodically by the Audit Committee. The Statement on Internal Control, which provides an overview of the state of internal control within the Group is set out separately in this Annual Report.

5.3 Relationship with External Auditors

The independent External Auditors fill an essential role for the shareholders by enhancing the reliability of the Group's financial statements and giving assurance of that reliability to users of these financial statements. The External Auditors have an obligation to bring any significant defects in the Group's system of control and compliance to the attention of Management, the Audit Committee and the Board.

It is a policy of the Audit Committee to meet with the External Auditors at least twice a year to discuss their audit plan, audit findings and the financial statements. The Audit Committee also meets with the External Auditors whenever it deems necessary.

6. COMPLIANCE WITH THE CODE

The Company is in substantial compliance with the Principles and Best Practices of the Code throughout the financial year ended 31 December 2006.

Risk Management

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of risks will enhance the achievement of the Group's business objectives. The Group has implemented an on-going process of identifying, evaluating, monitoring and managing of risks that may affect the achievement of its business objectives. The on-going application of an integrated enterprise wide risk management framework is aimed at enhancing the internal control by ensuring that risks related to the Company and the Group are managed through a systematic and consistent risk management process.

Accountability and Responsibilities

The Company believes that clear accountability and responsibilities are crucial for the risk management process. The risk management framework of the Group is based on the following principles:-

1. The Board is ultimately responsible for the management of risks. The Board through the Risk Management Committee maintains overall responsibilities for the risk oversight within the Group.
2. The Risk Management Committee is responsible for the risk oversight for the key risk affecting the Group. The Risk Management Committee assesses the adequacy of the existing controls to minimise the key risk areas and review the appropriate risk treatment on those risks.
3. The Risk Management Section of the Company is responsible for managing the risk management system and ensures timely review of the risks affecting each Business Units within the Group. It is also responsible for assisting Business Units in the identification, evaluation and monitoring of risks.
4. The Business Units are primarily responsible for identifying, evaluating and managing risks within their Units. They are required to put in place appropriate risk reduction action plans on areas where risks are rated as high and significant in order to ensure that their day-to-day business activities are carried out within acceptable risk level.
5. The Audit Committee's key role, supported by the Internal Audit Department, is to provide an independent assessment of the adequacy and reliability of the risk management processes, and compliance with risk policies and regulatory guidelines.

Risk Management Process

The Company has established within its risk management framework a structured approach to enterprise wide risk management. The risk management process encompasses the following 4 stages:-

1. Risk Identification

During the risk identification stage, the Risk Management Section working together with the Business Units set out to identify the Business Units' exposure to current and potential risks that could have an effect on achieving the Company's objectives.

The Risk Management Committee has classified risks into 9 key risk factors ("KRF"), namely, Product Risk, Human Risk, Regulatory Risk, Operational Risk, Financial Risk, External Risk, Customer Risk, Integrity Risk and Supplier Risk.

During the year 2006, the Company has expanded Financial Risk to include Credit Risk, Market Risk and Liquidity Risk.

2. Risk Evaluation

In this stage, risks identified are evaluated on their probability of occurrence and their impact severity. It is at this stage that the risk profile for each risk is established. The risk profiles are rated either as High Risk, Significant Risk, Moderate Risk or Low Risk.

During the year 2006, the Risk Management Committee has enhanced the definition for the rating of risks to provide a more accurate risk rating process.

3. Risk Treatment

This is the stage where each risk is treated according to the risk appetite of the Company. Risks can be Accepted, Minimised, Transferred or Terminated.

4. Risk Monitoring

Risks are monitored through a Risk Management Action Plan. The progress on the implementation of risk policies are reported to the Risk Management Committee from time to time. The Internal Audit Department of the Company play a crucial role in monitoring compliance with the risk management policies and action plans.

The Board acknowledges that Risk Management is dynamic and is constantly reviewing the key risks affecting the Company and the Group to adapt to changes in the social, economic and financial environment in which the Company and the Group conduct their businesses.

1. Utilisation of Proceeds Raised from Corporate Proposal

- a) In 2004, the Company proposed a Renounceable Rights Issue of up to 152,176,876 new Irredeemable Preference Shares of RM1 each ("IPS") ("Rights IPS") together with up to 152,176,876 free Detachable Ordinary Shares of RM1 each ("Ordinary Shares") ("Bonus Shares") and up to 152,176,876 free Detachable Warrants ("Warrants") at an indicative issue price of RM2 per rights IPS, on the basis of one (1) Rights IPS with one (1) free detachable Bonus Share and one (1) free detachable Warrant for every one (1) existing ordinary share held in the Company at an entitlement date to be determined ("Rights Issue of IPS"). The Rights Issue of IPS was approved by the shareholders of the Company at the Extraordinary General Meeting held on 22 February 2005.

Given to the uncertain sentiments in the Malaysian equity market prevailing then, the Company with the approval of the Securities Commission ("SC") had extended the completion of the proposed Rights Issue of IPS twice, firstly from 3 June 2005 to 31 December 2005 and subsequently from 1 January 2006 to 30 June 2006.

On 3 May 2006, the Company announced that after taking into consideration the then market sentiments and the market performance of the ordinary shares of the Company, it has decided to abort the proposed Rights Issue of IPS.

Notwithstanding the abortion of the proposed Rights Issue of IPS, the Board of Directors of the Company on 3 May 2006 announced that the Company will proceed with the Proposed Bonus Issue of up to 152,176,876 new ordinary shares of RM1 each as fully paid on the basis of one (1) Bonus Share for every one (1) existing ordinary share held to the registered shareholders of the Company at the close of business on an entitlement date to be determined and announced later ("Proposed Bonus Issue").

The Proposed Bonus Issue will be issued via capitalization of up to RM152,176,876 from the following:

- (i) up to RM11,744,389 from share premium account of the Company; and
- (ii) up to RM140,432,487 from retained earnings of the Company.

The Proposed Bonus Issue was approved by the shareholders of the Company at the Annual General Meeting held on 21 June 2006.

The Company had on 19 July 2006 submitted an Application for listing of additional ordinary shares to be issued pursuant to the Proposed Bonus Issue to Bursa Malaysia Securities Berhad ("Bursa Securities"). The approval was obtained on 1 August 2006 from Bursa Securities.

152,176,876 new ordinary shares of RM1 each were subsequently allotted on 8 September 2006 pursuant to the Proposed Bonus Issue.

- (b) On 4 August 2006, the Company announced the Proposed Issuance of Commercial Papers ("CP") and/or Medium Term Notes ("MTN") Programme of up to RM200 million ("Proposed Programme").

The Proposed Programme will comprise the issuance of CP with tenors ranging from one (1) month to twelve (12) months and/or MTN with tenors of more than one (1) year but not exceeding seven (7) years. The proceeds from the Proposed Programme will be used in relation to financing the Company's investment in Takaful business, to repay certain existing bank borrowings of the Company and its subsidiaries, to finance redemption of its existing RM120 million Serial Fixed Rate Bonds maturing on 21 August 2007, to pre-fund the debt service reserve account to be established for the purposes of the Proposed Programme and to finance working capital of the Company.

The approval for the Proposed Programme was obtained on 28 August 2006 from the SC.

On 5 December 2006, the Company submitted an application to the SC for the following variations to the principal terms and conditions of the Proposed Programme:

- i) to secure the issuance under the Proposed Programme by a bank guarantee facility from DBS Bank Ltd, Labuan Branch ("DBS Bank") up to the maximum aggregate principal amount of the United States Dollars equivalent to RM200 million; and
- ii) to vary the utilization of proceeds of the Proposed Programme, where among others the Company's investment in Takaful business will be financed from internally generated fund

The SC has via its letter dated 22 December 2006 approved the above stated variations.

On 8 January 2007, the Company successfully issued RM200 million nominal amount of Medium Terms Notes up to a tenure of 5 years.

2. Share Buy-Back

The Company has not purchased any of its own shares during the financial year ended 31 December 2006 and the preceding financial year.

3. Options, Warrants or Convertible Securities

During the financial year ended 31 December 2006, there were no options, warrants or convertible securities exercised or converted by the Company.

4. American Depository Receipt (ADR) or Global Depository Receipt (GDR)

The Company has not sponsored any ADR or GDR programme for the financial year ended 31 December 2006.

5. Sanctions and/or Penalties

Save as disclosed below, there were no sanctions and/or penalties imposed on the Company, its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2006:-

- (a) On 26 April 2006, Malaysian Alliance Assurance Berhad ("MAA"), a wholly owned subsidiary of the Company, was compounded by Bank Negara Malaysia ("BNM") for a sum of Ringgit Malaysia Fifty Thousand (RM50,000) for breach of Section 141(1) of the Insurance Act 1996 read together with Paragraph 65(1)(a) of the Insurance Regulations 1996, for failing to collect motor insurance premiums prior to issuance of cover notes to its direct customers. MAA accepted the compound and made payment to BNM within the stipulated time frame.
- (b) On 31 July 2006, MAA Credit Sdn Bhd ("MAAC"), a wholly owned subsidiary of MAA Corporation Sdn Bhd ("MAA Corp"), which is in turn a wholly owned subsidiary of the Company, paid the sum of RM22,475 and RM54,500 as penalties for under estimation of advance tax for year 2005 and late payment of tax for year 2005 respectively.
- (c) On 15 August 2006, MAAC paid a sum of RM150 as penalty for the late filing of financial statement for year 2005.
- (d) On 15 November 2006, High Sphere Sdn Bhd ("HSSB"), a wholly owned subsidiary of MAA Corp, was compounded by Companies Commission of Malaysia ("CCM") for a sum of RM150 for breach of Section 169(1) of the Companies Act 1965, for failing to present its profit and loss account at its annual general meeting. HSSB accepted the compound and made payment to CCM on 5 March 2007.

6. Non-Audit Fees

There was no non-audit fee paid to external auditors for the financial year ended 31 December 2006.

7. Variation in Results

The Company did not make or announce any profit forecast or projection during the financial year ended 31 December 2006. There was also no variation to the unaudited results which were announced for the financial year ended 31 December 2006.

8. Profit Guarantees

During the financial year ended 31 December 2006, there were no profit guarantees given by the Company.

9. Material Contracts

There was no material contracts (not being entered into in the ordinary course of business) entered into by the Group which involved directors and shareholders, either still subsisting at the end of the financial year ended 31 December 2006 or entered into since the end of the previous financial year.

10. Revaluation Policy

In the financial year ended 31 December 2006, the Company does not own any landed properties. The subsidiary companies that own landed properties revalued the properties in accordance with the requirements of the applicable approved accounting standards in Malaysia and relevant regulatory authorities.

Other Bursa Securities Compliance Information (continued)

Recurrent Related Party Transactions of a Revenue or Trading Nature

On 21 June 2006, the Company sought approval for a shareholders' mandate for MAAH Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 30 May 2006) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the Listing Requirements of Bursa Securities.

The aggregate value of transactions conducted during the financial year ended 31 December 2006 are :-

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2006-31/12/2006) RM'000
Malaysian Assurance Alliance Berhad (MAA)	Office rental income received and receivable	Trace Management Services Sdn Bhd (Trace)	A company in which TA, TI and TY* have deemed interest by virtue of their substantial interest in The Melewar Corporation Berhad, the substantial shareholder of Trace	87
		Melewar Group Berhad (MGB)	A company in which TA, TI and TY are directors and major shareholders	72
		Green Silk Sdn Bhd	A company in which TA is a director and major shareholder	128
		Melewar Equities Sdn Bhd (MESB)	A major shareholder of the Company	35
		Melewar Apex Sdn Bhd	A company controlled by Tunku Soraya binti Tunku Abdullah, who is the daughter of TA and sister of TI and TY	45
		Mitra Malaysia Sdn Bhd (Mitra)	A company in which TI is a director and has deemed interest by virtue of his substantial interest in Melewar Leisure Sdn Bhd, the holding company of Mitra	20
		MAAKL Mutual Bhd (MAAKL Mutual)	A 70% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, a company controlled by TY	478
		Pacific World Travel Sdn Bhd (PWT)	A company in which TI is a director and has deemed interest by virtue of his substantial interest in Melewar Leisure Sdn Bhd, the holding company of PWT	17
		MAA Bancwell Trustee Berhad (MAA Bancwell)	An associated company and a company in which TA, TI and TY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell	40
MAA	Office rental expenses paid and payable	Central Market Development Sdn Bhd (CMD)	A company in which TI has deemed interest by virtue of his substantial interest in Melewar Leisure Sdn Bhd, the holding company of CMD	61
MAAH Group	Purchase of air tickets and travel package paid and payable	Mitra	A company in which TI is a director and has deemed interest by virtue of his substantial interest in Melewar Leisure Sdn Bhd, the holding company of Mitra	3,374
MAAH Group	Corporate secretarial and related services fees paid and payable	Trace	A company in which TA, TI and TY have deemed interest by virtue of their substantial interest in The Melewar Corporation Berhad, the substantial shareholder of Trace	242
MAA	Collection agent fees received and receivable	MAAKL Mutual	A 70% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, a company controlled by TY	7
MAAGNET	Provision of Information Technology Services	MAAKL Mutual	A 70% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, a company controlled by TY	424

Other Bursa Securities Compliance Information (continued)

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2006-31/12/2006) RM'000
MAAGNET	GIMS system support and maintenance fee	MAA General Assurance Philippines, Inc.	An associated company and a company in which TY is deemed interested via his substantial interest in MAAH	51
MAAH	Management fee	MAAKL Mutual	A 70% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, a company controlled by TY	48
		MAA Bancwell	An associated company and a company in which TA, TI and TY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell	350
Wira Security Services Sdn Bhd	Provision of security services	Mycron Steel Berhad (Mycron)	A company in which TI and TY are directors of Mycron. TY is deemed interest in Mycron by virtue of his substantial shareholding in MIG, the holding company of Mycron. TI is deemed interested in Mycron by virtue of his family relationship with TY	124
		Melewar Industrial Group Berhad (MIG)	A company in which TA, TI and TY are directors of MIG. TY is deemed interested in MIG by virtue of his substantial interest in MESB, who in turn is the major shareholder of MIG	135
MAA Corporate Advisory Sdn Bhd	Provision of corporate advisory services	MIG	A company in which TA, TI and TY are directors of MIG. TY is deemed interested in MIG by virtue of his substantial interest in MESB, who in turn is the major shareholder of MIG	18
MAAH Group	Trustee fees paid and payable	MAA Bancwell	An associated company and a company in which TA, TI and TY have deemed interest by virtue of their substantial shareholdings in MGB, a substantial shareholder of MAA Bancwell	164

Notes :-

- * TA is Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman
TI is Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah
TY is Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah

** MIG is Melewar Industrial Group Berhad

Statement Of Internal Control

The Malaysian Code on Corporate Governance requires the board of listed companies to maintain a sound system of internal control to safeguard shareholder's investments and the Group's assets. Paragraph 15.27(b) of the Bursa Malaysia Listing Requirements requires Board of Directors of listed companies to include a statement in their annual reports on the state of their internal controls.

A. THE BOARD'S AND MANAGEMENT'S RESPONSIBILITY

The Board of Directors ("Board") has overall responsibility for reviewing and adopting a strategic direction for the Group, overseeing and evaluating whether the Group's business is being properly managed, identifying principal risks and implementing appropriate system to manage risks, developing and implementing a investors relations programme for the Group and reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. However, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

B. INTERNAL CONTROL PROCESSES

A system of internal controls provides a mechanism to facilitate assessment of effective and efficient operation and to ensure compliance with laws, regulations, internal procedure and guidelines. This system is also designed to safeguard the assets of the Group, ensure the maintenance of proper accounting records and provide reliable financial information for use within the business of the Group and for publication.

The Board has established an organizational structure with clearly defined lines of accountability and delegated authority. The Chief Executive Officer ("CEO") and senior management team are assigned with the responsibility of managing the Group. They are accountable for the conduct and performance of their business within the agreed business strategies. Through their review of performance and operation reports, as well as by attending management meetings, the CEO and senior management team monitor the day-to-day affairs of the Group. Other than through the above meetings and reports, the CEO and senior management also regularly meet with the head of departments and the management team of subsidiaries to address any matters arising. Significant issues are brought to the attention of the CEO, who in turn will direct these matters, if necessary, to the Board for its attention

Continuous actions are being taken to improve the policies, processes, people and structures as key elements of internal control. This continuous improvement is not only to improve the management of existing risks but also to anticipate and manage potential risks considering the changes in the risk profile experienced by the industry and the Group.

Key elements of Group's internal control system, including the processes in place to review its adequacy, are:

- i) a clearly defined organizational structure that is aligned to business and operations requirement headed by accountable Chief Executive Officers;
- ii) annual budget and monthly reporting of results and key performance indicators to assess and sustain the effectiveness of the Group's system of controls;
- iii) the establishment of a Management Committee comprising the senior management with responsibilities that include execution of the following controls:
 - a) monthly performance reviews of actual performance against expectations and budget; and
 - b) quality assurance on key information and performance reports.
- iv) procedures with embedded internal control are documented in series of operating manuals. Continuous efforts are undertaken to ensure standardisation, timeliness, comprehensiveness and improved communications on key internal control procedures including authorisation, accountability, monitoring and reconciliation processes;
- v) continuous education for employees on the importance of governance and internal control as part of their development programme;
- vi) the establishment of an independent Internal Audit Department which reports to the Audit Committee. The internal audit teams conduct its audit function in accordance with the annual audit plan approved by the Audit Committee covering compliance, operational and system audit of the company. The audit function includes performing systematic reviews of key processes relating to high risk areas and assessing the effectiveness of internal control including compliance. Areas for improvement and proposed recommendations are highlighted to senior management and the Audit Committee with a periodic follow up review on actions taken;
- vii) the Audit Committee, on behalf of the Board, regularly reviews internal control issues identified in reports prepared by the internal auditor and external auditor and the related actions taken with senior management. The scope of this review includes any significant internal control aspects of issues identified in the financial statements as disclosed in this annual report.

Statement Of Internal Control (continued)

The Board ensures that on-going reviews are continuously carried out to measure the effectiveness of the internal control system and to establish shareholders' confidence. This is to ensure that the Group's system of internal control is updated in line with the changes in the operating environment and consistent with the Group's overall objectives. The Board further seeks regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by internal and external auditors.

Major associated companies have been dealt with in this statement as part of the Group for the purposes of applying the internal control processes.

The Board is of the view that current system of internal control is sufficient to safeguard the Group's interest.

Directors' Responsibility Statement In Respect Of Annual Audited Accounts

The Directors are responsible for ensuring that the annual audited financial statements of the Company and the Group are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and the Listing Requirements of Bursa Securities.

The Directors are also responsible for ensuring that the annual audited financial statements of the Company and the Group are prepared with reasonable accuracy from the accounting records of the Company and the Group so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2006.

In preparing the annual audited financial statements, the Directors have:-

- (a) applied the appropriate and relevant accounting policies on a consistent basis;
- (b) made judgements and estimates that are reasonable and prudent; and
- (c) prepared the annual audited financial statements on a going concern basis.

Audit Committee Report

ESTABLISHMENT

The Audit Committee was established as a sub committee of the Board of Directors with specific terms of reference that have been approved by the Board. Its principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information presented by management is relevant, reliable and timely;
- oversee compliance with relevant laws and regulations and observance of a proper code of conduct; and
- determine the quality, adequacy and effectiveness of the Group's internal control environment.

The Audit Committee comprises the following directors, the majority of whom are independent non-executive directors:

- | | |
|--|---------------------------------|
| 1. Major General Lai Chung Wah (Rtd) | - Independent Non-Executive |
| 2. Dato' Iskandar Michael bin Abdullah | - Independent Non-Executive |
| 3. Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah | - Non-Independent Non-Executive |
| 4. General Dato' Sri Hj. Suleiman bin Mahmud (Rtd) | - Independent Non-Executive |

The Chairman of the Audit Committee is Major General Lai Chung Wah (Rtd). The Directors' profiles are set out on pages 8 to 13 in the Annual Report.

The Audit Committee meets regularly with senior management and internal audit management, and the external auditors to review the Company's and the Group's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTIONS

During the financial year ended 31 December 2006, the Audit Committee comprising the following members held a total of five (5) meetings. The details of attendance of the Committee members are as follows:

Name of Committee	No. of Meetings Held	Attended	Percentage of Attendance
Major General Lai Chung Wah (Rtd)	5	5	100%
Dato' Iskandar Michael bin Abdullah	5	5	100%
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	5	4	80%
General Dato' Sri Hj Suleiman bin Mahmud (Rtd)	5	5	100%

In this financial year, apart from reviewing the quarterly announcements and annual financial statements, the Audit Committee also approved the annual internal audit plan. The risk based plan is developed to cover key operational areas, financial activities and information systems that are significant to the overall performance of the Company and the Group on a cyclical basis.

The Internal Audit Department also conducts audits on an ad hoc basis based on special requests either by the Board of Directors or the Senior Management. It also works closely with the external auditors to resolve any control issues raised by them and assists in ensuring appropriate management based actions are taken.

In this financial year, the Internal Audit Department conducted 34 audit assignments covering selected locations at the Group Corporate Headquarters and subsidiary companies stationed within the Southeast Asian Region, in particular Malaysia, Indonesia and Philippines. In addition, a further 52 audit assignments were carried out over MAA Assurance's Head Office and branches. The Audit Committee receives regular reports from the Head of the Internal Audit Department on the audit results.

TERMS OF REFERENCE

1.0 Membership and Composition

The terms of reference provide a framework for election of the Audit Committee members from amongst themselves, comprising no fewer than three (3) directors, the majority of whom shall be independent non-executive directors.

The members of the Audit Committee shall elect among them an independent non-executive Director as the chairman of the Audit Committee.

No alternate director shall be appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the company must fill the vacancy within three months.

2.0 Meetings

The Audit Committee meetings shall be conducted at least three (3) times annually, or more frequently as circumstances dictate. The Senior Management's representatives, the Internal Audit representatives, and the External Auditors' representatives attend the meetings when appropriate. Other Board members and employees may attend meetings upon the invitation of the Audit Committee.

Audit Committee Report (continued)

3.0 Quorum

A quorum shall consist of a majority of Audit Committee members who are non-executives directors

4.0 Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company:

- (a) investigate any activity within its terms of reference. All employees shall be directed to cooperate as requested by members of the Audit Committee;
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company;
- (c) obtain, if it considers necessary, independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise;
- (d) be able to convene meetings with the auditors, external or internal, without the attendance of the Executive Director, whenever deemed necessary; and
- (e) be able to make reports when necessary to the relevant authorities if a breach of any legal or regulatory requirement has occurred.

5.0 Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:

- (a) to review:
 - i. with the external auditors on their audit plan, scope and nature of audit for the Company and the Group;
 - ii. with the external auditors on their evaluation of the system of internal controls of the Group and its audit findings ;
 - iii. any problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to highlight;
 - iv. the quality of external auditors and make recommendations concerning their appointment, termination and remuneration and to consider the nomination of external auditors;
 - v. the liaison between the external auditors, the management and the Board of Directors and also the assistance given by management and employees to the external auditors;
 - vi. the adequacy of the scope, functions and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
 - vii. the internal audit programme, processes, results of the audit and whether or not appropriate action has been taken as per the recommendations of the Internal Audit Department;
 - viii. quarterly results and year end financial statements prior to the Board of Directors' approval pertaining to:
 - major accounting policy changes.
 - significant and unusual events.
 - compliance with accounting standards and other legal requirements and to monitor any related party transactions and conflict of interest situation that may arise within the Group and to report, if any, transactions between the Group and any related party outside the Group which are not based on arms length terms and which are disadvantageous to the Group.
- (b) to recommend the appointment of the external auditors, and to discuss their audit fees and any questions of resignation or dismissal;
- (c) to monitor organizational compliance with Bursa Malaysia Securities Berhad's requirements; and
- (d) to perform any other functions as may be mutually agreed by the Audit Committee and the Board of Directors.

6.0 Secretary

The Secretary of the Company shall also be the Secretary of the Audit Committee. The Secretary shall be responsible for drawing up the agenda in consultation with the chairperson and shall be responsible for keeping the minutes of the meeting of the Audit Committee, circulating them to committee members and ensuring compliance with regulatory requirements. The agenda together with relevant explanatory papers and documents are circulated to the committee members

Corporate Social Responsibility

MAA Holdings Berhad's commitment in social corporate responsibility is seen through its involvement in charity work and community services. Charity starts at home and we are doing exactly that. Activities are undertaken by its subsidiaries or associated entities.

In 2006, **Malaysian Assurance Alliance Berhad ("MAA Assurance")** undertook the following activities:

- 1) Chinese New Year Gathering at Good Samaritan Home
Date : 8th February 2006
MAA Assurance General Insurance Division (Central Zone) and The Budimas Charitable Foundation jointly organised a Chinese New Year gathering for the children of Good Samaritan Home. Lunch was provided as well as festive goodies and angpaw were given to the residents. There were also fun-filled games and activities for the children.
- 2) Cheque Presentation to The Budimas Charity Foundation
Date : 14th April 2006
MAA Assurance Executive Director/Chief Executive Officer Y.Bhg. Datuk Ramlan Abdul Rashid presented a cheque worth RM300,000 to Budimas trustee, Y.Bhg. Datin Seri Maneesah Tunku Iskandar.
- 3) PENIAGAWATI Royal Charity Dinner
Date : 20th June 2006
MAA Assurance supported the Association of Bumiputera Woman in Business and Professions' (PENIAGAWATI) Royal Charity Dinner with a RM10,000 contribution. The dinner was organised to pool funds for the PENIAGAWATI Entrepreneur Fund. A portion of the proceeds was channeled to the PENIAGAWATI Adopted Child Fund and Poor Children's Welfare of Klang (PEYAKIN).
- 5) Cheque Presentation to The Malaysian Charity Draw II
Date : 19th July 2006
MAA Assurance supported the Malaysian Charity Draw II with a contribution of RM100,000. The fund raising campaign also included an SMS donation drive, where it raised RM2 million in aid of 10 charity homes, one of which was MAA-MEDlcare.
- 6) MAA Assurance General Charity Treasure Hunt 2006
Date : 20th July 2006
The Treasure Hunt raised over RM43,500 which was used to purchase a dialysis machine. The machine was tagged on 20th October at the Lions-MAA-MEDlcare Johor Bahru (1) Charity Dialysis Centre.
- 7) Blood Donation Drive
Date : 21st September 2006
The Blood Donation Drive is conducted annually since its inception in 1999, as part of MAA Assurance's long-held tradition of giving back to the community. Approximately 80 donors showed up to contribute to this worthy cause. The donors comprised MAA Assurance staff, Life and General Agency Support members and also the public.
- 8) Christmas Outing to Port Dickson
Date : 11 & 12 December 2006
The children from Good Samaritan Home were treated to a Christmas Outing to Casa Rachado, Port Dickson which was sponsored by MAA Assurance, General Insurance Division.
- 9) Seremban Half Marathon Cheque Presentation
Date : 5th July 2006
MAA Assurance was once again co-sponsors of the Seremban Half Marathon with a contribution of RM10,000. The marathon was held on 19th July 2006 at Padang Negeri Sembilan, in conjunction with the 84th birthday celebration of the Yang di-Pertuan Besar Negeri Sembilan.



Corporate Social Responsibility (continued)

Other Sponsorships included:-

- 1) Women's Aid Organisation
Date : 3rd January 2006
An amount of RM5,000 was contributed towards the Centre for Refuge and Child Care.
- 2) Chinese New Year Celebrations 2006
Date : 19th January 2006
MAA Assurance contributed RM2,500 towards the purchase of mandarin oranges to be given away to homes for elderly folk and underprivileged children.
- 3) Alicia Ngiam
Date : 25th April 2006
In a humanitarian gesture, RM5,000 was contributed towards the medical care of Alicia who suffered critical injuries in an accident and the high medical bills were too much for her single-parent mother.
- 4) Women Journalists Charity Nite
Date : 30 June 2006
MAA Assurance contributed RM3,000 towards MAA-MEDlcare and to assist a journalist with kidney problems.
- 5) The Saint Vincent De Paul Society
Date : 22nd May 2006
RM1,000 was contributed towards the society's efforts to provide tuition fees and grocery for 3 poor patients seeking treatment at the JB MAA-MEDlcare Charity Dialysis Centre.
- 6) Amal Perdana Pernim 2006
Date : 31st May 2006
Contributed RM2,000 towards the care and welfare of children with HIV and AIDS.
- 7) Donation to Mr. Chong Tuck Meng
Date : 12th June 2006
Mr. Chong needed funds for surgery and treatment resulting from his paralysis due to an accident. MAA Assurance donated RM3,000 towards the cost of this medical treatment.
- 8) Lion's Club
Date : 21st June 2006
MAA Assurance donated RM5,000 for their charitable activities.
- 9) Pertubuhan Kebajikan Anak-anak Yatim Malaysia (PENYATIM)
Date : 27th June 2006
We donated RM10,000 to PENYATIM, an association for disadvantaged children.
- 10) Team HPC Racing for the Children
Date : 7th August 2006
We sponsored RM30,000 for the Merdeka Millenium Endurance Race 2006 Fundraiser. The money was contributed towards The Budimas Charitable Foundation and the Ronald McDonald Children's Charity.



MAA Holdings adopted **The Budimas Charitable Foundation (“Budimas”)** in November 2001. Budimas is under the royal patronage of our Queen, Duli Yang Maha Mulia Seri Paduka Baginda Raja Permaisuri Agong.

Activities undertaken by Budimas:

- 1) Cheque Presentation/Party at Miracle Home
Date : 23rd March 2006
Budimas presented a cheque worth RM30,000 to Miracle Home. This contribution marks the foundation’s 4th contribution as part of its 5-year commitment to support the home.
- 2) Cheque Presentation to Bethesda Home
Date : 22nd June 2006
A cheque of RM20,000 was presented to Bethesda Children’s Mission Home. This is Budimas’ 4th contribution to the Home, pledged in 2002 as part of its 5-year commitment to support the Home.
- 3) Cheque Presentation to Asrama Damai
Date : 9th September 2006
Budimas contributed RM30,000 to Asrama Damai Anak-Anak Yatim. This also marks Budimas’ 4th contribution to the Home as part of its 5-year commitment, pledged in 2002 to support the Home.
- 4) Commencement of Direct Debit Donor Programme
Date : 26th September 2006
Through the “Direct Debit Donor Programme”, we use direct marketing to recruit donors, where a monthly donation is debited via the donors’ bank account or credit card account. Budimas has appointed APPCO Sdn Bhd to assist in the “Direct Debit Donor Programme”.
- 5) Budimas 3rd Charity Raffle Draw
Date : 4th October 2006
This is the 3rd year that Budimas is organising the Charity Raffle Draw. Tickets were sold at RM5.00 each or RM50.00 per booklet. The Charity Raffle Draw is conducted yearly to raise funds for the foundation. Raised RM721,970.00.
- 6) ‘Buka Puasa’ Treat
Date : 13th October 2006
The children from Asrama Damai Anak-Anak Yatim enjoyed their ‘Buka Puasa’ at Charlie’s Reserve. The children were treated to a sumptuous buffet and presented with gifts and ‘duit raya’.
- 7) Cheque Presentation to Good Samaritan Home
Date : 29th December 2006
A RM20,000 cheque was presented to Good Samaritan Home which marks Budimas’ 4th contribution in its 5-year commitment to support the Home.

MAA-MEDicare opened its doors to the public in 1994 to help those with end stage renal failure (ESRF). Eventhough during that time “dialysis” was not a common word and was not understood by many, we were determined to help and set up our first dialysis centre in Jalan Ipoh. In the next 3 years, we established centres in Teluk Intan and Butterworth. Today, we have 11 satellite dialysis centres nationwide providing treatment at subsidised fees.

Activities undertaken by MAA-MEDicare:-

Charity Bazaar

Date : held once every two months, on Sunday mornings

The Charity Bazaar is held once every two months on Sunday mornings at Amcorp Mall. This is one of our most successful fund raising activities as the public is very supportive of the Charity Bazaar by donating items and by turning up to hunt for bargains.



Financial
Statements
2006

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and providing management services. The principal activities of the Group consist of general and life insurance businesses, investment holding, hire purchase, leasing and other credit activities, unit trust, property management, fund management and investment advisory, security and consultancy services.

There have been no significant changes in the nature of these activities for the Group or the Company during the financial year.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
(Loss)/profit for the financial year	<u>(1,662)</u>	<u>15,467</u>

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final tax exempt dividend of 10 sen per share, totalling RM15,218,000, on 9 August 2006 in respect of the financial year ended 31 December 2005, as shown in the Directors' report of that financial year.

The Directors now recommend the payment of a first and final tax exempt dividend of 2 sen per share on 304,354,000 ordinary shares, totalling RM6,087,000, in respect of the financial year ended 31 December 2006, subject to the approval of the members at the forthcoming Annual General Meeting of the Company.

ISSUE OF SHARES

On 8 September 2006, the Company made a bonus issue of 152,176,876 new ordinary shares of RM1 each on the basis of 1 new ordinary share of RM1 each for every 1 existing ordinary shares of RM1 each, by capitalising RM11,744,389 from share premium and RM140,432,487 from retained earnings.

The newly issued shares rank pari passu in all respect with the existing shares of the Company.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah
Major General Lai Chung Wah (Rtd)
Dato' Iskandar Michael bin Abdullah
Yeo Took Keat
General Dato' Sri Hj Suleiman bin Mahmud (Rtd)
Datuk Razman Md Hashim bin Che Din Md Hashim (appointed on 01.07.2006)
Datuk Ramlan bin Abdul Rashid (appointed on 07.09.2006)
Muhamad Umar Swift (appointed on 07.09.2006)
Tan Sri Ahmad bin Mohd Don (appointed on 13.10.2006)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah (appointed on 10.01.2007)
Tan Sri Dato' Ir Abu Zarim bin Haji Omar (resigned on 01.07.2006)

In accordance with Section 129(6) of the Companies Act, 1965, Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman and Major General Lai Chung Wah (Rtd) retire and they, being eligible, offer themselves for re-election.

In accordance with Article 73 of the Company's Articles of Association, Dato' Iskandar Michael bin Abdullah retires at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with Article 79 of the Company's Articles of Association, Datuk Razman Md Hashim bin Che Din Md Hashim, Muhamad Umar Swift, Datuk Ramlan bin Abdul Rashid, Tan Sri Ahmad bin Mohd Don and Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah, who were appointed during the period, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Report (continued)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:

Company	Number of ordinary shares of RM1 each			
	At 1.1.2006/ date of appointment	Acquired #	Disposed	At 31.12.2006
Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman - Indirect *	51,889,342	51,889,342	-	103,778,684
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah - Indirect *	51,889,342	51,889,342	-	103,778,684
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah - Direct	618,750	618,750	-	1,237,500
- Indirect *	51,889,342	51,889,342	-	103,778,684
Yeo Took Keat	40,000	40,000	-	80,000
Datuk Ramlan bin Abdul Rashid	3,333	3,333	-	6,666

* Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965, held through Iternum Melewar Sdn Bhd, a company in which the above mentioned Directors have an interest.

Acquired via bonus issue of 152,176,876 new ordinary shares by the Company on 8 September 2006.

By virtue of the above mentioned Directors' interests in the shares of the Company, they are also deemed to have a substantial interest in the shares of the subsidiary companies of the Company to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company or its related corporations 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, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than Directors' remuneration, fees paid to a company in which certain Directors have an interest and benefits provided to Directors as disclosed in note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- which would render the amounts written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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

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

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

- (a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects of changes in accounting policies as disclosed in note 44 to the financial statements; and
- (b) 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 to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Company announced on 29 September 2004 the corporate proposal on renounceable rights issue of up to 152,177,000 New Irredeemable Preference Shares of RM1 each ("IPS") ("Rights IPS") together with up to 152,177,000 free detachable Ordinary Shares of RM1 each ("Ordinary Shares") ("Bonus Shares") and up to 152,177,000 free detachable Warrants ("Warrants") on the basis of one (1) Rights IPS with one (1) free detachable Bonus Share and one (1) free detachable Warrant for every one (1) existing Ordinary Share held in the Company at an entitlement date to be determined later ("Rights Issue of IPS"). The Rights Issue of IPS was approved by the shareholders of the Company at the Extraordinary General Meeting held on 22 February 2005.

Given the uncertain sentiments in the Malaysian equity market prevailing then, the Company with the approval of the Securities Commission ("SC") had extended the completion of the proposed Rights Issue of IPS twice, firstly from 3 June 2005 to 31 December 2005 and subsequently from 1 January 2006 to 30 June 2006.

On 3 May 2006, the Company announced that after taking into consideration the then market sentiments and the market performance of the ordinary shares of the Company, it has decided to abort the proposed Rights Issue of IPS.

Notwithstanding the abortion of the proposed Rights Issue of IPS, the Board of Directors of the Company on 3 May 2006 announced that the Company will proceed with the Proposed Bonus Issue of up to 152,177,000 new ordinary shares of RM1 each as fully paid on the basis of one (1) Bonus Share for every one (1) existing ordinary share held to the registered shareholders of the Company at the close of business on an entitlement date to be determined and announced later ("Proposed Bonus Issue").

The Proposed Bonus Issue will be issued via capitalization of up to RM152,177,000 from the following:

- (i) up to RM111,744,000 from share premium account of the Company; and
- (ii) up to RM140,433,000 from retained earnings of the Company.

The Proposed Bonus Issue was approved by the shareholders of the Company at the Annual General Meeting held on 21 June 2006.

The Company had on 19 July 2006 submitted an Application for listing of additional ordinary shares to be issued pursuant to the Proposed Bonus Issue to Bursa Malaysia Securities Berhad ("Bursa Securities"). The approval was obtained on 1 August 2006 from Bursa Securities.

152,177,000 new ordinary shares of RM1 each were subsequently allotted on 8 September 2006 pursuant to the Proposed Bonus Issue.

- (b) On 2 May 2006, a new subsidiary company namely MAA Takaful Berhad ("MAA Takaful") was incorporated with an authorised share capital of RM150,000,000 comprising 150,000,000 ordinary shares of RM1 each of which RM2 have been issued and fully paid-up.

MAA Takaful was incorporated pursuant to the approval of Bank Negara Malaysia ("BNM") to carry on Takaful business in Malaysia with joint venture partner, Solidarity Company BSC (C) ("Solidarity"). The equity participation of the Company and Solidarity in MAA Takaful is 75% and 25% respectively.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

The Company has subsequently on 21 September 2006 entered into a Subscription Agreement with Solidarity in respect of the subscription of 100,000,000 shares of RM1 each ("Initial Shares") in MAA Takaful by both parties within thirty (30) days from the date of the Subscription Agreement or such other extended date as the parties may mutually agree.

The parties have also entered into a Shareholders' Agreement to regularise their relationship as shareholders of MAA Takaful and the conduct of the affairs of MAA Takaful. The Shareholders' Agreement will take effect on the date the parties subscribe to their respective shares in MAA Takaful.

MAA Takaful has on 16 November 2006 submitted an application to the SC for the increase in its paid up capital. The approval was obtained from the SC on 15 January 2007.

- (c) On 4 August 2006, the Company announced the Proposed Issuance of Commercial Papers ("CP") and/or Medium Term Notes ("MTN") Programme of up to RM200 million ("Proposed Programme").

The Proposed Programme will comprise the issuance of CP with tenors ranging from one (1) month to twelve (12) months and/or MTN with tenors of more than one (1) year but not exceeding seven (7) years. The proceeds from the Proposed Programme will be used in relation to financing the Company's investment in Takaful business, to repay certain existing bank borrowings of the Company and its subsidiary companies, to finance redemption of its existing RM120 million Serial Fixed Rate Bonds maturing on 21 August 2007, to pre-fund the debt service reserve account to be established for the purposes of the Proposed Programme and to finance working capital of the Company.

The approval for Proposed Programme was obtained on 28 August 2006 from Securities Commission ("SC").

On 5 December 2006, the Company submitted an application to the SC for the following variations to the principal terms and conditions of the Proposed Programme:

- i) to secure the issuance under the Proposed Programme by a bank guarantee facility from DBS Bank Lt, Labuan Branch ("DBS Bank") up to the maximum aggregate principal amount of the United States Dollars equivalent to RM200 million; and
- ii) to vary the utilisation of proceeds of the Proposed Programme, where among others the Company's investment in Takaful business will be financed from internally generated fund

The SC has via its letter dated 22 December 2006 approved the above stated variations.

On 8 January 2007, the Company successfully issued RM200 million nominal amount of Medium Terms Notes up to a tenure of 5 years.

- (d) On 22 September 2006, Columbus Capital Singapore Pte Ltd ("CCS"), a new wholly-owned subsidiary company of MAA International Investment Ltd, which in turn is a wholly-owned subsidiary of the Company, entered into a conditional subscription agreement with Columbus Capital Pty Limited ("CCPL") to subscribe up to 20.0 million Series A Preference Shares at an issue price of AUD1.00 each, representing up to 50% equity interest in CCPL for a total cash consideration of AUD20.0 million or equivalent to approximately RM57.0 million.

CCPL was incorporated in Australia under the Corporation Act 2001 on 4 May 2006.

CCS subscribed 15.0 million Series A Preference Shares in CCPL on 6 October 2006, representing 42.86% equity interest in CCPL.

- (e) MAA International Assurance Ltd ("MAAIA"), a wholly-owned subsidiary company of MAA Corporation Sdn Bhd together with its subsidiary company, Tuang Thai Co. Ltd had on 14 September 2006 entered into a Share Sale and Purchase Agreement with Mr. Krisana Kritmanrote for the disposal of a total 4,799,800 ordinary shares of Thai Baht 10.00 each, representing the 42.15% equity interest in MAAKK Wealth Management Co. Ltd ("MAAKK"), an associated company, for a total cash consideration of Thai Baht 47,998 (equivalent to approximately RM4,713) and the agreed repayment of Thai Baht 39,000,000 (equivalent to approximately RM3,829,800) of the amount owing by MAAKK to MAAIA. The disposal was completed on 17 October 2006.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 April 2007.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
DIRECTOR

MUHAMAD UMAR SWIFT
DIRECTOR

Kuala Lumpur
27 April 2007

Statement By Directors Pursuant To Section 169(15) Of The Companies Act, 1965

We, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah and Muhamad Umar Swift, two of the Directors of MAA Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 71 to 162 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2006 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Accounting Standard Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 April 2007.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDUL LAH
DIRECTOR

MUHAMAD UMAR SWIFT
DIRECTOR

Kuala Lumpur

Statutory Declaration Pursuant To Section 169(16) Of The Companies Act, 1965

I, Muhamad Umar Swift, being the director primarily responsible for the financial management of MAA Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 71 to 162 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MUHAMAD UMAR SWIFT

Subscribed and solemnly declared by the abovenamed Muhamad Umar Swift at Kuala Lumpur in Malaysia on 27 April 2007, before me.

LEONG TUCK ONN
COMMISSIONER FOR OATHS

Report Of The Auditors To The Members Of MAA Holdings Berhad (Company No. 471403 A) (Incorporated in Malaysia)

We have audited the financial statements set out on pages 71 to 162. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:

- (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (ii) the state of affairs of the Group and of the Company as at 31 December 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiary companies of which we have not acted as auditors are indicated in note 10 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies 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 auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection 3 of section 174 of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

JAYARAJAN A/L U. RATHINASAMY
(No. 2059/06/08 (J))
Partner of the firm

Kuala Lumpur
27 April 2007

Balance Sheets As At 31 December 2006

	Note	GROUP		COMPANY	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS					
GENERAL AND SHAREHOLDERS' FUND ASSETS					
Property, plant and equipment	4(a)	97,578	97,560	2,825	2,029
Intangible assets	5	8,839	6,189	-	-
Investment properties	6(a)	48,423	55,408	-	-
Financial assets					
Investments					
- at fair value through profit or loss	7(a)	86,370	174,609	11,610	10,879
- available-for-sale	7(a)	181,740	133,120	-	-
- held to maturity	7(a)	21,027	10,714	-	-
Loans and receivables	8(a)	380,629	354,381	136,846	146,847
Insurance receivables	9(a)	85,046	81,313	-	-
Subsidiary companies	10	-	-	252,076	252,076
Associated companies	11	53,339	14,029	8,593	31,344
Tax recoverable		28,301	18,962	4,255	1,792
Deferred tax assets	12	6,890	9,597	6,847	690
Fixed and call deposits	37(a)	115,230	140,007	1,230	2,385
Cash and bank balances	36	27,165	28,935	972	542
TOTAL GENERAL AND SHAREHOLDERS' FUND ASSETS		1,140,577	1,124,824	425,254	448,584
TOTAL LIFE FUND ASSETS		6,026,649	5,425,679	-	-
TOTAL ASSETS		7,167,226	6,550,503	425,254	448,584
LIABILITIES					
GENERAL AND SHAREHOLDERS' FUND LIABILITIES					
Provision for outstanding claims	13(a)	305,027	287,333	-	-
Insurance payables	14(a)	77,372	62,514	-	-
Financial liabilities					
Borrowings					
- bonds - unsecured	16	30,000	60,000	30,000	60,000
- term loans	17	69,935	67,155	30,000	30,000
- bank overdrafts - unsecured	18	26,002	14,293	17,382	12,579
Trade and other payables	15(a)	99,347	74,817	2,076	458
Current tax liabilities		14,321	9,417	-	-
Deferred tax liabilities	12	1,890	4,805	-	-
TOTAL GENERAL AND SHAREHOLDERS' FUND LIABILITIES		623,894	580,334	79,458	103,037
TOTAL LIFE FUND LIABILITIES		635,138	537,966	-	-
		1,259,032	1,118,300	79,458	103,037
Unearned premium reserves	19	145,974	151,349	-	-
Life policyholders' fund	20	5,378,381	4,874,075	-	-
Life fund reserves	23(b)	13,130	13,638	-	-
		5,537,485	5,039,062	-	-
TOTAL LIABILITIES		6,796,517	6,157,362	79,458	103,037

Balance Sheets As At 31 December 2006 (continued)

	Note	GROUP		COMPANY	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
EQUITY					
Capital and reserve attributable to the Company's equity holders					
Share capital	21	304,354	152,177	304,354	152,177
Share premium	22	-	11,744	-	11,744
Retained earnings	23(a)	67,688	225,515	41,442	181,626
Reserves	23(a)	(3,786)	1,930	-	-
		<u>368,256</u>	<u>391,366</u>	<u>345,796</u>	<u>345,547</u>
Minority interest		2,453	1,775	-	-
TOTAL EQUITY		<u>370,709</u>	<u>393,141</u>	<u>345,796</u>	<u>345,547</u>
TOTAL LIABILITIES AND EQUITY		<u>7,167,226</u>	<u>6,550,503</u>	<u>425,254</u>	<u>448,584</u>

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

Income Statements

For The Financial Year Ended 31 December 2006

	Note	GROUP		COMPANY	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
OPERATING REVENUE	24	2,283,885	2,205,420	59,036	93,314
SHAREHOLDERS' FUND					
Investment income	25(a)	3,573	3,305	56,168	90,634
Operating revenue from non-insurance subsidiaries	26	59,592	54,590	-	-
Other operating (expenses)/income-net	27(a)	(18,606)	24,459	(20,523)	550
Management expenses	28	(67,125)	(61,596)	(14,283)	(13,001)
		(22,566)	20,758	21,362	78,183
SURPLUS TRANSFERRED FROM INSURANCE REVENUE ACCOUNTS:					
General insurance		5,578	10,939	-	-
Life insurance		34,323	20,226	-	-
Profit from operations		17,335	51,923	21,362	78,183
Finance costs	29	(11,372)	(9,859)	(8,205)	(8,574)
Share of loss of associated companies		(2,853)	(931)	-	-
PROFIT BEFORE TAXATION		3,110	41,133	13,157	69,609
Taxation	30	(4,772)	1,716	2,310	(21,260)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(1,662)	42,849	15,467	48,349
Attributable to:					
- Equity holders of the Company		(2,176)	42,619	15,467	48,349
- Minority interest		514	230	-	-
		(1,662)	42,849	15,467	48,349
GROSS DIVIDENDS PER SHARE (sen)	31	2.0	10.0	2.0	10.0
EARNINGS PER SHARE FOR (LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING THE FINANCIAL YEAR (sen)					
- basic	32	(0.7)	14.0		

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

General Insurance Revenue Account For The Financial Year Ended 31 December 2006

	Note	GROUP					
		Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross premium		77,996	203,898	42,197	33,944	94,602	452,637
Reinsurance		(48,673)	(15,418)	(6,196)	(29,077)	(30,385)	(129,749)
Net premium		29,323	188,480	36,001	4,867	64,217	322,888
(Increase)/decrease in unearned premium reserves	19	(464)	8,524	1,032	(1,689)	(2,606)	4,797
Earned premium		28,859	197,004	37,033	3,178	61,611	327,685
Net claims incurred	33	(18,435)	(150,644)	(33,834)	(1,070)	(28,233)	(232,216)
Net commission		73	(20,248)	(3,374)	1,656	(8,468)	(30,361)
Underwriting surplus/(deficit) before management expenses		10,497	26,112	(175)	3,764	24,910	65,108
Management expenses	28						(84,033)
Underwriting deficit							(18,925)
Investment income	25(b)						23,921
Other operating income - net	27(b)						582
Surplus transferred to Income Statement							5,578

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

General Insurance Revenue Account For The Financial Year Ended 31 December 2005

	Note	GROUP					Total RM'000
		Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	
Gross premium		83,089	215,689	41,466	23,762	95,959	459,965
Reinsurance		(53,327)	(14,394)	(6,036)	(18,897)	(39,545)	(132,199)
Net premium		29,762	201,295	35,430	4,865	56,414	327,766
Increase in unearned premium reserves	19	(1,480)	(8,798)	(3,521)	(355)	(3,875)	(18,029)
Earned premium		28,282	192,497	31,909	4,510	52,539	309,737
Net claims incurred	33	(17,230)	(128,840)	(16,381)	(2,149)	(18,220)	(182,820)
Net commission		(91)	(21,295)	(3,447)	(444)	(7,009)	(32,286)
Underwriting surplus before management expenses		10,961	42,362	12,081	1,917	27,310	94,631
Management expenses	28						(78,528)
Underwriting surplus							16,103
Investment income	25(b)						23,267
Other operating expenses - net	27(b)						(28,431)
Surplus transferred to Income Statement							10,939

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

Life Fund Balance Sheet As At 31 December 2006

	Note	2006 RM'000	GROUP 2005 RM'000
ASSETS			
Property, plant and equipment	4(b)	281,269	264,193
Intangible assets	5(b)	2,685	-
Investment properties	6(b)	686,514	672,894
Financial assets			
Investments			
- at fair value through profit or loss	7(b)	670,399	782,926
- available-for-sale	7(b)	1,540,446	1,259,685
- held to maturity	7(b)	514,234	346,734
Loans and receivables	8(b)	1,115,663	986,401
Insurance receivables	9(b)	40,262	46,701
Tax recoverable		21,636	10,994
Deferred tax assets	12	10,305	13,694
Fixed and call deposits	37(b)	551,038	680,872
Cash and bank balances	36	50,203	27,762
Investment-linked fund assets	34	541,995	332,823
TOTAL LIFE FUND ASSETS		<u>6,026,649</u>	<u>5,425,679</u>
LIABILITIES			
Provision for outstanding claims	13(b)	16,729	14,439
Provision for life agents' retirement benefits	35	3,910	5,001
Insurance payables	14(b)	460,231	414,362
Trade and other payables	15(b)	122,708	89,907
Current tax liabilities		4,082	149
Deferred tax liabilities	12	3,948	4,101
Investment-linked fund liabilities	34	23,530	10,007
TOTAL LIFE FUND LIABILITIES		<u>635,138</u>	<u>537,966</u>
LIFE POLICYHOLDERS' FUND RESERVES	20	5,378,381	4,874,075
	23(b)	13,130	13,638
		<u>5,391,511</u>	<u>4,887,713</u>
TOTAL LIFE FUND LIABILITIES AND LIFE POLICYHOLDERS' FUND		<u>6,026,649</u>	<u>5,425,679</u>

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

Life Insurance Revenue Account For The Financial Year Ended 31 December 2006

	Note	GROUP	
		2006 RM'000	2005 RM'000
Gross premium		1,447,960	1,422,936
Reinsurance		(14,442)	(19,765)
Net premium		<u>1,433,518</u>	<u>1,403,171</u>
Gross benefits paid and payable:			
Death		(53,829)	(42,384)
Maturity		(495,897)	(489,462)
Medical		(3,903)	-
Cash bonus		(182,775)	(163,260)
Surrender		(210,051)	(162,451)
Annuity		(568)	(701)
Others		(60,186)	(53,415)
Reinsurance recoveries		10,046	7,162
Net benefits paid and payable		<u>(997,163)</u>	<u>(904,511)</u>
Commission and agency expenses		436,355	498,660
Management expenses	28	(137,245)	(142,787)
		<u>(105,213)</u>	<u>(90,900)</u>
Investment income	25(c)	193,897	264,973
Other operating income/(expenses) - net	27(c)	277,341	229,408
		<u>32,597</u>	<u>(26,800)</u>
Surplus from operations		503,835	467,581
Finance costs	29	(43)	(15)
Surplus before taxation		503,792	467,566
Taxation	30	(17,652)	(7,525)
Surplus for the financial year after taxation		486,140	460,041
Exchange reserve from investment-linked fund		(1,218)	43
Surplus/(deficit) from investment-linked fund	34	54,366	(21,586)
Net surplus before changes in policy reserves for the financial year		539,288	438,498
Life policyholders' fund at beginning of financial year:	20		
- as previously stated		4,874,075	4,447,086
- adjustments due to change in accounting policies		(659)	8,717
- as restated		4,873,416	4,455,803
Surplus transferred to Income Statement	20	(34,323)	(20,226)
Life policyholders' fund at end of financial year	20	<u>5,378,381</u>	<u>4,874,075</u>

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

Consolidated Statement Of Changes In Equity For The Financial Year Ended 31 December 2006

	Note	Attributable to equity holders of the Company						Total RM'000
		Issued and fully paid ordinary shares of RM 1 each		Share premium RM'000	Reserves RM'000	Retained earnings RM'000	Minority interest RM'000	
		Number of shares '000	Nominal value RM'000					
2006								
Balance as at 1 January		152,177	152,177	11,744	1,930	225,515	1,775	393,141
Issue of bonus shares during the financial year	21, 22, 23(a)	152,177	152,177	(11,744)	-	(140,433)	-	-
Increase arising from additional investment in subsidiary company during the financial year		-	-	-	-	-	164	164
Currency translation differences arising during the financial year	23(a)	-	-	-	(5,325)	-	-	(5,325)
Net change in available-for-sale financial assets	23(a)	-	-	-	(116)	-	-	(116)
Impairment of property, plant and equipment, net of tax	23(a)	-	-	-	(275)	-	-	(275)
Loss for the financial year		-	-	-	-	(2,176)	514	(1,662)
Dividends paid for the financial year ended 31 December 2005	31	-	-	-	-	(15,218)	-	(15,218)
Balance as at 31 December		<u>304,354</u>	<u>304,354</u>	<u>-</u>	<u>(3,786)</u>	<u>67,688</u>	<u>2,453</u>	<u>370,709</u>
2005								
Balance as at 1 January		152,177	152,177	11,744	(93)	194,644	1,539	360,011
- as previously stated		152,177	152,177	11,744	(93)	194,644	1,539	360,011
- adjustments due to changes in accounting policies	23(a)	-	-	-	2,062	11,079	-	13,141
- restated		<u>152,177</u>	<u>152,177</u>	<u>11,744</u>	<u>1,969</u>	<u>205,723</u>	<u>1,539</u>	<u>373,152</u>
Increase arising from subsidiary companies acquired during the financial year		-	-	-	-	-	6	6
Currency translation differences arising during the financial year	23(a)	-	-	-	215	-	-	215
Net change in available-for-sale financial assets	23(a)	-	-	-	(254)	-	-	(254)
Profit for the financial year		-	-	-	-	42,619	230	42,849
Dividends paid for the financial year ended 31 December 2004	31	-	-	-	-	(22,827)	-	(22,827)
Balance as at 31 December		<u>152,177</u>	<u>152,177</u>	<u>11,744</u>	<u>1,930</u>	<u>225,515</u>	<u>1,775</u>	<u>393,141</u>

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

Company Statement Of Changes In Equity For The Financial Year Ended 31 December 2006

	Note	Issued and fully paid ordinary shares of		Non- distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
		Number of shares '000	Nominal value RM'000			
2006						
Balance as at 1 January		152,177	152,177	11,744	181,626	345,547
Issue of bonus shares during the financial year	21, 22, 23(a)	152,177	152,177	(11,744)	(140,433)	-
Profit for the financial year		-	-	-	15,467	15,467
Dividends paid for the financial year ended 31 December 2005	31	-	-	-	(15,218)	(15,218)
Balance as at 31 December		<u>304,354</u>	<u>304,354</u>	<u>-</u>	<u>41,442</u>	<u>345,796</u>
2005						
Balance as at 1 January		152,177	152,177	11,744	216,192	380,113
- as previously stated		152,177	152,177	11,744	216,192	380,113
- prior year adjustment	23(a)	-	-	-	(59,400)	(59,400)
- adjustments due to changes in accounting policies	23(a)	-	-	-	(688)	(688)
- restated		<u>152,177</u>	<u>152,177</u>	<u>11,744</u>	<u>156,104</u>	<u>320,025</u>
Profit for the financial year		-	-	-	48,349	48,349
Dividends paid for the financial year ended 31 December 2004	31	-	-	-	(22,827)	(22,827)
Balance as at 31 December		<u>152,177</u>	<u>152,177</u>	<u>11,744</u>	<u>181,626</u>	<u>345,547</u>

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

Consolidated Cash Flow Statement

For The Financial Year Ended 31 December 2006

	Note	GROUP 2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the financial year		(1,662)	42,849
Adjustments for:			
Loss/(gain) on disposal of:			
- investments - net		19,532	68,884
- investment properties		681	(12,974)
Fair value (gain)/loss in financial assets at fair value through profit or loss		(109,222)	71,218
Fair value loss/(gain) in investment properties		21,737	(261)
Impairment on financial asset held-to-maturity		3,656	10,000
(Increase)/decrease in value of investments in investment-linked business		(42,435)	9,741
Property, plant and equipment:			
- depreciation		20,355	20,078
- loss/(gain) on disposal		97	(98)
- write off		7	433
Amortisation of intangible assets		1,829	347
Amortisation of leases		62	-
Impairment loss on property, plant and equipment		17,011	-
(Decrease)/increase in unearned premium reserves		(4,797)	18,029
Life fund surplus before changes in policy reserves		539,288	438,498
Transfer of life fund surplus to income statement		(34,323)	(20,226)
Interest expense		11,415	9,874
Investment income		(323,696)	(267,929)
Share of loss/(profit) of associated companies		2,853	931
Loss on disposal of associated company		793	-
Provision for agents' retirement benefits		393	1,490
Bad debts write off		10,737	424
(Write back of)/allowance for doubtful debts on hire purchase and lease receivables		(1,061)	1,781
Allowance for doubtful debt on loans		20,892	141
Other provisions		-	19,602
Tax expense		25,764	7,158
Minority interest		164	236
Profit from operations before changes in operating assets and liabilities		180,070	420,226
Decrease/ (increase) in other receivables		24,801	(48,771)
Increase/(decrease) in insurance, trade and other payables		128,193	(92,528)
Increase/(decrease) in provision for outstanding claims		19,984	(27,082)
Decrease/(increase) in fixed and call deposits		163,854	(46,738)
Increase in loans		(77,668)	(114,745)
Interest paid		(11,415)	(9,874)
Dividends received		37,221	56,960
Interest received		139,615	190,726
Other investment income received		17,968	13,079
Payments of agents' retirement benefits		(1,484)	(2,064)
Proceeds from disposal of investments		1,537,247	1,744,667
Purchases of investments		(1,929,484)	(2,018,023)
Purchase of intangible assets		(4,577)	-
Purchases of investment properties		(84,245)	(75,473)
Proceeds from disposal of investment properties		4,844	70,778
Cash generated from operations		144,924	61,138
Income taxes paid		(32,163)	(48,328)
NET CASH INFLOW FROM OPERATING ACTIVITIES	38	112,761	12,810

Consolidated Cash Flow Statement

For The Financial Year Ended 31 December 2006 (continued)

	Note	GROUP	
		2006 RM'000	2005 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(15,927)	(12,203)
Proceeds from disposal of property, plant and equipment		635	1,859
Proceeds from disposal of associated company		5	-
Investment in associated companies		(42,962)	(11,379)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	38	(58,249)	(21,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(15,218)	(22,827)
Term loan obtained		2,780	37,155
Repayment of bond		(30,000)	(20,000)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	38	(42,438)	(5,672)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	38	12,074	(14,585)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		48,207	62,792
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	36	60,281	48,207

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

Company Cash Flow Statement

For The Financial Year Ended 31 December 2006

	Note	2006 RM'000	GROUP 2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year		15,467	48,349
Adjustments for:			
Net fair value (gain)/loss of financial assets at fair value through profit or loss		(731)	2,021
Property, plant and equipment			
- depreciation		451	453
- write off		6	-
- loss on disposal		56	105
Interest expense		8,205	8,574
Interest income		(7,268)	(8,134)
Dividend income		(48,900)	(82,500)
Impairment loss on associated company		24,065	-
Tax expense		(2,310)	21,260
Loss from operations before changes in operating assets and liabilities		(10,959)	(9,872)
Decrease in loans		103	79
Increase in other receivables		(4,225)	(210)
Increase/(decrease) in other payables		1,618	(4)
Decrease/(increase) in current balances with subsidiary companies		46,537	(1,495)
Cash generated from/(used in) operations		33,074	(11,502)
Interest paid		(8,205)	(8,574)
Interest received		1,254	278
Dividends received		16,200	59,400
Income tax paid		(10)	(29)
NET CASH INFLOW FROM OPERATING ACTIVITIES		42,313	39,573
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		52	105
Purchase of property, plant and equipment		(1,361)	(424)
Proceeds from withdrawal of fixed and call deposits		1,155	720
Purchase of investment in quoted equity securities		-	(6,934)
Investment in associated company		(1,314)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,468)	(6,533)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bonds		(30,000)	(20,000)
Dividends paid		(15,218)	(22,827)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(45,218)	(42,827)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,373)	(9,787)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		(12,037)	(2,250)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	36	(16,410)	(12,037)

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

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in investment holding and providing management services. The principal activities of the Group consist of general and life insurance businesses, investment holding, hire purchase, leasing and other credit activities, unit trust, property management, fund management and investment advisory, security and consultancy services.

There have been no significant changes in the nature of these activities for the Group and the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Malaysia Securities Exchange Berhad.

The registered office and principal place of business of the Company are as follows:

Registered office

Suite 20.03, 20th Floor
Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Principal place of business

23rd Floor, Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 April 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention modified by the valuation of investments in the investment-linked business at market value, the revaluation of investment properties, remeasurement at fair value of available-for-sale financial assets, and financial assets and financial liabilities held at fair value through profit or loss. The financial statements also comply with the Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965, in all material aspects.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

The accounting policies adopted are consistent with those of the previous financial year except as noted below:

(a) Investment property

In the financial year ended 31 December 2006, the Group reassessed their judgement over the identification of these properties used in the generation of investment income and those properties held for administrative purposes (see note 3(b) to the financial statements). This change has resulted in the reclassification of certain properties from investment properties to property, plant and equipment.

(b) Property, plant and equipment

Revaluation of land and buildings

Following the Group's reassessment of investment properties which resulted in the reclassification of certain properties to property, plant and equipment, the Group has adopted the revaluation model on land and buildings classified as property, plant and equipment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

These changes are applied retrospectively and the effects of these changes are disclosed in note 43 to the financial statements.

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

The new standards, amendments to published standards and interpretations that are mandatory for the Group's and Company's financial periods beginning on or after 1 January 2007 or later periods, but which the Group and Company has not early adopted, are as follows:

Amendment to FRS 119²⁰⁰⁴ Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January 2007). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Group currently does not have any defined benefit plans but will apply the amendment if applicable, from financial periods beginning on 1 January 2007.

Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in. The Group will apply the amendment if applicable, from financial periods beginning on 1 January 2008.

- (ii) Standards that are not yet effective and not relevant, and interpretations to existing standards that are effective for the Group's and Company's operations

The standards that are not effective and not relevant and interpretations to existing standards that are effective for the Group's and Company's operations are as below. The interpretations to the existing standards are effective for the financial period beginning on 1 January 2006.

- FRS 6: Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007).
- IC 107: Introduction to Euro
- IC 110: Government Assistance – No Specific Relation to Operating Activities
- IC 112: Consolidation – Special Purpose Entities
- IC 113: Jointly Controlled Entities – Non-Monetary Contributions by Venturers
- IC 115: Operating Leases – Incentives
- IC 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets
- IC 125: Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
- IC 127: Evaluating the Substance of Transactions involving the Legal Form of a Lease
- IC 129: Disclosure – Service Concession Arrangements
- IC 131: Revenue – Barter Transactions Involving Advertising Services
- IC 132: Intangible Assets – Web Site Costs

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year.

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Subsidiary companies are consolidated using the purchase method of accounting, except for the acquisition of Malaysian Assurance Alliance Berhad ("MAA") which was consolidated using the merger method of accounting in accordance with Malaysian Accounting Standard ("MAS") No. 2 - Accounting for Acquisitions and Mergers, the extant accounting standard prevailing at the time of the merger.

For acquisition of subsidiary companies made prior to 1 January 2005, the excess or deficit of the acquisition cost over the fair values of the Group's share of the subsidiary companies' identifiable net assets as at the date of acquisition is written off to reserves in the financial year of acquisition.

Under the merger method of accounting prescribed by MAS 2, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment in the subsidiary company over the nominal value of the shares acquired is taken to merger reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

The Group has taken advantage of the exemption provided by FRS 3 – Business Combinations to apply this Standard prospectively. Accordingly, business combinations entered into prior to 1 January 2006 have not been restated to comply with this Standard. In addition, FRS 3 requires business combinations to be accounted for using acquisition accounting method.

Under the purchase method of accounting, the results of subsidiary companies acquired or disposed off during the financial year are included from the date of acquisition up to the date of disposal. The cost of acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. When more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interest of the Group is accounted for as a revaluation.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill (see note 2(k)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the income statement.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed to ensure consistency of accounting policies with those of the Group.

Minority interest represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned directly or indirectly through subsidiaries by the parent. It is measured at the minorities' share of the fair value of the subsidiaries identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries equity since that date.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net asset as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

(c) Associated companies

Associated companies are companies in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% to 50% voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss (see note 2(k)).

Equity accounting involves recognising in the income statement, the Group's share of the results of associated companies for the financial year and its share of post-acquisition movements in reserves, recognised in reserves. The cumulative post-acquisition movement in reserves are adjusted against the carrying amount of the investment. The Group's investments in associated companies are carried in the balance sheet at an amount that reflects its share of the net assets of the associated companies. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in associates are recognised in income statement.

For incremental interest in associated company, the date of acquisition is the date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. The previously acquires stake is stepped up to fair value and the share of profits and equity movements for the previously acquired stake are not recognised since they are embedded in the step-up.

(d) Property, plant and equipment

Property, plant and equipment are initially stated at cost or valuation. Costs include expenditure that is directly attributed to the acquisition of the asset. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuation by external independent valuers, less subsequent depreciation and impairment losses. The Group and Company may perform additional valuations during the intervening periods where market conditions indicate that the carrying value of the revalued assets are materially higher than the market value.

Notes To The Financial Statements

- 31 December 2006 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less depreciation and impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement and/or revenue accounts during the financial period in which they are incurred.

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

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives. The annual depreciation rates are as follows:

Freehold buildings	2%
Leasehold buildings	Over the remaining leasehold period or 2%, whichever is lower
Plant and machinery	10% - 20%
Furniture, fittings and equipment	10% - 50%
Motor vehicles	20%
Renovation	10% - 20%

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the income statements and/or revenue accounts. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings and/or life policyholders' fund.

(e) Investment properties

Investment properties, comprising of principally land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are carried at fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed by an independent valuation expert.

Changes in fair values are recorded in the income statement and/or revenue accounts as part of other income.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long term yields and is not occupied by the Group. The initial cost of the property is the lower of the fair value of the property and the present value of the maximum lease payments. The property is carried at fair value after initial recognition.

On disposal of an investment property or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between net proceed and the carrying amount is recognised in the income statement and/or revenue accounts in the financial year of the retirement or disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity and/or revaluation reserve of the insurance funds as a revaluation of property, plant and equipment. However, if a fair value gains reverses a previous impairment loss, the gain is recognised in the income statement and/or revenue accounts. Upon the disposal of such investment property, any surplus previously recorded in equity and/or revaluation reserve of the insurance funds is transferred to the retained earnings and/or life policyholders' fund.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial assets

The Group classifies its financial assets into the following categories: financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) Financial assets measured at fair value through profit or loss

The Group classifies investments acquired for the purpose of selling in the short-term as held for trading. Derivatives are also classified as held for trading unless they are designated as hedge.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale.

(iii) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Valuation principles

Financial assets are initially measured at fair value plus transaction costs except for investments held for trading, which are recognised at fair value.

For investments held for trading, gains and losses arising from changes in fair value are included in the income statement and/or revenue accounts.

For available-for sale investments, gains and losses arising from changes in fair value are recognised in equity until the investment is disposed off or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement and/or revenue accounts.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Investment in subsidiary and associated companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy note 2(g) on impairment of assets.

(g) Impairment of assets

(i) Financial assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

(i) Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statements and/or revenue accounts. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statements and/or revenue accounts.

(ii) Financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statements and/or revenue accounts. Impairment losses recognised in the income statements and/or revenue accounts on equity instruments are not subsequently reversed. The impairment loss is reversed through the income statements and/or revenue accounts, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(iii) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Derivative instruments

Derivative instruments, comprising mainly Kuala Lumpur Composite Index ("KLCI") futures, are initially recognised in the balance sheet at fair value and are subsequently remeasured at their fair values.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. As the Group's derivative instruments do not qualify for hedge accounting, changes in the fair value of all such derivative instruments are recognised immediately in the income statements and/or revenue accounts.

(i) Loans and receivables

Loans and receivables, except for those relating to insurance contracts, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Insurance receivables

For the insurance subsidiary companies with insurance receivables, known bad debts are written-off and specific allowances are made for any premiums including agents balances or reinsurance balances which remain outstanding for more than six months from the date on which they become receivable except for motor premiums for which allowance is made for amount outstanding for more than 30 days, and for all debts which are considered doubtful.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries made on or after 1 January 2005, is included in intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. All goodwill is allocated to cash generating units for the purpose of impairment testing.

(ii) Management rights

This represents the purchase consideration to acquire the rights to manage unit trust funds. The purchase consideration on the acquired right is capitalised and amortised over a period of 20 years, the period in which the Group expects to recognise the related revenue.

(iii) Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Cost that are directly associated with identifiable software systems controlled by the Company, which do not form an integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised using straight line method over their estimated useful lives, ranging between 5 to 10 years.

(l) Employee benefits

Short-term employee benefits

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

Post employment benefits

The Group and Company has post-employment benefit schemes for eligible employees, which are defined contribution plans.

A defined contribution plan is a pension plan under which the Group and Company pay fixed contributions or variable contributions as determined yearly, into a separate entity ("a fund"), and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial years.

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

(m) Provision for life agents' retirement benefits

An insurance subsidiary company of the Group operates a retirement benefits scheme for its eligible life agents, calculated in accordance with the terms and conditions as per respective Agent Retirement Plan Arrangement with the insurance subsidiary company.

The retirement benefits earned by the eligible life agents on and subsequent to year 2001 were funded through investments in an investment-linked business managed by the insurance subsidiary company.

The retirement benefits earned by the eligible life agents who opted to remain in the scheme prior to year 2001 were unfunded and have been recorded as provision for life agents' retirement benefits.

In accordance with the requirements of the FRS 119 - Employee Benefits, the scheme is treated as a funded defined benefit scheme or an unfunded defined benefit scheme as appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

Premium income

Premium income is recognised in a financial year in respect of risks assumed during that particular year. Premiums from direct business are recognised during the financial year upon the issuance of insurance policies. Premiums in respect of risks accepted for which insurance policies have not been raised as of the balance sheet date are accrued at that date.

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

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

Unearned premium reserves

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

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

- 25% method for marine cargo, aviation cargo and transit; and
- 1/24th method for all other classes of Malaysian general policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums.
- time apportionment method for policies with insurance periods other than 12 months

Provision for claims

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

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

Acquisition costs

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

(o) Life insurance underwriting results

The surplus transferable 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

Premium income includes premium recognised in the life fund and the investment-linked fund.

Premium income of the life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent 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.

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

Premium income of the investment-linked fund includes net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

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 financial year in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Life insurance underwriting results (continued)

Provision for 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.

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

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

- (a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- (b) 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.

(p) Other revenue recognition

Interest income for financial assets that are not classified as fair value through profit or loss is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

Other interest income including the amount of amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income 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, income is recognised on the receipt basis until all arrears have been paid.

Lease rental income net of payment of lease rental expenses made under operating lease of the same properties is recognised on the straight line basis over the lease term.

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

Management, investment advisory, security and consultancy services fees are recognised when the services are provided.

(q) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities as measured using the currency of the primary economic movement in which the entity operates ('functional currency')

The consolidated financial statements are presented in Ringgit Malaysia which is the Group's functional and presentational currency.

(ii) Transactions and balances

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial statements, are included in the fair value reserve.

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

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Foreign currencies (continued)

(iii) Group companies (continued)

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed off or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. This will be applied prospectively.

(r) Income taxes

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

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

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

Deferred tax is recognised on temporary differences arising on investments in subsidiary and associated companies expect where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(s) Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the sum of digits method.

(t) Operating leases

Leases in which a significant risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statement and/or revenue accounts on a straight line basis over the period of the lease.

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statements over the period of the borrowings using the effective interest method.

(v) Dividends

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

(w) Contingent liabilities and contingent assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Provisions

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

(y) Cash and cash equivalents

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

(z) Financial instruments

Description

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

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

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

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

(aa) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

(ab) Assets acquired under hire purchase agreement

Assets financed by hire purchase agreements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets. Finance charges are allocated to the income statements over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase liabilities.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Critical accounting estimates and assumptions

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

(i) Pipeline premiums

The estimation of pipeline premiums, i.e. premiums incepted for which the policies have not been issued is based on the actual pipeline premiums in prior years adjusted for recent trend and events.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Critical accounting estimates and assumptions (continued)

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

The estimation of the ultimate liability arising from claims made under insurance contract is one of the Group's most critical accounting estimate.

There are several sources of uncertainty that need to be considered in the estimate of these obligations that the Group will ultimately pay for such claims. In particular, the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation. Due to the inherent uncertainty in any estimate of those obligations, it is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. IBNR reserves are hence estimated by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected estimates are based on a judgemental consideration of results of each method and qualitative information, such as those mentioned above. Projections are based on historical experience and external benchmarks where relevant. It is thus, impracticable to disclose the extent of the possible effects of potential changes to the key assumptions used in assessing the IBNR reserves due to the number of variables included in the assessment.

In addition, a confidence level, which is the estimated probability that a given ringgit amount will be able to cover a specific group of open or unreported claims, is applied in estimating the IBNR reserves. The IBNR reserve estimation is performed by an independent external actuary. In the current financial year, the insurance subsidiary company of the Group raised its IBNR claims reserve from 50% confidence level to 65% confidence level. This has resulted in an increase of RM3,470,000 in the net claims incurred for the current financial year.

(iii) Liabilities of life insurance business

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, investment returns and administration expenses. The Company's estimation is based on expected number of deaths on standard industry and national mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Company's unique risk exposure. Provision for future administrative expenses are implicitly allowed for in the conservatism of the estimates for future deaths, disabilities and investment returns.

The actuarial liabilities as at December 31, 2006 were calculated in accordance with the reserving requirements stated in the Insurance Act 1996 whereby the assumptions on interest and mortality assumptions are prescribed. For those contracts where the provisions for liabilities are not explicitly prescribed under the Insurance Act 1996, the Appointed Actuary shall set aside such liabilities on an appropriate basis which is disclosed in a valuation report to Bank Negara Malaysia.

In the event that the regulators change the said assumptions, with all other things being equal, then a reduction in the interest assumption will increase the computed actuarial liabilities. Conversely, an increase (i.e. deterioration) in the mortality assumption would (for most type of plans) increase the computed actuarial liabilities. Due to the inherent risk of uncertainty in any estimate of those obligations, the future provisions for liabilities may vary significantly from the estimations. At such reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability. In addition to the expected outcome, solvency margins prescribed by regulations are included in these key estimates.

It is thus impractical to disclose the extent of the possible effects of potential changes to the key assumptions used in assessing the liabilities of life insurance business due to the number of variables included in the assessment.

(iv) Impairment allowance on loans and receivables

It is the Group's policy to establish impairment allowance in respect of estimated and inherent credit losses in its loans and receivables portfolio.

In determining impairment allowance, management considers objective evidence of impairment as a result of one or more events that have occurred after the initial recognition. A provision for impairment of loan is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables. The amount of provision is the difference between the loan's carrying amount and the present value of estimated future cash flow discounted at the original effective interest rate. The amount of specific provision also takes into account the collateral value and recoverable amount of interest due, which may be discounted to reflect the impact of recovery process. The recovery process is estimated to be between one to three years, depending on default condition of the loan and type of collateral.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Critical accounting estimates and assumptions (continued)

(iv) Impairment allowance on loans and receivables (continued)

Where the collateral is property, the net realisable value for the property is determined by using its fair value which is based on open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset, while share is based on last transacted price. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. The sensitivity analysis is described in note 8 to the financial statements.

Included in the loans portfolio are loans amounting to approximately RM44,710,000, where there are disputes on the pledged collaterals. The Directors of the Group have assessed the recoverability of those loans, based on legal representation, and conclude that no allowance for doubtful debts is required on those loans.

(v) Fair values of investment properties

Fair value of investment properties are valued at open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets adjusted if necessary, for any difference in the nature, location or condition of the specific asset or discounted cash flow projections. Investment properties which the Group intends to dispose within the next twenty-four months from the balance sheet date are valued based on the expected rental yields i.e. lettable floor areas multiply by an appropriate capitalisation rate. The Group expected rental yield is 6.5% per annum. Should those properties be capitalised at the market expected rental yield of 7.5% per annum, the adjusted market values of those properties would differ by approximately RM16,000,000.

(vi) Fair value of financial instruments

Fair value is defined as the value at which positions can be closed or sold in a transaction with a willing and knowledgeable counterparty over a time period that is consistent with the Groups' trading or investments strategy. The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices for quoted investments; for unquoted investments where possible using discounted cash flow analysis or by computing the average of two or more prices quoted by the intermediate or brokers or financial institutions; for investment properties at market prices by independent valuation experts.

Management exercise judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in valuation process. Also, judgement may be applied in estimating prices for less readily observable external parameters.

(vii) Impairment review of available-for-sale and held-to-maturity financial assets

The Group performs an impairment review when changes in circumstances indicate that the carrying amounts of available-for-sale and held-to-maturity financial assets may not be recoverable. The recoverable amount represents the current fair value or present value of the estimated future cash flows discounted at the original effective interest rate expected to arise from the affected financial assets. In arriving at the current fair value or estimated future cash flows, management exercise judgement in estimating the collectible or realisable amounts including extent of credit loss.

(b) Critical judgment in applying the entity's accounting policies

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The following accounting policy requires subjective judgement, often as a result of the need to make estimates about the effect of the matters that are inherently uncertain.

Investment property classification

In the previous financial year, the Group had classified all properties as investment properties as the Group was unable to separately identify the value of those relating to the generating of investment income and those held for administrative purposes. The Group has subsequently reassessed their judgements and assumptions over the identification of investment properties during the current financial year. The assessment included the identification of the portion of the property held for administrative purpose, the significance of that portion and whether the property could be sold or leased as a finance lease, separately, resulting in certain properties reclassified to property, plant and equipment.

Notes To The Financial Statements

- 31 December 2006 (continued)

4 PROPERTY, PLANT AND EQUIPMENT

(a) GENERAL AND SHAREHOLDERS' FUNDS

	Note	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
GROUP									
Net book value									
At 1 January 2006									
- as previously stated		-	-	161	8,048	6,970	3,579	4,027	22,785
- reclassified from investment properties	6(a), 43	14,544	60,231	-	-	-	-	-	74,775
- as restated		14,544	60,231	161	8,048	6,970	3,579	4,027	97,560
Reclassified to intangible assets	5(a)	-	-	-	(1,274)	-	-	-	(1,274)
Additions at cost		-	-	3	1,646	2,987	1,319	2,684	8,639
Disposals at net book value		-	-	-	(1)	(511)	(90)	-	(602)
Write off at net book value		-	-	-	(6)	-	(1)	-	(7)
Impairment loss		-	(382)	-	-	-	-	-	(382)
Currency translation difference		-	-	-	(32)	(27)	(7)	(175)	(241)
Depreciation charge for the financial year		-	(1,369)	(11)	(2,357)	(1,407)	(971)	-	(6,115)
At 31 December 2006		14,544	58,480	153	6,024	8,012	3,829	6,536	97,578
At 1 January 2005									
- as previously stated		-	-	155	9,249	8,362	3,614	1,772	23,152
- reclassified from investment properties	6(a), 43	14,544	60,231	-	-	-	-	-	74,775
- as restated		14,544	60,231	155	9,249	8,362	3,614	1,772	97,927
Additions at cost		-	-	16	3,430	1,778	753	2,255	8,232
Revaluation surplus and reversal of depreciation due to revaluation		-	1,204	-	-	-	-	-	1,204
Disposals at net book value		-	-	-	(29)	(1,363)	-	-	(1,392)
Write off at net book value		-	-	-	(339)	(94)	-	-	(433)
Depreciation charge for the financial year		-	(1,204)	(10)	(4,263)	(1,713)	(788)	-	(7,978)
At 31 December 2005		14,544	60,231	161	8,048	6,970	3,579	4,027	97,560

Notes To The Financial Statements

- 31 December 2006 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
GROUP								
<u>At 31 December 2006</u>								
Cost	-	-	178	30,232	15,841	10,683	6,536	63,470
Valuation	14,544	59,849	-	-	-	-	-	74,393
Accumulated impairment losses	-	-	-	(65)	-	-	-	(65)
Accumulated depreciation	-	(1,369)	(25)	(24,143)	(7,829)	(6,854)	-	(40,220)
Net book value	<u>14,544</u>	<u>58,480</u>	<u>153</u>	<u>6,024</u>	<u>8,012</u>	<u>3,829</u>	<u>6,536</u>	<u>97,578</u>
<u>At 31 December 2005</u>								
Cost	-	-	498	31,300	13,722	9,391	4,027	58,938
Valuation	14,544	60,231	-	-	-	-	-	74,775
Accumulated impairment losses	-	-	-	(65)	-	-	-	(65)
Accumulated depreciation	-	-	(337)	(23,187)	(6,752)	(5,812)	-	(36,088)
Net book value	<u>14,544</u>	<u>60,231</u>	<u>161</u>	<u>8,048</u>	<u>6,970</u>	<u>3,579</u>	<u>4,027</u>	<u>97,560</u>

The net book value of assets acquired under hire purchase agreements was RM2,518,000 (2005: RM558,000).

Notes To The Financial Statements

- 31 December 2006 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
COMPANY				
Net book value				
At 1 January 2006	248	1,735	46	2,029
Additions at cost	75	1,284	2	1,361
Disposals at net book value	-	(108)	-	(108)
Write off at net book value	(6)	-	-	(6)
Depreciation charge for the financial year	(48)	(396)	(7)	(451)
At 31 December 2006	<u>269</u>	<u>2,515</u>	<u>41</u>	<u>2,825</u>
<u>At 31 December 2006</u>				
Cost	561	3,960	66	4,587
Accumulated depreciation	(292)	(1,445)	(25)	(1,762)
Net book value	<u>269</u>	<u>2,515</u>	<u>41</u>	<u>2,825</u>
At 1 January 2005	304	1,924	40	2,268
Additions at cost	83	329	12	424
Disposals at net book value	-	(210)	-	(210)
Depreciation charge for the financial year	(139)	(308)	(6)	(453)
At 31 December 2005	<u>248</u>	<u>1,735</u>	<u>46</u>	<u>2,029</u>
<u>At 31 December 2005</u>				
Cost	498	2,842	64	3,404
Accumulated depreciation	(250)	(1,107)	(18)	(1,375)
Net book value	<u>248</u>	<u>1,735</u>	<u>46</u>	<u>2,029</u>

The net book value of assets acquired under hire purchase agreements was RM1,141,000 (2005: Nil).

Notes To The Financial Statements

- 31 December 2006 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) LIFE FUND

Note	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000	
GROUP								
Net book value								
At 1 January 2006								
- as previously stated	-	-	-	13,806	3,518	14,781	32,105	
- reclassified from investment properties	6(b), 43	45,164	170,214	16,710	-	-	232,088	
- as restated		45,164	170,214	16,710	13,806	3,518	14,781	264,193
Reclassified to intangible assets	5(b)	-	-	-	(1,763)	-	-	(1,763)
Additions at cost		-	415	-	2,117	885	3,871	7,288
Reclassification from investment properties, at net book value	6(b)	-	43,811	-	-	-	-	43,811
Disposals at net book value		-	-	-	(39)	(48)	(43)	(130)
Impairment loss		-	(17,890)	-	-	-	-	(17,890)
Depreciation charge for the financial year		-	(4,651)	(442)	(4,387)	(723)	(4,037)	(14,240)
At 31 December 2006		<u>45,164</u>	<u>191,899</u>	<u>16,268</u>	<u>9,734</u>	<u>3,632</u>	<u>14,572</u>	<u>281,269</u>
At 1 January 2005								
- as previously stated		-	-	-	16,191	3,710	17,202	37,103
- reclassified from investment properties	6(b), 43	45,164	170,310	16,879	-	-	-	232,353
- as restated		45,164	170,310	16,879	16,191	3,710	17,202	269,456
Additions at cost		-	-	-	2,404	647	920	3,971
Revaluation surplus and reversal of depreciation due to revaluation		-	3,131	104	-	-	-	3,235
Disposals at net book value		-	-	-	(6)	(342)	(21)	(369)
Depreciation charge for the financial year		-	(3,227)	(273)	(4,783)	(497)	(3,320)	(12,100)
At 31 December 2005		<u>45,164</u>	<u>170,214</u>	<u>16,710</u>	<u>13,806</u>	<u>3,518</u>	<u>14,781</u>	<u>264,193</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) LIFE FUND

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
GROUP							
<u>At 31 December 2006</u>							
Cost	-	-	-	56,857	6,859	45,063	108,779
Valuation	45,164	214,815	16,710	-	-	-	276,689
Accumulated impairment loss	-	(4,644)	-	-	-	-	(4,644)
Accumulated depreciation	-	(18,272)	(442)	(47,123)	(3,227)	(30,491)	(99,555)
Net book value	<u>45,164</u>	<u>191,899</u>	<u>16,268</u>	<u>9,734</u>	<u>3,632</u>	<u>14,572</u>	<u>281,269</u>
<u>At 31 December 2005</u>							
Cost	-	-	-	57,353	6,024	41,264	104,641
Valuation	45,164	170,214	16,710	-	-	-	232,088
Accumulated depreciation	-	-	-	(43,547)	(2,506)	(26,483)	(72,536)
Net book value	<u>45,164</u>	<u>170,214</u>	<u>16,710</u>	<u>13,806</u>	<u>3,518</u>	<u>14,781</u>	<u>264,193</u>

The Directors revalued all freehold land and freehold and long term leasehold buildings of the Group held as property, plant and equipment as at 31 December 2005. The properties are valued by independent valuation experts where the fair values are determined by reference to observable prices in an active market or recent market transactions on arm's length terms, adjusted if necessary, for any differences in the nature, location or condition of the specific asset. The Group recognised a revaluation surplus of RM1,024,000 and RM3,235,000 for the general insurance and shareholders' fund and life insurance, respectively for the year ended 31 December 2005. The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserves.

A revaluation was performed during the current financial year on freehold and long term leasehold buildings of the Group held as property, plant and equipment, which resulted in a net deficit of RM382,000 for the general and shareholders' fund and RM17,890,000 for the life fund. Of the amount, RM382,000 and RM879,000 from the general and shareholders' fund and life fund respectively, were recognised in the revaluation reserves to the extent of revaluation surpluses available. The remaining balances were debited to the income statement and/or revenue accounts. The impairment arose after taking into account the property's location, occupancy rate and the Group's expected capitalisation rate of 6.5%.

Had the freehold land and freehold and long term leasehold buildings been carried at historical cost less accumulated depreciation, the carrying amounts that would have been included in the financial statements at the end of the year are as follows:

	General and Shareholders' fund		Life fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Freehold land and buildings	67,548	68,752	220,522	180,122
Leasehold buildings	-	-	13,989	14,262
	<u>67,548</u>	<u>68,752</u>	<u>234,511</u>	<u>194,384</u>

The titles to certain properties of the life fund held by an insurance subsidiary company, amounting to RM33,761,000 (2005: RM3,790,000) are in the process of being transferred to the insurance subsidiary company. Risks, rewards and effective titles to these properties have been passed to the insurance subsidiary company upon unconditional completion of the acquisition of those properties. The insurance subsidiary company has submitted the relevant documents to the authorities for transfer of legal titles to them and is awaiting the process and finalisation of these transfers to be completed.

5 INTANGIBLE ASSETS

(a) GENERAL AND SHAREHOLDERS' FUNDS

	Management rights RM'000	Computer software RM'000	Total RM'000
GROUP			
Net book value			
At 1 January 2006	6,189	-	6,189
Reclassified from property, plant and equipment (note 4(a))	-	1,274	1,274
Additions at cost	-	2,784	2,784
Disposal at net book value	-	(450)	(450)
Amortisation charge for the financial year	(347)	(611)	(958)
At 31 December 2006	<u>5,842</u>	<u>2,997</u>	<u>8,839</u>
<u>At 31 December 2006</u>			
Cost	7,000	4,887	11,887
Accumulated amortisation	(1,158)	(1,890)	(3,048)
Net book value	<u>5,842</u>	<u>2,997</u>	<u>8,839</u>
At 1 January 2005	6,536	-	6,536
Amortisation charge for the financial year	(347)	-	(347)
At 31 December 2005	<u>6,189</u>	<u>-</u>	<u>6,189</u>
<u>At 31 December 2005</u>			
Cost	7,000	-	7,000
Accumulated amortisation	(811)	-	(811)
Net book value	<u>6,189</u>	<u>-</u>	<u>6,189</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

5 INTANGIBLE ASSETS (continued)

(b) LIFE FUND

	Computer Software	
	2006	2005
	RM'000	RM'000
GROUP		
Net book value		
At 1 January	-	-
Reclassified from property, plant and equipment (note 4(b))	1,763	-
Additions at cost	1,793	-
Amortisation charge for the financial year	(871)	-
At 31 December	2,685	-
<u>At 31 December</u>		
Cost	4,355	-
Accumulated amortisation	(1,670)	-
Net book value	2,685	-

The intangible assets of the Group consist of computer software and management rights.

Computer Software

Computer software consists mainly of development costs and cost that are directly associated with identifiable software systems controlled by the Group, that do not form the integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year.

Management Rights

Management rights represent the acquired rights to manage unit trust funds ("the Rights"). Pursuant to the Sale of Business Agreement dated 5 August 2003 between MAAKL Mutual Bhd ("MAAKL"), a 70% owned subsidiary company of MAA Corporation Sdn Bhd which is in turn a wholly owned subsidiary company of the Company, and MBf Unit Trust Management Berhad ("MUTMB"), MAAKL acquired the Rights from MUTMB to manage four unit trust funds ("the Funds") managed by MUTMB. The Funds are MAAKL Equity Index Fund, MAAKL Value Fund, MAAKL Mutual Balanced Fund and MAAKL Syariah Index Fund. The effective date of the transfer of the management of the Funds was on 1 December 2003.

The Rights is amortised over a straight line basis, over a period of 20 years (2005: 20 years), the period in which the Group expects to recognise the related revenue.

6 INVESTMENT PROPERTIES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Balance as at 1 January	130,183	122,099	-	-
Adjustments due to:				
- effect of adopting FRS 140	-	8,337	-	-
- reclassified to property, plant and equipment (note 4(a), 43)	(74,775)	(74,775)	-	-
Balance as at 1 January - restated	55,408	55,661	-	-
Additions	1,668	1,391	-	-
Disposals	(5,356)	(1,676)	-	-
Fair value (loss)/gain (note 27(a),(b))	(3,297)	32	-	-
Balance as at 31 December	<u>48,423</u>	<u>55,408</u>	<u>-</u>	<u>-</u>
Comprising of:				
Freehold land and buildings	29,733	33,350	-	-
Leasehold land and buildings	18,690	22,058	-	-
	<u>48,423</u>	<u>55,408</u>	<u>-</u>	<u>-</u>

(b) LIFE FUND

	GROUP	
	2006 RM'000	2005 RM'000
Balance as at 1 January	961,493	875,555
Adjustments due to:		
- effect of adopting FRS 140	-	69,005
- prior year adjustment (note 43(c))	(57,500)	(57,500)
- reclassified to property, plant and equipment (note 4(b), 43)	(231,099)	(232,353)
Reclassification to prepaid lease rentals	(6,537)	-
Balance as at 1 January - restated	666,357	654,707
Reclassification to property, plant and equipment (note 4(b))	(43,811)	-
Additions	82,577	74,082
Disposals	(169)	(56,124)
Fair value (loss)/gain (note 27(c))	(18,440)	229
Balance as at 31 December	<u>686,514</u>	<u>672,894</u>
Comprising of:		
Freehold land and buildings	480,312	553,674
Leasehold land and buildings	206,202	119,220
	<u>686,514</u>	<u>672,894</u>

The fair value of the properties was estimated at RM41,159,000 and RM243,199,000 for the general insurance and shareholders' funds and life insurance respectively, based on valuation by an independent professionally qualified valuers. Valuations were based on current prices in an active market for all properties except for the properties in certain locations which the Group uses the yield method based on an expected yield of 6.5% per annum and/or recently transacted prices.

The titles to certain investment properties of the general and shareholders' fund and the life fund of an insurance subsidiary company, amounting to RM20,700,000 (2005: RM22,507,000) and RM 184,959,000 (2005: RM337,727,000) respectively, are in the process of being transferred to the insurance subsidiary company. Risks, rewards and effective titles to these investment properties have been passed to the insurance subsidiary company upon unconditional completion of the acquisition of those properties. The insurance subsidiary company has submitted the relevant documents to the authorities for transfer of legal titles to them and is awaiting the process and finalisation of these transfers to be completed.

Notes To The Financial Statements

- 31 December 2006 (continued)

7 INVESTMENTS

The Group's financial assets are summarised by measurement category in the following presentation:

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At fair value through profit or loss	86,370	174,609	11,610	10,879
Available-for-sale	181,740	133,120	-	-
Held to maturity	21,027	10,714	-	-
	<u>289,137</u>	<u>318,443</u>	<u>11,610</u>	<u>10,879</u>

The current portion of financial assets is RM77,806,000 (2005: RM39,512,000), the remaining portion being non-current. The assets included in each of the categories above are detailed in the tables below:

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Investments held at fair value through profit or loss				
Equity securities				
- Quoted	53,062	131,053	11,610	10,879
- Unquoted	1,696	1,276	-	-
	<u>54,758</u>	<u>132,329</u>	<u>11,610</u>	<u>10,879</u>
Corporate debt securities				
- Quoted	9,344	8,525	-	-
- Unquoted	5,113	5,116	-	-
	<u>14,457</u>	<u>13,641</u>	<u>-</u>	<u>-</u>
Unit trusts				
- Quoted	271	-	-	-
- Unquoted	1,247	12,091	-	-
	<u>1,518</u>	<u>12,091</u>	<u>-</u>	<u>-</u>
Investment-linked units				
- Unquoted	15,637	16,548	-	-
	<u>15,637</u>	<u>16,548</u>	<u>-</u>	<u>-</u>
Total financial assets at fair value through profit or loss	<u>86,370</u>	<u>174,609</u>	<u>11,610</u>	<u>10,879</u>

All assets above are held for trading.

7 INVESTMENTS (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Available-for-sale financial assets				
Equity securities				
- Unquoted	-	502	-	-
Corporate debt securities				
- Unquoted	63,752	60,761	-	-
Malaysian Government Securities/ Treasury Bills/Bank Negara Malaysia papers	92,991	41,828	-	-
Cagamas papers	24,997	30,029	-	-
Total available-for-sale financial assets	181,740	133,120	-	-
Held to maturity financial assets				
Corporate debt securities				
- Unquoted	15,765	10,714	-	-
Malaysian Government Securities/ Treasury Bills/Bank Negara Malaysia papers	5,262	-	-	-
Total held to maturity financial assets	21,027	10,714	-	-

Financial assets held to maturity are not presented on the Group's balance sheet at their fair value. The fair value of the held to maturity assets is RM21,750,000 (2005: RM10,961,000).

Fair values for held to maturity debt securities are based on market prices or broker/dealer price quotations. Where the information is not available, fair value has been estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

Certain equity investments are held as collateral for a term loan facility obtained by the offshore subsidiary company as disclosed in note 17 to the financial statements.

Notes To The Financial Statements

- 31 December 2006 (continued)

7 INVESTMENTS (continued)

(b) LIFE FUND AND INVESTMENT - LINKED FUND

	LIFE FUND		GROUP INVESTMENT - LINKED FUND	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
At fair value through profit or loss	670,399	782,926	440,027	231,562
Available-for-sale	1,540,446	1,259,685	-	-
Held to maturity	514,234	346,734	-	-
	<u>2,725,079</u>	<u>2,389,345</u>	<u>440,027</u>	<u>231,562</u>

The current portion of financial assets is RM334,966,000 (2005:RM462,989,000), the remaining portion being non-current. The assets included in each of the categories above are detailed in the tables below:

	LIFE FUND		GROUP INVESTMENT - LINKED FUND	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Investments held at fair value through profit or loss				
Equity securities				
- Quoted	587,532	576,931	217,095	92,089
- Unquoted	2,092	2,094	-	-
	<u>589,624</u>	<u>579,025</u>	<u>217,095</u>	<u>92,089</u>
Unit trusts				
- Quoted	12,936	10,045	10,195	3,460
- Unquoted	3,901	90,705	-	-
	<u>16,837</u>	<u>100,750</u>	<u>10,195</u>	<u>3,460</u>
Corporate debt securities				
- Quoted	25,945	24,267	628	3,303
- Unquoted	35,754	75,770	94,785	112,114
	<u>61,699</u>	<u>100,037</u>	<u>95,413</u>	<u>115,417</u>
Malaysian Government Securities/ Treasury Bills/Bank Negara Malaysia papers	-	-	86,119	-
Cagamas papers	-	-	10,153	-
Investment-linked units				
- Unquoted	2,239	3,114	21,052	20,596
Total financial assets at fair value through profit or loss	<u>670,399</u>	<u>782,926</u>	<u>440,027</u>	<u>231,562</u>

All assets above are held for trading.

7 INVESTMENTS (continued)

(b) LIFE FUND AND INVESTMENT - LINKED FUND (continued)

	LIFE FUND		GROUP INVESTMENT - LINKED FUND	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets				
Corporate debt securities - Unquoted	774,423	797,471	-	-
Malaysian Government Securities/ Treasury Bills/Bank Negara Malaysia papers	731,027	311,969	-	-
Cagamas papers	34,996	150,245	-	-
Total available-for-sale financial assets	1,540,446	1,259,685	-	-
Held to maturity financial assets				
Corporate debt securities - Unquoted	425,848	356,734	-	-
Impairment	(13,656)	(10,000)	-	-
	412,192	346,734	-	-
Malaysian Government Securities/ Treasury Bills/Bank Negara Malaysia papers	102,042	-	-	-
Total held to maturity financial assets	514,234	346,734	-	-

Financial assets held to maturity are not presented on the Group's balance sheet at their fair value. The fair value of the held to maturity assets is RM553,129,000 (2005: RM340,574,000).

Fair values for held to maturity debt securities are based on market prices or broker/dealer price quotations. Where the information is not available, fair value has been estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

Notes To The Financial Statements

- 31 December 2006 (continued)

8 LOANS AND RECEIVABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loans arising from:				
Mortgage loans	61,953	40,926	635	750
Other secured loans	72,005	67,047	-	-
Unsecured loans	101	78	13	1
	134,059	108,051	648	751
Allowance for doubtful debts	(29,031)	(19,299)	-	-
Net loans	105,028	88,752	648	751
Lease, hire purchase and other loan receivables (note 8(a)(i))	188,436	188,476	-	-
Receivables:				
Trade receivables of non- Insurance subsidiaries	7,968	9,095	-	-
Amount due from subsidiary companies	-	-	130,691	144,814
Amount due from related companies	6,136	6,955	-	-
Outstanding proceeds from disposal of investments	2,087	2,880	-	-
Income due and accrued	3,873	3,976	1	-
Assets held under Malaysian Motor Insurance Pool	2,450	2,450	-	-
Amount due from life fund (note 15(b))	41,097	28,160	-	-
Manager's stocks	6,947	6,825	-	-
Other receivables, deposits and prepayments	16,607	16,812	5,506	1,282
	87,165	77,153	136,198	146,096
	380,629	354,381	136,846	146,847
The net loans can be analysed as follows:				
Receivable within 12 months	84,608	83,460	80	64
Receivable after 12 months	20,420	5,292	568	687
	105,028	88,752	648	751

8 LOANS AND RECEIVABLES (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

(i) Lease, hire purchase and other loan receivables

	GROUP	
	2006	2005
	RM'000	RM'000
Gross investments in lease, hire purchase and other loan receivables:		
Not later than 1 year	160,087	204,694
Later than 1 year and not later than 5 years	58,169	17,280
Later than 5 years	4,594	7,415
	<u>222,850</u>	<u>229,389</u>
Unearned future finance income	(6,383)	(8,311)
Future finance income in suspense	(14,539)	(17,932)
Allowance for doubtful debts	(13,492)	(14,553)
Unguaranteed residual value	-	(117)
	<u>188,436</u>	<u>188,476</u>
Net investments in lease, hire purchase and other loan receivables		
Representing:		
Current receivables	135,939	170,353
Non-current receivables	52,497	18,123
	<u>188,436</u>	<u>188,476</u>
The net investments in lease, hire purchase and other loan receivables can be analysed as follows:		
Not later than 1 year	135,939	170,353
Later than 1 year and not later than 5 years	48,198	11,488
Later than 5 years	4,299	6,635
	<u>188,436</u>	<u>188,476</u>

Included in amounts due from subsidiary companies are advances to subsidiary companies amounting to RM 64,863,000 (2005: RM107,345,000) which bear interest rates ranging from 7.0% to 9.0% (2005: 7.0% to 8.8%) per annum and are currently rolled over on a monthly basis.

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

	GROUP	
	2006	2005
	RM'000	RM'000
Lease, hire purchase and other loan receivables included loans to the following related parties:		
Mithril Berhad	3,491	-
Mithril Saferay Sdn Bhd	70	95
Mithril Marketing Sdn Bhd	8,137	6,936
Tajo Berhad	16,069	16,063
	<u>27,767</u>	<u>23,094</u>

The relationships of the above related parties are disclosed in note 42 to the financial statements.

Included in the previous year's balances are prior year adjustments made to loans and receivables of approximately RM8,145,000, increasing the carrying values of such loans and receivables, arising from the adoption of FRS 139. The effects of the adjustment to the opening retained earnings for the financial year ended 31 December 2005 is disclosed in note 23 to the financial statements.

Notes To The Financial Statements

- 31 December 2006 (continued)

8 LOANS AND RECEIVABLES (continued)

(b) LIFE FUND AND INVESTMENT - LINKED FUND

	GROUP			
	LIFE FUND		INVESTMENT - LINKED FUND	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Loans arising from:				
Policy loans	273,658	244,123	-	-
Mortgage loans	479,542	366,977	-	-
Other secured loans	287,124	266,952	-	-
Unsecured loans	4,057	3,815	-	-
	<u>1,044,381</u>	<u>881,867</u>	<u>-</u>	<u>-</u>
Allowance for doubtful debts	(34,866)	(27,650)	-	-
Net loans	<u>1,009,515</u>	<u>854,217</u>	<u>-</u>	<u>-</u>
Receivables:				
Outstanding proceeds from disposal of investments	-	60,912	581	1,391
Income due and accrued	38,600	35,426	2,812	1,424
Amount due from investment-linked fund (note 15(b))	9,572	5,358	-	-
Amount due from shareholders' fund (note 15(a))	29,225	16,682	-	-
Amount due from life fund (note 15(b))	-	-	7,903	2,899
Prepaid leases/rentals	5,802	-	-	-
Other receivables, deposits and prepayments	22,949	13,806	342	1,270
	<u>106,148</u>	<u>132,184</u>	<u>11,638</u>	<u>6,984</u>
	<u>1,115,663</u>	<u>986,401</u>	<u>11,638</u>	<u>6,984</u>
The net loans can be analysed as follows:				
Receivable within 12 months	899,030	673,760	-	-
Receivable after 12 months	110,485	180,457	-	-
	<u>1,009,515</u>	<u>854,217</u>	<u>-</u>	<u>-</u>

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair values, as shown below:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Loans arising from:				
- mortgage loans	697,855	403,625	504	708
- other secured loans	344,378	312,752	-	-
Lease, hire purchase and other loan receivables	192,541	188,308	-	-
	<u>1,234,774</u>	<u>904,685</u>	<u>504</u>	<u>708</u>

8 LOANS AND RECEIVABLES (continued)

The effective interest rates on non-current receivables were as follows:

	GROUP		COMPANY	
	2006 %	2005 %	2006 %	2005 %
Mortgage loans	10.6	10.5	6.0	5.7
Other secured loans	11.1	11.0	-	-
Unsecured loans	4.4	4.2	5.0	6.5
Lease, hire purchase and other loan receivables	6.1	5.7	-	-

Included in the total loans portfolio of an insurance subsidiary company are non-performing ("NPL") loans amounting to approximately RM66,192,000 (2005: RM46,497,000) and RM468,130,000 (2005: RM217,750,000) in the general and shareholders' fund and life fund respectively, as at 31 December 2006. Concurrently, included in the total loans portfolio of the subsidiary company engaged in hire purchase, leasing and other credit activities are NPL amounting to approximately RM163,310,000 (2005: RM114,211,000) in the shareholders' fund as at 31 December 2006. These NPLs were collateralised by properties and/or shares as pledged by the borrowers. The insurance subsidiary company has assessed the value of the collaterals based on the methods prescribed in note 3(a)(iv) and have made additional allowances on doubtful debts where appropriate. Should the market value or adjusted value on the collateral deviate by 10% or the recovery process be delayed by a year, particularly those loans with properties as collaterals, there may be a potential shortfall of approximately RM2,940,000 and RM7,820,000 for the NPLs in the general and shareholders' fund and life fund respectively.

9 INSURANCE RECEIVABLES

	GROUP	
	2006 RM'000	2005 RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Due premiums including agents, brokers and co-insurers balances	91,181	87,168
Due from reinsurers and cedants	20,985	21,331
	112,166	108,499
Allowance for doubtful debts	(27,120)	(27,186)
	85,046	81,313
(b) LIFE FUND		
Due premiums including agents, brokers and co-insurers balances	40,262	46,701

10 SUBSIDIARY COMPANIES

	2006		COMPANY	
	Carrying value RM'000	Net tangible assets RM'000	Carrying value RM'000	Net tangible assets RM'000
Unquoted shares, at cost	252,076	318,443	252,076	320,343

Notes To The Financial Statements

- 31 December 2006 (continued)

10 SUBSIDIARY COMPANIES (continued)

Name of Company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
Malaysian Assurance Alliance Berhad	Malaysia	100	100	General and life insurance businesses
MAA Corporation Sdn Bhd	Malaysia	100	100	Investment holding and general trading
MAA Takaful Berhad	Malaysia	50	-	Dormant
<u>Subsidiary companies of MAA Corporation Sdn Bhd</u>				
MAA-Medicare Sdn Bhd	Malaysia	100	100	Operation of charitable dialysis centres
MAA Credit Sdn Bhd	Malaysia	100	100	Hire purchase, leasing and other credit activities
Malaysian Alliance Property Services Sdn Bhd	Malaysia	100	100	Property management services
MAA International Assurance Ltd	Labuan, Malaysia	100	100	Offshore insurance and reinsurance businesses
* MAAKL Mutual Bhd	Malaysia	70	70	Unit trust funds management
MAA Holdings (BVI) Ltd	British Virgin Islands	100	100	Providing insurance technical and financial consultancy services
MAA Corporate Advisory Sdn Bhd	Malaysia	100	100	Providing corporate advisory and consultancy services
# Wira Security Services Sdn Bhd	Malaysia	100	100	Providing security services and trading in security equipment
MAA Financial Advisors Sdn Bhd	Malaysia	100	100	Dormant
Maagnet Systems Sdn Bhd	Malaysia	100	100	Providing information technology consultancy services
# Meridian Asset Management Holdings Sdn Bhd	Malaysia	51	51	Investment holding
Maapple Eldercare Sdn Bhd	Malaysia	100	100	Dormant
MAA International Investments Ltd	Labuan, Malaysia	100	100	Investment holding
Menang Bernas Sdn Bhd	Malaysia	100	100	Restaurant operator
Ukay Sentral Sdn Bhd	Malaysia	100	100	Dormant
Jendela Sutera Sdn Bhd	Malaysia	100	100	Dormant
Valiant Properties Sdn Bhd	Malaysia	100	100	Dormant
MAA Claims Investigation & Survey Sdn Bhd	Malaysia	100	100	Dormant
Daman Development Sdn Bhd	Malaysia	100	100	Dormant

10 SUBSIDIARY COMPANIES (continued)

Name of Company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
<u>Subsidiary companies of MAA Corporation Sdn Bhd (continued)</u>				
MyTele Direct Sdn Bhd	Malaysia	100	100	Dormant
MAA International Corporation Ltd	Labuan, Malaysia	100	100	Investment holding
Chelsea Parking Services Sdn Bhd	Malaysia	100	100	Operating, maintaining and managing car parks
Multioto Breakdown Assistance Sdn Bhd	Malaysia	100	100	Provision of motor breakdown assistance services
MAA Universal Sdn Bhd	Malaysia	100	100	Dormant
MAA Cards Sdn Bhd	Malaysia	100	100	Dormant
MAA Fire-X Sdn Bhd	Malaysia	55	55	Providing fire risk assessment and prevention services
MAA Private Equity Sdn Bhd	Malaysia	100	-	Dormant
MAA Cash Converter Sdn Bhd	Malaysia	100	-	Dormant
# High Sphere Sdn Bhd	Malaysia	100	-	Dormant
<u>Subsidiary companies of Wira Security Services Sdn Bhd</u>				
# Wira Security Services (Sabah) Sdn Bhd	Malaysia	100	100	Dormant
# Wira Security Services (Sarawak) Sdn Bhd	Malaysia	100	100	Dormant
<u>Subsidiary company of MAA Corporate Advisory Sdn Bhd</u>				
MAACA Labuan Ltd	Labuan, Malaysia	51	51	Providing offshore corporate advisory and consultancy services
<u>Subsidiary company of Maagnet Systems Sdn Bhd</u>				
MAAGNET - SSMS Sdn Bhd	Malaysia	100	-	Providing information technology consultancy services
<u>Subsidiary companies of Meridian Asset Management Holdings Sdn Bhd</u>				
# Meridian Asset Management Sdn Bhd	Malaysia	51	51	Fund management and investment advisory services
# Meridian Asset Management (Asia) Ltd	Labuan, Malaysia	51	51	Fund management and investment advisory Service

Notes To The Financial Statements

- 31 December 2006 (continued)

10 SUBSIDIARY COMPANIES (continued)

Name of Company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
<u>Subsidiary companies of MAA International Assurance Ltd</u>				
# P.T. MAA Life Assurance	Indonesia	98	98	Life insurance business
# P.T. MAA General Assurance	Indonesia	94	94	General insurance business
# Tuang Thai Co. Ltd	Thailand	49	49	Investment holding
<u>Subsidiary companies of MAA International Investments Ltd</u>				
# MAA Mutualife Philippines, Inc.	Philippines	100	100	Unit trust funds management
# Columbus Capital Singapore Ltd	Singapore	100	-	Investment holding
<u>Subsidiary company of MAA International Corporation Ltd</u>				
# MAA Corporate & Compliance Phils. Inc.	Philippines	100	100	Investment holding and providing management services

* A company that is 70% owned by the Company, 20% owned by a company controlled by a Director of the Company and the balance 10% owned by certain directors of the company.

Subsidiary companies not audited by PricewaterhouseCoopers.

11 ASSOCIATED COMPANIES

	COMPANY			
	Carrying value RM'000	2006 Market value RM'000	Carrying value RM'000	2005 Market value RM'000
Quoted shares, at cost	36,609	7,139	36,609	5,674
Less: impairment	(31,025)		(31,025)	
	5,584		5,584	
Unquoted shares, at cost	50,494		11,976	
Less: Impairment	(6,409)		(6,409)	
	44,085		5,567	
Share of post acquisition profit	3,670		2,878	
	53,339		14,029	

11 ASSOCIATED COMPANIES (continued)

The Group's interests in its associated companies are as follows:

	GROUP	
	2006	2005
	RM'000	RM'000
Revenue	33,542	23,520
Loss after taxation	(2,853)	(931)
Non-current assets	59,168	52,423
Current assets	62,025	24,409
Non-current liabilities	(24,614)	(26,065)
Current liabilities	(43,240)	(36,738)
	<u>53,339</u>	<u>14,029</u>

The Group has not recognised losses from Mithril Berhad ("Mithril") as the investment has been written down to a nominal carrying amount of RM1 in 2004, the year of acquisition. In addition, the Group has not recovered the extent of net liabilities which the Group had acquired in the year of acquisition. The net liabilities that the Group had acquired then amounted to RM16,477,000.

Share of post acquisition losses in Mithril not recognised:

	GROUP	
	2006	2005
	RM'000	RM'000
At beginning of financial year	2,010	1,854
Share of post acquisition loss during the financial year	4,693	156
At end of financial year	<u>6,703</u>	<u>2,010</u>

In April 2006, holders of Irredeemable Convertible Unsecured Loan Stock 2004/2009 ("ICULS") of Mithril converted in total RM920,500 ICULS to 920,500 new ordinary shares of RM1 each in Mithril, diluting the Group's interest in Mithril from 34% to 33%.

In the previous financial year during the first 5 months ended 30 May 2005, holders of Redeemable Convertible Unsecured Loan Stock ("RCULS") of Mithril converted RM18.9 million RCULS to 18.9 million ordinary shares of RM1 each in Mithril, diluted the Groups' interest in Mithril from 37% to 30%. On 30 May 2005, the Group exercised conversion of 5.6 million Mithril warrants to 5.6 million ordinary shares of RM1 each raising its interest in Mithril from 30% to 34% to maintain the minimum level required of 33% as imposed by the Securities Commission during the duration of the warrants pursuant to the debt restructuring exercise of Tajo Berhad.

Subsequently on September 2005, holders of RCULS of Mithril converted another RM1.37 million RCULS to 1.37 million ordinary shares of RM1 each in Mithril. The Group's interest in Mithril remained at a level above 33% after the last RCULS conversion.

Gain on dilution of interest in Mithril not recognised:

	GROUP	
	2006	2005
	RM'000	RM'000
At beginning of financial year	7,884	3,197
Gain on dilution of investments arising during the financial year	366	4,687
At end of financial year	<u>8,250</u>	<u>7,884</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

11 ASSOCIATED COMPANIES (continued)

	2006		COMPANY 2005	
	Carrying value RM'000	Market value RM'000	Carrying value RM'000	Market value RM'000
Quoted shares, at cost	29,894	5,829	29,894	4,634
Less : impairment loss	(24,065)			
	<u>5,829</u>		<u>29,894</u>	
Unquoted shares, at cost	2,764		1,450	
	<u>8,593</u>		<u>31,344</u>	

Details of the associated companies are as follows:

Name of Company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
* Nishio Rent All (M) Sdn Bhd	Malaysia	30	30	Renting of construction and industrial equipment
MAA Bancwell Trustee Berhad	Malaysia	49	49	Trust fund management and trust services
* Mithril Berhad	Malaysia	33	34	Investment holding
* Maybach Logistics Sdn Bhd	Malaysia	45	45	Provision of transportation and logistics
<u>Associated companies of MAA International Assurance Ltd and Tuang Thai Co. Ltd.</u>				
MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business
MAAKK Wealth Management Co. Ltd.	Thailand	-	42	Providing financial planning and advisory services
<u>Associated company of Columbus Capital Singapore Ltd</u>				
Columbus Capital Pty Limited	Australia	43	-	Retail mortgage lending and loan securitisation
<u>Subsidiary company of MAAKK Wealth Management Co. Ltd.</u>				
MAAKK General Broker Co. Ltd.	Thailand	-	100	Dormant

* The financial year-ends of these associated companies are not co-terminous with the Group. However, for purposes of consolidation, these associated companies had prepared financial statements as at the same balance sheet date as the financial statements of the Group.

Notes To The Financial Statements

- 31 December 2006 (continued)

12 DEFERRED TAX

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

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	General and Shareholders' funds		Life fund		GROUP Investment-linked fund	
	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	6,890	9,597	10,305	13,694	31	154
Deferred tax liabilities	(1,890)	(4,805)	(3,948)	(4,101)	(3,467)	(163)
	<u>5,000</u>	<u>4,792</u>	<u>6,357</u>	<u>9,593</u>	<u>(3,436)</u>	<u>(9)</u>
At 1 January/(as reported)	4,792	4,057	9,593	1,607	(9)	(735)
(Charged)/credited to income statements/ revenue accounts (note 30):						
- property, plant and equipment	(255)	289	1,271	1,522	-	-
- investments	(1,756)	3,992	(620)	2,418	(3,427)	726
- tax losses	(1,298)	(340)	(4,174)	-	-	-
- unabsorbed capital allowances	406	50	-	-	-	-
- unearned premium reserves	(18)	193	-	-	-	-
- loans and receivables	1,712	(3,144)	-	(154)	-	-
- post employment benefit	1,696	-	-	-	-	-
- others	(580)	32	21	-	-	-
	(93)	1,072	(3,502)	3,786	(3,427)	726
Charged to equity	266	(337)	248	(400)	-	-
Prior year adjustment	-	-	-	4,600	-	-
Currency translation differences	35	-	18	-	-	-
At 31 December	<u>5,000</u>	<u>4,792</u>	<u>6,357</u>	<u>9,593</u>	<u>(3,436)</u>	<u>(9)</u>
<u>Subject to income tax:</u>						
<u>Deferred tax assets (before offsetting)</u>						
Property, plant and equipment	67	-	1,078	-	-	-
Investments	4,317	8,370	14,160	14,825	31	154
Tax losses	2,183	1,732	-	-	-	-
Unabsorbed capital allowances	4,195	213	-	-	-	-
Loans and receivables	(770)	-	(4,174)	-	-	-
Others	(145)	62	37	-	-	-
	9,847	10,377	11,101	14,825	31	154
Offsetting	(2,957)	(780)	(796)	(1,131)	-	-
Deferred tax assets (after offsetting)	<u>6,890</u>	<u>9,597</u>	<u>10,305</u>	<u>13,694</u>	<u>31</u>	<u>154</u>
<u>Deferred tax liabilities (before offsetting)</u>						
Property, plant and equipment	(1,711)	(2,379)	(796)	(1,131)	-	-
Investments	(1,252)	-	(3,948)	(3,947)	(3,467)	(163)
Unearned premium reserves	-	(31)	-	-	-	-
Loans and receivables	(1,884)	-	-	-	-	-
Others	-	(3,175)	-	(154)	-	-
	(4,847)	(5,585)	(4,744)	(5,232)	(3,467)	(163)
Offsetting	2,957	780	796	1,131	-	-
Deferred tax liabilities (after offsetting)	<u>(1,890)</u>	<u>(4,805)</u>	<u>(3,948)</u>	<u>(4,101)</u>	<u>(3,467)</u>	<u>(163)</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

12 DEFERRED TAX (continued)

	COMPANY	
	2006	2005
	RM'000	RM'000
Deferred tax assets	6,847	690
At 1 January	690	150
(Charged)/credited to income statement (note 30):		
- property, plant and equipment	6,716	(16)
- investments	(566)	506
- unabsorbed capital allowances	7	50
	6,157	540
At 31 December	6,847	690
<u>Subject to income tax:</u>		
<u>Deferred tax assets (before offsetting)</u>		
Investments	6,738	566
Unabsorbed capital allowances	220	213
	6,958	779
Offsetting	(111)	(89)
Deferred tax assets (after offsetting)	6,847	690
<u>Deferred tax liabilities (before offsetting)</u>		
Property, plant and equipment	(111)	(89)
Offsetting	111	89
Deferred tax liabilities (after offsetting)	-	-

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax assets are recognised in the balance sheet is as follows:

	GROUP	
	2006	2005
	RM'000	RM'000
Deductible temporary differences	845	932
Tax losses	2,486	3,498
	3,331	4,430

The deferred tax liabilities arising from the temporary differences associated with the unallocated surplus carried forward of the Group's life fund to be transferred to the shareholders' fund have not been disclosed in the financial statements due to the subjectivity in determining the amount to be transferred.

13 PROVISION FOR OUTSTANDING CLAIMS

	GROUP	
	2006	2005
	RM'000	RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Provision for outstanding claims	442,820	432,403
Less: Recoverable from reinsurers	(137,793)	(145,070)
Net outstanding claims	<u>305,027</u>	<u>287,333</u>
(b) LIFE FUND		
Provision for outstanding claims	26,915	26,084
Less: Recoverable from reinsurers	(10,186)	(11,645)
Net outstanding claims	<u>16,729</u>	<u>14,439</u>

14 INSURANCE PAYABLES

	GROUP	
	2006	2005
	RM'000	RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Due to agents, brokers and co-insurers	26,877	30,930
Due to reinsurers and cedants	42,410	22,942
Reinsurers' deposits withheld	8,085	8,642
	<u>77,372</u>	<u>62,514</u>
(b) LIFE FUND		
Due to agents, brokers and co-insurers	442,102	366,278
Due to reinsurers and cedants	2,102	2,593
Premium deposits	16,027	45,491
	<u>460,231</u>	<u>414,362</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

15 TRADE AND OTHER PAYABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables from non-insurance subsidiary companies	4,662	4,491	-	-
<u>Other payables</u>				
Cash collaterals held for bond business	27,223	24,064	-	-
Unclaimed monies	3,140	3,156	-	-
Amount due to a Director	145	145	-	-
Amount due to life fund (note 8(b))	29,225	16,682	-	-
Defined contribution retirement plan payable	1,595	1,121	147	109
Accrual for unutilised staff leave	1,945	1,716	223	150
Stakeholders' deposits	1,450	1,450	-	-
Hire purchase creditors	1,751	81	987	-
Payroll liabilities	2,495	70	-	-
Amount due to stockbrokers	-	301	-	-
Duties and other taxes payable	2,061	2,226	-	-
Other payables and accruals	23,655	19,314	719	199
	94,685	70,326	2,076	458
	99,347	74,817	2,076	458

Amount due to a Director by a subsidiary company is unsecured, interest free and has no fixed terms of repayment.

The hire purchase creditors can be analysed as follows:

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Payable within 1 year	391	19	208	-
Payable between 2 years to 5 years	1,360	62	779	-
	1,751	81	987	-

The hire purchase creditors of the Group and the Company bear interest at the rates ranging from 2.4% to 3.9% (2005: 2.6% to 3.9%) per annum and 2.4% to 3.9% (2005: nil) per annum respectively.

15 TRADE AND OTHER PAYABLES (continued)

(b) LIFE FUND AND INVESTMENT-LINKED FUND

	LIFE FUND		GROUP INVESTMENT - LINKED FUND	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Other payables</u>				
Accrued interest payable	30,044	26,117	-	-
Unclaimed monies	7,542	5,237	-	-
Amount due to shareholders' fund (note 8(a))	41,097	28,160	-	-
Amount due to investment-linked fund (note 8(b))	7,903	2,899	-	-
Amount due to life fund (note 8(b))	-	-	9,572	5,358
Defined contribution retirement plan payable	621	582	-	-
Accrual of unutilised staff leave	987	868	-	-
Rental deposits	6,159	6,074	-	-
Payroll liabilities	4,871	3,804	-	-
Amount due to stockbrokers	8,865	-	-	-
Duties and other taxes payable	327	307	-	-
Other payables and accruals	14,292	15,859	9,866	3,945
	<u>122,708</u>	<u>89,907</u>	<u>19,438</u>	<u>9,303</u>

16 BONDS - UNSECURED

	GROUP/COMPANY	
	2006 RM'000	2005 RM'000
RM120 million 6-year structured serial bonds	30,000	60,000
Analysis of the bonds:		
Payable within 1 year	30,000	30,000
Payable between 1 year to 2 years	-	30,000
	<u>30,000</u>	<u>60,000</u>

In the financial year ended 31 December 2001, the Company issued RM120 million 6-year structured serial bonds ("the Bonds") in a total of 5 tranches, comprising 3 tranches with a nominal value of RM20 million each and 2 tranches with a nominal value of RM30 million each, to the primary subscribers. The tenure of the Bonds ranges from 2 to 6 years from the date of issue and bear interest rates ranging from 5.80% to 8.20% per annum, payable semi-annually in advance, beginning from the date of issue and every 6 months thereafter. The Bonds are traded in a secondary market on a willing-buyer willing-seller basis.

During the financial year, the interest rates charged were in the range of 7.70% to 8.20% (2005: 7.20% to 8.20%) per annum.

The Bonds were constituted by a trust deed dated 6 August 2001 between the Company and the trustee, to act for the benefit of the bondholders.

The Bonds are secured against an assignment of dividend proceeds from the Company's wholly owned subsidiary company, Malaysian Assurance Alliance Berhad ("MAA"), a first fixed charge over the designated accounts, a first fixed charge over all permitted investments out of all designated accounts and an assignment over the Company's rights under a Dividend Upstream Agreement which was signed on 6 August 2001.

Under the Dividend Upstream Agreement, MAA shall, so long as the Bonds remain outstanding, declare and pay by a date to be agreed each year, a minimum dividend which after deduction of the Company's projected tax and operating expenses for the financial year, would leave the Company with a net amount of RM20 million. Such declaration and payment of dividend shall be subject to the availability of distributable reserves, legal and regulatory constraints.

Notes To The Financial Statements

- 31 December 2006 (continued)

16 BONDS - UNSECURED (continued)

Proceeds from the issue of the Bonds were utilised to finance the purchase of redeemable preference shares issued by the Company's wholly owned subsidiary company, MAA Corporation Sdn Bhd, from MAA, to refinance its bank borrowings, to fund the Company's investment in MAA Corporation Sdn Bhd, to pre-fund the first two interest service payments and to supplement the Company's working capital requirements including discount on the issue of the Bonds and expenses in connection with the arrangement of the facility.

The Bonds unless repurchased and cancelled, shall be redeemed at the price of 100% of the nominal value of the Bonds at the maturity dates.

Subsequent to the financial year ended 31 December 2006, the Company issued a RM200 million Commercial Papers/Medium Term Notes Programme for a tenure of 5 years, of which, RM30 million being proceeds from the new issue, has been earmarked towards settlement of the final principal instalment of the Bonds which is due in August 2007.

17 TERM LOANS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Term loans:				
- Unsecured	30,000	30,000	30,000	30,000
- Secured	39,935	37,155	-	-
	<u>69,935</u>	<u>67,155</u>	<u>30,000</u>	<u>30,000</u>
Payable within 1 year	39,935	37,155	-	-
Payable between 1 year to 2 years	30,000	-	30,000	-
Payable between 2 years to 5 years	-	30,000	-	30,000
	<u>69,935</u>	<u>67,155</u>	<u>30,000</u>	<u>30,000</u>

The unsecured term loan of RM30,000,000 from a licensed bank of the Company bears a fixed interest rate of 7.5% (2005: 7.5%) per annum. The loan is to be settled by a bullet repayment at the end of seven years from the date of full disbursement of the loan.

In connection with this term loan, the Company has signed a deed of assignment of dividend proceeds with the said bank on 29 June 2001. Under the terms of the deed, the Company has assigned unto the bank, the dividend proceeds payable to the Company by its subsidiary companies, MAA and MAA Corporation Sdn Bhd, for the financial year ending 31 December 2007 ("the Dividend Payment") and all rights, titles and benefits of the Dividend Payment to the bank by way of continuing security.

In the previous year, the offshore subsidiary company of the Group obtained a term loan facility of US\$12 million from an offshore financial institution. The loan is secured against certain offshore equity investments of the offshore subsidiary company and to be settled at the end of one year from the date of drawdown. As at 31 December 2005, an amount of US\$9.8 million has been drawdown. The secured term loan bears an interest rate of 1.0% per annum above the applicable Singapore Inter-Bank Offer Rate ("SIBOR") payable monthly basis in arrears. During the financial year, the interest rate charged was in the range of 5.40% to 6.40% (2005: 4.30% to 5.20%) per annum. The loan is fully settled during the financial year with proceeds received from sale of the offshore equity investments.

During the financial year, the offshore subsidiary company of the Group obtained a term loan facility of US\$12 million from an offshore financial institution. The loan is secured against certain offshore equity investments of the offshore subsidiary company and corporate guarantee from the Company and to be settled at the end of 6 months from the date of drawdown.

As at 31 December 2006, an amount of US\$11.2 million has been drawdown. The secured term loan bears an interest rate of 1.0% per annum above the applicable SIBOR payable monthly basis in arrears. During the financial year, the interest rate charged was in the range of 5.40% to 6.40% per annum.

18 BANK OVERDRAFTS - UNSECURED

The unsecured bank overdraft facility of the Company has a limit of RM20 million and bears an interest rate of 2.0% per annum above the prevailing base lending rate. During the financial year, the interest rate charged was in the range of 8.0% to 8.25% (2005: 8.0% to 8.25%) per annum.

The unsecured bank overdraft facility of a subsidiary company has a limit of RM10 million and bears an interest rate of 2.5% per annum above the prevailing base lending rate. During the financial year, the interest rate charged was 8.75% (2005: 8.75%) per annum.

The unsecured bank overdraft facilities of the shareholders' fund, general fund and life fund of an insurance subsidiary company of the Company have limits of RM3.5 million, RM2.0 million and RM3.0 million (2005: RM3.5 million, RM2.0 million and RM3.0 million) respectively. During the financial year, the interest rates charged were 8.25% (2005: 8.5%) per annum. There were no overdrawn facilities utilised at the balance sheet date by the insurance subsidiary company.

19 UNEARNED PREMIUM RESERVES

GENERAL FUND

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
GROUP						
2006						
At beginning of financial year	13,189	92,219	16,787	1,573	27,581	151,349
Currency translation differences	(1,164)	(418)	-	14	990	(578)
(Decrease)/increase in reserves	464	(8,524)	(1,032)	1,689	2,606	(4,797)
At end of financial year	<u>12,489</u>	<u>83,277</u>	<u>15,755</u>	<u>3,276</u>	<u>31,177</u>	<u>145,974</u>
2005						
At beginning of financial year	11,779	83,620	13,266	1,469	23,508	133,642
Currency translation differences	(70)	(199)	-	(251)	198	(322)
Increase in reserves	1,480	8,798	3,521	355	3,875	18,029
At end of financial year	<u>13,189</u>	<u>92,219</u>	<u>16,787</u>	<u>1,573</u>	<u>27,581</u>	<u>151,349</u>

20 LIFE POLICYHOLDERS' FUND

	GROUP	
	2006	2005
	RM'000	RM'000
Actuarial liabilities		
At beginning of financial year	4,350,602	3,834,996
Add: Increase in policy reserves		
- on normal business during the financial year	298,465	239,739
- on reassumed business previously ceded	-	113,572
Bonus allocated to participating policyholders, including interim bonus from normal surplus	199,878	175,596
	498,343	528,907
Less: Interim bonus	(30,902)	(13,301)
At end of financial year	<u>4,818,043</u>	<u>4,350,602</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

20 LIFE POLICYHOLDERS' FUND (continued)

	GROUP	
	2006	2005
	RM'000	RM'000
Unallocated surplus		
At beginning of financial year	523,473	612,090
Adjustments due to change in accounting policies (net of tax):		
- financial assets at fair value through profit or loss	-	(1,683)
- investment properties at fair value	-	63,300
- leasehold land reclassified as prepaid lease payment	(659)	-
Prior year adjustment (note 43(b))	-	(52,900)
At beginning of financial year – restated	522,814	620,807
Add: Surplus arising during the financial year	271,725	98,488
Less: Bonus allocated to participating policyholders, including interim bonus from normal surplus	(199,878)	(175,596)
Transfer to Income Statement	(34,323)	(20,226)
	37,524	(97,334)
At end of financial year	560,338	523,473
Life policyholders' fund at end of financial year:		
Actuarial liabilities	4,818,043	4,350,602
Unallocated surplus	560,338	523,473
	5,378,381	4,874,075

In the previous financial year, an insurance subsidiary company terminated its quota share reinsurance treaty arrangement which was originally entered into in 1997. Under the terms of the treaty, the insurance subsidiary company withholds reinsurance deposits equal to the actuarial valuation in the life fund on the block of business reinsured. As a result of the termination, the liabilities to policyholders for ordinary life non-participating policies for the financial year ended 31 December 2005, increased by RM113,572,000, representing the liabilities of the previously ceded non-participating life business that the insurance subsidiary company had to reassume as part of its business.

21 SHARE CAPITAL

	GROUP/COMPANY	
	2006	2005
	RM'000	RM'000
Authorised ordinary shares of RM1 each:		
At beginning and end of financial year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:		
At beginning of financial year	152,177	152,177
Issue of bonus shares during the financial year	152,177	-
At end of financial year	304,354	152,177

On 8 September 2006, the company made a bonus issue of 152,176,876 new ordinary shares of RM1 each on the basis of 1 new ordinary share of RM1 each for every 1 existing ordinary shares of RM1 each, by capitalising RM11,744,389 from share premium and RM140,432,487 from retained earnings.

The newly issued shares rank pari passu in all respect with the existing shares of the Company.

Notes To The Financial Statements

- 31 December 2006 (continued)

22 SHARE PREMIUM

	GROUP/COMPANY	
	2006	2005
	RM'000	RM'000
At beginning of financial year	11,744	11,744
Capitalisation for bonus issue	(11,744)	-
At end of financial year	-	11,744

23 RESERVES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Retained earnings	67,688	225,515	41,442	181,626
Reserves:				
- Foreign exchange reserve	(5,203)	122	-	-
- Asset revaluation reserve	825	941	-	-
- Revaluation reserve	592	867	-	-
	(3,786)	1,930	-	-
	63,902	227,445	41,442	181,626

Movements in retained earnings

At beginning of financial year				
As previously stated	225,515	194,644	181,626	216,192
Prior year adjustment	-	-	-	(59,400)
Adjustments due to change in accounting policies (net of tax):				
- financial assets at fair value through profit or loss	-	(306)	-	(688)
- loans and receivables	-	4,667	-	-
- investment properties at fair value	-	6,718	-	-
	-	11,079	-	(688)
As restated	225,515	205,723	181,626	156,104
(Loss)/profit for the financial year	(2,176)	42,619	15,467	48,349
Capitalisation for bonus issue	(140,433)	-	(140,433)	-
Dividends paid for the previous financial year	(15,218)	(22,827)	(15,218)	(22,827)
	(157,827)	19,792	(140,184)	25,522
At end of financial year	67,688	225,515	41,442	181,626

Movement in foreign exchange reserve

At beginning of financial year	122	(93)	-	-
Current translation differences arising during the financial year	(5,325)	215	-	-
At end of financial year	(5,203)	122	-	-

Notes To The Financial Statements

- 31 December 2006 (continued)

23 RESERVES (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Movement in asset revaluation reserve</u>				
At beginning of financial year	941	-	-	-
Adjustments due to change in accounting policies - net of tax	-	1,195	-	-
At beginning of financial year - restated	941	1,195	-	-
Revaluation - gross	(566)	(354)	-	-
Revaluation - tax	159	100	-	-
Reversal of realised loss in disposals	291	-	-	-
	(116)	(254)	-	-
At end of financial year	825	941	-	-
<u>Movement in revaluation reserve</u>				
At beginning of financial year	-	-	-	-
Adjustments due to change in accounting policies - net of tax	867	867	-	-
At beginning of financial year - restated	867	867	-	-
Reversal of surplus arising on revaluation:				
- gross	(382)	-	-	-
- tax	107	-	-	-
	(275)	-	-	-
At end of financial year	592	867	-	-

The asset revaluation reserve represents the fair value gains or losses from available-for-sale financial assets.

The revaluation reserve represents the surplus arising from the revaluation of self-occupied freehold land and buildings and leasehold buildings of the Group. The change in the accounting policy is described in note 43 to the financial statements.

The retained earnings balance represents the amount available for dividend distribution to the equity shareholders of the Company.

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt account under Section 12 of the Income Tax (Amendment) Act, 1999 to frank all of its retained earnings at 31 December 2006, if paid out as dividends

(b) LIFE FUND

	GROUP	
	2006 RM'000	2005 RM'000
Asset revaluation reserve	9,340	9,040
Revaluation reserve	3,790	4,598
	13,130	13,638

23 RESERVES (continued)

(b) LIFE FUND (continued)

	GROUP	
	2006	2005
	RM'000	RM'000
<u>Movement in asset revaluation reserve</u>		
At beginning of financial year	9,040	-
Adjustments due to change in accounting policies - net of tax	-	10,618
	<hr/>	<hr/>
At beginning of financial year - restated	9,040	10,618
Revaluation - gross	(2,213)	(1,715)
Revaluation - tax	177	137
Reversal of realised loss on disposals	2,336	-
	<hr/>	<hr/>
	300	(1,578)
At end of financial year	<hr/>	<hr/>
	9,340	9,040
<u>Movement in revaluation reserve</u>		
At beginning of financial year	-	-
Adjustments due to change in accounting policies - net of tax	4,598	4,598
	<hr/>	<hr/>
At beginning of financial year - restated	4,598	4,598
Reversal of surplus arising on revaluation:		
- gross	(879)	-
- tax	71	-
	<hr/>	<hr/>
	(808)	-
At end of financial year	<hr/>	<hr/>
	3,790	4,598

The assets revaluation reserve represents the fair value gains or losses from available-for-sale financial assets.

The revaluation reserve represents the surplus arising from the revaluation of self-occupied freehold land and buildings and leasehold buildings of the Group. The change in the accounting policy is described in note 43 to the financial statements.

Distribution of the surplus arising from the revaluation of the Life Fund's assets in the insurance subsidiary company may be made by way of bonuses to life policyholders, subject to the limit that the amount distributed should not be more than 30% of the revaluation reserve or 10% of the fair value of the revalued property, whichever is lower.

Notes To The Financial Statements

- 31 December 2006 (continued)

24 OPERATING REVENUE

					GROUP
	Shareholders' funds RM'000	General fund RM'000	Life fund RM'000	Investment- linked fund RM'000	Total RM'000
2006					
Gross premium income	-	452,637	1,229,163	218,797	1,900,597
Investment income (note 25)	3,573	23,921	277,341	18,861	323,696
Gross interest income from hire purchase, leasing and other credit activities	11,472	-	-	-	11,472
Income from property management, unit trust fund management, security services and consultancy services	48,120	-	-	-	48,120
	<u>63,165</u>	<u>476,558</u>	<u>1,506,504</u>	<u>237,658</u>	<u>2,283,885</u>
2005					
Gross premium income	-	459,965	1,280,260	142,676	1,882,901
Investment income (note 25)	3,305	23,267	229,408	11,949	267,929
Gross interest income from hire purchase, leasing and other credit activities	10,063	-	-	-	10,063
Income from property management, unit trust fund management, security services and consultancy services	44,527	-	-	-	44,527
	<u>57,895</u>	<u>483,232</u>	<u>1,509,668</u>	<u>154,625</u>	<u>2,205,420</u>

Gross premium income stated in the life insurance revenue account comprises both gross premium income from the life fund and the investment-linked fund.

	COMPANY	
	2006 RM'000	2005 RM'000
Investment income (note 25(a))	56,168	90,634
Management fees (note 27(a))	2,868	2,680
	<u>59,036</u>	<u>93,314</u>

25 INVESTMENT INCOME

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) SHAREHOLDERS' FUND				
Interest income from:				
Financial assets:				
Corporate debt securities				
- at available-for-sale	-	121	-	-
Loans and receivables				
- mortgage loans	42	47	42	47
- other secured and unsecured loans	884	286	1	1
- other receivables	4	24	6,984	7,929
Fixed and call deposits	1,107	625	241	157
	<u>2,037</u>	<u>1,103</u>	<u>7,268</u>	<u>8,134</u>

25 INVESTMENT INCOME (continued)

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) SHAREHOLDERS' FUND (continued)				
Gross dividends from equity securities of corporations:				
- at fair value through profit or loss	1,642	2,318	-	-
- subsidiary companies	-	-	48,900	82,500
	<u>1,642</u>	<u>2,318</u>	<u>48,900</u>	<u>82,500</u>
Gross rental income	208	216	-	-
Less: Rates and maintenance for investment properties	(314)	(331)	-	-
	<u>(106)</u>	<u>(115)</u>	<u>-</u>	<u>-</u>
Others	-	(1)	-	-
	<u>3,573</u>	<u>3,305</u>	<u>56,168</u>	<u>90,634</u>

(b) GENERAL FUND

	GROUP	
	2006 RM'000	2005 RM'000
Interest income from:		
Financial assets:		
Malaysian Government Securities/Treasury Bills/ Bank Negara Malaysia papers		
- at available-for-sale	2,857	2,589
- at held to maturity	164	-
Cagamas papers		
- at available-for-sale	983	1,212
Corporate debt securities		
- at fair value through profit or loss	1,327	687
- at available-for-sale	4,371	3,389
- at held to maturity	858	482
Loans and receivables		
- mortgage loans	2,825	6,120
- other secured and unsecured loans	5,890	2,878
Fixed and call deposits	4,776	3,057
	<u>24,051</u>	<u>20,414</u>
(Amortisation of premiums)/accretion of discounts from:		
Financial assets:		
Malaysian Government Securities/Treasury Bills/ Bank Negara Malaysia papers		
- at available-for-sale	(1,335)	(1,227)
- at held to maturity	167	-
Cagamas papers		
- at available-for-sale	-	7
Corporate debt securities		
- at fair value through profit or loss	(189)	-
- at available-for-sale	302	427
- at held to maturity	-	(2)
	<u>(1,055)</u>	<u>(795)</u>
Gross dividends from equity securities of corporations:		
- at fair value through profit or loss	1,069	3,354
Gross rental income	1,861	1,682
Less: Rates and maintenance for investment properties	(2,006)	(1,393)
	<u>(145)</u>	<u>289</u>
Others	1	5
	<u>23,921</u>	<u>23,267</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

25 INVESTMENT INCOME (continued)

	GROUP	
	2006	2005
	RM'000	RM'000
(c) LIFE FUND		
Interest income from:		
Financial assets:		
Malaysian Government Securities/Treasury Bills/ Bank Negara Malaysia papers		
- at available-for-sale	17,464	14,885
- at held to maturity	2,581	-
Cagamas papers		
- at available-for-sale	3,589	6,727
Corporate debt securities		
- at fair value through profit or loss	8,844	6,584
- at available-for-sale	48,842	51,431
- at held to maturity	12,414	12,781
Loans and receivables		
- mortgage loans	60,126	37,985
- policy loans	21,059	18,682
- other secured and unsecured loans	33,616	14,891
Fixed and call deposits	24,833	19,049
	<u>233,368</u>	<u>183,015</u>
(Amortisation of premiums)/accretion of discounts from:		
Financial assets:		
Malaysian Government Securities/Treasury Bills/ Bank Negara Malaysia papers		
- at available-for-sale	(3,807)	(4,209)
- at held to maturity	(49)	-
Cagamas papers		
- at available-for-sale	56	(129)
Corporate debt securities		
- at available-for-sale	1,099	3,556
- at held to maturity	10,177	7,014
	<u>7,476</u>	<u>6,232</u>
Gross dividends from equity securities of corporations:		
- at fair value through profit or loss	28,985	33,631
Gross rental income	23,417	18,241
Less: Rates and maintenance for investment properties	(15,905)	(12,895)
	<u>7,512</u>	<u>5,346</u>
Others	-	1,184
	<u>277,341</u>	<u>229,408</u>

25 INVESTMENT INCOME (continued)

	GROUP	
	2006	2005
	RM'000	RM'000
(d) INVESTMENT-LINKED FUND		
Interest income from:		
Financial assets:		
Malaysian Government Securities/Treasury Bills/ Bank Negara Malaysia papers	154	-
Cagamas papers	852	-
Corporate debt securities		
- at fair value through profit or loss	5,496	4,109
Fixed and call deposits	3,067	1,552
	<u>9,569</u>	<u>5,661</u>
 (Amortisation of premium)/accretion of discounts from		
Financial assets:		
Malaysian Government Securities/Treasury Bills/ Bank Negara Malaysia papers	(75)	-
Cagamas papers	(6)	-
Corporate debt securities		
- at fair value through profit or loss	318	538
	<u>237</u>	<u>538</u>
 Gross dividends from equity securities of corporations:		
- at fair value through profit or loss	7,546	5,316
	<u>1,509</u>	<u>434</u>
Others	1,509	434
	<u>18,861</u>	<u>11,949</u>

26 OPERATING REVENUE FROM NON-INSURANCE SUBSIDIARIES

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Revenue from non-insurance businesses:				
- management fee income	2,833	515	-	-
- unit trust fund management fee income	10,305	7,639	-	-
- unit trust fund initial service fee	12,310	12,313	-	-
- interest income from hire purchase, leasing and other credit activities	11,472	10,063	-	-
- billings for securities services	19,714	19,215	-	-
- other	2,958	4,845	-	-
	<u>59,592</u>	<u>54,590</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

27 OTHER OPERATING INCOME/(EXPENSES) - NET

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) SHAREHOLDERS' FUND				
Gain/(loss) on disposal of				
Financial assets:				
Equity securities				
- at fair value through profit or loss	(1,025)	-	-	-
Corporate debt securities				
- at available-for-sale	-	303	-	-
Unit trusts				
- at fair value through profit or loss	-	73	-	-
	(1,025)	376	-	-
Net fair value gain/(loss) of financial assets				
at fair value through profit or loss:				
- equity securities	4,667	34,592	731	(2,021)
- unit trusts	51	(141)	-	-
	4,718	34,451	731	(2,021)
Net fair value loss on investment properties	(3,045)	(250)	-	-
Net fair value gain on manager's stocks	-	26	-	-
Impairment loss on associated company	-	-	(24,065)	-
Property, plant and equipment:				
- loss on disposal	(56)	(51)	(56)	(105)
- write off	(7)	(429)	(6)	-
Management fee income	-	-	2,868	2,680
Commission paid and payable to unit trusts agents	(10,582)	(10,312)	-	-
Write back of/(allowance for) doubtful debts on loans	492	(231)	-	-
Write back of/(allowance for) doubtful				
debts on lease, hire purchase and loan receivables - net	1,061	892	-	-
Bad debts written off	(10,737)	(424)	-	-
Loss on disposal of associated company	(793)	-	-	-
Others	1,368	411	5	(4)
	(19,254)	(10,118)	(21,254)	2,571
Other operating (expenses)/income - net	(18,606)	24,459	(20,523)	550

27 OTHER OPERATING INCOME/(EXPENSES) - NET (continued)

	COMPANY	
	2006	2005
	RM'000	RM'000
(b) GENERAL FUND		
Gain/(loss) on disposal of		
Financial assets:		
Equity securities		
- at fair value through profit or loss	(9,372)	(20,647)
Corporate debt securities		
- at available-for-sale	(239)	1
Unit trusts		
- at fair value through profit or loss	128	-
Investment properties	(686)	686
	<u>(10,169)</u>	<u>(19,960)</u>
Net fair value gain/(loss) of financial assets		
at fair value through profit or loss:		
- equity securities	17,310	(9,664)
- corporate debt securities	(3,872)	(282)
- unit trusts	203	(392)
- investment-linked units	643	(184)
	<u>14,284</u>	<u>(10,522)</u>
Net fair value (loss)/gain on investment properties	<u>(252)</u>	<u>282</u>
(Loss)/gain on disposal of property, plant and equipment	(51)	145
(Allowance for)/write back of doubtful debts on loans	(4,642)	1,142
Others	1,412	482
	<u>(3,281)</u>	<u>1,769</u>
Other operating income/(expenses) - net	<u>582</u>	<u>(28,431)</u>
(c) LIFE FUND		
Gain/(loss) on disposal of		
Financial assets:		
Equity securities		
- at fair value through profit or loss	(4,146)	(39,197)
Corporate debt securities		
- at fair value through profit or loss	558	2,205
- at available-for-sale	(2,335)	8,694
Unit trusts		
- at fair value through profit or loss	(4,248)	(117)
Investment properties	5	12,288
	<u>(10,166)</u>	<u>(16,127)</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

27 OTHER OPERATING INCOME/(EXPENSES) - NET (continued)

	COMPANY	
	2006	2005
	RM'000	RM'000
(c) LIFE FUND (continued)		
Net fair value gain/(loss) of financial assets at fair value through profit or loss:		
- equity securities	81,766	(84,164)
- corporate debt securities	(407)	(601)
- unit trusts	8,735	(10,473)
- investment-linked units	126	91
	<u>90,220</u>	<u>(95,147)</u>
Allowance for diminution in value of investments: Unquoted corporate debt securities	<u>(3,656)</u>	<u>(10,000)</u>
Revaluation deficit on property, plant and equipment	-	(1,763)
Net fair value (loss)/gain on investment properties	(18,440)	229
Impairment loss on property, plant and equipment	(17,011)	-
	<u>(35,451)</u>	<u>(1,534)</u>
Allowance for doubtful debts on loans	(16,742)	(1,239)
Gain on disposal of property, plant and equipment	10	4
Reassumed premiums previously ceded (i)	-	113,572
Other provisions (see note 40(b))	-	(19,602)
Others	8,382	3,273
	<u>(8,350)</u>	<u>96,008</u>
Other operating income/(expenses) - net	<u>32,597</u>	<u>(26,800)</u>

(i) Reassumed premiums previously ceded in the life fund is in respect of termination of a treaty agreement as disclosed in note 20 to the financial statements.

(d) INVESTMENT-LINKED FUND

Gain/(loss) on disposal of Financial assets:		
Equity securities		
- at fair value through profit or loss	737	(20,624)
Corporate debt securities		
- at fair value through profit or loss	251	425
Loan stocks	(7)	-
Unit trusts	166	-
	<u>1,147</u>	<u>(20,199)</u>
Increase/(decrease) in value of investments	42,435	(9,741)
Others	(4,737)	(3,881)
	<u>37,698</u>	<u>(13,622)</u>
Other operating income/(expenses) - net	<u>38,845</u>	<u>(33,821)</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

28 MANAGEMENT EXPENSES

	Shareholders' fund		General fund		GROUP	
	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Staff costs (including executive directors):						
- salaries and bonus	36,504	37,283	36,837	32,921	32,866	29,201
- defined contribution retirement benefits	4,310	4,755	7,759	7,553	6,824	5,254
	<u>40,814</u>	<u>42,038</u>	<u>44,596</u>	<u>40,474</u>	<u>39,690</u>	<u>34,455</u>
Property, plant and equipment						
- depreciation	2,003	2,587	4,112	5,391	14,240	12,100
Amortisation of intangible assets	405	347	553	-	871	-
Amortisation of leases	-	-	-	-	62	-
Auditors' remuneration						
- statutory audit	144	102	71	72	106	98
- under provision in prior financial year	148	17	-	1	-	1
Auditors' remuneration payable/ paid to other audit firms	15	22	32	20	-	-
Fees paid to a company in which certain Directors have an interest	227	318	-	-	15	15
Allowance for doubtful debts	1,612	166	267	2,392	-	-
Bad debts written off	2,901	33	-	-	656	-
Office rental	358	378	3,011	2,690	5,615	4,451
Rental of office equipment	46	114	616	424	850	5
Training expenses	317	307	1,735	1,292	7,351	5,423
Repairs and maintenance	593	112	2,237	2,101	5,008	4,541
EDP expenses	537	48	2,885	2,712	1,287	2,512
Advertising, promotional and entertainment expenses	2,704	2,560	9,225	9,380	8,633	7,723
Motor vehicle and traveling expenses	4,473	2,885	3,015	2,476	2,374	1,781
Printing and stationery	565	402	2,525	2,915	3,249	2,774
Postage, telephone, telex and fax	810	798	2,008	1,827	2,951	4,076
Management expenses	-	-	152	207	7,327	5,822
Other expenses	8,453	8,362	6,993	4,154	4,928	5,123
	<u>67,125</u>	<u>61,596</u>	<u>84,033</u>	<u>78,528</u>	<u>105,213</u>	<u>90,900</u>

Included in management expenses were emoluments receivable by Directors of the Group during the financial year:

	Shareholders' fund		General fund		GROUP	
	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive directors:						
- salaries	3,631	3,546	396	348	420	372
- bonus	1,187	987	141	55	140	55
- defined contribution retirement benefits	708	678	81	80	84	82
- other emoluments	8	8	3	115	2	115
Non-executive directors:						
- fees	346	264	201	224	200	223
- other emoluments	92	71	24	16	24	16
	<u>5,972</u>	<u>5,554</u>	<u>846</u>	<u>838</u>	<u>870</u>	<u>863</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

28 MANAGEMENT EXPENSES (continued)

	COMPANY	
	2006	2005
	RM'000	RM'000
Staff costs (including executive directors):		
- staff costs	5,750	6,224
- defined contribution retirement benefits	1,348	1,503
	7,098	7,727
Depreciation of property, plant and equipment	451	453
Auditors' remuneration		
- statutory audit	25	25
- under provision in prior financial year	128	5
Fees paid to a company in which certain Directors have an interest	187	258
Office rental payable to a subsidiary company	474	449
Other expenses	5,920	4,084
	14,283	13,001

Included in management expenses were emoluments receivable by Directors of the Company during the financial year:

	COMPANY	
	2006	2005
	RM'000	RM'000
Executive directors:		
- salaries	2,049	1,946
- bonus	1,006	776
- defined contribution retirement benefits	445	418
Non-executive directors:		
- fees	278	207
- other emoluments	58	50
	3,836	3,397

The estimated monetary value of benefits provided to Directors during the financial year by way of usage of the Group's and Company's assets amounted to RM251,200 (2005: RM177,000) and RM130,600 (2005: 78,700) respectively.

The Directors of the Company in office during the financial year were as follows:

Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman	
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	
Major General Lai Chung Wah (Rtd)	
Dato' Iskandar Michael bin Abdullah	
Yeo Took Keat	
General Dato' Sri Hj Suleiman bin Mahmud (Rtd)	
Datuk Razman Md Hashim bin Che Din Md Hashim	(appointed on 01.07.2006)
Datuk Ramlan bin Abdul Rashid	(appointed on 07.09.2006)
Muhamad Umar Swift	(appointed on 07.09.2006)
Tan Sri Ahmad bin Mohd Don	(appointed on 13.10.2006)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	(appointed on 10.01.2007)
Tan Sri Dato' Ir Abu Zarim bin Haji Omar	(resigned on 01.07.2006)

Notes To The Financial Statements

- 31 December 2006 (continued)

29 FINANCE COSTS

	Shareholders' fund		GROUP	
	2006	2005	Life fund	
	RM'000	RM'000	2006	2005
			RM'000	
Interest on bonds	3,904	5,670	-	-
Interest on term loans	4,630	2,908	-	-
Interest on bank overdrafts	2,237	1,281	43	15
Interest on revolving credit facility	69	-	-	-
Hire purchase interest	52	-	-	-
Others	480	-	-	-
	11,372	9,859	43	15

	COMPANY	
	2006	2005
	RM'000	RM'000
Interest on bonds	3,904	5,670
Interest on term loan	2,250	2,250
Interest on bank overdraft	1,425	654
Interest on revolving credit facility	63	-
Hire purchase interest	31	-
Interest on advances paid to subsidiary companies	52	-
Others	480	-
	8,205	8,574

The interest rates charged during the financial year for bonds, term loans and bank overdrafts are disclosed in notes 16, 17 and 18 to the financial statements respectively.

Notes To The Financial Statements

- 31 December 2006 (continued)

30 TAXATION

	General and		Life fund		GROUP	
	Shareholders' funds				Investment-linked fund	
	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax	4,679	(644)	14,150	11,311	(87)	440
Deferred tax (note 12)	93	(1,072)	3,502	(3,786)	3,427	(726)
Tax expense/(income)	4,772	(1,716)	17,652	7,525	3,340	(286)
<u>Current tax</u>						
Current financial year	5,254	(437)	15,663	10,650	1,379	651
Under/(over) accrual in prior financial years	(575)	(30)	(1,513)	661	(1,466)	(211)
Effect of changes in accounting policies	-	(177)	-	-	-	-
	4,679	(644)	14,150	11,311	(87)	440
<u>Deferred tax</u>						
Origination and reversal of temporary differences	(310)	1,090	3,502	(3,465)	3,427	(726)
Under accrual in prior financial years	391	-	-	-	-	-
Effect of changes in tax rates on opening balance of deferred tax	12	-	-	-	-	-
Benefit from previously unrecognised tax losses	-	(1,825)	-	-	-	-
Effect of prior year adjustment	-	(337)	-	(321)	-	-
	93	(1,072)	3,502	(3,786)	3,427	(726)
Tax expense/(income)	4,772	(1,716)	17,652	7,525	3,340	(286)

	COMPANY	
	2006	2005
	RM'000	RM'000
Current tax	3,847	21,800
Deferred tax (note 12)	(6,157)	(540)
Tax (income)/expense	(2,310)	21,260
<u>Current tax</u>		
Current financial year	3,847	21,800
<u>Deferred tax</u>		
Origination and reversal of temporary differences	(6,157)	(540)
	(2,310)	21,260

30 TAXATION (continued)

	COMPANY	
	2006	2005
	%	%
Numerical reconciliation between the average effective tax rate and the statutory tax rate:		
Malaysian tax rate	28	28
Tax effects of:		
- expenses not deductible for tax purposes	85	(34)
- different taxation rates of subsidiary companies	(15)	(1)
- tax losses not recognised	80	9
- deductible temporary differences not recognised	(7)	(6)
- recognition of previously unrecognised temporary differences	(12)	-
- over accrual in prior financial year	(6)	-
Average effective tax rate	153	(4)

	COMPANY	
	2006	2005
	%	%
Numerical reconciliation between the average effective tax rate and the statutory tax rate:		
Malaysian tax rate	28	28
Tax effects of expenses not deductible for tax purposes	(26)	2
Tax effects of income not taxable for tax purposes	(20)	-
Average effective tax rate	(18)	30

The taxation charge in the income statement of the Group relates to income attributable to the Company and the general and shareholders' funds.

The taxation charge on the Group's life fund is based on the method prescribed under the Income Tax Act, 1967 for life business.

31 DIVIDENDS

	GROUP/COMPANY			
	Gross dividend per share	2006 Amount of dividend, tax exempt	Gross dividend per share	2005 Amount of dividend, tax exempt
	Sen	RM'000	Sen	RM'000
Proposed final dividend	2.0	6,087	10.0	15,218
Dividends paid:				
Proposed final dividend of prior financial year	10.0	15,218	15.0	22,827
	10.0	15,218	15.0	22,827

At the forthcoming Annual General Meeting to be held on 28 June 2007, a final gross tax exempt dividend in respect of the financial year ended 31 December 2006 of 2 sen per share (2005: 10 sen per share) amounting to RM6,087,000 (2005: RM15,218,000) will be proposed for shareholders' approval.

These financial statements do not reflect this final dividend which will be accrued as a liability in the financial year ending 31 December 2006 when approved by shareholders.

Notes To The Financial Statements

- 31 December 2006 (continued)

32 EARNINGS PER SHARE - GROUP

The basic earnings per ordinary share has been calculated by dividing the Group's net loss for the financial year of RM2,176,000 (2005: net profit of RM42,619,000) by the weighted average number of ordinary shares of the Company in issue during the financial year of 304,354,000 shares (2005: 304,354,000 shares). The earnings per share in the previous financial year has been adjusted to take into consideration the bonus issue during the current financial year as disclosed in note 21 to the financial statements.

The effects on the basic earnings per ordinary share for the financial year ended 31 December 2006 arising from the assumed conversion of redeemable convertible secured loan stocks, redeemable convertible unsecured loan stocks, irredeemable cumulative convertible preference shares, irredeemable convertible unsecured loan stocks and warrants of the associated company of the Group is anti-dilutive. Accordingly, the diluted earnings per ordinary share for the financial year ended 31 December 2006 has not been presented.

33 NET CLAIMS INCURRED

GENERAL FUND

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
GROUP						
2006						
Gross claims paid less salvage	42,688	170,132	32,143	9,003	37,832	291,798
Reinsurance recoveries	(28,161)	(29,703)	(5,866)	(6,140)	(9,101)	(78,971)
Net claims paid	14,527	140,429	26,277	2,863	28,731	212,827
Net outstanding claims:						
At end of financial year	21,690	188,362	50,010	3,909	41,056	305,027
Currency translation differences	55	1,806	-	49	(215)	1,695
At beginning of financial year	(17,837)	(179,953)	(42,453)	(5,751)	(41,339)	(287,333)
Net claims incurred	18,435	150,644	33,834	1,070	28,233	232,216
2005						
Gross claims paid less salvage	27,492	176,763	31,458	10,001	29,430	275,144
Reinsurance recoveries	(15,016)	(31,792)	(5,196)	(7,529)	(8,831)	(68,364)
Net claims paid	12,476	144,971	26,262	2,472	20,599	206,780
Net outstanding claims:						
At end of financial year	17,837	179,953	42,453	5,751	41,339	287,333
Currency translation differences	72	(1,046)	-	65	2,042	1,133
At beginning of financial year	(13,155)	(195,038)	(52,334)	(6,139)	(45,760)	(312,426)
Net claims incurred	17,230	128,840	16,381	2,149	18,220	182,820

34 INVESTMENT-LINKED FUND

	GROUP	
	2006	2005
	RM'000	RM'000
BALANCE SHEET		
ASSETS		
Financial assets		
Investments		
- at fair value through profit or loss (note 7(b))	440,027	231,562
Loans and receivables (note 8(b))	11,638	6,984
Tax recoverable	3,330	1,023
Deferred tax assets (note 12)	31	154
Fixed and call deposits (note 37(b))	78,054	87,297
Cash and bank balances (note 36)	8,915	5,803
	<u>541,995</u>	<u>332,823</u>
LIABILITIES		
Trade and other payables (note 15(b))	19,438	9,303
Current tax liabilities	625	541
Deferred tax liabilities (note 12)	3,467	163
	<u>23,530</u>	<u>10,007</u>
NET ASSET VALUE OF FUNDS	<u>518,465</u>	<u>322,816</u>
REPRESENTED BY:		
UNITHOLDERS' ACCOUNT		
At beginning of financial year	322,816	253,214
Net creation of units	135,256	96,446
Net surplus/(deficit) for the financial year after taxation	54,366	(21,586)
Foreign exchange reserves	(1,218)	43
	<u>511,220</u>	<u>328,117</u>
Distribution during the financial year	7,245	(5,301)
At end of financial year	<u>518,465</u>	<u>322,816</u>
INCOME STATEMENT		
Investment income (note 25(d))	18,861	11,949
Other operating income/(expenses) - net (note 27(d))	38,845	(33,821)
	<u>57,706</u>	<u>(21,872)</u>
Surplus/(deficit) before taxation	57,706	(21,872)
Taxation (note 30)	(3,340)	286
Net surplus/(deficit) for the financial year after taxation	<u>54,366</u>	<u>(21,586)</u>

Notes To The Financial Statements

- 31 December 2006 (continued)

35 PROVISION FOR LIFE AGENTS' RETIREMENT BENEFITS

	GROUP	
	Life fund	
	2006	2005
	RM'000	RM'000
At beginning of financial year	5,001	5,575
Provision for the financial year	393	1,490
Utilised during the financial year	(1,484)	(2,064)
At end of financial year	<u>3,910</u>	<u>5,001</u>
Payable within 12 months	957	419
Payable after 12 months	2,953	4,582
	<u>3,910</u>	<u>5,001</u>
The amount recognised in the balance sheet is analysed as follows:		
Present value of funded obligations	18,216	15,240
Fair value of plan assets	(18,216)	(15,240)
Status of funded plan	-	-
Present value of unfunded obligations	3,910	5,001
Liability in the balance sheet	<u>3,910</u>	<u>5,001</u>

The expense recognised in the life insurance revenue account under commission and agency expenses may be analysed as follows:

	GROUP	
	Life fund	
	2006	2005
	RM'000	RM'000
Current service cost	218	1,301
Interest cost	175	189
	<u>393</u>	<u>1,490</u>

The actual return on plan asset was RM791,000 (2005: RM1,527,000).

Present value of funded obligations is always equal to the fair value of plan assets of funded retirement benefit scheme as actual payment to agents is based on actual fair value of plan assets at the time of retirement. The insurance subsidiary company assumes that all agents who have served the company for more than 10 years will continue to serve the company until their age of retirement and eligible for the retirement benefit.

36 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances:				
- General and Shareholders' funds	27,165	28,935	972	542
- Life fund	50,203	27,762	-	-
- Investment-linked fund (note 34)	8,915	5,803	-	-
	<u>86,283</u>	<u>62,500</u>	<u>972</u>	<u>542</u>
Bank overdrafts:				
- General and Shareholders' funds	(26,002)	(14,293)	(17,382)	(12,579)
	<u>60,281</u>	<u>48,207</u>	<u>(16,410)</u>	<u>(12,037)</u>

The cash and cash equivalents of the life fund are applicable only to meet such part of the life fund's liabilities and expenses as are properly so attributable.

37 FIXED AND CALL DEPOSITS

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Fixed and call deposits with:				
Licensed banks	110,317	139,826	1,230	2,385
Licensed finance companies	-	181	-	-
Other corporations	4,913	-	-	-
	115,230	140,007	1,230	2,385

(b) LIFE FUND AND INVESTMENT-LINKED FUND

	LIFE FUND		INVESTMENT-LINKED FUND	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Fixed and call deposits with:				
Licensed banks	444,912	563,462	40,902	61,558
Licensed finance companies	-	100	-	-
Other corporations	106,126	117,310	37,152	25,739
	551,038	680,872	78,054	87,297

38 CASH FLOW SEGMENT INFORMATION

	GROUP				Total
	General funds	Shareholders' fund	Life fund	Investment-linked fund	
	RM'000	RM'000	RM'000	RM'000	RM'000
2006					
Cash flows from:					
Operating activities	(5,795)	85,855	29,589	3,112	112,761
Investing activities	(1,512)	(49,589)	(7,148)	-	(58,249)
Financing activities	-	(42,438)	-	-	(42,438)
	(7,307)	(6,172)	22,441	3,112	12,074
Net increase/(decrease) in cash and cash equivalents	(7,307)	(6,172)	22,441	3,112	12,074
Cash and cash equivalents:					
At beginning of financial year	18,224	(3,582)	27,762	5,803	48,207
At end of financial year	10,917	(9,754)	50,203	8,915	60,281

Notes To The Financial Statements

- 31 December 2006 (continued)

38 CASH FLOW SEGMENT INFORMATION (continued)

					GROUP
	General funds	Shareholders' fund	Life fund	Investment-linked fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2005					
Cash flows from:					
Operating activities	18,446	6,230	(11,649)	(217)	12,810
Investing activities	(2,368)	(15,757)	(3,598)	-	(21,723)
Financing activities	-	(5,672)	-	-	(5,672)
	<u>16,078</u>	<u>(15,199)</u>	<u>(15,247)</u>	<u>(217)</u>	<u>(14,585)</u>
Net increase/(decrease) in cash and cash equivalents	16,078	(15,199)	(15,247)	(217)	(14,585)
Cash and cash equivalents:					
At beginning of financial year	2,146	11,617	43,009	6,020	62,792
At end of financial year	<u>18,224</u>	<u>(3,582)</u>	<u>27,762</u>	<u>5,803</u>	<u>48,207</u>

39 CAPITAL AND OTHER COMMITMENTS

	GROUP			
	General and Shareholders' funds		Life fund	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- property, plant and equipment	3,538	6,772	-	-
- acquisition of investment properties	591	450	57,734	35,415
	<u>4,129</u>	<u>7,222</u>	<u>57,734</u>	<u>35,415</u>
Authorised but not contracted for:				
- acquisition of investment properties	-	-	4,171	59,000
	<u>-</u>	<u>-</u>	<u>4,171</u>	<u>59,000</u>
			COMPANY	
			2006	2005
			RM'000	RM'000
Authorised and contracted for:				
- subscription of shares in a Takaful Insurance subsidiary			75,000	-
			<u>75,000</u>	<u>-</u>

40 CONTINGENT LIABILITIES

In the previous financial year, Meridian Asset Management Sdn Bhd ("MAMS") had commenced a legal proceeding against one of its custodian of its fund under management and a legal proceeding against its former employee and other parties related to him to recover the loss of investment moneys of its clients, one of whom is Malaysian Assurance Alliance Berhad ("MAA"), amounting to RM27.6 million placed with the custodian. MAA has also commenced legal proceedings against the custodian for negligence to recover its loss.

The parties to the legal proceedings have filed various applications to the High Court to dispose of the cases. In the legal proceedings taken by MAA against the custodian, a Third Party Notice was filed and served on MAA to bring MAMS as a party to the legal proceedings. The High Court has allowed the terms of the summons for directions of the third party proceedings and has fixed 14 May 2007 for case management. In the legal proceedings taken by MAMS against the custodian, the High Court has adjourned the matter for mention on 13 June 2007 and pending resolution of the issue of consolidation. The legal proceeding taken by MAMS against the ex-staff and other parties is pending case management.

The directors of MAMS, supported by legal advice, are of the opinion that MAMS has a strong case against the custodian and the case against the ex-staff and other parties. However, for prudence purposes, MAA had made a full allowance of RM19.6 million in the financial statements for the year ended 31 December 2005. This allowance remains in the current financial year.

41 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	General and		GROUP	
	Shareholders' fund		Life fund	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
2006				
Not later than 1 year	1,553	875	5,247	2,228
Later than 1 year and not later than 5 years	1,463	875	5,247	2,228
	<u>3,016</u>	<u>1,750</u>	<u>10,494</u>	<u>4,456</u>
2005				
Not later than 1 year	1,553	875	5,247	2,228
Later than 1 year and not later than 5 years	3,106	1,750	10,494	4,456
	<u>4,659</u>	<u>2,625</u>	<u>15,741</u>	<u>6,684</u>

42 SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties and relationships

The subsidiary and associated companies of the Company are disclosed in notes 10 and 11 to the financial statements respectively.

The other related parties of, and their relationships with the Group and the Company, are as follows:

<u>Related party</u>	<u>Relationship</u>
Iternum Melewar Sdn Bhd	Substantial shareholder of the Company
Melewar Equities Sdn Bhd	Substantial shareholder of the Company
Trace Management Services Sdn Bhd	Company controlled by certain Directors of the Company
Melewar Group Berhad	Company controlled by certain Directors of the Company
Melewar Industrial Group Berhad	Company controlled by certain Directors of the Company
Mycron Steel Berhad	Company controlled by certain Directors of the Company
Central Market Development Sdn Bhd	Company controlled by certain Directors of the Company
Sistem Sewa Kereta Malaysia Sdn Bhd	Company controlled by certain Directors of the Company
Mitra Malaysia Sdn Bhd	Company controlled by a Director of the Company
Melewar Integrated Engineering Sdn Bhd	Company controlled by a Director of the Company
Malaysian Merchant Marine Berhad	Company controlled by a Director of the Company
Melewar Apex Sdn Bhd	Company controlled by person connected to certain Directors of the Company
Mithril Berhad	An associated company of the Group
Mithril Saferay Sdn Bhd	A subsidiary company of an associated company of the Group
Mithril Marketing Sdn Bhd	A subsidiary company of an associated company of the Group
Tajo Berhad	A subsidiary company of an associated company of the Group

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- 31 December 2006 (continued)

42 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Related parties and relationships (continued)

<u>Related party</u>	<u>Relationship</u>
MAA-Medicare Kidney Charity Fund	Trust fund in which certain Directors of the Company are trustees
The Budimas Charitable Foundation	Trust fund in which a Director of the Company is trustee
Masterconsult Sdn Bhd	Company controlled by a Director of the Company

During the financial year, the Group and the Company undertook various transactions with its subsidiary companies, associated companies and other companies deemed related parties as disclosed above.

Significant related party transactions

The significant related party transactions during the financial year are as follows:

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Transactions with subsidiary companies:				
Interest income from advances to subsidiary companies	-	-	6,984	7,929
Gross dividend income from subsidiary companies	-	-	48,900	82,500
Management fee income from subsidiary companies	-	-	2,868	2,680
*Rental expense payable to a subsidiary company	-	-	(474)	(449)
*Rental income receivable from related parties:				
Trace Management Services Sdn Bhd	87	70	-	-
Melewar Group Berhad	72	33	-	-
Melewar Equities Sdn Bhd	35	84	-	-
Sistem Sewa Kereta Malaysia Sdn Bhd	-	120	-	-
Melewar Apex Sdn Bhd	45	175	-	-
Melewar Integrated Engineering Sdn Bhd	261	116	-	-
Mithril Berhad	158	170	-	-
The Budimas Charitable Foundation	62	52	-	-
MAA-Medicare Kidney Charity Fund	78	78	-	-
Melewar Industrial Group Berhad	195	-	-	-
*Other transactions with related parties:				
Rental expense payable to Central Market Development Sdn Bhd	(61)	(61)	-	-
Purchase of air tickets and travel packages from Mitra Malaysia Sdn Bhd	(3,374)	(3,739)	(169)	(87)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(242)	(333)	(187)	(258)
Rental expenses payable to Mithril Berhad	(6,800)	(6,800)	-	-
Consultancy advisory fee receivable from Melewar Industrial Group Berhad	18	95	-	-
*Interest income receivable from related parties:				
Tajo Berhad	-	2,064	-	-
Mithril Saferay Sdn Bhd	10	-	-	-
Mithril Marketing Sdn Bhd	1,200	-	-	-
Mithril Berhad	4	-	-	-
Transactions with associated companies:				
Management fee income	-	-	350	480
System support and maintenance fee income	6	73	-	-
*Security services fee receivable from related parties:				
Mycron Steel Berhad	124	124	-	-
Melewar Industrial Group Berhad	135	127	-	-

*Related party transactions on terms and conditions equivalent to those in arm's length transactions with unrelated parties.

42 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Related party receivables/payables

The balances with related companies at the financial year end are disclosed in note 8 and 15 to the financial statements. Other significant balances with other related parties at the financial year end are as below:

Investments in related parties', i.e Melewar Industrial Group Berhad and Mycron Steel Berhad, quoted shares (included in note 7 to the financial statements):

	General and Shareholders' funds		Life fund	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
At carrying value:				
- Quoted equity securities	2,466	1,015	17,392	23,627
- Quoted corporate debts securities	9,281	8,679	25,945	24,875
At end of financial year	<u>11,747</u>	<u>9,694</u>	<u>43,337</u>	<u>48,502</u>

In addition, directors and key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group and the Company's directors and key management personnel as well as fees paid to directors were as follows:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	10,363	9,564	3,521	3,106
Defined contribution retirement benefits	2,171	2,304	1,109	869
	<u>12,534</u>	<u>11,868</u>	<u>4,630</u>	<u>3,975</u>

The financial year end balances with key management personnel were as follows:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Amount receivable from mortgage loans	2,093	2,418	355	391
Amount payable to a director	<u>145</u>	<u>145</u>	<u>-</u>	<u>-</u>

The amount receivable from mortgage loans are secured against the properties pledged with fixed repayment terms and bearing interest at the rates ranging from 5% to 8.5% per annum (2005: 5% to 8.5% per annum).

The amount payable to a director is unsecured, interest free and with no fixed terms of repayment.

Notes To The Financial Statements

- 31 December 2006 (continued)

43 PRIOR YEAR ADJUSTMENTS

During the financial year, the Group and Company have accounted for certain changes in accounting policies and other accounting matters retrospectively as set out below:

(a) Property, plant & equipment

During the current financial year, the Group has restated as prior year adjustment, balances relating to investment properties and property, plant and equipment. The Group had reassessed their judgment over the definition and identification of investment properties. This assessment resulted in the Group reclassifying RM74,775,000 and RM232,353,000 from investment properties to property, plant and equipment for the general insurance and shareholders' funds and life insurance fund respectively. Following the reclassification, the Group adopted the revaluation model on land and buildings classified as property, plant and equipment and recognise an annual depreciation charge to the income statement and/or revenue accounts.

These changes are applied retrospectively and consequently, the financial statements for the financial year ended 31 December 2005 have been restated to incorporate these changes.

The effects of these changes on the prior financial year's financial statements may be found in notes 4 and 6 to the financial statements.

(b) Investment Property

During the financial year, the Group effected as a prior year adjustment of RM52,900,000 (net of tax) in respect of an overstatement of fair value of an investment property held in the life insurance fund by restating the fair value of investment properties as at 1 January 2005 with a corresponding restatement to the life policy holders' fund as at 1 January 2005.

The prior year adjustment arose from an error to adjust the fair value of the investment property to the buy-back consideration pursuant to a put option granted in the sale and purchase agreement.

The above changes have no impact to the Company's stand-alone financial statements. The effects of the above changes in accounting policies on the Group's financial statements are summarised as follows:

	Note	As previously reported RM'000	Effects of changes in accounting policies/ prior year adjustments RM'000	As restated RM'000
GROUP				
GENERAL AND SHAREHOLDERS' FUND				
<u>At 1 January 2005</u>				
Property, plant and equipment	(a)	23,152	74,775	97,927
Investment properties	(a)	130,436	(74,775)	55,661
			-	
<u>For the financial year ended 31 December 2005</u>				
Profit for the financial year	(a)	44,170	(1,321)	42,849
Comprising the following adjustments:				
- Taxation	(a)	1,202	514	1,716
- Surplus transferred from:				
General insurance	(a)	12,143	(1,204)	10,939
Life insurance	(a)	20,857	(631)	20,226
			(1,321)	
Earnings per share (sen)	(a)	14.5	(0.5)	14.0

Notes To The Financial Statements

- 31 December 2006 (continued)

43 PRIOR YEAR ADJUSTMENTS (continued)

	Note	As previously reported RM'000	Effects of changes in accounting policies/ prior year adjustments RM'000	As restated RM'000
GROUP				
GENERAL AND SHAREHOLDERS' FUND (continued)				
<u>At 31 December 2005</u>				
Retained earnings	(a)	(226,836)	1,321	(225,515)
Revaluation reserve	(a)	-	(867)	(867)
			454	
Comprising the following adjustments:				
- Property, plant and equipment	(a)	22,785	74,775	97,560
- Investment properties	(a)	130,183	(74,775)	55,408
- Loans and receivables		355,013	(632)	354,381
- Tax recoverable	(a)	18,784	178	18,962
			(454)	
LIFE INSURANCE FUND				
<u>At 1 January 2005</u>				
Property, plant and equipment	(a)	37,103	232,353	269,456
Investment properties	(a), (b)	944,560	(289,853)	654,707
Life policyholders' funds	(b)	(673,707)	52,900	(620,807)
Deferred tax	(a), (b)	1,607	4,600	6,207
			-	
<u>At 31 December 2005</u>				
Life policyholders' funds	(a)	(4,930,032)	55,957	(4,874,075)
Revaluation reserve	(a)	-	(4,598)	(4,598)
			51,359	
Comprising the following adjustments:				
- Property, plant and equipment	(a)	32,105	232,088	264,193
- Investment properties	(a)	961,493	(288,599)	672,894
- Deferred tax assets	(a)	9,173	4,521	13,694
- Trade and other payables	(a)	(90,538)	631	(89,907)
			(51,359)	

Notes To The Financial Statements

- 31 December 2006 (continued)

44 SEGMENTAL INFORMATION

(a) Business segments

The Group operates in three main business segments:

- Life insurance - underwriting life insurance business, including investment-linked business
- General insurance - underwriting all classes of general insurance business
- Unit trust fund management - management of unit trust funds

Other operations of the Group mainly comprise investment holding, hire purchase, leasing and other credit activities, unit trust, property management and investment advising, security and consultancy services, none of which are of a significant size to be reported separately.

Intersegment sales comprise property management, fund management, security and consultancy services provided to the insurance business segments on an arms-length basis.

	Life Insurance		General	Unit trust	Shareholders'		Group
	Investment	Non-	insurance	fund	fund	Eliminations	RM'000
	-linked fund	linked fund	fund	management	and other	RM'000	
	RM'000	RM'000	RM'000	RM'000	operations	RM'000	RM'000
					RM'000		
2006							
Operating revenue							
External revenue	237,658	1,506,506	476,557	22,865	40,299	-	2,283,885
Inter-segment sales	-	2,967	125	-	18,670	(21,762)	-
Total operating revenue	<u>237,658</u>	<u>1,509,473</u>	<u>476,682</u>	<u>22,865</u>	<u>58,969</u>	<u>(21,762)</u>	<u>2,283,885</u>
Results							
Segment results	54,366	8,180	(1,520)	2,792	(11,855)	2,896	54,859
Transfer to life reserve	-	(37,524)	-	-	-	-	(37,524)
Profit/(loss) from operations	<u>54,366</u>	<u>(29,344)</u>	<u>(1,520)</u>	<u>2,792</u>	<u>(11,855)</u>	<u>2,896</u>	<u>17,335</u>
Finance costs							(11,372)
Share of loss of associated companies							(2,853)
Taxation							(4,772)
Loss for the financial year							<u>(1,662)</u>
Other information							
Segment assets	<u>541,995</u>	<u>5,471,880</u>	<u>724,986</u>	<u>27,656</u>	<u>340,855</u>	<u>6,515</u>	<u>7,113,887</u>
Investments in associated companies							53,339
Total assets							<u>7,167,226</u>
Segment liabilities/total liabilities	23,530	6,013,590	595,411	7,088	156,898	-	6,796,517
Capital expenditure	-	7,288	1,733	534	6,372	-	15,927
Depreciation of property, plant and equipment	-	14,240	4,112	277	1,726	-	20,355

Notes To The Financial Statements

- 31 December 2006 (continued)

44 SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

	Life Insurance		General insurance fund RM'000	Unit trust fund management RM'000	Shareholders' fund and other operations RM'000	Eliminations RM'000	Group RM'000
	Investment -linked fund RM'000	Non- investment -linked fund RM'000					
2005							
Operating revenue							
External revenue	154,625	1,510,094	483,233	20,174	37,294	-	2,205,420
Inter-segment sales	-	2,822	143	-	16,083	(19,048)	-
Total operating revenue	<u>154,625</u>	<u>1,512,916</u>	<u>483,376</u>	<u>20,174</u>	<u>53,377</u>	<u>(19,048)</u>	<u>2,205,420</u>
Results							
Segment results	(21,586)	(62,652)	3,563	653	33,179	1,432	(45,411)
Transfer from life reserve	-	97,334	-	-	-	-	97,334
Profit/(loss) from operations	<u>(21,586)</u>	<u>34,682</u>	<u>3,563</u>	<u>653</u>	<u>33,179</u>	<u>1,432</u>	<u>51,923</u>
Finance costs							(9,859)
Share of loss of associated companies							(931)
Taxation							1,716
Profit for the financial year							<u>42,849</u>
Other information							
Segment assets	<u>332,823</u>	<u>5,092,856</u>	<u>689,212</u>	<u>26,402</u>	<u>376,983</u>	<u>18,198</u>	<u>6,536,474</u>
Investments in associated companies							14,029
Total assets							<u>6,550,503</u>
Segment liabilities/total liabilities	10,007	5,424,796	553,427	6,537	162,595	-	6,157,362
Capital expenditure	-	3,971	3,303	658	4,271	-	12,203
Depreciation of property, plant and equipment	-	12,100	5,391	425	2,162	-	20,078

(b) Geographical segments

The Group operates mainly in Malaysia, Indonesia and Philippines. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets.

	Operating revenue		Total assets		Capital expenditure	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysia	2,203,860	2,146,181	7,095,221	6,497,943	15,626	11,875
Indonesia	79,569	58,955	63,189	44,087	285	320
Philippines	456	284	8,816	8,473	16	8
	<u>2,283,885</u>	<u>2,205,420</u>	<u>7,167,226</u>	<u>6,550,503</u>	<u>15,927</u>	<u>12,203</u>

45 MANAGEMENT OF FINANCIAL RISK

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including underwriting risk, credit risk, settlement risk, market risk, equity price risk, liquidity risk, foreign currency exchange risk and operational risk.

The Group carried out its financial risk management through internal control systems, standard operating procedures, investment strategies and adherence to all rules and regulations as stipulated by the Guidelines for Investments issued by Bank Negara Malaysia, Labuan Offshore Financial Services Authority and the Ministry of Finance, Indonesia, for its local and overseas insurance subsidiary companies.

The Board regularly reviews these risks and approves policies for managing each of these risks.

Underwriting risk

For the Group's insurance subsidiary companies, underwriting risk represents the inherent risk in insurance of incurring higher claims costs than expected. This is due to the random nature of claims, changes in legal or economic conditions or behavioural patterns affecting the frequency and severity of claims.

The Group seeks to manage underwriting risks through the following means:

- Maintaining a measure of conservatism with respect to the adequacy of insurance premium rate levels and provisions with respect to insurance liabilities;
- Writing a balanced mix and spread of business, geographically and between classes of business;
- Observing underwriting guidelines, which cover exclusions, loadings and cover limits;
- Transferring risk through a program of reinsurance that seeks to limit the exposure to any one risk or life as well as protect the overall retained portfolio from a general deterioration in claims as well as catastrophic events.

Credit risk

Credit risk is the risk of loss from the default by a debtor or counter party. Credit risks arise in the Group's lending and investment activities.

In lending and investment activities, the Group undertakes credit analysis whereby the credit standing of borrowers, structure of loans and the general risk entered into are assessed and evaluated.

Minimum credit quality applies to investments carried out by the Group in private debt securities with a minimum rating of BBB-/BBB3 (at date of investment) accorded by reputable rating agencies. The Group however intends to maintain a minimum A/A2 portfolio average under current returns objectives. The Group does not solely depend on the ratings provided but as in all credit applications, reviews the credit based on publicly available information together with in-house analysis based on information provided by the borrowers/issuers, peer group comparisons, industry comparisons and other quantitative tools.

Debtor recoverability and risk concentration monitoring, including on-going monitoring of the financial standing of these debtors or counter parties, are part of credit risk management of the Group to ensure that the Group is exposed to minimal credit risk. For the Group's insurance subsidiary companies, allowance for doubtful debts is made on those loans (or part of remaining amounts) where the level of required security has been impaired.

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- 31 December 2006 (continued)

45 MANAGEMENT OF FINANCIAL RISK (continued)

Credit risk (continued)

The Group's credit risk exposure in the insurance subsidiary companies is analysed as follows:

	2006			2005		
	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000
Carrying amount						
Analysed by rating						
Government Guaranteed	-	59,765	-	-	26,619	-
AAA	-	155,120	-	-	157,738	-
AA	-	401,955	-	-	372,830	-
A	-	564,740	-	-	675,592	-
BBB	35,226	178,562	-	32,728	137,420	-
BB of lower	-	32,000	-	-	31,909	-
Non-investment grade	691	9,642	1,114,543	3,367	6,572	942,969
	<u>35,917</u>	<u>1,401,784</u>	<u>1,114,543</u>	<u>36,095</u>	<u>1,408,680</u>	<u>942,969</u>

The rating categories are based on the gradings of reputable rating agencies.

	2006			2005		
	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000
Carrying amount						
Analysed by industry						
Agriculture, forestry, fisheries	-	138,644	39,942	-	159,468	102
Construction	-	126,589	-	-	20,291	-
Finance	-	191,575	171,065	-	222,304	156,551
Industrial/Manufacturing	35,917	147,613	-	36,095	131,011	-
Infrastructure	-	327,961	-	-	283,271	-
Power	-	215,048	-	-	232,030	-
Property	-	114,357	512,474	-	184,968	469,643
Trading/Services	-	139,997	57,409	-	175,337	57,125
Others	-	-	333,653	-	-	259,548
	<u>35,917</u>	<u>1,401,784</u>	<u>1,114,543</u>	<u>36,095</u>	<u>1,408,680</u>	<u>942,969</u>

The Group's insurance subsidiary company encountered occurrence of rating default events for three unquoted corporate debt securities. The renegotiated terms in one of the securities have been approved by the Securities Commission and are pending the formal restructure of the parent company. The other two securities have been called an event of default in 2005 and 2006 respectively. In one case, the Bondholders have progressed into a full litigation suit against its issuer and others for alleged breach of contract and/or negligence while bondholders of the other default securities were prevented from initiating the necessary legal action under a restraining order which will expire in July 2007. The repayment capability of the first restructured security hinges on the group restructure exercise that the issuer is undergoing while the latter cases will rely on the recovery or claim from the outcome of the civil suits.

Settlement risk

Settlement risk arises when there is an exchange of value for the same or different value dates and is not verified or expected until the Group has paid or delivered its obligation to the trade. All transactions currently entered into are mainly with approved counter parties for settlement methods i.e. RENTAS System Intraday Credit Facility that minimises the risks.

Notes To The Financial Statements

- 31 December 2006 (continued)

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk

Market risk is the risk of loss due to adverse changes or volatility of prices in financial markets on the Group's investments.

Interest rate risk is the market risk due to movements in interest rates and may affect valuation and reinvestment issues to the Group. The Investment Committee actively monitors such developments as well as discusses changes in maturity profiles of assets and liabilities to minimise overall mismatch.

Interest rate exposure also arises from the Group's borrowings. The Group finances its operations through a mixture of retained profits and bank borrowings. Borrowings are managed through the use of fixed and floating rate debts.

The following table provides information about financial assets and financial liabilities, showing the weighted average effective interest rate and the contractual maturing date for each class of interest-bearing financial instrument in the balance sheet.

	Interest-bearing/contractual maturity date				GROUP	
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate
						%
2006						
Financial assets						
Financial assets at fair value through profit or loss:						
MGS/ treasury bills/BNM papers	-	-	86,119	-	86,119	3.88
Cagamas papers	-	-	10,153	-	10,153	3.56
Equity securities						
- quoted	857,689	-	-	-	857,689	
- unquoted	3,788	-	-	-	3,788	
Corporate debt securities						
- quoted	691	-	12,131	23,095	35,917	7.04
- unquoted	-	37,468	86,292	11,892	135,652	6.64
Unit trusts and investment-linked units						
- quoted	23,402	-	-	-	23,402	
- unquoted	44,076	-	-	-	44,076	
	<u>929,646</u>	<u>37,468</u>	<u>194,695</u>	<u>34,987</u>	<u>1,196,796</u>	
Financial assets at available-for-sale:						
MGS/treasury bills/BNM papers	-	30,682	793,336	-	824,018	3.88
Cagamas papers	-	59,993	-	-	59,993	3.66
Corporate debt securities						
- Unquoted	507	197,864	590,162	49,642	838,175	6.64
	<u>507</u>	<u>288,539</u>	<u>1,383,498</u>	<u>49,642</u>	<u>1,722,186</u>	
Financial assets at held to maturity:						
MGS/treasury bills/BNM papers	-	45,863	61,441	-	107,304	3.88
Corporate debt securities						
- unquoted	-	40,902	37,541	349,514	427,957	6.64
	<u>-</u>	<u>86,765</u>	<u>98,982</u>	<u>349,514</u>	<u>535,261</u>	
Loans:						
Policy loans	-	273,658	-	-	273,658	7.57
Mortgage loans	-	423,566	88,222	11,159	522,947	10.56
Other secured loans	-	286,252	31,362	107	317,721	11.09
Unsecured loans	-	162	55	-	217	4.36
	<u>-</u>	<u>983,638</u>	<u>119,639</u>	<u>11,266</u>	<u>1,114,543</u>	

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

	Interest-bearing/contractual maturity date				GROUP	
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2006 (continued)						
Financial assets (continued)						
Other receivables:						
Income due and accrued	45,285	-	-	-	45,285	
Lease, hire-purchase and other loan receivables	-	135,939	48,198	4,299	188,436	6.14
Others	150,841	-	-	-	150,841	
	<u>196,126</u>	<u>135,939</u>	<u>48,198</u>	<u>4,299</u>	<u>384,562</u>	
Fixed and call deposits	-	678,966	65,356	-	744,322	3.33
Cash and bank balances					86,283	
Other financial assets					113,834	
Total financial assets					<u>5,897,787</u>	
Other assets:						
Property, plant and equipment					378,847	
Investment properties					734,937	
Intangible assets					11,524	
Associated companies					53,339	
Tax recoverable					53,267	
Deferred tax assets					17,226	
Other receivables					20,299	
Total assets					<u>7,167,226</u>	
Financial liabilities						
Bonds - unsecured	-	30,000	-	-	30,000	7.96
Term loans	-	39,935	30,000	-	69,935	7.50
Bank overdrafts - unsecured	-	26,002	-	-	26,002	8.20
Other payables	1,103,011	391	1,360	-	1,104,762	
	<u>1,103,011</u>	<u>96,328</u>	<u>31,360</u>	<u>-</u>	<u>1,230,699</u>	
Other financial liabilities					5,537,485	
Total financial liabilities					<u>6,768,184</u>	
Other liabilities:						
Current tax liabilities					19,028	
Deferred tax liabilities					9,305	
Total liabilities					<u>6,796,517</u>	

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefits, insurance contracts and leases are not shown as they are excluded from the scope of FRS Standard 132 - Financial Instruments: Disclosure and Presentation.

Notes To The Financial Statements

- 31 December 2006 (continued)

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

	Interest-bearing/contractual maturity date				GROUP	
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2005						
Financial assets						
Financial assets at fair value through profit or loss :						
Equity securities						
- quoted	800,073	-	-	-	800,073	
- unquoted	3,370	-	-	-	3,370	
Corporate debt securities						
- quoted	3,367	-	11,006	21,722	36,095	7.02
- unquoted	-	5,304	163,793	23,903	193,000	6.59
Unit trusts and investment-linked units						
- quoted	13,505	-	-	-	13,505	
- unquoted	143,054	-	-	-	143,054	
	<u>963,369</u>	<u>5,304</u>	<u>174,799</u>	<u>45,625</u>	<u>1,189,097</u>	
Financial assets at available-for-sale:						
Equity securities						
- unquoted	502	-	-	-	502	
MGS/treasury bills/BNM papers	-	180,343	173,454	-	353,797	3.25
Cagamas papers	-	120,200	60,074	-	180,274	3.55
Corporate debt securities						
- Unquoted	-	158,450	636,472	63,310	858,232	6.59
	<u>502</u>	<u>458,993</u>	<u>870,000</u>	<u>63,310</u>	<u>1,392,805</u>	
Financial assets at held to maturity:						
Corporate debt securities						
- unquoted	-	38,204	21,500	297,744	357,448	6.59
Loans:						
Policy loans	-	244,123	-	-	244,123	7.57
Mortgage loans	-	236,717	123,598	24,581	384,896	10.53
Other secured loans	-	276,259	37,365	56	313,680	11.04
Unsecured loans	-	202	68	-	270	4.24
	<u>-</u>	<u>757,301</u>	<u>161,031</u>	<u>24,637</u>	<u>942,969</u>	
Other receivables:						
Income due and accrued	40,826	-	-	-	40,826	
Lease, hire-purchase and other loan receivables	-	170,353	11,488	6,635	188,476	5.65
Others	169,301	-	-	-	169,301	
	<u>210,127</u>	<u>170,353</u>	<u>11,488</u>	<u>6,635</u>	<u>398,603</u>	
Fixed and call deposits	-	842,745	-	65,431	908,176	3.03

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

	Interest-bearing/contractual maturity date				GROUP	
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2005 (continued)						
Financial assets (continued)						
Cash and bank balances					62,500	
Other financial assets					128,014	
Total financial assets					5,379,612	
Other assets:						
Property, plant and equipment					361,753	
Investment properties					728,302	
Intangible assets					6,189	
Associated companies					14,029	
Tax recoverable					30,979	
Deferred tax assets					23,445	
Other receivables					6,194	
Total assets					6,550,503	
Financial liabilities						
Bonds - unsecured	-	30,000	30,000	-	60,000	7.90
Term loans	-	37,155	30,000	-	67,155	7.50
Bank overdrafts - unsecured	-	14,293	-	-	14,293	7.02
Other payables	160,421	18	62	-	160,501	
	160,421	81,466	60,062	-	301,949	
Other financial liabilities					5,830,738	
Total financial liabilities					6,132,687	
Other liabilities:						
Current tax liabilities					10,107	
Deferred tax liabilities					9,069	
Other payables					5,499	
Total liabilities					6,157,362	

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefits, insurance contracts and leases are not shown as they are excluded from the scope of FRS Standard 132 - Financial Instruments: Disclosure and Presentation.

Notes To The Financial Statements

- 31 December 2006 (continued)

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

	Interest-bearing/contractual maturity date				COMPANY	
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2006						
Financial assets						
Financial assets at fair value through profit or loss:						
Quoted equity securities of corporations	11,610	-	-	-	11,610	
Loans:						
Mortgage loans	-	67	417	151	635	6.04
Unsecured loans	-	13	-	-	13	5.00
	-	80	417	151	648	
Other receivables:						
Amounts due from subsidiary companies	65,828	64,863	-	-	130,691	6.79
Income due and accrued	1	-	-	-	1	
	65,829	64,863			130,692	
Fixed and call deposits	-	1,230	-	-	1,230	2.84
Cash and bank balances					972	
Total financial assets					145,152	
Other assets:						
Property, plant and equipment					2,825	
Investment in subsidiary and associated companies					260,669	
Tax recoverable					4,255	
Deferred tax assets					6,847	
Others receivables					5,506	
Total assets					425,254	
Financial liabilities						
Bonds - unsecured	-	30,000	-	-	30,000	7.96
Term loans - unsecured	-	-	30,000	-	30,000	7.50
Bank overdraft - unsecured	-	17,382	-	-	17,382	8.20
	-	47,382	30,000	-	77,382	
Other liabilities:						
Others payables					2,076	
Total liabilities					79,458	

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

	Interest-bearing/contractual maturity date				COMPANY	
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2005						
Financial assets						
Financial assets at fair value through profit or loss:						
Quoted equity securities of corporations	10,879	-	-	-	10,879	
Loans:						
Mortgage loans	-	63	368	319	750	5.67
Unsecured loans	-	1	-	-	1	6.50
	-	64	368	319	751	
Other receivables:						
Amounts due from subsidiary companies	37,469	107,345	-	-	144,814	7.41
Fixed and call deposits	-	2,385	-	-	2,385	2.35
Cash and bank balances						
					542	
Total financial assets					159,371	
Other assets:						
Property, plant and equipment					2,029	
Investment in subsidiary and associated companies					283,420	
Tax recoverable					1,792	
Deferred tax assets					690	
Others receivables					1,282	
Total assets					448,584	
Financial liabilities						
Bonds - unsecured	-	30,000	30,000	-	60,000	7.90
Term loans - unsecured	-	-	30,000	-	30,000	7.50
Bank overdraft - unsecured	-	12,579	-	-	12,579	7.02
	-	42,579	60,000	-	102,579	
Other liabilities:						
Others payables					458	
Total liabilities					103,037	

Notes To The Financial Statements

- 31 December 2006 (continued)

45 MANAGEMENT OF FINANCIAL RISK (continued)

Equity price risk

The equity investment portfolio of the Group is exposed to movements in equity markets. The Group monitors its equity price risk through regular stress testing. The Group uses historical stock betas, index levels and equity prices, and estimates the volatility and correlation of each of these share prices and index levels to calculate the gain or loss that could occur over a defined period of time, given a certain index level.

The Group uses derivative financial instruments (index futures contracts) as a means of hedging against the impact of market movements on the value of assets in the portfolio so as to reduce and eliminate risks. The Group's policy is to trade in derivatives only to hedge existing financial market risk and not for the purpose of speculation.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled through the setting of exposure limits, which are subject to detailed monitoring and review.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. To ensure and avoid such occurrences, an adequate cushion in the form of cash and very liquid investments are always maintained. The Group also ensures the availability of funding through an adequate amount of committed credit facilities. The Group monitors on a weekly basis all known obligations outstanding together with unplanned obligation reserve (as projected by the actuary) for the insurance subsidiary companies, to monitor mismatches in the investment portfolio.

Foreign currency risk

The Group has overseas subsidiary and associated companies that operate in Indonesia, British Virgin Islands, Philippines and Thailand whose revenue and expenses are denominated exclusively in Indonesian Rupiah, United States Dollar, Peso and Thai Baht respectively. It also has subsidiary companies that operate in Labuan whose revenue and expenses are denominated mainly in United States Dollar. In order to protect the Group's exposure to the movements in the Ringgit Malaysia/Indonesian Rupiah, Ringgit Malaysia/Peso and Ringgit Malaysia/Thai Baht exchange rates, the Group finances its net investments in the subsidiary and associated companies in Indonesia, Philippines and Thailand by means of United States Dollar denominated funds.

The Group also has transactional currency exposures entered into by subsidiary companies, mainly in United States Dollar.

Operational risk

Operational risk includes risks that arise from internal processes of an organisation. These may result from inadequacies or failures in processes, controls or project due to fraud, unauthorised activities, error, omission, inefficiency, system failure or from external event. Operational risk is less direct than credit and market risks, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes. In order to reduce or mitigate these risks, the Group has comprehensive operating policies and procedures manuals which have been approved by the Board of Directors. Furthermore, the Group has established a Compliance Department (which included a Risk Management Unit) and Internal Audit Department to review and check the current procedures adhere to all rules and regulations and the procedures manuals.

Fair values

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

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Amounts due from subsidiary companies	-	-	130,691	144,814
Amounts due from related companies	6,136	6,955	-	-

It is not practicable to determine the fair values of amounts due from subsidiary and related companies because these balances have no fixed terms of repayment and are repayable on demand.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Company announced on 29 September 2004 the corporate proposal on renounceable rights issue of up to 152,177,000 New Irredeemable Preference Shares of RM1 each ("IPS") ("Rights IPS") together with up to 152,177,000 free detachable Ordinary Shares of RM1 each ("Ordinary Shares") ("Bonus Shares") and up to 152,177,000 free detachable Warrants ("Warrants") on the basis of one (1) Rights IPS with one (1) free detachable Bonus Share and one (1) free detachable Warrant for every one (1) existing Ordinary Share held in the Company at an entitlement date to be determined later ("Rights Issue of IPS"). The Rights Issue of IPS was approved by the shareholders of the Company at the Extraordinary General Meeting held on 22 February 2005.

Given the uncertain sentiments in the Malaysian equity market prevailing then, the Company with the approval of the Securities Commission ("SC") had extended the completion of the proposed Rights Issue of IPS twice, firstly from 3 June 2005 to 31 December 2005 and subsequently from 1 January 2006 to 30 June 2006.

On 3 May 2006, the Company announced that after taking into consideration the then market sentiments and the market performance of the ordinary shares of the Company, it has decided to abort the proposed Rights Issue of IPS.

Notwithstanding the abortion of the proposed Rights Issue of IPS, the Board of Directors of the Company on 3 May 2006 announced that the Company will proceed with the Proposed Bonus Issue of up to 152,177,000 new ordinary shares of RM1 each as fully paid on the basis of one (1) Bonus Share for every one (1) existing ordinary share held to the registered shareholders of the Company at the close of business on an entitlement date to be determined and announced later ("Proposed Bonus Issue").

The Proposed Bonus Issue will be issued via capitalization of up to RM152,177,000 from the following:

- (i) up to RM11,744,000 from share premium account of the Company; and
- (ii) up to RM140,433,000 from retained earnings of the Company.

The Proposed Bonus Issue was approved by the shareholders of the Company at the Annual General Meeting held on 21 June 2006.

The Company had on 19 July 2006 submitted an Application for listing of additional ordinary shares to be issued pursuant to the Proposed Bonus Issue to Bursa Malaysia Securities Berhad ("Bursa Securities"). The approval was obtained on 1 August 2006 from Bursa Securities.

152,177,000 new ordinary shares of RM1 each were subsequently allotted on 8 September 2006 pursuant to the Proposed Bonus Issue.

- (b) On 2 May 2006, a new subsidiary company namely MAA Takaful Berhad ("MAA Takaful") was incorporated with an authorised share capital of RM150,000,000 comprising 150,000,000 ordinary shares of RM1 each of which RM2 have been issued and fully paid-up.

MAA Takaful was incorporated pursuant to the approval of Bank Negara Malaysia ("BNM") to carry on Takaful business in Malaysia with joint venture partner, Solidarity Company BSC (C) ("Solidarity"). The equity participation of the Company and Solidarity in MAA Takaful is 75% and 25% respectively.

The Company has subsequently on 21 September 2006 entered into a Subscription Agreement with Solidarity in respect of the subscription of 100,000,000 shares of RM1 each ("Initial Shares") in MAA Takaful by both parties within thirty (30) days from the date of the Subscription Agreement or such other extended date as the parties may mutually agree.

The parties have also entered into a Shareholders' Agreement to regularise their relationship as shareholders of MAA Takaful and the conduct of the affairs of MAA Takaful. The Shareholders' Agreement will take effect on the date the parties subscribe to their respective shares in MAA Takaful.

MAA Takaful has on 16 November 2006 submitted an application to the SC for the increase in its paid up capital. The approval was obtained from the SC on 15 January 2007.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (c) On 4 August 2006, the Company announced the Proposed Issuance of Commercial Papers ("CP") and/or Medium Term Notes ("MTN") Programme of up to RM200 million ("Proposed Programme").

The Proposed Programme will comprise the issuance of CP with tenors ranging from one (1) month to twelve (12) months and/or MTN with tenors of more than one (1) year but not exceeding seven (7) years. The proceeds from the Proposed Programme will be used in relation to financing the Company's investment in Takaful business, to repay certain existing bank borrowings of the Company and its subsidiary companies, to finance redemption of its existing RM120 million Serial Fixed Rate Bonds maturing on 21 August 2007, to pre-fund the debt service reserve account to be established for the purposes of the Proposed Programme and to finance working capital of the Company.

The approval for Proposed Programme was obtained on 28 August 2006 from Securities Commission ("SC").

On 5 December 2006, the Company submitted an application to the SC for the following variations to the principal terms and conditions of the Proposed Programme:

- (i) to secure the issuance under the Proposed Programme by a bank guarantee facility from DBS Bank Lt, Labuan Branch ("DBS Bank") up to the maximum aggregate principal amount of the United States Dollars equivalent to RM200 million; and
- (ii) to vary the utilisation of proceeds of the Proposed Programme, where among others the Company's investment in Takaful business will be financed from internally generated fund

The SC has via its letter dated 22 December 2006 approved the above stated variations.

On 8 January 2007, the Company successfully issued RM200 million nominal amount of Medium Terms Notes up to a tenure of 5 years.

- (d) On 22 September 2006, Columbus Capital Singapore Pte Ltd ("CCS"), a new wholly-owned subsidiary company of MAA International Investment Ltd, which in turn is a wholly-owned subsidiary of the Company, entered into a conditional subscription agreement with Columbus Capital Pty Limited ("CCPL") to subscribe up to 20.0 million Series A Preference Shares at an issue price of AUD1.00 each, representing up to 50% equity interest in CCPL for a total cash consideration of AUD20.0 million or RM57.0 million.

CCPL was incorporated in Australia under the Corporation Act 2001 on 4 May 2006.

CCS subscribed 15.0 million Series A Preference Shares in CCPL on 6 October 2006, representing 42.86% equity interest in CCPL.

- (e) MAA International Assurance Ltd ("MAAIA"), a wholly-owned subsidiary company of MAA Corporation Sdn Bhd together with its subsidiary company, Tuang Thai Co. Ltd had on 14 September 2006 entered into a Share Sale and Purchase Agreement with Mr. Krisana Kritmanorote for the disposal of a total 4,799,800 ordinary shares of Thai Baht 10.00 each, representing the 42.15% equity interest in MAAKK Wealth Management Co. Ltd ("MAAKK"), an associated company, for a total cash consideration of Thai Baht 47,998 (equivalent to approximately RM4,713) and the agreed repayment of Thai Baht 39,000,000 (equivalent to approximately RM3,829,800) of the amount owing by MAAKK to MAAIA. The disposal was completed on 17 October 2006.

List Of Properties As At 31 December 2006

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT-UP AREA (SQ.M)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION (A)/ REVALUATION (R)
1	Menara MAA, No. 15, Jalan Dato Abdullah Tahir, 80300 Johor Bahru, Johor Darul Takzim	Freehold	61,105	Office building for branch office and rental income	4	120,000	27-Feb-07 (R)
2	12 Units of Condominium, Tanjung Puteri Condominium, No. 1, Jalan Stulang Laut 2, Off Jalan Ibrahim Sultan, Stulang Laut, 80300 Johor Bahru, Johor Darul Takzim	Freehold	1,573	Condominiums for rental income	10	3,220	09-Mar-06 (R)
3	HS(M) No. 622/96 PT No. 5365A, HS(M) No. 623/96 PT No. 5366, HS(M) No. 626/96 PT No. 5369, Mukim Sungai Seluang, Kedah Darul Aman	Freehold	534	Shop office under construction	-	330	05-Feb-04 (R)
4	Lot 21, Jalan 4/32A, Kepong Industrial Area, Batu 6 1/2 Kepong, 51200 Kuala Lumpur	Leasehold for 60 years expiring on 05/01/2039	3,864	Industrial building for rental income	3.7	6,600	24-Apr-06 (R)
5	1 Unit of Condominium, No. 403 Fernlea Court, 16, Persiaran Ampang Hilir, 55000 Kuala Lumpur	Freehold	279	Condominiums for rental income	6	1,187	22-Mar-07 (R)
6	11 Units of Bungalow lots at Hartamas Heights, Sri Hartamas, Kuala Lumpur	Freehold	10,977	Vacant land	-	22,137	01-Jun-05 (A)
7	Casa Rachado, Tanjung Biru, Batu 10, Jalan Pantai, 71250 Si-Rusa Port Dickson, Negeri Sembilan Darul Khusus	Leasehold for 99 years expiring on 13/10/2036	14,414	Training resort for staff and agency	11	12,000	24-Feb-04 (R)
8	Lot 1478, Nilai Industrial, Estate Phase II, 71800 Nilai, Negeri Sembilan Darul Khusus	Leasehold for 99 years expiring on 20/08/2089	5,853	Factory building for rental income	10	6,400	24-Apr-06 (R)
9	No. 14 & 15, Jalan Toman 2, Kemayan Square, 70200 Seremban, Negeri Sembilan Darul Khusus	Freehold	14,922	Shophouses for branch office	9	4,200	07-Sep-06 (R)
10	21 Units of Shophouse, Kemayan Square, 70200 Seremban, Negeri Sembilan Darul Khusus	Freehold (parent title)	10,618	Shophouses for rental income	8	11,600	26-Mar-07 (R)
11	21 Units of Shop Lots, Terminal One Shopping Centre, 20B Jalan Lintang, 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	3,646	Commercial lots for rental income	8	12,478	09-Mar-06 (R)
12	CT4300, Lot 16, Section 22, Lot 16, Town and District of Kuantan, Pahang Darul Makmur	Freehold	4,040	Vacant land	-	6,000	27-Mar-06 (R)
13	Lot 2638 S, Jalan Kampar, 30250 Ipoh, Perak Darul Ridzuan	Freehold	2,076	Vacant land	-	3,000	06-Mar-06 (R)
14	No. 12 (Lot 35154), Off Jalan Chin Choon Sam, No. 142 (35155), Jalan Sultan Abdul Jalil, Ipoh, Perak Darul Ridzuan	Freehold	4,846	Vacant land	-	5,372	24-Mar-06 (R)

List Of Properties As At 31 December 2006 (continued)

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT-UP AREA (SQ.M)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION (A)/ REVALUATION (R)
15	No. 28, Medan Silibin, 30300 Ipoh, Perak Darul Ridzuan	Leasehold for 99 years expiring on 29/09/2098	2,381	Shophouses for rental income	7	2,200	09-Jan-06 (R)
16	HS(D) 106957-106967, 106982-107005, 107008-107032 Mukim of Kampar, District of Kinta, Perak Darul Ridzuan	Leasehold for 99 years expiring on 22/05/2101	8,584	Residential houses for sale/rental	2	8,161	31-Dec-06 (R)
17	No. 19, 21, 23 & 25, Lebuhr Kledang Utara 2B, Taman Arkid, Menglembu, Perak Darul Ridzuan	Leasehold for 99 years expiring on 17/09/2095	658	Shophouses for rental income	2	1,100	10-Nov-06 (R)
18	Wisma MAA, No. 11-17, Jalan SM 1C/15, Fasa 1C 4, Bandar Baru Sri Manjung 32040 Sri Manjung, Perak Darul Ridzuan	Leasehold for 99 years expiring on 01/08/2079	3,924	Shophouses for branch office and rental income	7	2,332	15-Apr-06 (R)
19	Menara MAA, No. 170, Jalan Argyll, 10250 Pulau Pinang	Freehold	23,103	Office building for branch office and rental income	7	34,500	27-Feb-07 (R)
20	Section 14, Bandar Georgetown, Timur Laut Pulau Pinang :	Freehold	6,311	Land and Building for Rental	-	13,396	27-Feb-07 (R)
	Lot 497 and 502			Land for Rental		-	
	Lot 499			Building for Rental	77	-	
	Lot 501			Building for Rental	117	-	
21	H.S(D) 14713, PT No. 2926 Mukim 11, District of Seberang Prai Tengah State of Pulau Pinang	Leasehold for 60 years expiring on 08/05/2052	10,849	Factory building for rental income	16	11,213	28-Jan-05 (A)
22	Jalan Lintas, Kota Kinabalu, Sabah, District of Kota Kinabalu, Sabah :	Leasehold for 999 years	46,497	Residential houses intended for sales/rental	-	30,000	06-Jan-05 (R)
	CL 015 017 679	Lease expiring on 16/04/2922					
	CL 015 019 217	Lease expiring on 17/06/2924					
	CL 015 008 803	Lease expiring on 20/04/2909					
23	Lot No. 4/G3 to 4/G7, Api-Api Centre, Jalan Centre Point, 88000 Kota Kinabalu, Sabah	Leasehold for 99 years expiring on 31/08/2086	1,250	Shophouses for rental income	12	3,750	17-Apr-06 (R)
24	Lot 11, General Industrial Zone Package 1, Kota Kinabalu Industrial Park KM 25, Jalan Tuaran, Kota Kinabalu, Sabah	Leasehold for 99 years expiring on 21/12/2098	26,952	Vacant land	-	3,770	24-Apr-06 (R)
25	Ground Floor to Third Floor, Wisma Pendidikan, Jalan Balai Polis, 88850 Kota Kinabalu, Sabah	Leasehold for 99 years expiring on 31/12/2073	1,179	Office building for branch office	24	3,500	29-Dec-06 (R)

List Of Properties As At 31 December 2006 (continued)

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT-UP AREA (SQ.M)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION (A)/ REVALUATION (R)
26	2 Units bungalow lot (land) in town no. 01754486 & 017544875 at Sembulan, Kota Kinabalu, Sabah	Leasehold for 99 years expiring on 31/12/2091	2,717	Vacant land	-	2,462	07-Sep-05 (A)
27	Provisional lease 106261205, District of Tawau, Along KM 13 Jalan ApasTawau, Sabah	Leasehold for 99 years expiring on 10/04/2060	1,235,546	Vacant land	-	25,951	07-Aug-06 (R)
28	Menara MAA, Lot 86, Section 53, Jalan Ban Hock, 93100 Kuching, Sarawak	Leasehold for 99 years expiring on 28/04/2051	2,598	Office building for branch office	10	10,346	18-Oct-06 (R)
29	HS(M) 6690, PT 129, Mukim Damansara, District of Petaling Jaya, State of Selangor (Kelana Jaya)	Leasehold for 99 years expiring on 28/01/2092	6,988	Vacant land	-	6,390	02-Jan-04 (R)
30	43 Units of Condominiums, Tiara Kelana Condominium, Jalan SS7/19, Taman Sri Kelana, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan	Leasehold for 99 years expiring on 28/01/2092	8,569	Condominiums for rental income	10	12,300	09-Mar-06 (R)
31	Millennium Court, Lots PT 1, 2, 2A, 3, 4, 5, 6, 9 & 50, Section 16, Lorong Ilmu, Petaling Jaya, Selangor Darul Ehsan	Leasehold for 99 years expiring on 11/03/2068	13,016	Hostel for rental income	4	52,500	08-Sep-06 (R)
32	No. 11, Jalan SS 8/4, Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan	Freehold	6,743	Factory building for rental income	18	8,000	12-Feb-04 (R)
33	Lot 34, Jalan Delima 1/3, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan	Freehold	3,106	Factory building for rental income	9	5,500	04-Sep-06 (R)
34	No. 2, Jalan PPU 1, Taman Perindustrian Puchong Utama, 47100 Puchong, Selangor Darul Ehsan (PT. No. 32333)	Freehold	28,302	Industrial building for rental income	4.5	38,500	06-Apr-06 (R)
35	No. 23, Rawang Industrial Park, 48000 Rawang, Selangor Darul Ehsan	Freehold	8,094	Industrial building for rental income	6	10,000	06-Apr-06 (R)
36	5 Units of Condominium, Sinaran Ukay Condominium, Jalan BU 1/1, Taman Bukit Utama, 68000 Bukit Antarabangsa, Ampang, Selangor Darul Ehsan	Leasehold for 99 years expiring on 03/08/2098	12,128	Condominiums for rental income	9	957	05-Jan-04 (R)
37	EMR 6095, PT 2981 & EMR 6096, PT 2982, Mukim Setapak, District of Gombak, State of Selangor	Freehold	15,609	Vacant land	-	1,246	02-Jan-04 (R)
38	HS(M) 10339/PT No. 14251, HS(D) 24220/PT No. 14250, Mukim of Ulu Kelang, District of Gombak, State of Selangor	Freehold	249,449	Vacant land	-	163,410	28-May-04 (A)

List Of Properties As At 31 December 2006 (continued)

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT-UP AREA (SQ.M)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION (A)/ REVALUATION (R)
39	Geran 23827 Lot 2718, Mukim Kajang, District Hulu Langat	Freehold	77,168	Vacant land	-	7,264	22-Mar-07 (R)
40	Plot 57 H.S (M) 3505, PT 7198 & Plot 58 H.S (M) 3504, PT 7197, Mukim Bukit Raja Daerah Petaling, Selangor Darul Ehsan	Leasehold for 99 years expiring on 28/01/2103	1,924	Vacant land	-	2,525	20-Jan-05 (A)
41	PT 1606 Jalan Kota, Mukim Bandar Kelang, Selangor Darul Ehsan	Leasehold for 99 years expiring on 07/11/2104	124,811	Vacant land	-	22,668	26-Jan-06 (A)
42	58 Units of Bangsar Suria Condominium	Freehold	10,977	Condominiums for sale	-	31,000	30-Aug-06 (R)
43	1 Unit of Tiara Kelana Condominium Taman Sri Kelana Petaling Jaya Selangor Darul Ehsan	Leasehold for 99 years expiring on 01/08/2092	596	Condominiums for rental/sale	10	483	20-Feb-04 (R)
44	Flat 9, 19-23 Palace Court London W2LP	Leasehold for 999 years expiring on 30/09/2995	135	Apartment for use by selected corporate clients	10	5,937	10-Mar-05 (R)
45	Desa Ungasan, Kecamatan Kuta Selatan Kabupaten Badung, Bali Province Republic of Indonesia	Leasehold for 20 years expiring on 2024	1,860	Vacant land	-	1,284	16-Apr-06 (R)
46	Wisma MAA, No. 21-5,21-6, Jalan Zabadah, 83000 Batu Pahat, Johor Darul Takzim	Freehold	1,217	Shophouses for branch office	8	1,480	24-Apr-06 (R)
47	Wisma MAA, No. 11A & 15, Jalan Syed Abdul Hamid Sagaff, 86000 Kluang, Johor Darul Takzim	Leasehold for 99 years expiring on 2093	1,048	Shophouses for branch office	10	1,529	17-Apr-06 (R)
48	Bangunan Wira Security, No. 183, Jalan Ipoh, 51200 Kuala Lumpur	Freehold	5,290	Office building for rental income	45	15,000	27-Feb-06 (R)
49	Wisma MAA, No.34, Jalan Bakri, 84000 Muar, Johor Darul Takzim	Freehold	1,569	Office building for branch office	23	1,772	06-Jan-06 (R)
50	Wisma MAA, No.1, 2, 3 & 4, Jalan Emas, Taman Batu Hampar, 85000 Segamat, Johor Darul Takzim	Freehold	2,362	Shophouses for branch office and rental income	10	3,092	17-Apr-06 (R)
51	No.18-E, Jalan Raya, 08300 Gurun, Kedah Darul Aman	Freehold	446	Shophouses for branch office and rental income	13	285	17-Apr-06 (R)
52	Wisma MAA, No. 117 & 118, Jalan Pengkalan, Taman Pekan Baru, 08000 Sungai Petani, Kedah Darul Aman	Leasehold for 99 years expiring on 19/12/2091	1,570	Shophouses for branch office	11	1,043	12-Jan-06 (R)

List Of Properties As At 31 December 2006 (continued)

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT-UP AREA (SQ.M)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION (A)/ REVALUATION (R)
53	Menara MAA, No. 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur	Freehold	71,793	Office building for head office use and rental income	7	241,000	25-Apr-06 (R)
54	Wisma MAA, No.185 to 190, Taman Melaka Raya, 75000 Melaka	Leasehold for 99 years expiring on 19/08/2075	2,764	Shophouses for branch office and rental income	15	2,511	04-Jan-06 (R)
55	PT 1561, Kawasan Perusahaan Nilai, 71800 Nilai, Negeri Sembilan Darul Khusus	Leasehold for 60 years expiring on 05/11/2050	3,902	Factory building for rental income	16	3,977	24-Apr-06 (R)
56	22-Storey Office Tower, Terminal One Commerce Centre, Lot 5318, Jalan Lintang, 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	15,003	Office building for rental income	1.3	30,000	27-Feb-07 (R)
57	Wisma MAA, No. A1, Jalan Stadium, 25200 Kuantan, Pahang Darul Makmur	Freehold	721	Shophouses for branch office	16	868	13-Jan-06 (R)
58	Wisma MAA, No. 65, Persiaran Greenhill, 30450 Ipoh, Perak Darul Ridzuan	Leasehold for 999 years expiring on 21/09/2894	3,281	Office building for branch office	10	7,030	09-Jan-06 (R)
59	No.10, Jalan Sena Indah 1, Taman Sena Indah, 01000 Kangar, Perlis Indera Kayangan	Leasehold for 99 years expiring on 02/10/2094	240	Shophouses for branch office	8	206	19-Apr-06 (R)
60	Wisma MAA, No. 7126 - 7128, Jalan Bagan Jermal, Taman Bintang, 12300 Butterworth, Pulau Pinang	Freehold	1,625	Shophouses for branch office	7	1,925	13-Jan-06 (R)
61	Wisma MAA, TB224, Town Extension II, 91000 Tawau, Sabah	Leasehold for 999 years expiring on 01/01/2896	3,976	Office building for branch office and rental income	17	3,542	24-Apr-06 (R)
62	Wisma MAA, No. 14, 16, 18, 20, 22 & 24, Jalan SS 3/5, Taman Sentosa, 47300 Petaling Jaya, Selangor Darul Ehsan	Freehold	2,520	Shophouses for branch office and rental income	34	6,796	24-Apr-06 (R)
63	Wisma MAA, No. 77, 79, 81, 83, 85, 87 & 89, Lorong Tiong, Taman Orkid, 41050 Klang, Selangor Darul Ehsan	Freehold	3,747	Shophouses for branch office and rental income	10	5,849	09-Jan-06 (R)
64	Wisma MAA, No.134, Jalan Sultan Zainal Abidin, 20000 Kuala Terengganu, Terengganu Darul Iman	Freehold	1,343	Office building for branch office	29	2,021	02-May-06 (R)
						1,067,095	

List Of Substantial Shareholders And Directors' Shareholdings As At 18 May 2007

SUBSTANTIAL SHAREHOLDERS

Name	No. of shares held	% of issued capital
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman <i>Indirect Interest</i>	103,778,684	34.10
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah <i>Indirect Interest</i>	103,778,684	34.10
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah <i>Indirect Interest</i>	103,778,684	34.10
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah Direct Interest	1,237,500	0.41
<i>Indirect Interest</i>	103,778,684	34.10
Iternum Melewar Sdn Bhd <i>Indirect Interest</i>	103,778,684	34.10+
Khyra Legacy Berhad <i>Indirect Interest</i>	103,778,684	34.10#

DIRECTORS' SHAREHOLDINGS

Name	Number of Shares Held			
	Direct	%	Indirect	%
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman	-	-	103,778,684	34.10*
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	-	-	103,778,684	34.10*
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	103,778,684	34.10*
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	1,237,500	0.41	103,778,684	34.10*
Yeo Took Keat	80,000	^	-	-
Tan Sri Ahmad bin Mohd Don	830,000	0.28	-	-
Datuk Ramlan bin Abdul Rashid	6,666	^	-	-

Notes:

- + *Iternum Melewar Sdn Bhd ("IMSB") is deemed interested in MAAH by virtue of it being the holding company of Melewar Equities Sdn Bhd ("MESB") who in turn is the holding company of Melewar Khyra Sdn Bhd ("MKSB"). MESB and MKSB are substantial shareholders of MAAH.*
- # *Khyra Legacy Berhad is deemed interested in MAAH by virtue of it being the ultimate holding company of IMSB.*
- * *Deemed interested by virtue of Section 6A(4) of the Companies Act 1965, held through IMSB, a company in which the above mentioned Directors have an interest.*
- ^ *Negligible*

Statistics Of Shareholdings As At 18 May 2007

Authorised Capital	RM500,000,000
Issued and Paid-up Capital	RM304,353,752
Class of Shares	Ordinary Shares of RM1.00 each
Total Number of Shares Issued	304,353,752
Number of Shareholders	5,999

Breakdown of shareholdings

Size of holdings	No. of holders	% of holders	No. of shares	% of shares
1-99	187	3.12	7,465	0.00
100 – 1,000	923	15.39	724,384	0.24
1,001 – 10,000	3,643	60.73	15,754,597	5.18
10,001 – 100,000	1,091	18.19	29,112,350	9.57
100,000 and below 5%	151	2.52	168,448,612	55.35
5% and above	4	0.07	90,306,344	29.67
	5,999	100.00	304,353,752	100.00

List of Top Thirty Shareholders

Name	No. of shares held	% of issued capital
1. AMSEC Nominees (Tempatan) Sdn Bhd <i>Beneficiary: AmBank (M) Berhad for Melewar Equities Sdn Bhd</i>	27,666,666	9.09
2. Merchant Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd</i>	22,000,000	7.23
3. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Skim Amanah Saham Bumiputera</i>	21,768,400	7.15
4. HDM Nominees (Asing) Sdn Bhd <i>Beneficiary: UOB Kay Hian Pte Ltd for Melewar Equities (BVI) Ltd</i>	18,871,278	6.20
5. Melewar Equities Sdn Bhd	14,513,030	4.77
6. Citigroup Nominees (Asing) Sdn Bhd <i>Beneficiary: Bear Stearns Securities Corp for Third Avenue Global Value Fund LP</i>	12,148,800	3.99
7. HSBC Nominees (Asing) Sdn Bhd <i>Beneficiary: RBC Dist for Melewar Equities (BVI) Limited</i>	10,966,666	3.60
8. Employees Provident Fund Board	8,946,934	2.94
9. HSBC Nominees (Asing) Sdn Bhd <i>Beneficiary: Exempt An for J.P. Morgan Bank (Ireland) Public Limited Company</i>	7,962,600	2.62
10. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Amanah Saham Wawasan 2020</i>	6,920,400	2.27
11. Citigroup Nominees (Asing) Sdn Bhd <i>Beneficiary: UBS AG for the Blackhorse Emerging Enterprises Master Fund</i>	6,697,300	2.20
12. HSBC Nominees (Asing) Sdn Bhd <i>Beneficiary: TINTC for Atlantis Asian Recovery Fund Plc</i>	6,336,700	2.08
13. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Amanah Saham Malaysia</i>	5,990,800	1.97
14. Lembaga Tabung Angkatan Tentera	5,866,666	1.93
15. OSK Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd</i>	5,000,000	1.64
16. Melewar Khyra Sdn Bhd	4,761,044	1.56
17. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Sekim Amanah Saham Nasional</i>	3,938,400	1.29

Statistics Of Shareholdings

As At 18 May 2007 (continued)

Name	No. of shares held	% of issued capital
18. Cartaban Nominees (Asing) Sdn Bhd <i>Beneficiary: Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)</i>	3,550,800	1.17
19. Citigroup Nominees (Asing) Sdn Bhd <i>Beneficiary: GSI for the Blackhorse Asia Master Fund</i>	2,736,900	0.90
20. HSBC Nominees (Asing) Sdn Bhd <i>Beneficiary: UBS AG Zurich for LGT Capital Management Ltd</i>	2,506,500	0.82
21. Citigroup Nominees (Asing) Sdn Bhd <i>Beneficiary: GSI for Altma Fund Sicav P.L.C.</i>	2,096,800	0.69
22. Lee Kek Ming	2,010,000	0.66
23. Cartaban Nominees (Tempatan) Sdn Bhd <i>Beneficiary: MIDF Amanah Asset Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (JF404)</i>	1,967,400	0.65
24. HSBC Nominees (Asing) Sdn Bhd <i>Beneficiary: Exempt an for The HongKong and Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)</i>	1,700,400	0.56
25. HSBC Nominees (Asing) Sdn Bhd <i>Beneficiary: TNTC for Atlantis Asian Opportunities Fund (ATL INT UMB FD)</i>	1,700,000	0.56
26. Cartaban Nominees (Asing) Sdn Bhd <i>Beneficiary: Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore (H)</i>	1,600,200	0.53
27. HSBC Nominees (Asing) Sdn Bhd <i>Beneficiary: TNTC for Atlantis Asian Special Situations Fund (ATL INT UMB FD)</i>	1,440,000	0.47
28. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Amanah Saham Nasional 2</i>	1,408,000	0.46
29. MAA Bancwell Trustee Berhad <i>Beneficiary: As beneficial owner</i>	1,261,400	0.41
30. Tunku Dato' Ya'acob Bin Tunku Tan Sri Abdullah	1,237,500	0.41
	215,571,584	70.83

NOTICE
There will be
no distribution
of door gifts

FORM OF PROXY

(please refer to the notes below)



MAA HOLDINGS BERHAD

(471403-A)
(Incorporated in Malaysia)

No. of ordinary shares held

I/We, _____ NRIC No./Co. No./CDS No. : _____
(Full Name in block letters)

of _____
(Full address)

being a member/members of **MAA HOLDINGS BERHAD** hereby appoint the following persons(s) :-

Name of proxy, NRIC No. & Address	No. of shares to be represented by proxy
1. _____	_____
2. _____	_____

or failing him / her, the Chairman of the Meeting as my / our proxy to vote for me/us and my / our behalf at the Ninth Annual General Meeting of the Company to be held at the **Auditorium, Podium 1, Menara MAA, No. 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur on Thursday, 28 June 2007 at 10.00 a.m.** My / our proxy is to vote as indicated below :-

Resolution	Description	FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
Resolution 1	To approve the payment of a first and final tax-exempt dividend of 2% in respect of the financial year ended 31 December 2006.				
Resolution 2	To approve the increase of the Non-Executive Directors' fees commencing from 1 January 2007.				
Resolution 3	To approve the payment of Directors' fees in respect of the financial year ending 31 December 2007 to be payable quarterly in arrears.				
Resolution 4	To re-elect Dato' Iskandar Michael bin Abdullah who is retiring pursuant to Article 73 of the Company's Articles of Association.				
	To re-elect the following Directors of the Company who are retiring pursuant to Article 79 of the Company's Articles of Association :-				
Resolution 5	(i) Datuk Razman Md Hashim bin Che Din Md Hashim				
Resolution 6	(ii) Muhamad Umar Swift				
Resolution 7	(iii) Datuk Ramlan bin Abdul Rashid				
Resolution 8	(iv) Tan Sri Ahmad bin Mohd Don				
Resolution 9	(v) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
	To re-appoint the following directors who are retiring pursuant to Section 129(6) of the Companies Act 1965: -				
Resolution 10	Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman				
Resolution 11	Majior General Lai Chung Wah (Rtd)				
Resolution 12	To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.				
Resolution 13	To authorise the Directors to allot and issue shares in the Company pursuant to S132D of the Companies Act 1965.				
Resolution 14	To authorise the renewal of share buy-back authority.				
Resolution 15	To approve the Shareholders' Mandate for Recurrent Related Party Transactions.				
Resolution 16	To approve the amendments to Articles of Association of the Company.				

(Please indicate with a "✓" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

Dated this _____ day of _____ 2007

Signature/Common Seal

NOTES: -

- A member entitled to attend and vote at a meeting of the Company is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
- A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account.
- The instrument appointing a proxy, shall be in writing under the hand of the appointor or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 20.03, 20th Floor, Menara MAA, No.12, Jalan Dewan Bahasa, 50460 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- Any alteration in the form of proxy must be initialed.
- Explanatory notes to Special Business of the Agenda 9 :-
(a) Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965.
This resolution is proposed pursuant to Section 132D of the Companies Act, 1965, and if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued share capital of the Company for such purposes as the Directors deem fit and in the interest of the Company. 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) Proposed Renewal of authority for the Company to purchase its own shares**
The proposed Resolution 14, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.
- (a) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")**
The Proposed Resolution 15, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

The detailed information on Recurrent Related Party Transactions is set out in Part B of the Circular dated 30 May 2006 which is dispatched together with this Annual Report.
- (d) Proposed Amendments to Articles of Association of the Company**
The Proposed Special Resolution 16, if passed, will update the Articles of Association of the Company to ensure continuous compliance with the Listing Requirements of Bursa Securities and to further enhance the administration of the internal affairs of the Company.

Fold here

S T A M P

**The Secretary
MAA HOLDINGS BERHAD
Suite 20.03, 20th Floor, Menara MAA
No. 12, Jalan Dewan Bahasa
50460 Kuala Lumpur**

Fold here

Notice
There will be no distribution of door gifts.

MAA HOLDINGS BERHAD

(471403-A)

(Incorporated in Malaysia)

Menara MAA, 22nd Floor, No. 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur.

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