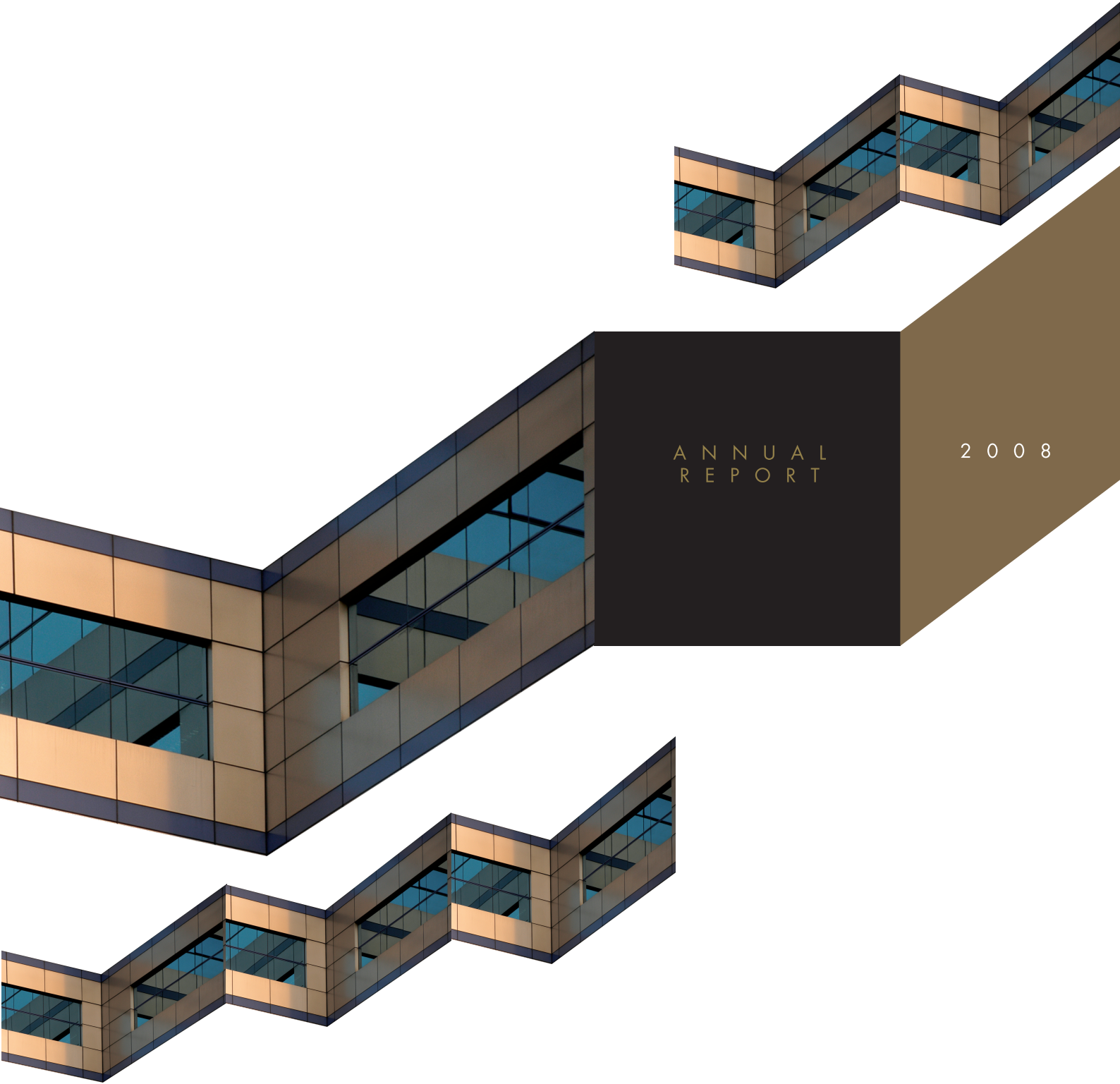




MAA HOLDINGS BERHAD

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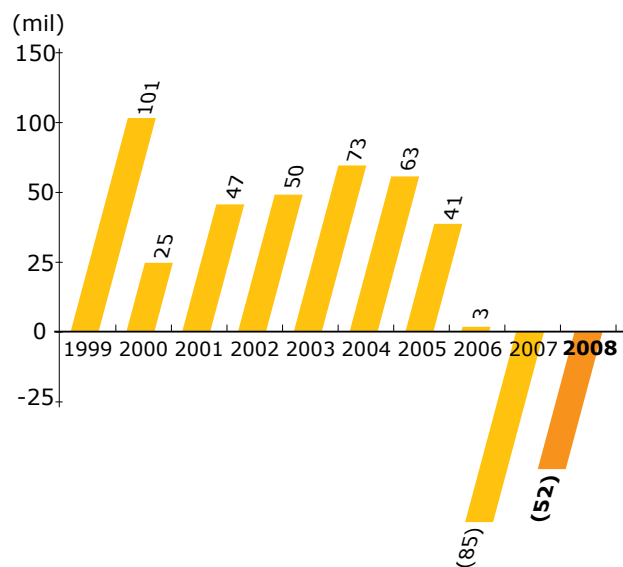
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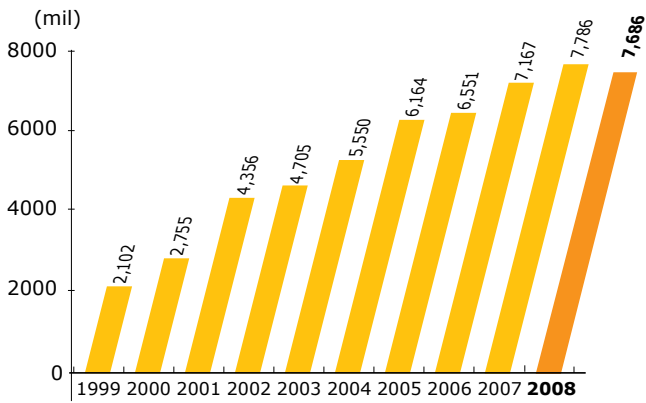
Financial Highlights

Ten Years in Review	1999 RM mil	2000 RM mil	2001 RM mil	2002 RM mil	2003 RM mil	2004 RM mil	2005 RM mil	2006 RM mil	2007 RM mil	2008 RM mil
Profit/(loss) Before Taxation	101	25	47	50	73	63	41	3	(85)	(52)
Total Assets	2,102	2,755	4,356	4,705	5,550	6,164	6,551	7,167	7,786	7,686
Gross Premium Income-Life Insurance Division	571	1,059	1,781	857	1,146	1,290	1,423	1,448	1,460	1,278
Total Life New Business Premiums	288	644	1,348	419	678	800	898	934	886	693
Gross Premium Income-General Insurance Division	298	302	347	433	460	407	460	453	460	437

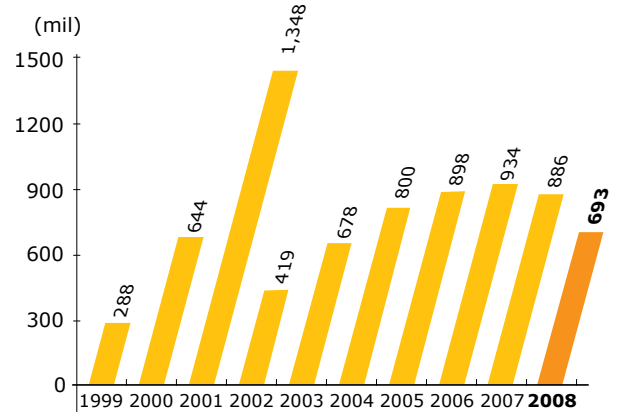
Profit/(Loss) Before Taxation (RM mil)



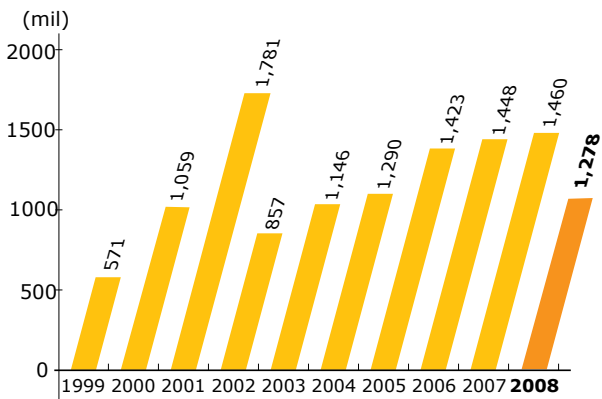
Financial Highlights



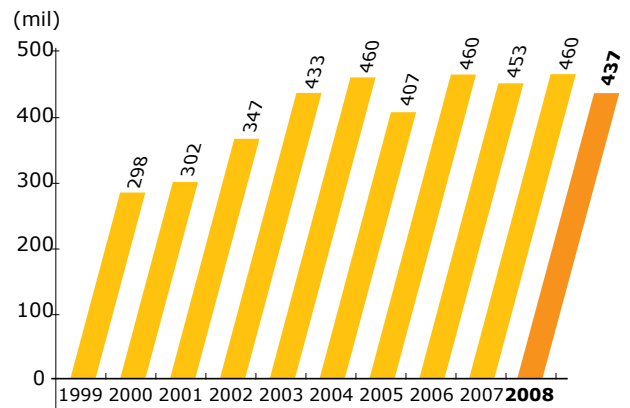
Total Assets (RM mil)



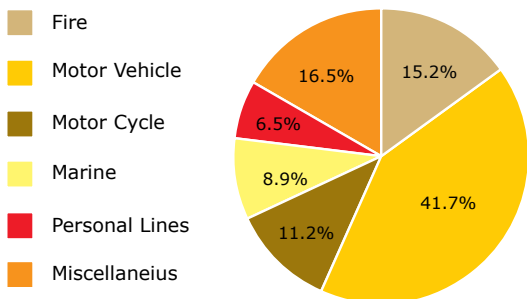
Total Life New Business Premiums (RM mil)



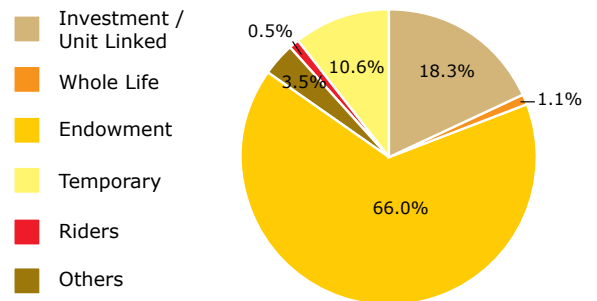
Gross Premium Income - Life Insurance Division (RM mil)



Gross Premium Income - General Insurance Division (RM mil)



General-Product Mix (Total Gross Premiums)



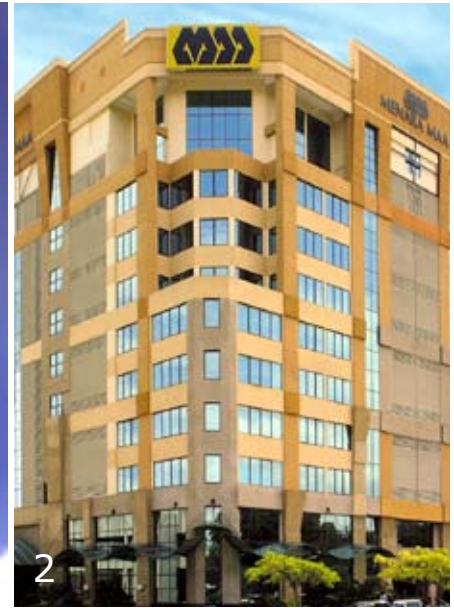
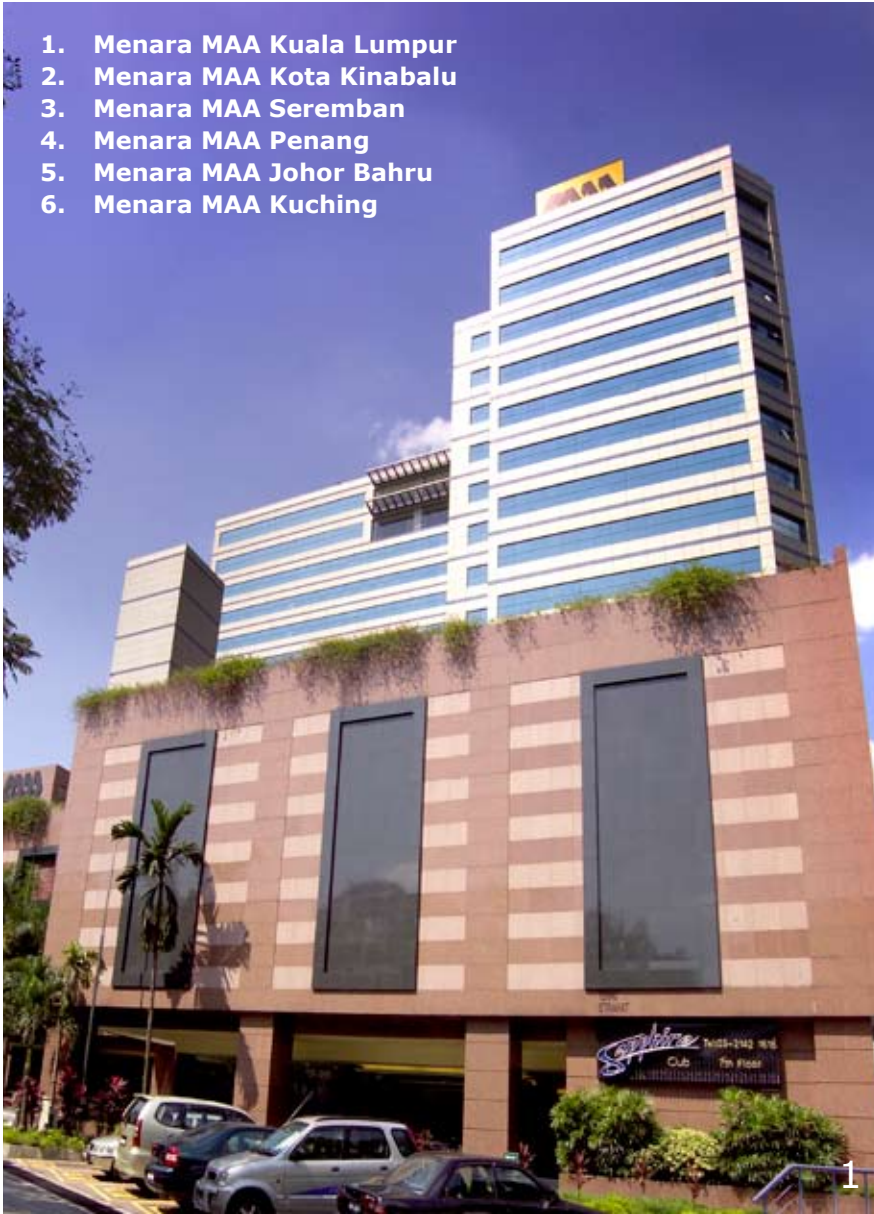
Life-Product Mix (New Business Premiums)

MAA Regional Network



MAA Buildings

1. Menara MAA Kuala Lumpur
2. Menara MAA Kota Kinabalu
3. Menara MAA Seremban
4. Menara MAA Penang
5. Menara MAA Johor Bahru
6. Menara MAA Kuching



MAA Buildings (continued)



MAA Buildings (continued)



1. Wisma MAA Butterworth
2. Wisma MAA Manjung
3. Wisma MAA Petaling Jaya
4. Wisma MAA Gurun
5. Wisma MAA Miri
6. Wisma MAA Segamat
7. Wisma MAA Kangar
8. Wisma MAA Kluang
9. Wisma MAA Melaka
10. Wisma MAA Sungai Petani
11. Wisma MAA Ipoh
12. Wisma MAA Kuantan
13. Wisma MAA Klang
14. Wisma MAA Batu Pahat
15. Wisma MAA Kuala Terengganu
16. Wisma MAA Tawau
17. Wisma MAA Muar

Board of Directors



1

2

3

4

5

1

Major General Lai Chung Wah (Rtd)

Independent Non-Executive Director

2

General Dato' Sri Hj Suleiman bin Mahmud (Rtd)

Independent Non-Executive Director

3

Tan Sri Ahmad bin Mohd Don

Independent Non-Executive Director

4

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah

Executive Chairman

5

Muhamad Umar Swift

Chief Executive Officer/Group Managing Director



6

7

8

9

10

6

Yeo Took Keat

Group Chief Operating Officer

7

Dato' Iskandar Michael bin Abdullah

Independent Non-Executive Director

8

Datuk Razman Md Hashim

Independent Non-Executive Director

9

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

Non-Independent Non-Executive Director

10

Dr Zaha Rina Zahari

Independent Non-Executive Director

Board Of Directors' Profile

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah

Executive Chairman



Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, aged 48, 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 re-designated as Executive Chairman of the Company on 28 August 2008. He currently holds the position of Chairman of Mycron Steel Berhad ("MSB") and Executive Chairman of Melewar Industrial Group Berhad ("MIG").

Tunku Dato' Ya'acob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England and Wales and a 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 Dato' 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. He stepped down as Director of MAA on 31 December 2007.

Currently, Tunku Dato' Ya'acob is a Board Member of MIG, M3nergy Berhad, Toyochem Corporation Berhad, MSB, Melewar Group Berhad, Khyra Legacy Berhad, Gindalbie Metals Ltd (listed on the Australian Stock Exchange), Maveric Ltd (listed on the Singapore Stock Exchange) and several private limited companies. His shareholdings in the Company is disclosed in page 222 of the Annual Report.

He is also a Member of the Board of Trustees for MAA Medicare Kidney Charity Fund and The Budimas Charitable Foundation.

Tunku Dato' Ya'acob also sits on the executive board of several trade associations, specifically, the Federation of Public Listed Companies (FPLC) as Vice President and the Federation of Malaysian Unit Trust Managers (FMUTM) as President.

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.

Muhamad Umar Swift

Chief Executive Officer / Group Managing Director



Encik Muhamad Umar Swift, aged 44, is a permanent resident, was appointed to the Board on 13 October 2006.

Encik Umar started his career with Price Waterhouse, Chartered Accountants in January 1986. He has more than 15 years experience in the banking and financial industry. He started his career as Manager, Corporate Finance for Bank of Singapore (Australia) Limited in November 1992. He then went on to hold numerous positions within the industry before joining Gas Malaysia Sdn. Bhd. in January 1996 as General Manager, Corporate Finance. A year later, he was promoted to Chief Executive Officer of Gas Malaysia in 1997. Encik Umar left Gas Malaysia to become a Practice Leader for Deloitte Consulting in January 2002. In April 2004, he joined Maybank as Executive Vice President – Head, Enterprise Financial Services Group.

Encik Umar graduated with a Bachelor of Economics from Monash University, Clayton, Australia in December 1985 and is an Associate of the Institute of Chartered Accountants in Australia, and CPA Australia, a Fellow of the Taxation Institute of Australia, as well as a Fellow of the Financial Services Institute of Australasia (FINSIA) in Australia. He is also a Registered Accountant with the Malaysian Institute of Accountants.

Currently, Encik Umar is a Board Member of MAA, MAAKL Mutual Bhd and MAAT. He was also appointed as the Chief Executive Officer of MAA on 18 August 2008.

Encik Umar also serves in the following trade associations; Financial Planning Association of Malaysia (FPAM) as Member of the Board of Governors, National Insurance Association of Malaysia (NIAM) as Member of Executive Committee and Chairman of Sihat Standing Committee, General Insurance Association of Malaysia (PIAM) as Convenor of Motor Sub-committee, Convenor of PARS Working Group, Member of PIAM Management Committee and as Director of Vehicle Theft Reduction Council of Malaysia Berhad.

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. He also does not have any shareholding in the Company and he has had no convictions for any offences within the past 10 years.

Yeo Took Keat

Group Chief Operating Officer
Executive Director

Mr Yeo Took Keat, aged 51, 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, namely, MAA, MAA Bancwell Trustee Berhad and MAAKL Mutual Bhd. 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 shareholdings in the Company is disclosed in page 222 of the Annual Report.



Major General Lai Chung Wah (Rtd)

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



Major General Lai Chung Wah (Rtd), aged 76, 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 personal interest in any business arrangements involving the Company.

General Lai does not have any family relationship with any Director and/or major shareholder of 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.

Dato' Iskandar Michael bin Abdullah

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



Dato' Iskandar Michael bin Abdullah, aged 64, a Malaysian, was appointed to the Board on 30 April 2001.

Dato' Michael is the senior partner of the law firm of Balendran Chong 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 personal interest in any business arrangements involving the Company.

Dato' Michael does not have any family relationship with any Director and/or major shareholder of 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
Member of Nomination Committee

General Dato' Sri Hj Suleiman bin Mahmud (Rtd), aged 62, a Malaysian, was appointed to the Board on 26 April 2005.

General Dato' Sri 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 Fellows of the Malaysian Institute of Logistics.

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

General Dato' Sri 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 the Air Force and the Armed Forces Headquarters. He then rose to become the Chief of Air Force before his retirement.

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

General Dato' Sri Suleiman does not have any family relationship with any Director and/or major shareholder of 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.



Datuk Razman Md Hashim

Independent Non-Executive Director
Member of Audit Committee

Datuk Razman, aged 70, 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 1964. Throughout his 34 years of banking experience in SCB, he served with the bank's offices in London, Europe, Hong Kong and Singapore. In 1994, he was appointed as the Executive Director/Deputy Chief Executive of SCB until his retirement in June 1999.

In the same month in 1999, Datuk Razman was appointed as Chairman of MBf Finance Berhad by Bank Negara Malaysia until January 2002 when the finance company was sold to Arab-Malaysian Group.

Datuk Razman is currently the Deputy Chairman of the Sunway Group of Companies and his current directorships in other public companies includes Multi-Purpose Holdings Berhad, Ranhill Berhad, Affin Bank Berhad, Sunway City Berhad, Sunway Infrastructure Berhad, Berjaya Land Berhad, MAA and MAAT.

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. His shareholdings in the Company is disclosed in page 222 of the Annual Report.



Tan Sri Ahmad bin Mohd Don

Independent Non-Executive Director

Member of Risk Management Committee



Y. Bhg. Tan Sri Ahmad Mohd Don, aged 61, a Malaysian, was appointed to the Board on 13 October 2006.

Tan Sri Ahmad 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 Ahmad 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 Ahmad 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 Ahmad currently serves on the Boards of KAF Investment Bank Berhad, J.P. Morgan Chase Bank Berhad, Hing Yiap Knitting Industries Berhad, United Malacca Berhad, Hap Seng Plantations Holdings Berhad and MAAKL Mutual Bhd. Tan Sri Ahmad is also the Independent Non-Executive Chairman of MAA and MAA Takaful Berhad ("MAAT").

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

Tan Sri Ahmad 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 shareholdings in the Company is disclosed in page 222 of the Annual Report.

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

Non-Independent Non-Executive Director



Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah, aged 47, a Malaysian, was appointed to the Board on 10 January 2007.

Tunku Yahaya is the brother to Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Executive Chairman of the Company. Therefore, Tunku Yahaya is an indirect substantial shareholder by virtue of his relationship with Tunku Dato' Ya'acob who controls Khyra Legacy Berhad, the ultimate substantial shareholder of the Company. His shareholding in the Company is disclosed in page 222 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.

Upon 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 MIG, 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 he has had no conviction for any offences within the past 10 years.

Dr Zaha Rina Zahari

Independent Non-Executive Director

Dr Zaha Rina, aged 47, a Malaysian, was appointed to the Board on 1 November 2007.

Dr Zaha Rina received her BA (Hons) Accounting and Finance from Leeds UK, her MBA from Hull UK and holds a Doctorate in Business Administration, focusing on capital markets research and specializing in derivatives, Hull UK. International Centre for Leadership in Finance (ICLIF) Harvard Business School and Columbia Business School in July 2005.

Dr Zaha Rina was Consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange (BFX) launched in January 2009. Prior to this Dr Zaha Rina was with RBS Group in Singapore from August 2007 to May 2008. Dr Zaha Rina has more than 19 years experience in the financial, commodities and securities industry and the development of the Malaysian Capital Market which includes managing a futures broking company and was CEO of RHB Securities Sdn Bhd from 2004 to 2006 which is one of the larger stock broking firms in Malaysia. RHB is the 3rd largest Financial Services Group in Malaysia. She has previous Board appointments at the Commodity and Monetary Exchange of Malaysia (COMMEX) from 1993 to 1996, then as the Chief Operating Officer (COO) of Kuala Lumpur and Financial Futures Exchange (KLOFFE) in 2001.

Dr Zaha Rina was instrumental in the merger of COMMEX and KLOFFE which ultimately led to the creation of Malaysian Derivatives Exchange (MDEX) and the subsequent appointment as COO of MDEX in June 2001. Dr Zaha Rina was then appointed Head of Exchanges, managing the operations of KLSE, MESDAQ, MDEX and Labuan International Financial Exchanges (LFX) in September 2003 prior to KLSE's (now known as Bursa Malaysia Securities Berhad) demutualisation. Dr Zaha Rina is also a regular speaker at many international conferences and forums.

Dr Zaha Rina is also a director of MAA, MAAT and MAA International Assurance Ltd. She also holds directorships in several private limited companies. She is a Member of Global Board of Advisers for XBRL, Member of eXtensible Business Reporting Language, Board of Trustee for Malaysian AIDS Foundation and Divemaster with National Association of Underwater Instructors (NAUI).

Dr Zaha Rina does not have any personal interest in any business arrangements involving the Company.

Dr Zaha Rina does not have any family relationship with any Director and/or major shareholder of MAAH. She also does not have any shareholding in the Company and she has had no convictions for any offences within the past 10 years.



Corporate Information

BOARD OF DIRECTORS

Tunku Dato' Ya'acob Bin Tunku Tan Sri Abdullah
Muhamad Umar Swift
Yeo Took Keat
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
Tunku Yahaya @ Yahya Bin Tunku Tan Sri Abdullah
Dr Zaha Rina Zahari

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 2009

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)	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)
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	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	A- (AM Best)
Labuan Reinsurance (L) Limited Level 4 (B) Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 W.P. Labuan	A- (AM Best)	Limit - Lloyd's Syndicate 0566 STN Limit 566, Plantation Place, 30 Fenchurch Street, London, ECM3 3BD	A+ (S&P)
Everest Reinsurance Company, Singapore 20 Cecil Street, #08-06, Equity Plaza, Singapore 049705	AA- (S&P)	MAA International Assurance Ltd 21st Floor, Menara MAA, 12, Jln Dewan Bahasa, 50450 Kuala Lumpur.	N/A
PARIS Re Asia Pacific Pte Ltd, Singapore 152 Beach Road, #27-01, Gateway East, Singapore 189721	A- (S&P)	Asia Capital Reinsurance Malaysia Sdn Bhd Suite 11E, Level 11, Tower 2, MNI Twins, No,11, Jalan Pinang, 50450 Kuala Lumpur	**
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.	AA- (S&P)		

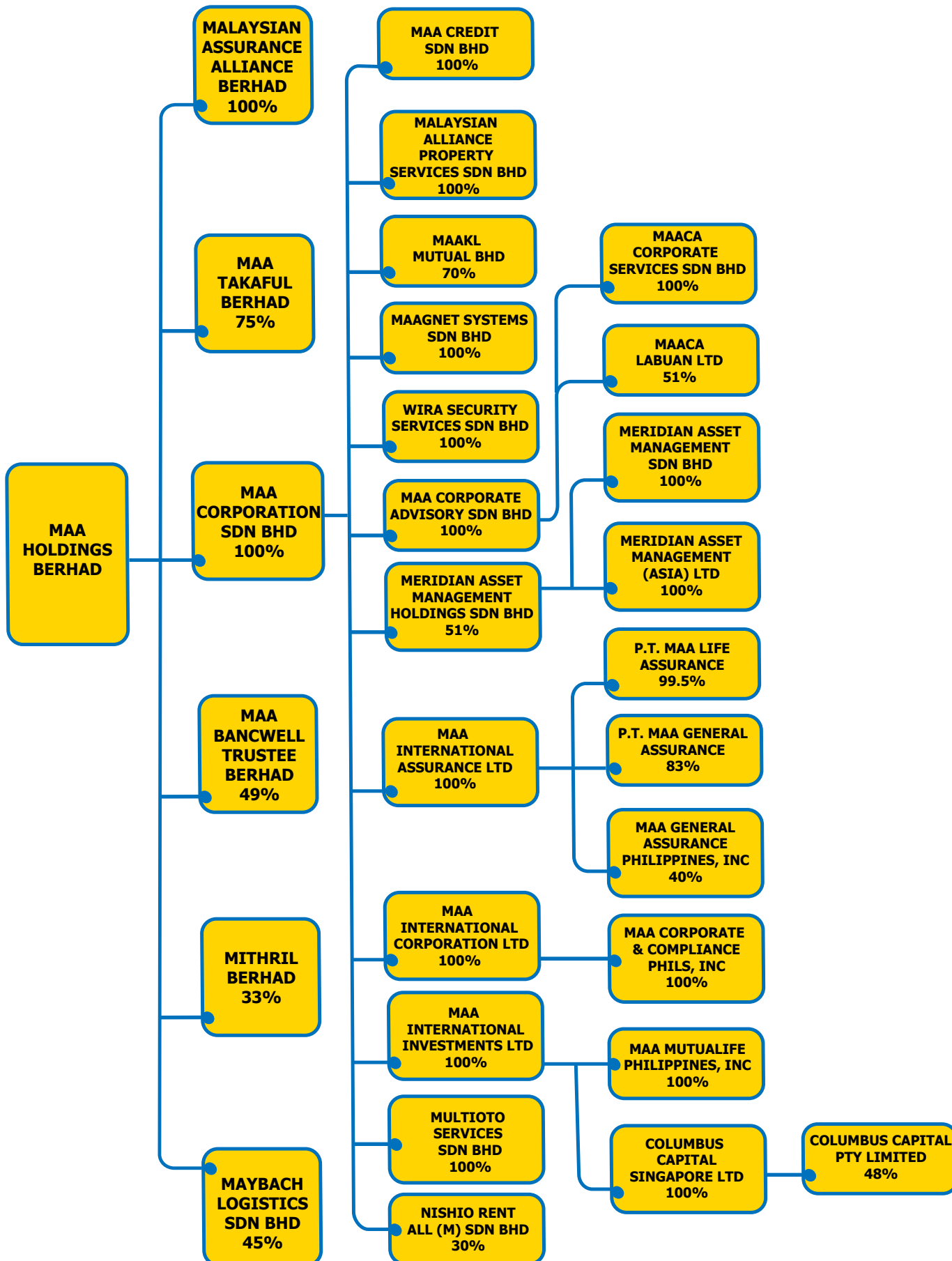
** Asia Capital Reinsurance Malaysia Sdn Bhd (ACRM) is wholly-owned by Khazanah Nasional Berhad (70%) and ACR Capital Holdings Pte Ltd (30%). ACR Capital has an A- (Excellent) rating from AM Best.

ACRM was brought into the MAA Assurance panel of re-insurers in July 2007 and is currently unrated, due to its relatively recent incorporation.

Life Insurance

	Rating		Rating
Malaysian Life Reinsurance Group Berhad 3B/21-3, Block 3B, Level 21, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur	AA- (S&P)	Cologne Reinsurance Company plc. 9 Temasek Boulevard Suntec Tower 2, #10-01 Singapore 038989	AAA (S&P)
Scor Global Life SE, Singapore Branch 143 Cecil Street, #20-04 GB Building, Singapore 069542	A- (S&P)	Hannover Ruckversicherung AG, Malaysian Branch Suite 31-1, 31st Floor, Wisma UOA II, 21, Jln Pinang, 50450 Kuala Lumpur.	AA- (S&P)
Munich Reinsurance Company, Singapore Branch 20 Collyer Quay, #13-01 Tung Centre, Singapore 049319	AA- (S&P)	MAA International Assurance Ltd 21st Floor, Menara MAA, 12, Jln Dewan Bahasa, 50460 Kuala Lumpur.	N/A

Group Structure



Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the **ELEVENTH ANNUAL GENERAL MEETING** of the Company will be held at **The Auditorium, Podium 1, Menara MAA, 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur on Friday, 29 May 2009 at 10.00 a.m.** for the following purposes: -

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2008 together with the Reports of the Directors and the Auditors thereon.
2. To approve the payment of Directors' fees amounting to RM315,000.00 for the period from July 2009 until the forthcoming Annual General Meeting to be held in 2010 to be payable quarterly in arrears. **Resolution 1**
3. To re-elect the following directors who are retiring in accordance with Article 73 of the Company's Articles of Association and who, being eligible, offer themselves for re-election :-
 - (i) Dato' Iskandar Michael bin Abdullah **Resolution 2**
 - (ii) Tan Sri Ahmad bin Mohd Don **Resolution 3**
 - (iii) Muhamad Umar Swift **Resolution 4**
4. To re-elect 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) Major General Lai Chung Wah (Rtd) **Resolution 5**
 - (ii) Datuk Razman Md Hashim bin Che Din Md Hashim **Resolution 6**
5. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution as Ordinary Resolution:-

ORDINARY RESOLUTION

- (a) **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")** **Resolution 8**

"THAT the mandate granted by the shareholders of the Company on 26 June 2008 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 the Circular to Shareholders ("the Circular") dated 7 May 2009 with the related parties mentioned therein, be and is hereby renewed 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.

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

Notice Of Annual General Meeting (continued)

- (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."

By Order of the Board

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

Kuala Lumpur
Dated : 7 May 2009

NOTES: -

1. Applicable to shares held through a nominee account.
2. 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.
3. 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.
4. 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.
5. 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.
6. Any alteration in the form of proxy must be initialed.
7. Form of Proxy sent through facsimile transmission shall not be accepted.
8. For the purpose of determining a member who shall be entitled to attend this 11th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 51(b), 51(c) and 51(d) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 25 May 2009. Only a depositor whose name appears on the Record of Depositors as at 25 May 2009 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.
9. Explanatory notes to Special Business of the Agenda 6: -

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

The Proposed Resolution 8, 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 the Circular dated 7 May 2009 which is despatched together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The details of the Directors who are seeking for re-election or re-appointment in Agenda 3 and 4 of the Notice of Eleventh Annual General Meeting of the Company are set out in the Directors' Profile on pages 10 to 13 of this Annual Report. Their securities holdings in the Company are set out in the Analysis of Shareholdings which appears on pages 222 to 224 of this Annual Report.



Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Akaun Kumpulan bagi tahun berakhir 31 Disember 2008.

PERSEKITARAN OPERASI

Ekonomi Malaysia mencatatkan pertumbuhan Keluaran Dalam Negara Kasar ("KDNK") 4.6% pada 2008, angka yang lebih rendah berbanding 6.3% yang dilaporkan pada 2007 ekoran keadaan ekonomi global yang semakin gawat. Penyusutan ekonomi Malaysia berlaku terutamanya kerana kemelesetan eksport barangan dan perkhidmatan. Namun begitu, permintaan domestik, yang dipacu oleh penggunaan persendirian dan perbelanjaan umum, terus menyokong pertumbuhan pada 2008.

Sektor perkhidmatan telah mencatatkan pertumbuhan lebih rendah pada kadar 7.3% pada 2008 (2007: 9.7%). Kebanyakan subsektor perkhidmatan, termasuk perdagangan borong dan runcit, hartanah dan khidmat perniagaan serta kewangan dan insurans mengalami penguncupan. Aktiviti dalam segmen insurans, bagi insurans hayat dan juga am turut menyusut, seperti yang dilihat daripada pendapatan premium lebih rendah daripada perniagaan baru dan jualan kenderaan.

Pada 2008, industri Insurans Hayat Malaysia mencatatkan kemerosotan 6.2% dari segi jumlah premium perniagaan baru (premium tunggal dan premium tahunan), penurunan ketara berbanding pertumbuhan 6.2% yang dicatatkan oleh industri pada 2007. Industri Insurans Am pula mengalami pertumbuhan 8.4% (2007: pertumbuhan 3.6%) dari segi premium kasar yang ditaja jamin.

TINJAUAN PRESTASI

Bagi tahun yang dilaporkan, jumlah hasil operasi Kumpulan menyusut sebanyak 4.3% kepada RM2.2 bilion (2007: RM2.3 bilion). Dalam perniagaan insurans konvensional, Bahagian Insurans Hayat mencatatkan pendapatan premium kasar RM1.3 bilion (2007: RM1.5 bilion) manakala Bahagian Insurans Am mencatatkan jumlah premium kasar RM436.7 juta (2007: RM459.7 juta) yang mana RM372.1 juta (2007: RM401.1 juta) dari operasi yang tidak diteruskan. Operasi Bahagian Insurans Am yang tidak diteruskan mewakili Perniagaan Insurans Am Malaysian Assurance Alliance Berhad ("MAA") (sebuah syarikat subsidiari milik penuh) yang diklasifikasikan bagi mematuhi FRS 5: Aset Bukan Semasa yang dipegang untuk Jualan dan Operasi Tidak Diteruskan berikutan pengumuman oleh Syarikat seperti yang dimaklumkan di (c) di bawah Perkembangan Terkini Tentang Cadangan Korporat dalam bahagian yang berikutnya.



Di bawah perniagaan takaful, Bahagian Takaful Keluarga dan Bahagian Takaful Am masing-masing mencatatkan caruman kasar RM76.1 juta (2007: RM25.8 juta) dan RM33.9 juta (2007: RM0.9 juta).

Kumpulan mengalami kerugian selepas cukai RM70.0 juta bagi tahun yang dilaporkan (2007: kerugian selepas cukai RM73.3 juta). Bahagian Insurans Am mencatatkan kerugian sebelum cukai RM23.1 juta (2007: keuntungan sebelum cukai RM28.0 juta), di mana operasi yang tidak diteruskan mencatatkan kerugian sebelum cukai RM17.6 juta (2007: kerugian sebelum cukai RM24.4 juta). Dana Pemegang Saham mencatatkan kerugian sebelum cukai sebanyak RM45.0 juta (2007: kerugian sebelum cukai RM45.6 juta), namun begitu Bahagian Insurans Hayat berjaya meraih keuntungan sebelum cukai RM33.8 juta (2007: kerugian sebelum cukai RM42.8 juta).

Kerugian Dana Pemegang Saham dialami kerana pengiktirafan kerugian nilai saksama RM22.6 juta (2007: kerugian nilai saksama RM24.2 juta) atas urus niaga swap kadar faedah pada tahun semasa berikutan penggunaan FRS 139: Instrumen Kewangan - Pengiktirafan dan Ukuran, yang menetapkan penggunaan kaedah Tanda ke Pasaran (Mark-to-Market) bagi swap kadar faedah tersebut. Dengan demikian, keuntungan atau kerugian nilai saksama yang dialami akan diambil kira dengan sewajarnya dalam penyata pendapatan.

Swap kadar faedah dilaksanakan dengan matlamat utama untuk mengurangkan bayaran kupon bagi Nota Jangka Pertengahan RM200 juta yang diterbitkan oleh Kumpulan pada 2007. Kerugian nilai saksama yang dicatatkan oleh swap kadar faedah timbul terutamanya akibat ketidakstabilan ketara dalam kadar faedah pasaran Amerika Syarikat, lanjutan daripada krisis pinjaman perumahan subprima dan kegawatan ekonomi.

Dana Pemegang Saham juga menunjukkan kenaikan perbelanjaan pengurusan terutamanya kerana perbelanjaan pengurusan perniagaan takaful yang telah beroperasi untuk setahun penuh pada tahun yang dilaporkan. Perniagaan takaful hanya memulakan operasi pada 1 Julai 2007.

Pada 31 Disember 2008, aset Kumpulan berjumlah RM7.7 bilion, kemerosotan 1.3% berbanding RM7.8 bilion pada 2007.

TINJAUAN OPERASI PERNIAGAAN

Bagi tahun yang dilaporkan, Kumpulan meneruskan tumpuannya terhadap empat operasi teras, iaitu Operasi Insurans Hayat Malaysia, Operasi Insurans Am Malaysia, Operasi Unit Amanah Malaysia dan Operasi Antarabangsa, di samping perniagaan takaful barunya. Maklumat mengenai prestasi setiap satu dibincangkan secara berasingan dalam halaman yang dilampirkan.



MAA SENTIASA
PRIHATIN
TERHADAP
PELANGGAN

PELABURAN

Pada tahun yang dilaporkan, jumlah pendapatan pelaburan Kumpulan meningkat sebanyak 24.3% kepada RM332.7 juta (2007: RM267.6 juta) berasaskan pendapatan faedah lebih tinggi terutamanya daripada deposit tetap, sekuriti hutang korporat dan kutipan semula pinjaman.

Pada tahun yang dilaporkan, IKKL menjunam 39.3% (2007: pertumbuhan 31.8%) seiring dengan pasaran serantau lain. Memandangkan sentimen pasaran ekuiti Malaysia agak lemah, Kumpulan telah menyusun semula strategi pelaburan untuk mengimbangi portfolio pelaburan pada tahun yang dilaporkan sebagai langkah melindungi portfolio ekuiti daripada kejatuhan harga ekuiti. Ini dilakukan dengan bertukar daripada portfolio ekuiti kepada sekuriti pendapatan tetap dalam sekuriti kerajaan risiko rendah, bon Cagamas dan bon korporat gred pelaburan dalam industri terpilih, dengan matlamat melindungi modal dan mengurangkan risiko pelaburan. Tindakan tersebut menyebabkan Kumpulan mengalami kerugian daripada penjualan ekuiti yang disebut harga pada 2008, berbanding keuntungan tahun sebelumnya apabila pasaran ekuiti Malaysia memberangsangkan.

Meninjau ke hadapan, Kumpulan akan sentiasa mengkaji dan menilai strategi dan campuran portfolio pelaburan memandangkan persekitaran pelaburan semasa yang kurang memberangsangkan untuk memastikan ia mencapai matlamat untuk mengekalkan modal, keuntungan dan aliran pendapatan konsisten bagi memenuhi komitmen kepada pelanggan.

PERUNTUKAN PINJAMAN

Pada akhir Disember 2008, jumlah dibawa pinjaman tidak dibayar mencecah RM450.5 juta (2007: RM649.9 juta), meliputi 5.9% (2007: 8.3%) daripada jumlah aset Kumpulan. Penurunan 30.7% dalam pinjaman tidak dibayar bersih dicapai hasil kutipan hutang lebih baik dan proses kutipan berterusan. Pada tahun yang dilaporkan, kutipan daripada pinjaman tidak dibayar berjumlah kira-kira RM251.6 juta (2007: RM105.0 juta). Pinjaman tidak dibayar ini dicagangkan dengan hartanah dan/atau saham yang disandarkan oleh peminjam dengan purata liputan sekuriti 2 kali.

DIVIDEN

Bagi tahun berakhir 31 Disember 2008, Lembaga Pengarah tidak mengesyorkan pembayaran dividen, memandangkan Kumpulan perlu melindungi modal untuk memenuhi keperluan semasa dan masa depan.



PERKEMBANGAN TERKINI TENTANG CADANGAN KORPORAT

Kumpulan dengan sukacitanya membentangkan perkembangan terkini berikut:

- (a) Pada 12 Jun 2008, MAA International Assurance Ltd ("MAAIA"), anak syarikat milik penuh MAA Corporation Sdn Bhd, yang juga merupakan anak syarikat milik penuh Syarikat telah melupuskan sejumlah 6,446,918 saham biasa bernilai Rp1,000 sesaham, mewakili kepentingan ekuiti 34% dalam PT MAA General Assurance ("PT MAAG") kepada En. Ng Feby Antonious ("Feby"), pemegang saham minoriti PT MAAG, untuk pertimbangan tunai berjumlah RM252,188 di bawah Opsyen yang diberikan oleh MAAIA kepada Feby menerusi Perjanjian Pemegang Saham bertarikh 6 September 2001.

Apabila pelupusan disempurnakan, kepentingan ekuiti MAAIA dalam PT MAAG dikurangkan daripada 94% kepada 60%.

- (b) Untuk mematuhi peraturan syarat ekuiti bersih minimum industri insurans Indonesia menjelang 31 Disember 2008, MAAIA telah menukar pinjaman subordinat menjadi modal berbayar dan menyuntik modal baru ke dalam PT MAAG dan PT MAA Life Assurance ("PT MAAL") pada Oktober 2008 dan Disember 2008. Selepas proses peningkatan modal ini, modal berbayar PT MAAG dan PT MAAL masing-masing telah meningkat kepada Rp25,702,727 (bersamaan RM9,407,855) dan Rp69,396,700 (bersamaan RM25,617,325).

Apabila proses suntikan modal disempurnakan, kepentingan ekuiti MAAIA dalam PT MAAG dan PT MAAL masing-masing meningkat daripada 60% kepada 83% dan 98% kepada 99.5% .

- (c) Pada 10 November 2008, Syarikat mengumumkan pemeteraian memorandum persefahaman tidak mengikat ("MOU") dengan MAA dan AMG Insurance Berhad ("AMG") untuk mengadakan perbincangan rasmi mengenai cadangan AMG memperolehi Perniagaan Insurans Am MAA pada harga RM274.8 juta yang ditetapkan (tertakluk kepada pelarasan) dan kepentingan 4.9% dalam MAA Takaful Berhad untuk pertimbangan berjumlah RM16.2 juta, bersamaan dengan harga RM3.3 sesaham (secara kolektif, "Urus Niaga yang Dicadangkan").

Urus Niaga yang Dicadangkan tertakluk kepada kelulusan yang diperolehi daripada:

- (i) Bank Negara Malaysia ("BNM") bagi skim pemindahan di bawah perjanjian pemindahan perniagaan;
- (ii) Kementerian Kewangan berdasarkan saranan BNM, mengikut Akta Insurans 1996;
- (iii) Jawatankuasa Pelaburan Asing (jika perlu);
- (iv) Suruhanjaya Sekuriti (jika perlu);
- (v) Mahkamah Tinggi Malaysia bagi Pengesahan skim pemindahan;
- (vi) Pemegang saham Syarikat.

TEKNOLOGI MAKLUMAT

TANGGUNGJAWAB
SOSIAL KORPORAT

PERKEMBANGAN BARU
UTAMA



Pada 26 Februari 2009, Syarikat mengumumkan bahawa kedua-dua MAA dan AMG sedang berusaha menyempurnakan perjanjian pemindahan perniagaan ("BTA") berkaitan dengan cadangan penjualan Perniagaan Insurans Am MAA, sebelum mengemukakan perjanjian tersebut kepada BNM untuk diluluskan.

Pada 24 April 2009, Syarikat mengumumkan bahawa harga headline telah dipinda kepada RM254.83 juta (tertakluk kepada pelarasan) dan satu permohonan kepada BNM bagi kelulusan cadangan jualan Perniagaan Insurans Am MAA kepada AMG ("Jualan Dicadangkan") telah dikemukakan. Pelaksanaan BTA adalah tertakluk kepada kelulusan BNM yang masih ditunggu. Syarikat dan MAA juga telah memberi AMG tempoh lanjutan 120 hari di bawah tempoh eksklusif di bawah perjanjian persefahaman.

Pada 27 April 2009, Syarikat telah mengemukakan permohonan kepada Suruhanjaya Sekuriti bagi Jualan Dicadangkan.

PERKHIDMATAN PELANGGAN

Tumpuan terhadap pelanggan dan perkhidmatan pelanggan bermutu tinggi sentiasa menjadi matlamat yang didukung Kumpulan. Berbekalkan metodologi Six Sigma, pensijilan Sistem Pengurusan Kualiti ISO 9001:2000 dan pensijilan Sistem Pengurusan Keselamatan Maklumat ISO 270001, operasi insurans Malaysia terus memberi tumpuan menambah baik sistem teknologi maklumat ("IT") dan proses dalaman, selain meneruskan program latihan kakitangan dan program pendidikan untuk memastikan pelanggan dan ejen mendapat perkhidmatan terbaik.

TEKNOLOGI MAKLUMAT

Kumpulan akan meneruskan usaha untuk melabur dalam teknologi maklumat terkini untuk meningkatkan lagi operasi, produktiviti perniagaan dan penjimatan kos. Bagi operasi Malaysia, Kumpulan telah melaksanakan Rancangan Strategi IT secara berperingkat dengan matlamat utama untuk menyokong keperluan perniagaan yang sentiasa berubah. Rancangan strategi IT menangani isu utama pembangunan aplikasi baru, automasi proses dan penyepaduan sistem, strategi E-niaga dan risikan perniagaan.

JENAMA MAA

Kumpulan berbangga untuk mengumumkan bahawa dalam tinjauan jenama paling bernilai Malaysia, MAA telah diberi pengiktirafan sebagai salah satu daripada 30 Jenama Paling Bernilai Malaysia 2008. Anugerah ini mengiktiraf pegangan kami bahawa ekuiti jenama adalah salah satu daripada aset paling penting untuk mengekalkan imej korporat yang kukuh yang telah dibina selama ini. Jenama MAA menjadi tunggak yang memacu jualan dan menghasilkan keuntungan dalam meningkatkan keyakinan pelanggan terhadap syarikat dan memastikan kesetiaan pelanggan, ejen dan kakitangan.

Cogan kata MAA, "Katakan Ya Kepada Jaminan Kewangan Yang Teguh", dikenali ramai.



Dalam usaha Kumpulan berkembang maju dan meluaskan operasi, strategi pengiklanan dirombak untuk memberi tumpuan terhadap jenama MAA sebagai pembekal penyelesaian kewangan dan insurans di bawah sebuah pusat sehenti yang menggabungkan semua produk dan perkhidmatan yang ditawarkan oleh MAA, MAAKL Mutuak Bhd, MAA Takafuak Berhad dan MAA Universal Sdn Bhd.

TANGGUNGJAWAB SOSIAL KORPORAT

Kumpulan sentiasa komited kepada usaha untuk menjadi warga korporat yang prihatin dan bertanggungjawab. Untuk tujuan ini, Kumpulan telah menubuhkan Dana Amal Buah Pinggang MAA-Medicare sejak 1994 dengan matlamat memberikan rawatan dialisis buah pinggang yang lebih murah kepada orang ramai. Sejak itu, Kumpulan telah meluaskan rangkaian kepada dua belas (12) pusat dialisis buah pinggang untuk memenuhi keperluan pesakit baru yang semakin bertambah bagi perkhidmatan perubatan subsidi.

Kumpulan juga menjadi penaung kepada Yayasan Kebajikan Budimas pada 2002 dengan matlamat memberikan sumbangan kebajikan kepada kanak-kanak yang kurang bernasib baik dan miskin. Buat masa ini, Yayasan tersebut menjaga kebajikan dan memberikan sokongan kewangan berterusan kepada sepuluh (10) rumah kanak-kanak kurang bernasib baik dan yatim piatu. Menjelang suku terakhir 2008, Yayasan ini telah memulakan usaha mengasaskan rumah kebajikan sendiri yang pertama, iaitu Pusat Jagaan Anak-Anak Yatim Orion Budimas. Rumah kebajikan milik yayasan ini mampu menjaga dan membiayai sehingga 20 orang kanak-kanak. Buat masa ini rumah tersebut dihuni oleh 9 kanak-kanak.

Akhir sekali, Kumpulan akan terus memperuntukkan sumber untuk meluaskan matlamat aktiviti kebajikan pada tahun-tahun akan datang untuk menunaikan tanggungjawab sosial korporatnya.

Maklumat mengenai Dana Amal Buah Pinggang MAA-Medicare dan Yayasan Kebajikan Budimas dibincangkan secara berasingan pada halaman yang dilampirkan.

PROSPEK

Dalam laporan tentang Pembangunan Ekonomi dan Kewangan di Malaysia bagi Suku Keempat 2008, BNM menyatakan bahawa Malaysia, yang memainkan peranan penting dalam ekonomi global, sudah merasai tempas kesan krisis kewangan dan kemelesetan ekonomi. Walaupun usaha global telah digiatkan untuk mengatasi kesan kemelesetan, risiko kemelesetan berlanjutan masih wujud dan pemulihan ekonomi global dijangka perlahan dan mengambil masa kerana beberapa ekonomi serantau telah mula mengalami kegawatan.

Memandangkan kegawatan ketara ekonomi global, Malaysia menghadapi suasana ekonomi yang amat mencabar pada 2009. Untuk itu, kerajaan Malaysia telah mengumumkan pelaksanaan Pakej Rangsangan Pertama bernilai RM7 bilion dan Pakej Rangsangan Kedua bernilai RM60 bilion untuk mengurangkan kesan kemelesetan global terhadap ekonomi tempatan di Malaysia. Selepas mengambil kira langkah yang diambil oleh kerajaan Malaysia, pertumbuhan Keluaran Dalam Negara Kasar Malaysia dijangka berada pada sekitar -1% hingga 1% pada 2009.



TINJAUAN INDUSTRI

PROSPEK

PENGIKTIRAFAN DAN
PENGHARGAAN

Berhubung dengan perkara yang sama, BNM baru-baru ini telah mengambil langkah agresif untuk mengurangkan kadar dasar semalaman ("OPR") dan keperluan rizab berkanun ("SRR") untuk mengurangkan kos pinjaman sebagai satu langkah terdahulu untuk menyediakan persekitaran wang yang dapat menyokong ekonomi tempatan.

Pada tahun yang dilaporkan, BNM mengumumkan Rangka Modal Berasaskan Risiko ("RBC") untuk syarikat insurans, yang berkuatkuasa bagi tempoh tahunan yang bermula pada atau selepas 1 Januari 2009. Di bawah RBC, syarikat insurans mengekalkan tahap kecukupan modal seiring dengan profil risikonya. Rangka kerja baru ini akan merombak cara syarikat insurans menguruskan risiko dan pelaburan untuk mencapai kesepadanan aset dan liabiliti yang lebih baik bagi dana insurans pada masa depan.

Dalam hal ini, MAA telah berusaha merangka rancangan tindakan termasuk melupuskan perniagaan insurans am (tertakluk kepada kelulusan pihak berkuasa yang berkenaan dan pemegang saham Syarikat) untuk memenuhi keperluan RBC.

Kumpulan sedar tentang pasaran yang semakin kompetitif dalam sektor perkhidmatan kewangan dan pelbagai cabaran yang bakal ditempuhi, termasuk usaha mencapai pulangan pelaburan mencukupi memandangkan keadaan ekonomi semasa yang mencabar, untuk melindungi modal, mengekalkan keuntungan dan memenuhi komitmen kepada pelanggan.

Justeru, Kumpulan telah menyusun rancangan tindakan dan akan meninjau dan memantau pelaksanaan rancangan ini untuk menghadapi cabaran yang mendatang. Antara usaha yang dilaksanakan termasuk memastikan pemilikan modal secukupnya dan pengurusan risiko yang baik dan kedua, produk dan perkhidmatan yang kekal inovatif dan kompetitif untuk memenuhi keperluan pelanggan semasa dan pelanggan sasaran.

PENGHARGAAN DAN PENGIKTIRAFAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada pasukan pengurusan dan kakitangan atas komitmen, dedikasi dan sumbangan berterusan dalam memastikan pertumbuhan berterusan dan kejayaan Kumpulan.

Saya juga ingin mengambil kesempatan ini untuk merakamkan setinggi-tinggi penghargaan kepada pihak berkuasa kawal selia atas segala panduan dan sokongan berterusan; dan juga kepada pelanggan, ejen, rakan perniagaan dan pemegang saham kami yang amat dihargai di atas sokongan tidak berbelah-bagi, keyakinan dan kepercayaan yang diberikan.

Akhir sekali, saya ingin mengucapkan terima kasih kepada rakan seperjuangan di dalam Lembaga Pengarah di atas sokongan dan sumbangan mereka kepada Kumpulan.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH

Pengerusi Eksekutif



TINJAUAN INSURANS HAYAT MALAYSIA

Bahagian Insurans Hayat mencatatkan pendapatan premium berjumlah RM1.3 bilion (2007: RM1.5 bilion), iaitu penyusutan 13.3% berbanding tahun lepas, terutamanya berikutan kemerosotan perniagaan premium tunggal, khususnya Pelan Fixed Deposit Endowment ("FDE") Pengurangan dialami kerana usaha kami menghadkan pendedahan dalam jenis perniagaan ini dari segi risiko yang wujud dalam ketidaksepadanan aset dan liabiliti serta margin keuntungan rendah.

Lanjutan daripada usaha pada tahun-tahun sebelumnya, MAA telah mengalih tumpuan kepada pelan berkaitan pelaburan yang memerlukan caj modal lebih rendah di bawah syarat RBC dan risiko pelaburannya ditanggung oleh pelanggan dan bukannya MAA. Namun begitu, jualan produk berkaitan pelaburan mencatatkan kejatuhan 31.8% dari segi jumlah premium pada 2008 berlatarkan persekitaran dan keadaan ekonomi yang tidak memberangsangkan.

Bahagian Insurans Hayat juga mencatatkan perbelanjaan operasi lain bersih lebih tinggi berjumlah RM253.5 juta (2007: pendapatan operasi lain bersih RM32.8 juta) terutamanya kerana kerugian daripada pelupusan nilai pelaburan disebut harga berjumlah RM106.8 juta (2007: masuk kira semula peruntukan bagi penyusutan nilai keuntungan RM68.1 juta), ekoran kejatuhan IKKL dan kerugian daripada hapus kira pelaburan disebut harga berjumlah RM111.0 juta (2007: keuntungan RM99.8 juta). Namun begitu, pada 2008 Bahagian Insurans Hayat mencatatkan keuntungan sebelum cukai berjumlah RM35.1 juta, peningkatan ketara berbanding kerugian sebelum cukai berjumlah RM21.5 juta pada 2007.

Pada akhir Disember 2008, Lebihan Dana Insurans Hayat keseluruhan tetap kukuh dengan lebihan kumulatif dibawa ke hadapan berjumlah RM314.5 juta (2007: RM495.5 juta).

Meninjau ke hadapan, MAA akan memberi tumpuan kepada pertumbuhan hasil menerusi inovasi produk dan penciptaan saluran pengedaran dengan mengambil dan mengekalkan ejen berkualiti. Bahagian ini mendapati trend permintaan orang ramai semakin berubah dan cenderung kepada pelan berkaitan pelaburan. Untuk mengekalkan daya saing, MAA akan melancarkan pelan berkaitan pelaburan yang menepati keperluan pelanggan memandangkan keadaan ekonomi semasa yang mencabar dan suasana kadar simpanan tetap yang rendah, sambil memenuhi keperluan perlindungan dan simpanan peribadi. Tidak kurang pentingnya ialah keutamaan yang diberikan oleh MAA untuk meningkatkan tahap profesionalisme dan pengetahuan ejennya bagi meningkatkan produktiviti jualan dan pada masa yang sama meluaskan pasukannya. Untuk tujuan ini, MAA akan meneruskan program latihan komprehensif bagi meningkatkan lagi tahap profesionalisme, produktiviti dan pengekal perniagaan tenaga agensinya.

TINJAUAN INSURANS AM MALAYSIA

Bahagian Insurans Am mengalami kemerosotan 7.2% dari segi premium taja jamin kasar kepada RM372.1 juta (2007: RM401.1 juta) pada tahun yang dilaporkan.

TAKAFUL

UNIT AMANAH

OPERASI ANTARABANGSA

Premium perniagaan kenderaan motor menurun sebanyak 11.8% kepada RM155.1 juta (2007: RM175.8 juta), manakala premium perniagaan motosikal meningkat 11.2% kepada RM41.7 juta (2007: RM37.5 juta). Sementara itu, premium bukan motor menyusut sebanyak 6.7% kepada RM175.3 juta (2007: RM187.8 juta). Sejak 2005, bahagian portfolio perniagaan motor sebagai peratus jumlah premium kasar terus berkurangan, iaitu daripada 57.3% pada 2006, 53.2% pada 2007 dan akhirnya kepada 52.9% pada 2008; manakala bahagian portfolio bukan motor meningkat daripada 42.8% pada 2006, 46.8% pada 2007 kepada 47.1% pada 2008. Perubahan dalam bahagian portfolio perniagaan motor dan bukan motor adalah sejajar dengan tindakan yang diambil oleh Bahagian Insurans Am untuk mengimbangi semula portfolio motor dan bukan motor dengan tumpuan kepada kelas yang lebih menguntungkan – terutamanya kebajikan, kargo marin, pekerja asing, semua risiko kontraktor dan kejuruteraan. Untuk perniagaan motor secara khususnya, Bahagian Insurans Am beralih secara berperingkat daripada polisi pihak ketiga dan perlindungan 'Akta' sahaja (insurans motor yang diwajibkan di bawah Akta) yang tidak menguntungkan dalam kategori kereta persendirian dan kenderaan komersil.

Pada tahun yang dilaporkan, nisbah tuntutan menyusut kepada 73.6% (2007: 75.4%). Penurunan ini dicapai hasil daripada tindakan strategik berterusan yang diambil sejak beberapa tahun lepas untuk beralih daripada perniagaan yang kurang menguntungkan. Walaupun nisbah tuntutan telah dikurangkan, Bahagian Insurans Am mencatatkan perbelanjaan operasi lain bersih lebih tinggi sebanyak RM43.6 juta (2007: pendapatan operasi lain bersih RM22.8 juta) terutamanya kerana peruntukan lebih tinggi yang dibuat bagi pengurangan nilai pelaburan disebut harga sebanyak RM26.5 juta (2007: masuk kira semula peruntukan bagi pengurangan nilai RM8.7 juta). Peruntukan ini dibuat akibat kejatuhan IKKL dan kerugian daripada pelupusan pelaburan disebut harga berjumlah RM7.0 juta (2007: keuntungan RM18.5 juta).

Peruntukan lebih tinggi yang dibuat bagi pengurangan nilai pelaburan yang disebut harga serta kerugian lebih besar daripada pelupusan pelaburan disebut harga pada tahun kewangan semasa yang dilaporkan telah menyebabkan Bahagian Insurans Am mencatatkan kerugian sebelum cukai RM17.6 juta pada 2008 berbanding keuntungan sebelum cukai RM24.4 juta pada 2007.

Dalam usaha untuk menambah baik perkhidmatan kepada pelanggan, MAA telah melancarkan Mye-Insurance yang meliputi tiga (3) sistem berasaskan web, iaitu Mye-pel, MyClaims dan yang ketiga, MyEG, suatu gandingan usaha dengan MyEG Services Bhd untuk mempercepatkan perkhidmatan kepada pelanggan. Sistem berasaskan web ini akan memberikan masa pusing ganti lebih pantas bagi pengeluaran polisi bukan motor oleh ejen, membolehkan pelanggan berhubung dengan ejen bagi pengurusan tuntutan yang lebih berkesan, dan memberi pilihan kepada pemegang polisi untuk memperbaharui insurans motor dan cukai jalan.



TINJAUAN PERNIAGAAN TAKAFUL MALAYSIA

MAA Takaful Berhad ("MAA Takaful") memulakan operasi pada Julai 2007.

Pada 2008, Takaful Keluarga mencatatkan caruman kasar RM76.1 juta (2007: RM25.8 juta bagi enam (6) bulan operasi) terutamanya daripada produk berkaitan pelaburan, manakala Takaful Am mencatatkan caruman kasar RM33.9 juta (2007: RM0.9 juta bagi enam (6) bulan operasi), sebahagian besarnya daripada takaful kebakaran dan kelas perniagaan bukan motor lain.

Dalam tahun penuh kedua operasi, Dana Pemegang Saham MAA Takaful mengalami kerugian sebelum cukai lebih rendah berjumlah RM2.3 bilion berbanding kerugian sebelum cukai RM3.9 billion dalam tempoh (6) bulan pertama operasi pada 2007.

Dalam tahun kedua operasi, MAA Takaful meneruskan usahanya untuk menambah baik proses dan sistem dalaman dan tawaran produk untuk memastikan pelanggan mendapat manfaat penuh dari segi perkhidmatan cekap dan produk unggul. Antara produk yang dilancarkan pada 2008 ialah MAA Takaful CancerCare, produk pertama sepertinya dalam industri takaful yang menawarkan manfaat di peringkat awal dan juga peringkat lanjutan penyakit kanser dan polisi takaful SmartMedic 100, pelan perubatan asas pertama di pasaran yang membayar belanja pengebumian RM5,000 untuk semua sebab kematian. Dalam usaha untuk meningkatkan bilangan pelanggan, MAA Takaful juga telah berganding bahu dengan Celcom (Malaysia) Bhd ("Celcom") dalam tahun yang dilaporkan untuk menawarkan takaful kemalangan peribadi kepada kesemua lapan juta pelanggan Celcom.

Walaupun pasaran saham tampak lemah pada 2008 dan baru memasuki tahun kedua operasi, MAA Takaful telah mengumumkan pengagihan bonus dan dividen bagi dana berkaitan pelaburan takaful, iaitu dana Shariah Growth dan Dana Shariah Balanced bagi tahun kewangan berakhir 31 Disember 2008.

Pada masa yang sama, MAA Takaful akan terus menjalankan program latihan menyeluruh untuk memastikan ejen profesional dan produktif dan memahami sepenuhnya industri dan produk takaful.

Memandangkan persekitaran ekonomi semasa yang sangat mencabar dan persaingan yang semakin sengit di pasaran, MAA Takaful akan memulakan rancangan tindakan untuk terus meningkatkan bilangan pelanggan, kualiti dan produktiviti tenaga agensi dan saluran pengedaran serta memperkenalkan produk baru yang inovatif.



TINJAUAN UNIT AMANAH MALAYSIA

Pada 2008, industri unit amanah Malaysia mengalami penguncupan dengan jumlah Nilai Aset Bersih ("NAB") dana di bawah pengurusannya merosot 20.7% kepada RM134.4 bilion (2007: RM169.4 bilion). Sementara itu, nilai aset di bawah pengurusan pengurus dana merosot sebanyak 5.6% kepada RM223.5 bilion pada 2008 daripada RM236.7 bilion pada 2007. Jumlah NAB dana unit amanah di bawah pengurusan MAAKL Mutal Bhd ("MAAKL") (syarikat unit amanah Kumpulan) pada akhir Disember 2008 berjumlah RM1.1 bilion (2007: RM1.4 bilion), iaitu pengurangan 21.4% berlatarkan pasaran pelaburan kurang menggalakkan sepanjang tahun, dan ini sejajar dengan prestasi industri unit amanah.

Pada tahun yang dilaporkan, MAAKL terus memberikan sumbangan positif kepada Keputusan Kumpulan walaupun keuntungan sebelum cukainya berjumlah RM1.7 bilion (2007: RM3.0 bilion) adalah lebih rendah.

Pada tahun dilaporkan, MAAKL melancarkan dana baru yang dinamakan MAAKL Greater China Fund dengan dana awal diluluskan berjumlah 600 juta unit, menjadikan bilangan dua puluh dua (22) dana secara keseluruhan yang kini berada di bawah pengurusannya.

Dalam usaha untuk meluaskan rangkaian pengedaran dalam tahun yang dilaporkan, MAAKL telah memeterai perjanjian pengedaran dengan HwangDBS Investment Management Bhd ("HwangDBS") dan OSK-UOB Unit Trust Management Bhd ("OSK-UOB"), yang membolehkan MAAKL mengedarkan sejumlah tujuh (7) dana HwangDBS dan enam (6) dana OSK-UOB. Tiga belas (13) dana ini akan diedarkan secara khusus menerusi penasihat unit amanah MAAKL. Dengan penambahan dana HwangDBS dan OSK-UOB, MAAKL buat masa ini menawarkan pilihan komprehensif tiga puluh lima (35) dana untuk membolehkan pemegang unit mempelbagaikan pelaburan mereka, khususnya dalam kelas aset yang sepadan dengan profil risiko dan objektif pelaburan.

Pada akhir Disember 2008, MAAKL mempunyai tenaga agensi seramai 1,070 ejen (2007: 1,083 ejen). MAAKL telah meneruskan usahanya untuk meningkatkan daya saing menerusi perisian perancangan pelaburan terkini, iaitu MAAKL Planners dan MAAKL Home Office yang membolehkan penasihat kewangan unit amanah menawarkan tahap perkhidmatan dan profesionalisme lebih tinggi kepada pelanggan untuk merancang dan menguruskan pelaburan pemegang unit amanah, dan MY MAAKL Suite yang memberikan capaian lebih mudah kepada pemegang unit yang lebih suka menguruskan dan memantau akaun pelaburan mereka sendiri. Malah mereka boleh memantau akaun mereka dari mana-mana sahaja, pada bila-bila masa menerusi sambungan Internet. Strategi proaktif untuk membina dan mengukuhkan infrastruktur, tenaga agensi dan rangkaian pengedaran akan mengukuhkan lagi kedudukan MAAKL untuk terus berkembang apabila keadaan pasaran kembali pulih.



Untuk itu, kami berbangga untuk mengumumkan bahawa pada malam anugerah The Edge-Lipper Malaysian Fund Awards 2009 yang diadakan pada Februari 2009, Dana MAAKL Al-Faid telah dinobatkan sebagai dana ekuiti Islam terbaik Malaysia bagi tempoh lima tahun.

TINJAUAN OPERASI ANTARABANGSA

MAA International Assurance Ltd ("MAAIA"), bahagian insurans dan pelaburan luar pesisir Kumpulan yang berpangkalan di Labuan, mencatatkan pendapatan premium kasar lebih tinggi berjumlah RM73.0 juta (2007: RM76.5 juta). Namun begitu, MAAIA melaporkan kerugian sebelum cukai RM11.7 juta (2007: kerugian RM3.2 juta) terutamanya kerana kerugian daripada pelupusan saham PT MAA General Assurance kepada pemegang saham minoriti menurut opsyen yang diberikan oleh MAAIA kepada pemegang saham minoriti tersebut dalam Perjanjian Pemegang Saham yang dilaksanakan pada 2001.

Buat tahun keempat berturut-turut sejak 2005, kedua-dua perniagaan insurans am di Indonesia dan Filipina memberikan sumbangan positif kepada keputusan Kumpulan, manakala perniagaan insurans hayat di Indonesia juga mencatatkan keuntungan buat tahun ketiga.

Namun begitu, perniagaan unit amanah Kumpulan di Filipina tidak memperlihatkan prestasi yang dijangkakan. Industri unit amanah di Filipina dikuasai terutamanya oleh bank dan peserta mapan lain yang telah membina asas modal masing-masing. Pada 2008, Kumpulan telah mengurangkan operasi perniagaan unit amanah di Filipina untuk menampung kos dan memastikan perniagaan terus berdaya maju. Untuk tujuan itu, Kumpulan akan mempertimbangkan kemungkinan melupuskan pelaburannya dalam perniagaan unit amanah di Filipina pada 2009.

Pada 2008, syarikat bersekutu Kumpulan, Columbus Capital Pty Ltd ("CCAU") telah memasuki tahun ketiga operasi. Kegiatan perniagaan utama CCAU ialah pinjaman perumahan runcit dan pensyukuran pinjaman di Australia. CCAU menawarkan pakej pinjaman perumahan tetapi tidak menanggung risiko kredit kerana pinjaman diinsuranskan oleh S&P (syarikat insurans bertaraf AA). Tiada sumbangan yang dibuat oleh CCAU kepada Kumpulan pada tahun yang dilaporkan kerana keputusannya terjejas akibat kerugian nilai saksama berjumlah AUD8.2 juta (2007: keuntungan nilai saksama RM2 juta) yang timbul daripada urus niaga swap kadar faedah, berikutan penggunaan perakaunan nilai saksama di mana instrumen di luar lembaranimbangan perlu dinilai dan diiktiraf dengan sewajarnya di dalam akaun. Pada masa yang sama, operasi CCAU terjejas akibat kesan rantaian krisis pinjaman subprima di US. Walau apa pun, Kumpulan akan terus memantau prestasi CCAU dengan teliti pada 2009.



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 2008.

OPERATING ENVIRONMENT

The Malaysian economy recorded a Gross Domestic Product ("GDP") growth of 4.6% in 2008, a slow down from 2007 of 6.3% brought about by the worsening of global economic conditions during the fiscal year. The contraction in the Malaysian economy was mainly due to the deterioration in exports of goods and services. Nevertheless, the domestic demand via private consumption and public spending has continued to provide support to the growth in 2008.

The services sector has moderated to a lower growth in 2008 with an expansion of 7.3% (2007: 9.7%). Most services sub-sectors in wholesale and retail trade, real estate and business services as well as the finance and insurance experienced contraction. Activities in the insurance segment, both for life and general insurance contracted, as reflected by the lower premium income from new businesses and vehicle sales.

In 2008, the Malaysia Life Insurance industry registered a slip of 6.2% in terms of new business total premium (single premium and annualised premium), a contrast against the industry growth of 6.2% in 2007. The General Insurance industry registered a growth of 8.4% (2007: growth of 3.6%) in terms of gross written premium.

PERFORMANCE REVIEW

For the year under review, the Group's total operating revenue decreased by 4.3% to RM2.2 billion (2007: RM2.3 billion). Under the conventional insurance business, the Life Insurance Division recorded a total gross premium income of RM1.3 billion (2007: RM1.5 billion) whereas the General Insurance Division registered a total gross premium of RM436.7 million (2007: RM459.7 million), of which an amount of RM372.1 million (2007: RM401.1 million) was from the discontinued operations. The discontinued operations of the General Insurance Division represent the General Insurance Business of Malaysian Assurance Alliance Berhad ("MAA") (a wholly-owned subsidiary company) classified as such to comply with FRS 5: Non-Current Assets Held For Sale and Discontinued Operations following announcement by the Company as disclosed in (c) under Updates on Recent Corporate Proposals in the ensuing sections. Under the takaful insurance business, the Family Takaful Division and General Takaful Division registered gross contribution of RM76.1 million (2007: RM25.8 million) and RM33.9 million (2007: RM0.9 million) respectively.



The Group registered a loss after tax of RM70.0 million for the current year under review (2007: a loss after tax of RM73.3 million). The General Insurance Division recorded a loss before tax of RM23.1 million (2007: profit before tax of RM28.0 million), of which the discontinued operations registered loss before tax of RM17.6 million (2007: profit before tax of RM24.4 million). The Shareholders' Fund recorded loss before tax of RM45.0 million (2007: loss before tax of RM45.6 million), however the Life Insurance Division registered a profit before tax of RM33.8 million (2007: loss before tax of RM42.8 million).

The loss in Shareholders' Fund was due mainly to recognition of a fair value loss of RM22.6 million (2007: fair value loss of RM24.2 million) on the interest rate swap transaction during the current year following the adoption of FRS 139: Financial Instruments – Recognition and Measurement that requires the calculation of the Mark-To-Market value of the interest swap, with the resulting fair value gain or loss arising thereon to be accounted for accordingly in the income statement.

The interest rate swap was entered into with the primary objective to reduce coupon payment of the RM200 million Medium Term Notes issued by the Group in 2007. The fair value loss recorded by the interest rate swap arose mainly from intense volatility in the US market interest rates resulting from the subprime mortgage loan crisis and the economic downturn.

The Shareholders' Fund also experienced an increase in management expenses due mainly to management expenses of takaful business with full year operations during the year. The takaful business only commenced operations on 1 July 2007.

As at 31 December 2008, the Group's total assets stood at RM7.7 billion, a decrease of 1.3% over 2007 of RM7.8 billion.

BUSINESS OPERATIONS REVIEW

For the year under review, the Group continued its focus on four core operations, namely Malaysian Life Insurance Operations, Malaysian General Insurance Operations, Malaysian Unit Trust Operations and the International Operations, in addition to the new takaful business. The details of their performance are separately discussed in the attached pages.

INVESTMENTS

During the year under review, the Group's total investment income increased by 24.3% to RM332.7 million (2007: RM267.6 million) attributable to higher interest income mainly from fixed deposits, corporate debt securities and loan recovery.



MAA, ALWAYS CARING FOR THE CUSTOMER

During the year under review, the KLCI declined by 39.3% (2007: growth of 31.8%) in line with the other regional markets. In light of the bearish Malaysian equities market, the Group has realigned the investment strategy to rebalance the investment portfolios during the year to protect the equity portfolio from share price fall by shifting from equity portfolio to fixed-income securities in low-risk government securities, Cagamas papers and investment grade corporate bonds in selected industry, with the aim to protect capital and minimise investment risk. This resulted in the Group recording a loss from realisation of quoted equity securities in 2008, compared to gain in previous year when the Malaysian equities market was bullish then.

Moving forward the Group will constantly review and revise its strategies and investment portfolio-mix in light of the unfavourable investment environment to ensure that it achieves the benefits of capital preservation, profitability and consistent income flows to meet commitments to its customers.

LOAN PROVISIONS

As at the end December 2008, the total carrying amount of non-performing loans stood at RM450.5 million (2007: RM649.9 million), comprising 5.9% (2007: 8.3%) of the Group's total assets. The improvement of 30.7% in net non-performing loans was the result of stronger debt collection and on-going recovery exercise. During the year, the total recoveries from non-performing loans amounted to approximately RM251.6 million (2007: RM105.0 million). These non-performing loans were collateralised by properties and/or shares pledged by the borrowers with an average 2 times security coverage.

DIVIDENDS

For the year ended 31 December 2008, the Board of Directors does not recommend the payment of dividend, in view of the need to preserve capital to meet the Group's on-going and future operating requirements.

UPDATES ON RECENT CORPORATE PROPOSALS

The Group is pleased to provide the following updates:

- (a) MAA International Assurance Ltd ("MAAIA"), a wholly-owned subsidiary company of MAA Corporation Sdn Bhd which is in turn a wholly-owned subsidiary of the Company has on 12 June 2008 disposed a total of 6,446,918 ordinary shares of Rp1,000 each, representing 34% equity interest in PT MAA General Assurance ("PT MAAG") to Mr. Ng Feby Antonious ("Feby"), a minority shareholder of PT MAAG, for a total cash consideration of RM252,188 pursuant to an Option granted by MAAIA to Feby via the Shareholders' Agreement dated 6 September 2001.



Upon completion of the disposal, MAAIA's equity interest in PT MAAG reduced from 94% to 60%.

- (b) In order to meet the Indonesian insurance regulation on minimum net equity requirements by 31 December 2008, MAAIA had converted its subordinated loans into paid up capital and injected new capital to PT MAAG and PT MAA Life Assurance ("PT MAAL") in October 2008 and December 2008 respectively. Arising from these capital exercises, the paid up capital of PT MAAG and PT MAAL has increased by Rp25,702,727 (equivalent to RM9,407,855) and Rp69,396,700 (equivalent to RM25,617,325) respectively.

Upon completion of the capital injection exercise, MAAIA's equity interest in PT MAAG and PT MAAL increased from 60% to 83% and 98% to 99.5% respectively.

- (c) On 10 November 2008, the Company announced the entering into a non-binding memorandum of understanding ("MOU") between MAA and AMG Insurance Berhad ("AMG") to formalise discussions on the proposed acquisition by AMG of the General Insurance Business of MAA at a headline price of RM274.8 million (subject to adjustments) and a 4.9% stake in MAA Takaful Berhad for a total consideration of RM16.2 million, equivalent to RM3.3 per share (collectively "Proposed Transactions").

The Proposed Transactions is subject to, the approvals being obtained from the following:

- (i) Bank Negara Malaysia ("BNM") for the scheme of transfer under the business transfer agreement;
- (ii) Minister of Finance based on the recommendation of BNM, pursuant to the Insurance Act, 1996;
- (iii) Foreign Investment Committee (if required);
- (iv) Securities Commission ("SC")(if required);
- (v) Malaysian High Court for the Confirmation of scheme of transfer;
- (vi) Shareholders of the Company

On 26 February 2009, the Company announced that both MAA and AMG are currently working towards finalising a business transfer agreement ("BTA") in relation to the proposed disposal of the General Insurance Business of MAA prior to the submission of the said agreement to BNM for approval.

On 24 April 2009, the Company announced that the headline price has been revised to RM254.83 million (subject to adjustments) and an application to BNM seeking its approval for the proposed disposal of the General Insurance Business of MAA to AMG ("the Proposed Disposal") has been submitted. The execution of the BTA is subject to

● INFORMATION TECHNOLOGY

● MAA BRAND

● CORPORATE SOCIAL RESPONSIBILITY

BNM's approval which is currently pending. The Company and MAA have also granted AMG an extension of 120 days to the exclusivity period under the MOU.

On 27 April 2009, the Company had submitted an application to the SC on the Proposed Disposal.

CUSTOMER SERVICE

Customer-focused and quality customer service have always been the goals of the Group. Armed with the Six Sigma methodology, the enhanced ISO 9001:2000 Quality Management System certification and the ISO 27001 Information Security Management System certification, the Malaysian insurance operations have been continuing the focus on improving Information Technology ("IT") systems and internal processes, maintaining staff training and education programmes to ensure that our clients and agents get the best possible services.

INFORMATION TECHNOLOGY

The Group will continue its effort to invest in the latest information technologies to further enhance its operational, business productivity and cost efficiency. For the Malaysian operations, the Group has been progressively implementing its IT Strategy Plan with the main aim to support future ever-changing business requirements. The IT Strategy Plan addresses main issues of new application development, process automation and system integration, E-business strategies and business intelligence.

MAA BRAND

The Group is proud to announce that in a recent study on Malaysia's most valuable brands, MAA brand was honored as one of the Malaysia's 30 Most Valuable Brands 2008, a great acknowledgement of our philosophy of brand equity as one of our most important assets to maintain the strong corporate image that we have developed to-date. MAA brand has been the pillar to drive sales and profits as customers gain confidence in the company and keeps our clients, agents and staff loyal to us.

Our tag-line is well recognised, "Say Yes To Solid Financial Security".

As the Group grows and expands, it has deliberately made a distinct change in the advertising strategies to focus on the MAA brand as a complete financial and insurance solutions provider under a one-stop centre integrating all products and services offered by MAA, MAAKL Mutual Bhd, MAA Takaful Berhad and MAA Universal Sdn Bhd.



CORPORATE SOCIAL RESPONSIBILITY

The Group has always remained committed to its quest to be a responsible and caring corporate citizen. Towards this end, the Group set up MAA-Medicare Kidney Charity Fund since 1994 with the aim to provide cheaper kidney dialysis treatment to the public. Over the years, the Group has expanded its network to twelve (12) kidney dialysis centres to cater for the needs of the ever-increasing number of new patients for such subsidised medical services.

The Group also adopted The Budimas Charitable Foundation in 2002 with the objective of providing welfare to the under-privileged children and the poor. Currently, the Foundation has adopted and is providing continuous financial support to ten (10) homes for under-privileged children and orphans. Towards the last quarter of 2008, the Foundation set up its first own home, Pusat Jagaan Anak-Anak Yatim Orion Budimas for the welfare of orphans. The Foundation-owned home has the capacity to support a maximum of 20 children. Currently the home supports 9 children.

Lastly, the Group will continue to allocate resources to further the objectives of these charitable activities in the years ahead to fulfill its corporate social responsibility.

Details of MAA-Medicare Kidney Charity Fund and The Budimas Charitable Foundation are separately discussed in the attached pages.

PROSPECTS

In its report on the Economic and Financial Developments in Malaysia for the Fourth Quarter of 2008, BNM reported that Malaysia, being an integral part of the global economy, has already felt the impact of the global financial crisis and economy slowdown. While global efforts have been intensified to counter the effects of the slowdown, risks remain on the downside and recovery of global economy is likely to be slow and protracted as a number of the regional economies have slipped into recession.

With the sharp deterioration in the global economy, Malaysia is facing an extremely challenging economic environment in 2009. Towards this end, the Malaysian government has announced the implementation of the First Stimulus Package of RM7 billion and the Second Stimulus Package of RM60 billion to mitigate the impact of the global contraction on the domestic economy in Malaysia. Taking into accounts these measures undertaken by the Malaysian government, the Gross Domestic Product growth of Malaysia is expected to be in the range of -1% to 1% for 2009.

On the same note, BNM has recently taken aggressive steps in reducing the overnight policy rate ("OPR") and the statutory reserve requirement ("SRR") to lower borrowing costs as one of the pre-emptive move to provide a more supportive monetary environment for the domestic economy.

ACKNOWLEDGEMENT AND APPRECIATION



During the year, BNM announced adoption of the Risk-Based Capital Framework ("RBC") for insurers effective for annual period beginning on or after 1 January 2009. The RBC requires insurers to maintain capital adequacy level commensurating with its risk profile. This new framework will change the landscape of insurers managing their risks and investments to achieve better asset-liability matching of insurance funds moving forward.

In this regard, MAA has taken efforts ahead with action plans including divesting its general insurance business (subject to the approval of relevant authorities and shareholders of the Company) to meet the RBC requirements.

The Group is well aware of the increasingly competitive market for the financial services sector and the many challenges ahead, including achieving sufficient investment return in light of the difficult economic environment to protect capital, remain profitable and meet commitments to customers.

Nevertheless, the Group has in place action plans including constant review and monitoring of these plans thereon, to face the challenges to ensure that firstly we are well capitalised and we manage our risks well and secondly our products and services remain innovative and competitive to meet the needs of our present and target customers.

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 DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
Executive Chairman



MALAYSIAN LIFE INSURANCE REVIEW

The Life Insurance Division posted a drop of 13.3% in its total premium income to RM1.3 billion (2007: RM1.5 billion), largely from reduction in single premium business, in particular Fixed Deposit Endowment plan ("FDE"). This is due to our efforts to limit the exposure to this type of business in terms of the risk of asset and liability mismatching and low profit margin.

Continuing its efforts from previous years, MAA has instead switched its focus to investment-linked plans which require a lower capital charge under the RBC requirement and where the investment risk is taken by the customers and not MAA. However, the sale of investment-linked products recorded a decline of 31.8% in total premium for 2008 due to unfavorable investment environment and economic conditions.

The Life Insurance Division also recorded higher net other operating expenses of RM253.5 million (2007: net other operating income of RM32.8 million) due mainly to higher provisions made for diminution in value of quoted investments amounted to RM106.8 million (2007: write back of provisions for diminution in value of RM68.1 million) resulted from deterioration in the KLCI and loss from disposal of quoted investments of RM111.0 million (2007: gain of RM99.8 million). Notwithstanding this, in 2008 the Life Insurance Division recorded a profit before tax of RM35.1 million, a marked improvement from a loss before tax of RM21.5 million in 2007.

As at end December 2008, the overall Life Insurance Fund Surplus remains healthy with a cumulative surplus carried forward of RM314.5 million (2007: RM495.5 million).

Moving forward, MAA will focus on revenue growth through product innovation and distribution creation through recruitment and retention of quality agents. The Division has noted the public's changing demand trend towards investment-linked plans. In order to remain competitive, it will roll-out investment-linked plans suitable to customers in light of the current economic condition and low fixed deposit rates environment, while meeting the needs for personal protection and savings. Equally important is MAA's primary emphasis to elevate the level of professionalism and knowledge of its agents to improve sales productivity while concurrently growing the sales force. Towards this end, MAA will continue with its comprehensive training programmes to improve professionalism, productivity and business retention of the agency force.

MALAYSIAN GENERAL INSURANCE REVIEW

The General Insurance Division recorded a drop of 7.2% in gross written premium to RM372.1 million (2007: RM401.1 million).

Motor vehicle business premiums decreased by 11.8% to RM155.1 million (2007: RM175.8 million), whereas the motor cycle business premiums increased by 11.2% to RM41.7 million (2007: RM37.5 million), whilst non-motor premiums decreased by 6.7% to RM175.3 million

INDUSTRY REVIEWS

TAKAFUL

(2007: RM187.8 million). Since 2005, the portfolio share of motor business as a percentage of total gross premiums has continued on a decreasing trend with 57.3% in 2006, 53.2% in 2007 and lastly 52.9% in 2008; while non-motor portfolio share has been increasing from 42.8% in 2006, 46.8% in 2007 and 47.1% in 2008. The shift in the portfolio mix of motor and non-motor business is in line with the actions taken by the General Insurance Division to rebalance its motor and non-motor portfolio with focus on profitable classes – mainly fire, marine cargo, foreign workers, contractors' all risks and engineering. For the motor business in particular, the General Insurance Division has progressively moved away from non-profitable third party policies and 'Act' only cover (compulsory motor insurance required by the Act) across the private car and commercial vehicle categories.

During the year under review, claims ratio decreased to 73.6% (2007: 75.4%). The improvement was the result of continuous strategic actions taken since previous years to move away from non-profitable business lines. Notwithstanding the improved claims ratio, the General Insurance Division has recorded a higher net other operating expenses of RM43.6 million (2007: net other operating income of RM22.8 million) due mainly to higher provision made for diminution in value of quoted investments amounted to RM26.5 million (2007: write back of provision for diminution in value of RM8.7 million) resulted from the deterioration in the KLCI and loss from disposal of quoted investments amounted to RM7.0 million (2007: gain of RM18.5 million).

The higher provision made for diminution in value of quoted investments coupled with higher loss from disposal of quoted investments during the current year under review has caused the General Insurance Division to record a loss before tax of RM17.6 million in 2008 from a profit before tax of RM24.4 million in 2007.

In its efforts to enhance services to customers, MAA launched MYe-Insurance which consists of three (3) web-based systems: MYe-pel, MYclaims and the third, MyEG, which is a collaboration with MyEg Services Bhd, to speed up client servicing. These web-based systems will allow speedier turn-around times for issuance of non-motor policies by agents, interacting with agents for effective claims management and option for policyholders to renew motor insurance and road tax.

MALAYSIAN TAKAFUL BUSINESS REVIEW

MAA Takaful Berhad ("MAA Takaful") commenced operations in July 2007.

In 2008, the Family Takaful registered a gross contribution of RM76.1 million (2007: RM25.8 million for six (6) months of operations) mainly from investment-linked products, whilst the General Takaful recorded a gross contribution of RM33.9 million (2007: RM0.9 million for six (6) months of operations), mainly from fire and other non-motor classes of business.



In its second full year of operations, the Shareholders' Fund of MAA Takaful recorded a lower loss before tax of RM2.3 billion as compared to a loss before tax of RM3.9 billion during the first six (6) months of operations in 2007.

In its second year of operations, MAA Takaful has continued its efforts to improve the internal processes and systems and products offered to ensure that its clients derive maximum benefits in terms of efficient services and superior products. Among the products launched in 2008 were MAA Takaful CancerCare, the first of its kind in the takaful industry that offers benefits at both early and advanced stages of cancer and SmartMedic 100 medical insurance policy, the first basic medical plan in the market that provides RM5,000 funeral expenses for all causes of death. To further expand its customer base, MAA Takaful had also joined forces with Celcom (Malaysia) Bhd ("Celcom") during the year under review to offer personal accident takaful insurance to Celcom's entire customer base of over eight million.

Despite the bearish stock market in 2008 and only into its second year of operations, MAA Takaful has announced bonus and dividend distribution for its takaful investment-linked funds, namely the Shariah Growth and the Shariah Balanced funds for the year ended 31 December 2008.

At the same time, MAA Takaful will continue to roll out extensive training programmes to provide professionalism and productivity for agents to thoroughly understand the takaful industry and the products.

Notwithstanding the current difficult economic environment and stiff market competition, MAA Takaful will embark on its action plans to continue to expand its customer base, quality and productive agency force, distribution channels and rolling out new innovative products.

MALAYSIAN UNIT TRUST REVIEW

In 2008, the Malaysian unit trust industry registered a contraction with total Net Asset Value ("NAV") of funds under management declining by 20.7% to RM134.4 billion (2007: RM169.4 billion). Meanwhile, the value of assets under management by fund managers fell by 5.6% to RM223.5 billion in 2008 from RM236.7 billion in 2007. The total NAV of unit trust funds under management of MAAKL Mutual Bhd ("MAAKL") (the unit trust company of the Group) as at end December 2008 amounted to RM1.1 billion (2007: RM1.4 billion), a decrease of 21.4% due to the unfavorable market investment conditions during the year, which was in line with the unit trust industry performance.

During the year, MAAKL continued to contribute positively to the results of the Group albeit a lower profit before tax of RM1.7 billion (2007: RM3.0 billion).



In 2008, MAAKL launched a new fund namely the MAAKL Greater China Fund during the year with a total initial approved fund size of 600 million units, bringing the total funds under management to twenty two (22).

In the effort to expand its distribution network, MAAKL had, during the year, entered into a distribution agreement with HwangDBS Investment Management Bhd ("HwangDBS") and OSK-UOB Unit Trust Management Bhd ("OSK-UOB"), where MAAKL will distribute a selection of seven (7) funds and six (6) funds from HwangDBS and OSK-UOB respectively. These total of thirteen (13) funds will be distributed solely through MAAKL's unit trust advisers. With the addition of HwangDBS and OSK-UOB funds, MAAKL currently offers a comprehensive choice of thirty five (35) funds for unit holders to diversify their investments, in particular in asset classes that match their risk profiles and investment objectives.

As at end December 2008, the agency force of MAAKL stood at 1,070 agents (2007: 1,083 agents). MAAKL has continued its efforts to enhance its competitiveness through leading edge investment planning software, namely MAAKL Planners and MAAKL Home Office that enable the unit trust financial advisers to offer a higher level of service and professionalism to clients to plan and manage the investments of unit trust holders and MY MAAKL Suite that enables the unit holders who prefer to personally manage and monitor their investments, an easy access to their accounts from anywhere, at anytime, via the internet. The proactive strategies to build and strengthen its infrastructure, agency force and distribution network will help to position MAAKL to expand further when the market investment conditions improve.

Towards this end, we are proud to announce that at The Edge-Lipper Malaysian Fund Awards 2009 held in February 2009, MAAKL Al-Faid has clinched the award for best-performing equity Malaysia Islamic fund for the five-year period.

INTERNATIONAL OPERATIONS REVIEW

MAA International Assurance Ltd ("MAAIA"), the Labuan based offshore insurance and investment arm of the Group, recorded a higher gross premium income of RM73.0 million (2007: RM76.5 million). MAAIA recorded a loss before tax of RM11.7 million (2007: loss of RM3.2 million) due mainly to loss from disposal of shares in PT MAA General Assurance to a minority shareholder pursuant to an option granted by MAAIA to the minority shareholder via the Shareholders' Agreement executed in 2001.

For the fourth consecutive year since 2005, both the general insurance business in Indonesia and the Philippines contributed positively to the results of the Group, whilst the life insurance business in Indonesia also registered profit for the third year.



However, the Group's unit trust business in the Philippines has not been performing as expected. The unit trust industry in the Philippines is predominately monopolised by banks and other established players that have built their capital base. In 2008, the Group scaled down its operations in the unit trust business in the Philippines for reasons of cost containment and business viability. Towards this end, the Group will consider the possibility of divesting its investment in the unit trust business in the Philippines in 2009.

In 2008, the Group's associated company, Columbus Capital Pty Ltd ("CCAU") ventured into its third year of operations. CCAU's principal business activities are retail mortgage lending and loan securitisation in Australia. CCAU packages mortgage loans but does not take on the credit risk as the loans are insured by S&P (AA rated insurers). No contribution was made by CCAU to the Group during the year as its results were affected by a fair value loss of AUD8.2 million (2007: fair value gain of RM2.0 million) on the interest rate swap transaction, following the adoption of fair value accounting where off-balance sheet financial instruments is to be valued and recognised accordingly in the books. Concurrently CCAU's operations have been affected by the chain effect of subprime mortgage loan crisis in the US, nevertheless the Group will closely monitor the performance of CCAU in 2009.

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 2008.

1. BOARD OF DIRECTORS

1.1 Composition and Size of Board

The Board comprises of 10 Directors as at the date of this Annual Report, of whom 6 are Independent Non Executive Directors within the meaning of Chapter 1.01 of the Listing Requirements of Bursa Securities. Thus, the Company has met the requirements of at least 1/3 independent members, who are free from any business or other relationship that could materially interfere with the exercise of its 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.

The Board has on 28 August 2008 appointed Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah as Executive Chairman with the demise of Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman on 20 August 2008. The Group Managing Director/Chief Executive Officer ("Group MD/CEO") is Muhamad Umar Swift.

The roles of the Executive Chairman and Group Managing Director/Chief Executive Officer ("Group MD/CEO") are distinct and separate, each has a clearly accepted division of responsibilities to ensure a balance of power and authority.

The responsibilities of the Executive Chairman are, inter alia, as follows:

- provides management of and leadership to the Board;
- ensures regular Board meetings are held and ad hoc Board meetings are convened when necessary;
- ensures that Board members are provided with complete, adequate and timely information;
- chairing the shareholders' meeting;
- acting as the Group's ambassador within the domestic and international market;
- participating in the management committee meetings;
- ensuring and monitoring compliance with policies set by the Board;
- providing opinion to and/or work with the Group MD/CEO on major strategic issues;
- acting as a liaison between the Group and government officials, embassy and foreign investors; and
- being the main spokesperson for the Group

The Group MD/CEO is the most senior executive in the Group. The Group MD/CEO 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 and sets the Board agenda for the approval of the Executive Chairman.

1.3 Principal Duties and Responsibilities of the Board

In discharging its stewardship responsibilities, the Board has formally assumed the six (6) specific responsibilities 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 8 times during the financial year ended 31 December 2008. The details of the attendance by each of the Directors for the financial year ended 31 December 2008 are as follows:

Members of the Board	No. of Attendance	%
Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman (Deceased on 20 August 2008)	5/5	100
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	8/8	100
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	8/8	100
Major General Lai Chung Wah (Rtd)	8/8	100
Dato' Iskandar Michael bin Abdullah	7/8	88
General Dato' Sri Hj. Suleiman bin Mahmud (Rtd)	8/8	100
Yeo Took Keat	8/8	100
Datuk Razman Md Hashim	6/8	75
Muhamad Umar Swift	8/8	100
Tan Sri Ahmad bin Mohd Don	8/8	100
Dr Zaha Rina Zahari	5/8	63

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 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 a 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. This assessment has been carried out for the financial year ended 31 December 2008.

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 ended 31 December 2008, 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/her duties effectively and proficiently, taking into account the individual needs of each of the Directors.

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

Members of the Board	Programmes / Forums
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	<ul style="list-style-type: none"> • Duties & Liabilities of Company Directors –Impact of Companies (Amendment) Act 2007 • Economic and Market Outlook for the Second Quarter 2008 • The Malaysian Economy and Market Outlook
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	<ul style="list-style-type: none"> • Duties & Liabilities of Company Directors –Impact of Companies (Amendment) Act 2007
Major General Lai Chung Wah (Rtd)	<ul style="list-style-type: none"> • Duties & Liabilities of Company Directors –Impact of Companies (Amendment) Act 2007 • Economic and Market Outlook for the Second Quarter 2008 • MAA National Sales Congress • The Malaysian Economy and Market Outlook
Dato' Iskandar Michael bin Abdullah	<ul style="list-style-type: none"> • Economic and Market Outlook for the Second Quarter 2008
General Dato' Sri Hj Suleiman bin Mahmud (Rtd)	<ul style="list-style-type: none"> • Duties & Liabilities of Company Directors –Impact of Companies (Amendment) Act 2007 • Economic and Market Outlook for the Second Quarter 2008 • MAA National Sales Congress • The Malaysian Economy and Market Outlook
Yeo Took Keat	<ul style="list-style-type: none"> • Duties & Liabilities of Company Directors –Impact of Companies (Amendment) Act 2007 • Economic and Market Outlook for the Second Quarter 2008 • MAA National Sales Congress • The Malaysian Economy and Market Outlook • National Accountants Conference Kuala Lumpur Convention Centre
Datuk Razman Md Hashim	<ul style="list-style-type: none"> • Duties & Liabilities of Company Directors –Impact of Companies (Amendment) Act 2007 • Economic and Market Outlook for the Second Quarter 2008 • Affin Bank Off-Site Board Strategic Meeting at Mandarin Oriental • Affin Bank Off-Site Board Strategic Meeting at Jakarta
Muhamad Umar Swift	<ul style="list-style-type: none"> • Duties & Liabilities of Company Directors –Impact of Companies (Amendment) Act 2007 • Lloyd's Asia –Malaysian Market Seminar • Economic and Market Outlook for the Second Quarter 2008 • MAA National Sales Congress • MAA Kursus C.R.T. • Franklin Covey –Leadership Training Programme • Technical & Strategic Excellence in Asset Liability Management

Members of the Board	Programmes / Forums
Tan Sri Ahmad bin Mohd Don	<ul style="list-style-type: none"> Economic and Market Outlook for the Second Quarter 2008 Talk on "Roundtable Sustainable Palm Oil" The Malaysian Economy and Market Outlook Talk on "Palm Oil: Food or Bio Fuel? Policy Implication for the Future" Talk on "General Economy Direction in Malaysia"
Dr Zaha Rina Zahari	<ul style="list-style-type: none"> Economic and Market Outlook for the Second Quarter 2008 Mandatory Accreditation Programme MAA National Sales Congress

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 Executive Chairman, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Group MD/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 Executive Chairman and the Group MD/CEO is evaluated by the Board whereas and the performance of the ED/Group COO is evaluated by the Group MD/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 on Remuneration

The remuneration of the Directors of the Company for the financial year ended 31 December 2008 are set out below:

	Executive Directors (RM)	Non-Executive Directors (RM)
Fees	-	380,302
Salaries and allowances	2,942,560	128,500
Bonus	418,000	-
Other Benefits	116,751	33,560
Total	3,477,311	542,362

Statement On Corporate Governance (continued)

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

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,000 and below	-	2
RM50,001 to RM100,000	-	7
RM900,001 to RM950,000	1	-
RM950,001 to RM1,000,000	1	-
RM1,550,001 to RM1,600,000	1	-

3. BOARD COMMITTEES

The Board has establish 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

An Audit Committee has been established on 13 August 1999 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 comprises of 4 Directors, all of whom are Independent Non-Executive Directors. The members of the Audit Committee as at the date of this Annual Report are:-

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

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

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

Datuk Razman Md Hashim – Independent Non-Executive Director

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

- (a) to consider the appointment of the External Auditor, the audit fee and any question of resignation or dismissal;
- (b) to discuss with the External Auditor before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
- (c) to review the quarterly and year-end financial statements of the Board, focusing particularly on-
 - (i) any change in accounting policies and practices;
 - (ii) significant adjustments arising from the audit;
 - (iii) the going concern assumption; and
 - (iv) compliance with accounting standards and other legal requirements.
- (d) to discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of management where necessary);
- (e) to review the External Auditor's management letter and management's response;

- (f) to monitor provision of non-audit services by External Auditors;
- (g) to do the following, in relation to Internal Audit Function-
 - (i) review the adequacy of the scope, functions, resources and competency and that it has the necessary authority to carry out its work;
 - (ii) review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - (iii) evaluate the appraisal of the performance and remuneration of internal auditors;
 - (iv) approve any appointment or termination of Chief Audit Executive; and
 - (v) take cognizance of resignations of senior staff members.
- (h) to consider any related-party transactions that may arise within the Company or Group;
- (i) to consider the major findings of internal investigations and Management's response; and
- (j) to consider other topics as defined by the Board

The Audit Committee met 7 times during the financial year ended 31 December 2008. The activities of the Audit Committee for the financial year ended 2008 are as set out in the Audit Committee Report.

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 of 3 Directors, all of whom are Independent Non-Executive Directors. 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 : General Dato' Sri Hj. Suleiman bin Mahmud (Rtd) – Independent 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 4 times during the financial year ended 31 December 2008.

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 of 3 Directors, all of whom are Independent Non-Executive Directors. The members of the Remuneration Committee as at the date of this Annual Report are:-

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

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 2008.

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 of 4 Directors, all of whom are Independent Non-Executive Directors. 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

Tan Sri Ahmad bin Mohd Don – Independent Non-Executive Director

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

Major General Lai Chung Wah (Rtd) was appointed as a member of the Committee on 28 August 2008.

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 6 times during the financial year ended 31 December 2008. The activities of the Risk Management Committee for the year 2008 are set out in the Risk Management Statement.

4. SHAREHOLDERS

The Board recognises the importance of keeping its stakeholders informed on the development of the Group. The Board has adopted a Corporate Disclosure Policies and Procedure ("CDPP") to ensure that the public receives all material information in a timely manner. Pursuant to the CDPP, the Board has appointed the Executive Chairman and the Group MD/CEO to be the Company's Main Spokespersons. The Company has also revised its Communication Policy to ensure effective communication between the Company and its shareholders, stakeholders and to the public in general.

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.

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 assists 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

The Fraud Control Section seeks to minimise the risk of fraud by instituting programmes to implement the Anti-Fraud Framework adopted by the Board. Continuous Anti-Fraud awareness training programmes were held throughout the year.

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 without the presence of the Management 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 2008.

Risk Management



The Board recognises that risk management is an integral part of the business operations of the Company and its subsidiary companies ("Group") 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 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 management of risks. 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 managing the risks within the Group.
2. The Risk Management Committee is responsible for managing 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 four (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 Group's objectives.

Risks have been classified into nine (9) categories, namely Product Risk, Human Risk, Regulatory Risk, Operational Risk, Financial Risk, External Risk, Customer Risk, Integrity Risk and Supplier 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 based on the table below.

Probability	Impact				
	1 Insignificant	2 Minor	3 Significant	4 Major	5 Catastrophic
5 Almost Certain	Moderate	Significant	High	High	High
4 Likely	Moderate	Moderate	Significant	High	High
3 Possible	Low	Moderate	Significant	High	High
2 Unlikely	Low	Low	Moderate	Significant	High
1 Rare	Low	Low	Moderate	Significant	Significant

3. Risk Treatment

This is the stage where each risk is treated according to the risk appetite of the Business Units. The risks can be accepted or minimised or transferred or terminated. Risks are accepted if they are within risk tolerance limits and the controls are sufficient to mitigate the risks. Risks will be minimised if they are within risk tolerance limits and controls can be implemented to minimise the risks. In the case where the risks are not within tolerance limits but the function is important to the business operations, the risk will be transferred to a third party through outsourcing. Where the risks are not within tolerance limits and the function is not crucial to the business operations, the function will be terminated and discontinued.

Risk policies and procedures are established for risks accepted by Group.

4. Risk Monitoring

Key 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.

Activities during the year

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

1. Continued Risk Assessment

Throughout the financial year ended 31 December 2008, continuous risk identification have been carried out by the Company and its subsidiary companies, in particular, critical risks that affect the Company and its subsidiary companies have been identified. Some of the critical risks identified were as follows:

(a) Changes in Regulatory Requirements

Any changes in regulatory requirements may have an effect on the ability of the Group to distribute its products and services and/or the capital required to underwrite a particular class of product. The Group is constantly engaging the regulators on new requirements and guidelines to ensure compliance and aligning its businesses to changes in regulatory requirements.

(b) Competitive Business Environment

The business environment that the companies within the Group are operating is fierce and competitive. The Group faces intense competition from its competitors in the respective fields in which the Group offers its product and services. The Group always emphasise in developing and delivering products and services which meet consumer needs.

(c) Reputation and Branding

As a financial services Group, the ability to generate business and retain customers would require good reputation and strong branding. In this respect, maintaining good reputation and strong branding is one of the Group top priority and key aspect. The Group would continue to make its presence through advertisement and promotional campaigns. Any major changes in the Group business operation will be communicated and disseminated to the media.

(d) Fraud, Internal control and Operational Failure

Like any other organisation, the Group faces the risk of fraud, internal control and operational failure. Various operational policies and procedures governing the working relationship between human, systems and infrastructures are in place throughout the Group to minimise the risk of fraud, internal control and operational failure. There are Group-wide frameworks and policies which govern the business activities of the Group, which includes but not limited to, the Anti-Fraud Framework, the Enterprise Risk Management Framework and the Anti-Money Laundering and Anti-Terrorism Financing Policy. The internal audit function will provide assurances that these control mechanisms are functioning effectively to minimise the risk of fraud, internal control and operational failure.

(e) Credit Risk

Credit risk is the risk of loss from the default by a debtor or counter party, by failing to repay the principal and interest in a timely manner. Credit risks arise in the Group's lending and investment activities. The Group has strengthened its credit policies and step up recoveries through enforcement actions against loan defaulters.

(f) Stock Market

Large movement in stock market may have significant effect to the profitability of the Group. Investment returns will soar when the stock market rises and investment returns will decline when the stock market falls. The Group manages stock market risk by outsourcing the investment function to professional fund managers and adopting sound investment and fund management methodologies.

(g) Business Continuity and Disaster Recovery

Similar to other organisation, the occurrence fire, floods or any other emergencies may affect the business continuity of the Group. Various safety features are in place in the premises maintained by the Group to guard against fire, flood and other emergencies. The Group also maintain regular offsite backup to its database. Business continuity plans and disaster recovery centres are in place for the core business areas of the Group.

2. Improved Systems and Processes

During the year, the Q-Radar Enterprise Risk Management System ("Q-Radar ERM System") has been implemented in stages and training has been provided by the Risk Management Unit to all risk owners. The Q-Radar ERM System proved useful in enhancing the risk management practices of the Group in that it provides a systematic approach to guide risk owners through the identification and evaluation of risks and allows the internal audit to comment on the management action plans to mitigate risks.

In addition, the Company had, during the year, engaged a consultant to conduct a high level corporate governance review on the Group, which, inter alia, covered a review on the board governance structure, internal audit and risk management practices of the Group. As a result of the high level review, a dedicated Chief Risk Officer has been appointed to oversee the risk management function of the Group and the Board has adopted a formal Board Governance Structure which clearly defines the relationship and the escalation process between the Board and its Board Committees, the Board and the Management, the Board and Subsidiary Boards, the Board and Subsidiary Board Committees and finally Board Committees and Subsidiary Board Committees.

Other Bursa Securities Compliance Information



1. Utilisation of Proceeds Raised from Corporate Proposal

During the financial year ended 31 December 2008, there were no proceeds raised by the Company from any corporate proposal.

2. Share Buy-Back

The Company has not purchased any of its own shares during the financial year ended 31 December 2008 and the preceding financial year.

3. Options, Warrants or Convertible Securities

During the financial year ended 31 December 2008, 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 2008.

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 2008:-

- i) Meridian Asset Management Sdn Bhd ("Meridian"), a subsidiary company of MAA Corporation Sdn Bhd ("MAA Corp"), which in turn is a wholly owned subsidiary of MAAH, paid a sum of Ringgit Malaysia Eight Thousand Six Hundred Thirty Seven And Sen Twenty Five (RM8,637.25) to Lembaga Hasil Dalam Negeri for the under-estimation of tax payable for year of assessment 2007;
- ii) Meridian paid a sum of Ringgit Malaysia Three Thousand Four Hundred And Three (RM3,403.00) to Pertubuhan Keselamatan Sosial ("SOCSO") being penalty for failure to contribute as an employer from January 2001 to October 2007;
- iii) Maagnet Systems Sdn Bhd, a wholly owned subsidiary of MAA Corp, paid a sum of Ringgit Malaysia Three Hundred And Twenty One (RM321.00) to SOCSO being penalty for shortfall of contribution for year 2004; and
- iv) Wira Security Services Sdn Bhd, a wholly owned subsidiary of MAA Corp, paid a sum of Ringgit Malaysia of Seventy Two Thousand Two Hundred Ninety Seven And Sen Twenty Two (RM72,297.22) to Kastam Diraja Malaysia Wilayah Persekutuan Kuala Lumpur being penalty for late payment for service tax from year 2004 to 2008.

6. Non-Audit Fees

There was no non-audit fee paid to external auditors for the financial year ended 31 December 2008.

7. Variation in Results

The Company did not make or announce any profit forecast or projection during the financial year ended 31 December 2008. There was also no variation of 10% or more between the audited results and the unaudited results which were announced for the financial year ended 31 December 2008.

8. Profit Guarantees

During the financial year, 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) including contracts relating to loans, entered into by the Group which involved directors and shareholders, either still subsisting at the end of the financial year ended 31 December 2008 or entered into since the end of the previous financial year.

10. Revaluation Policy

In the financial year ended 31 December 2008, the Company does not own any landed properties. The subsidiary companies that own landed properties revalued their properties in accordance with the applicable accounting standards approved by Malaysian Accounting Standards Board and requirements of the relevant regulatory authorities.

Other Bursa Securities Compliance Information (continued)

Recurrent Related Party Transactions of a Revenue or Trading Nature

On 26 June 2008, the Company sought approval for a shareholders' mandate for MAAH Group to enter into Recurrent Transactions (as defined In the Circular to Shareholders dated 24 June 2008) 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 2008 are:-

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2008-31/12/2008) RM'000
Malaysian Assurance Alliance Berhad (MAA)	Office rental income received and receivable	Trace Management Services Sdn Bhd (Trace)	A company in which TYY* and TY* have deemed interest by virtue of their substantial interest in The Melewar Corporation Berhad, the major shareholder of Trace	121
		Melewar Group Berhad (MGB)	A company in which TYY and TY are directors and major shareholders	66
		Melewar Apex Sdn Bhd	A company controlled by Tunku Soraya binti Tunku Abdullah, who is the sister of TYY and TY	45
		Melewar Intergrated Engineering Sdn Bhd (MIE)	A subsidiary of MIG in which TYY is a director. The substantial shareholders of MIG are Melewar Equities Sdn Bhd (MESB) and Melewar Equities (BVI) Ltd (MEBVI), companies controlled by TY. TYY and TY are directors of MIG	381
		Mitra Malaysia Sdn Bhd (Mitra)	A company in which TYY and TY have deemed interest by virtue of their relationships with TI who is a brother of TY and TYY. TI has indirect substantial interest in Melewar Leisure Sdn Bhd, the holding company of Mitra	19
		MAAKL Mutual Bhd (MAAKL Mutual)	A 70% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, a company controlled by TY	725
		MAA Bancwell Trustee Berhad (MAA Bancwell)	An associated company and a company in which TYY and TY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell	48
		Melewar Industrial Group Berhad (MIG)	A company in which TYY and TY are directors. The substantial shareholder of MIG is MESB and MEBVI, companies controlled by TY	213
		Mperial Power Ltd	A subsidiary of Melewar Steel Engineering Sdn Bhd, which in turn is a subsidiary of MIG. TYY and TY are directors of MIG. The substantial shareholder of MIG is MESB and MEBVI, companies controlled by TY	76
		Malaysian Merchant Marine Berhad (MMM)	A company in which M3nergy Berhad, a subsidiary of MIG is a substantial shareholder. The substantial shareholder of MIG is Khyra Legacy Berhad, a company controlled by TY	78

Other Bursa Securities Compliance Information (continued)

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2008-31/12/2008) RM'000
MAAH Group	Purchase of air tickets and travel package paid and payable	Mitra	A company in which TYY and TY have deemed interest by virtue of their relationships with TI who is a brother of TY and TYY. TI has indirect substantial interest in Melewar Leisure Sdn Bhd, the holding company of Mitra	2,521
MAAH Group	Corporate secretarial and related services fees paid and payable	Trace	A company in which TYY and TY have deemed interest by virtue of their substantial interest in The Melewar Corporation Berhad, the substantial shareholder of Trace	469
MAA	Collection agent fees income received and receivable	MAAKL Mutual	A 70% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, a company controlled by TY	24
Maagnet Systems Sdn Bhd ("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	482
		MAA Bancwell	An associated company and a company in which TYY and TY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell	7
MAAH	Management fee income	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 TYY and TY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell	4,599
Wira Security Services Sdn Bhd	Provision of security services	MIG Group	A company in which TYY and TY are directors. The substantial shareholder of MIG is MESB and MEBVI, companies controlled by TY	357

Definitions :

- * TI is Tunku Dato' Seri Iskandar bin Tunku Abdullah
- TY is Tunku Dato' Ya'acob bin Tunku Abdullah
- TYY is Tunku Yahaya @ Yahya bin Tunku Abdullah

Note:-

The transactions with Mithril Berhad are excluded from the list of related party transactions for the financial year ended 31 December 2008. This exclusion is made pursuant to Paragraph 10.08 (9)(b) of the Listing Requirements of Bursa Securities that Mithril Berhad is not regarded as a related party to MAAH Group as Mithril Berhad is merely an investee company of MAAH and there is no other related party who has a substantial interest in Mithril Berhad except via the substantial interest held by MAAH.

Statement Of Internal Control



INTRODUCTION

Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements requires the Board to include in the Company’s Annual Report a statement about the state of internal control of the Group. The statement has been prepared in accordance with the “Guidance for Directors of Public Listed Company” issued by Bursa Securities.

RESPONSIBILITY

The Board acknowledges that it has overall responsibility for maintaining sound internal control system including reviewing its adequacy and integrity, to safeguard shareholders’ interest and Group’s assets. However, the system is designed to managed rather than eliminate the risk of failure to achieve business objectives. It can therefore only provide reasonable and not absolute assurance against material misstatement of financial statements or financial losses due to fraud.

The Board, through assistance of the Management, has ensured that there is an on-going process for identifying, evaluating, monitoring and mitigating significant risks that may adversely affect the Group. It has also regularly reviewed the system which encompassed compliance and management information system, during the financial year to ensure that the Group was able to respond appropriately to changes in the business environment and regulatory requirement.

KEY INTERNAL CONTROL PROCESSES

The key processes that have been established to review the adequacy and integrity of the internal control system are as follows:-

Risk Management

The Board recognises the significance of risk management in maintaining sound system of internal control. Accordingly, the Management has adopted Enterprise Risk Management Framework which outlined the vision, mission, policy, structure, responsibilities, processes and corporate risk scorecard. The framework provides the Board and the Management with a tool to anticipate and manage both existing and potential risks, and the risk profiles were regularly updated to account for changes in business environment, law and regulatory requirement throughout the year.

The Board has delegated the responsibility of reviewing the effectiveness of risk management system to the Risk Management Committee, whose authority and responsibility is clearly defined in the terms of reference. The Group Risk Management function monitors and evaluates the system on an ongoing basis and reports to the Risk Management Committee on quarterly basis. The Chief Risk Officer has communicated the requirement of the framework and trained respective Risk Champion appointed at various business and support units to update risk profiles continuously.

Management Committees

The Chief Executive Officer/Group Managing Director is assisted by Executive Committee to ensure that daily operations are conducted effectively and in accordance with corporate objectives, strategies, approved budgets, policies, procedures and regulatory requirement. Business Committee, Investment Committee, Governance Working Committee, Human Resource Committee, Information Technology Steering Committee, Risk-Based Capital Committee and Credit Committee are also established within its term of reference to manage and report on business operation, governance and compliance matters on monthly or quarterly basis.

Policies and Procedures

The Management has established written policies and procedures which have been approved by the Chief Executive Officer/ Group Managing Director or Board Committees and they have been implemented in respective core business processes throughout the Group. It serves to ensure compliance with internal controls, laws and regulations. Regular reviews and updates have been performed in line with changes in business environment, statutory and regulatory requirements to ensure its relevance and effectiveness. All the policies and procedures issued during the year have been reviewed by Legal, Compliance, Risk Management and Internal Audit function before submission for approval.

Annual Business Plan and Performance Review

Respective business units submits their business plan and budgets to the Board for approval before commencement of a financial year. Actual performances would be reviewed against the budgets by the Management Committee on monthly basis thereafter management action plan would be timely carried out. The Board also reviews the business performance reports

Statement Of Internal Control (continued)



and compliance report from the Management on quarterly basis, to ensure that the business has been managed according to the corporate strategies and goals within the regulatory requirements.

Internal Audit

The Internal Audit function conducts operational, financial and information system control audit on branches and subsidiaries within the Group in accordance with annual audit plan approved by the Audit Committee. The internal auditors adopt risk-based approach and employs systematic audit methodology to provide an objective and independent audit assessment on the adequacy and effectiveness of internal controls. The audit also encompasses review on effectiveness of Compliance and Risk Management function within the Group. Internal audit recommendations to mitigate associated risks would be provided for each internal control issues highlighted and follow-up audit would be carried out to ensure that the auditee has implemented the recommendations within agreed timeline. The Chief Audit Executive presents internal audit reports to the Audit Committee for review on quarterly basis.

Audit Committee

The Audit Committee was set up by the Board within its terms of reference to assist in reviewing Management's financial reports, internal audit reports and external audit reports. The Committee also oversees the independence and resources of the internal audit function besides ensuring that the scope of work is adequate and that the audit has been carried out objectively and effectively by competent team of auditors.

Business Continuity Management

The Business Continuity Management Committee is established by the Management to manage business continuity program for the Group. It has identified major application systems that are critical in supporting daily business operation and conducted Disaster Recovery Test for major subsidiaries twice a year in accordance to the regulatory requirement. The tests have been satisfactorily carried out during the year and results have been reported to Bank Negara Malaysia.

Code of Ethics

Every employee is required to confirm and declare that they would abide by the Group's Code of Ethics. The Code encompasses work conduct, non-disclosure of Group's information, accountability and areas on potential conflict of interests. Employees are also required to declare any potential conflict of interests with regards to their interests or involvement in agency's business including outside the Group.

Human Resources Policies and Procedures

The Management has established Human Resource Policies and Procedures encompassing wide spectrum of human resource management, including recruitment, training, appraisal, promotion, resignation, termination, industrial relation, remuneration and benefits. The policies and procedures have been reviewed periodically and any changes effected are communicated to relevant employees via-email or through memorandums on a timely manner. The policies are readily available through the Group's intranet where staff can easily access at their convenience. Job description has also been clearly spelled out for each employee to ensure proper delegation of authorities and responsibilities at various level of the organisation structure. The Human Resource Department has conducted various in-house training programs and arranged external trainings for directors and employees throughout the year to enhance their competency in fulfilling their responsibilities and towards the achievement of the Group's goal.

Control Self-Assessment

The Management has embarked on Control Self-Assessment ("CSA") on branches of the insurance business division during the year. As the assessment employs risk and control based methodology, it would assist respective process owners to continuously identify, assess, profile and mitigate its operational, compliance and information system risk systematically. The deployment of CSA, which is facilitated by Internal Audit Department would enable respective process owners to provide assurance on the adequacy and integrity of internal controls on their day to day business activities.

Conclusion

The Board is of the view that the present internal control system is adequate and effective in mitigating risks to achieve its business objective. This includes major associate companies which are part of the Group. Continuous review of its internal control system would be carried out in line with the changes in its business and regulatory requirement to ensure its effectiveness in safeguarding shareholders' investment and Group's assets.

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 2008.

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

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

Audit Committee Report

MEMBERSHIP AND MEETINGS

The members of the Audit Committee are wholly Independent Non-Executive Directors. The details of members and attendance of meetings held during the financial year ended 31 December 2008 are as follows:

Name of Committee	No. of Meetings Attended
Major General Lai Chung Wah (Rtd) <i>(Chairman, Independent Non-Executive Director)</i>	7/7
Dato' Iskandar Michael bin Abdullah <i>(Member, Independent Non-Executive Director)</i>	7/7
General Dato' Sri Hj. Suleiman bin Mahmud (Rtd) <i>(Member, Independent Non-Executive Director)</i>	7/7
Datuk Razman Md. Hashim <i>(Member, Independent Non-Executive Director)</i>	5/7

The Company has fulfilled the requirements of Section 15.10 (1) of the Listing Requirements of Bursa Malaysia Securities Berhad with regards to composition of the Audit Committee. The Committee met according to the schedule of at least once every quarter. The Group Managing Director or Chief Executive Officer, Chief Operating Officer, Independent Non-Executive Directors, External Auditors and members of Senior Management were also invited to attend the meetings. Notice of meeting was given to the Audit Committee members accordingly and minutes of meetings were distributed to the Board members and the Audit Committee Chairman reports to the Board. The Company Secretary, Ms. Lily Yin Kam May is the Secretary to the Audit Committee.

In response to requirement of revised Malaysian Code of Corporate Governance, the Audit Committee has met twice with the external auditor without the presence of the Executive Board members and Senior Management team.

TERMS OF REFERENCE

Composition

The members of the Audit Committee shall be appointed by the Board from among the Directors of the Company and comprising no fewer than three (3) Directors, of whom all must be Non-Executive Directors, with majority of them being Independent Directors.

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

All members of the Audit Committee should be financially literate and at least one member of the Audit Committee:-

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and:-
 - i. he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - ii. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

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.

The Board of Directors must review the term of office and performance of the Audit Committee at least once every three (3) years to determine whether the Audit Committee has carried out their duties in accordance with their terms of reference.

Audit Committee Report (continued)

Meetings

The Audit Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. The Senior Management's representatives, Internal Audit representatives, and External Auditors' representatives attend the meetings when appropriate. Other Board members and employees may attend meetings upon invitation of the Audit Committee. The Committee should meet with the External Auditors without Board members present at least twice every year.

Quorum

A quorum shall consist of a majority of Audit Committee members who are independent Directors.

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.

Authorities

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

- Have explicit authority to investigate any activity within its terms of reference. All employees shall be directed to cooperate as requested by members of the Audit Committee;
- Provided with resources as well as full and unrestricted access to all information which are required to perform its duties;
- Maintain direct communication channels and convene meetings with the Internal Auditors or External Auditors, or both, without the attendance of the Executive Directors and Senior Management team, whenever deemed necessary;
- Obtain, if it considers necessary, external independent professional advice and to invite the attendance of outsiders with relevant experience; and
- Be able to make prompt reports to Bursa Malaysia when the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in breach of listing requirements.

Duties and Responsibilities

The Chairman of the Audit Committee should engage on a continuous basis with Senior Management, such as the Chairman, Chief Executive Officer, Finance Director, Chief Audit Executive and the External Auditors in order to be kept informed of matters affecting the Company. The duties and responsibilities of the Audit Committee are as follows:

- **Internal Audit Function**
 - i. To review the adequacy of the scope, functions, resources and competency and ensure that it has the necessary authority to carry out its work;
 - ii. To assess internal audit programs, processes, results of the audit and whether or not appropriate action has been taken on the recommendations;
 - iii. To evaluate the appraisal on performance and remuneration of Internal Auditors; and
 - iv. To approve the appointment or termination of Chief Audit Executive and take cognizance of resignation of senior staff members.
- **External Audit**
 - i. To consider the appointment of the External Auditor, the audit fee and any question of resignation or dismissal and make recommendations to the Board;

- ii. To assess the objectivity, independence, competency and effectiveness of the External Auditors;
- iii. To review with the External Auditors, the audit scope and plan, major audit findings raised by the external auditors including finding on their evaluation on the system of accounting control;
- iv. To ensure adequate assistance given to External Auditors without any restrictions on the scope of work or access to required information;
- v. To monitor and approve non-audit services provided by External Auditors.

- **Financial Reporting and Annual Report**

To review the quarterly and year-end financial statements prior to recommendation to the Board, focusing particularly on:-

- i. Changes in accounting policies and practices;
- ii. Significant adjustments arising from the audit;
- iii. Going concern assumptions and unusual events; and
- iv. Compliance with applicable accounting standards and other legal and regulatory requirements.

- **Related Party Transactions**

To monitor and review all related party transactions and conflict of interest situations that may arise within the Group that may raise questions of Management's integrity.

- **Investigation**

Instruct an investigation into any activity or matter within its terms of reference.

- **Other Matters**

To consider such other matters as it considers appropriate or as authorized by the Board.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2008, the Audit Committee has carried out its duties as set out in the term of reference. The main activities were as follows:

Internal Audit Function

- Reviewed the annual audit plan to ensure adequate scope and coverage over the activities of the Group, focusing mainly on high risks areas;
- Reviewed the effectiveness of the audit methodology, adequacy of resources and the competency of the Internal Auditors;
- Reviewed internal audit reports and management response to the audit recommendations;
- Monitored Management's progress on implementation of audit recommendations;
- Reviewed the appraisal on performance and remuneration of Internal Auditors.

External Audit

- Reviewed the audit scope, audit strategy, audit plan and Audit Report issued for the financial year;
- Assessed the objectivity and independence of the External Auditors during the year;
- Evaluated the performance and effectiveness of the External Auditors and make recommendations to the Board on their appointment and audit fee.

Financial Reporting and Annual Report

- Reviewed the quarterly unaudited financial results and annual audited financial statements of the Group to ensure that financial reporting and disclosure requirements are in compliance with relevant standards and regulations, prior to recommendation to the Board for approval.

Related Party Transactions

- Reviewed related party transactions within the Group.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by Group Internal Audit Department (GIAD) which conducts audit for the whole Group except for Malaysian Assurance Alliance Berhad (MAAB) which is supported by its own Internal Audit Department. In ensuring proper Group audit oversight, Chief Audit Executive of MAA Holdings Berhad attends all the Audit Committee meetings of MAAB throughout the year. Total cost incurred for maintaining Internal Audit function was approximately RM1.8 million comprising mainly salaries, benefits, traveling expenses and other overheads.

GIAD assists the Board, Audit Committee and Senior Management in discharging their duties and responsibilities by providing an independent and objective assurance on the adequacy and effectiveness of the internal control system, risks management and governance processes. The annual audit plan was developed based on assessment of the significance of potential risk exposure of respective auditable areas. The audit scope covers operational, financial, compliance and information system control. It seeks to ensure that internal controls embedded in respective business processes are adequate and effective in mitigating associated risks to the level acceptable to the Management. The results of the audit are reported to the Audit Committee on quarterly basis to highlight major audit internal control issues with significant risk exposure and effectiveness of the existing mitigating internal controls. Follow-up audit would also be carried out to report on the progress of implementation of audit recommendations to the Audit Committee.

During the financial year, the following activities were carried out by Internal Audit Function:

- Developed annual audit plan and prioritization of auditable areas based on significance of potential risk exposure to the Group results, input from Senior Management and the Audit Committee, and in cognizance of Group business objectives and goals;
- Executed audit of respective business units and processes based on systematic and disciplined risk based audit approach;
- Carried out ad hoc audit assignments and special reviews as requested by Senior Management and Audit Committee;
- Recommended improvements to existing internal control system and work processes;
- Advised Risk Management Unit on risk factors of various business units with potential impact on Group financial results; and
- Drafted Audit Committee Report and Statement on Internal Control for inclusion into Annual Report for financial year 2008.

Corporate Social Responsibility

MAA Holdings Berhad ("MAAH") prides itself as an organisation that operates with strong values. Even in these challenging times, we change, adapt and transform to meet our obligations to our stakeholders.

Now, more than ever before, there is a consensus that responsible companies have to go beyond what is required by law in order to make a positive impact on society and the environment through good Corporate Social Responsibility ("CSR") activities and reporting.

Good CSR translates into greater disclosures and accountability to stakeholders. It requires organisations to engage and respond to regulators. With the rise of technology savvy consumers, the demand for greater non-financial performance is equally as important as bottom-line profits and MAAH as a responsible Malaysian entity, understands this well.

MAAH's Corporate Social Responsibility initiatives are focused in the following areas:

- Marketplace
- Environment
- Workplace
- Community



CSR IN THE MARKETPLACE

MAAH believes that good CSR provides operational options for the company. Operating efficiently provides options for re-organisation. Using CSR in strategy provides options for management change, improves profitability and provides new options for investment.

As business leaders, there are ethical obligations we have to face and be part of. We understand we have a great opportunity to use our position, influence and connections to effect change. MAAH is of the firm opinion that many important stakeholders are found in the marketplace – our shareholders, suppliers and customers; various organisations, governmental bodies and regulatory bodies.



We believe in operating responsibly by ways of developing good products that has value for money and providing good support service long after a sale is made. We also pride ourselves in ethical procurement practices.

CSR AND THE ENVIRONMENT

Although the company's operations have no direct impact on the environment, MAAH has put in place its very own green policy as it strives to operate in a manner that reduces the consumption of resources and minimises wastage.

With this in mind, MAAH ensures safe disposal of all its old computers with strict adherence to internal policies and in an environmentally friendly manner.

CSR IN THE WORKPLACE

Good CSR gives human capital options; it attracts talented people with new skills and new approaches. Employee relations can be a trigger point that spurs innovation, encourages creativity and promotes a more sustainable future. One of the simplest means to do so is by cultivating a working environment that nurtures these three values.

These key initiatives are not limited to staff, but also extended to members of our agency force. We believe, our agents along with our staff, are the vital components of the organisation.

- **Health, Safety and Welfare**

Our Occupational Safety & Health Administration ("OSHA") team handles all office safety and health matters. Throughout 2008, the team organised a total of six (6) fire drill exercises at MAA Head Office and branches nationwide.

Four (4) fire safety trainings were also conducted at:

- Menara MAA Penang
- Menara MAA Seremban
- Balai Bomba Jalan Hang Tuah, Kuala Lumpur
- Akademi Bomba dan Penyelamat Malaysia, Kuala Kubu Bharu

In addition to this, the OSHA team organised five (5) Health Talks at Head Office, encompassing such areas as Healthy Life, Obesity, Cancer and Stroke Prevention. Health Talks at branches covered topics such as Obesity & Lipidaemia, Headache, Heart and Cancer.

Two (2) blood donation campaigns were held last year, drawing much support from the staff and consultants.

To ensure consistent stringent safety levels were maintained, safety audits were carried out at forty two (42) branches nationwide.

- **Employee Training**

MAAH relies on its workforce to deliver the best to its customers. To do that, we need happy employees. Happy employees deliver good results. In MAAH, we believe in helping our people help themselves; it's about building capacity through knowledge and skills.



In 2008, Malaysian Assurance Alliance Berhad ("MAA") was invited by Financial Sector Talent Enrichment Programme ("FSTEP") to brief 60 trainees on our Company's operational issues. It was a half day programme where key personnel from various departments presented their departmental activities so that the trainees could have a better understanding of our operations. The FSTEP is an agency supported by Bank Negara Malaysia. It is a rigorous series of technical classroom training that provides opportunities for the trainees to acquire knowledge and experience in the financial industry. This in turn, will build a sustainable pool of human talent, capable of supporting the growth of the industry.

Mandatory training programmes for staff are planned to enhance skills and competencies at all levels. Department and Division Heads were required to schedule various training for their staff at the beginning of the year. These are included in the company's Balance Score Card and KPIs. The mandatory trainings are as follows:

1. Staff Training Programme ("STP"): To equip staff with skills necessary for a particular level of position to perform their work. Training is organised according to the following levels:
 - AVP & Above
 - Manager & Above
 - Executive & Above
 - Non Executive
 - New Recruits
2. Executive Development Programme ("EDP"): To enhance knowledge and skills of staff through a series of self-development programmes. Training courses are planned according to the following categories:
 - Assistant Managers and Managers
 - Executives and Senior Executives
 - Clerks Grade 1 and Executives
 - Clerks Grade 2 and Clerks Grade 1
3. Technical Training Programme ("TTP"): To develop technical skills required to perform staff functional roles. This category of training is either planned by our Training & Education Dept or organised upon request by the respective departments. Training is internally organised.

The compulsory average training days per staff in a year are as follows:

- AVPs and above – 5 days.
- Managers – 4 days.
- Assistant Managers and Executives – 3 days.
- Executives – 1 day.



Trainings were not limited to only staff of MAA but also, extended to the Life and General insurance agents as we strive to maintain our stature as an industry leader. The objective of these trainings is to enhance the professionalism of the MAA Agency Force.

Training for Life Consultants consists of the following:

1. **Training & Development Programmes for Consultants:** The programmes are provided in 3 languages, at MAA Training Centre (Casa Rachado) and all branches at North Central Region, South Central Region and East Region. The purpose of these programmes is to enhance the knowledge and skills of MAA consultants in the areas of technical knowledge, selling skills, financial planning, agency management and professional development and help MAA consultants comply with LIAM's requirements, such as CPD hours, 20 hours training and to clear the RFP Modules 1 & 2, and BAMC examinations.
2. **Business Development Seminars:** The main objective is to assist agency leaders in enhancing their recruiting activities. The seminars were on topics that are attractive to prospective consultants, which range from career development, personal development, health and etc. Seminars are conducted in conjunction with recruiting activities organised by branches.
3. **Recruiting Skills Workshop:** This workshop is specially designed to develop agency leaders in their recruiting skills. The workshops were conducted by speakers who have practical experience in the subject matter and insurance industry. Practical recruiting ideas and tools are shared with the agency leaders during the workshop.
4. **Prime Consultant Conference:** The conference is meant to elevate Master Consultants (whose production is at Gold Producer level and above) to be Prime Consultants. The conference focuses on developing the Master Consultant to be greater producers.
5. **Investment and Risk Management Workshop:** This workshop is targeted at Master Consultants (with production that is less than a Gold Producer) who would like to achieve the recognition of Prime Consultant. This workshop focuses on investment and risk management.
6. **Managing Consultant Coaching Skills Programme:** This programme aims to provide special guidance and coaching to Managing Consultants in managing their sales team. It focuses in developing skillful leaders in running an agency and eventually builds a professional agency.

Various other activities are also available for the Life Consultants throughout the year such as:

1. **Project 1000 MDRT Workshop:** The purpose of this workshop is to develop agency members who desire to become MDRT or super achievers in the industry. The coach will train, monitor and supervise the production of participants.
2. **Investment-Linked Selling Skill Course:** The ultimate objective of this road show is to ensure the agency force sell investment-linked insurance effectively. It provides practical sales ideas on how to sell investment-linked policies.
3. **Life Camp:** This programme concentrates on building a cohesive team where the participants can improve on communication skills and interpersonal relationships within the agency members.
4. **MDRT Convention:** This convention aims to expose the agency force to a higher level of selling skills and value-added strategies which will inspire them to maintain their aspirations of becoming an MDRT.
5. **National Sales Congress:** This is the biggest annual event of the company that gathers the MAA agency force from all over the nation to seek new knowledge and skills in the insurance industry. Besides getting the opportunity to obtain practical knowledge and skills from multifaceted speakers from different countries, the congress also provides a platform for self-motivation, self-education and self-development.

6. Undergraduate Programme: This is a free talk/seminar provided to undergraduates in universities/colleges to enhance their knowledge in subject matters which are beneficial to the undergraduates, as well as to create awareness about the career opportunities available in MAA Assurance in both agency and management.

Training for the General Insurance Agency was aimed at enhancing the professionalism of MAA General Agents. They consist of the following:

1. Customer Retention Through Cross Selling General Products
2. Motor Insurance Training Course
3. Underwriting and Claim Procedures For Fire Insurance
4. Basic Fire and Con Loss Insurance Training Course
5. Negotiation Skills
6. 7 Habits of Highly Effective People

To enhance the professionalism of the MAA Takaful Berhad ("MAAT") Agency Force, a Certificate programme in Takaful Practice was conducted. The programmes were conducted in 2 languages and conducted at MAA branches.

The purpose of the training was:

- To provide MAAT consultants with technical knowledge which cover basic understanding of conventional Insurance and Takaful, Takaful Act, updates of Takaful Industry, etc.
- To increase MAAT consultants' ability and confidence in handling technical aspects of their business.
- To enhance MAAT consultants' ability in introducing Takaful product to the muslim and non-muslim market.

● **Staff Benefits**

Upon confirmation, MAAH provides its staff with various benefits and career advancement opportunities. Depending on the number of years in service, some of these include Education incentives and reimbursements, Education loan, Housing loan, Industrial training opportunities, Outpatient medical expenses, retirement gratuity, Sport club membership and Term Life Insurance cover.

● **Activities undertaken by MAA Group**

For the year ending 2008, the group spent a total of RM5.67 million for the following; RM2.24 million in gratuity payments and RM3.43 million in training and education incentives.

● **Sports & Wellness Programmes**

MAA is proud of its Sports & Recreational Club. Numerous activities are held throughout the year for the benefit of its members. Sports activities such as Ping Pong, Bowling, Futsal, Netball, Badminton and Football are amongst the games members can participate in.

The MAA Football Team did exceptionally well in the KL Division 1 League and won a promotion to the Premier League in 2009. The Club also organised fun and adventurous trips for its members; in 2008 it was a trip to Haadyai, Thailand.

The Head Office has a well-equipped gymnasium and swimming pool. Members also enjoy free yoga lessons and aerobic sessions. The gymnasium has proven to be a very popular spot for the staff who need to unwind after a hard day's work or maintain their fitness regimes without having to spend too much or traveling too far.



- **Employee Communications Channels**

MAA staff are amongst the few in an insurance industry who enjoy a unionised structure; both at the clerical and executive levels. There are continuous and open channels of communications between the Management and the committee members of both Unions (i.e. the NUCW and Insurance Industry Administrative Officers Association, Peninsula Malaysia). Staff also have access to the Industrial Relations Officer in HR to discuss issues pertaining to work.

- **Company Projects and Innovations Development**

MAA has always encouraged its staff to participate in quality improvement projects. Over the years, these projects have evolved from mere presentation of problems and solutions to fully Malaysian Productivity Corporation (MPC) accredited conventions.

In 2008, the convention underwent another change - incorporating innovative problem solving with the MPC - accredited Innovative Creative Circle methodology. Teams became more multi-functional and focused on company-wide issues rather than micro issues.

Team Arrow 2 from the Life Accounts Department (winners of the 2007 convention), participated in the Malaysian Productivity Corporation regional convention. They received a Gold Medal for their project and qualified for the National ICC Convention.

CSR WITHIN THE COMMUNITY

Good CSR develops positive relationship and improves reputation. This attracts and retains investors and improves investor confidence about the organisation. MAAH is a strong believer in community investment as a complement to its business activities.

We have continued to strengthen our relationship with the local communities through philanthropic and strategic partnerships. We acknowledge, in the true spirit of giving; caring goes beyond just cash donations. We have to become a part of the process itself.

- **The Budimas Charitable Foundation ("Budimas")**

Children are our future; our leaders of tomorrow. As leaders of today, it is only right that we extend a helping hand to recognise, guide and nurture the leaders of tomorrow. We need to leave behind a great legacy; and children are our living legacies.

With this in mind, MAAH adopted the Budimas Charitable Foundation in November 2001. Budimas is under the Royal Patronage of our Queen, Duli Yang Maha Mulia Seri Paduka Baginda Raja Permaisuri Agong.

MAA provided Budimas with a grant of RM265,000 in year 2008. MAA has been a staunch supporter and an important partner in numerous fundraising programmes. With this grant, Budimas was able to continue with its financial support to more than 500 underprivileged children in the 10 homes under its care.

To expand its name, Budimas set up its 1st own home in January 2009; Pusat Jagaan Kebajikan Budimas Orion, in Petaling Jaya. This home is now able to provide shelter, financial aid and love to 20 underprivileged children.

Fund raising is crucial in order for Budimas to continue its support for the homes. With the assistance from MAAH, various activities were organised by Budimas throughout 2008.

1. Budimas' 4th Annual Charity Raffle Draw : 1 January to 30 April 2008

Staff, agents & business associates from the MAAH Group and the Melewar Group assisted Budimas in the sale of its raffle tickets, one of the several fund raising projects. Tickets were sold at RM5.00 each or RM50.00 per booklet. The grand prize was a Toyota Corolla Altis 1.6E A/T worth RM100,000.

2. Cheque Presentation from MAA to Budimas : 8 April 2008

MAA Chief Executive Officer ("CEO") En Muhamad Umar Swift presented a cheque worth RM165,000 to Budimas Trustee, Y.Bhg. Datin Seri Maneesah Tunku Iskandar.

3. Pre-Raya & Merdeka Charity Bazaar : 28 & 29 August 2008

A two-day charity bazaar was held at Menara MAA, Kuala Lumpur. Some of the items on sale were clothes, costume jewellery, shoes, wallets and handbags. Merchants donated 20% of their sales to Budimas.

4. Launch & Sale of "Choices" : 9 September 2008

The book "CHOICES – Live Well and Don't Die Broke", went on sale with net proceeds from its sale being donated to Budimas. Written by financial experts Dato' Dr Rajen M, Dr Allan K C Yee, Edmond Cheah, Rajen Devadason and Wong Boon Choy, the book is sold at major bookstores and is priced at RM20. The project is on-going.

5. Donation of Raffle Prize Back to Budimas : 9 September 2008

MAA Chief Consultant Mr Hwang Jyh Yuan, who won a Perodua Viva worth RM40,000 in the 4th Charity Raffle Draw, donated his prize back to the Budimas Foundation.



6. Cheque Presentation from MAA : 11 November 2008

MAA CEO, En Muhamad Umar Swift presented a second cheque of RM100,000 to Budimas.

7. Budimas Year-end Charity Bazaar : 18 & 19 December 2008

A 2-day year-end bazaar was organised at Menara MAA, Kuala Lumpur. Stalls were set up to sell items such as clothes, shoes, costume jewellery, deco items, gifts, cupcakes and souvenirs. 20% of the daily takings were donated to Budimas.

Apart from the fund-raising projects, activities were organised directly for homes with the children in mind:

1. Vacation in Penang for 3 Homes : 15 & 16 November 2008

Budimas and staff from the MAA General Division (Northern Region) jointly organised a trip to Penang for the children from Asrama Damai Anak-anak Yatim in Kuang and Bethesda Children's Mission Home in Cheras during the year-end school holidays.

2. Early Christmas Outing to Port Dickson : 5 & 6 December 2008

Tiara Beach Resort and the MAA General Division (Central Zone) jointly sponsored a trip to Port Dickson for the children from Hannah Home and Precious Gift Home in Ipoh.

3. Chinese New Year Gathering at Good Samaritan Home : 19 February 2008

Budimas organised a Chinese New Year lunch for the children of Good Samaritan Home in Klang. The children were treated to festive goodies and 'ang paws'.

4. Educational/Motivational Seminars for Homes : 27 May 2008

A Pre-Examination & Motivational Workshop was organised for the children of Asrama Damai Rumah Anak-anak Yatim in Kuang and Bethesda Children's Mission Home in Cheras. The seminar was organised at Menara MAA, Kuala Lumpur and was conducted by Dr Maniam Kaliannan from Universiti Teknologi Mara.

5. Donation of Sports Equipment to Asrama Rumah Anak-anak Yatim Damai : 11 June 2008

Budimas donated sports equipment like badminton racquets, shuttlecocks, footballs, netballs, amongst others to this home.

6. Excursion in Sabah for Children from St Theresa & De La Salle Hostel, Kota Marudu : 22 & 23 August 2008

Budimas sponsored children from the St Theresa and De La Salle on an excursion around Sabah. They visited places such as the St Peter Claver Church in Ranau, the Poring Hot Springs, the War Memorial in Kundasang and Taman Kinabalu at Mount Kinabalu.

7. Majlis Berbuka Puasa for Asrama Rumah Anak-anak Yatim Damai & Persatuan Kebajikan Darul Najjah KL & Selangor : 12 September 2008

Budimas treated 120 children from these homes to a Berbuka Puasa gathering at Charlie's Reserve, Menara MAA, Kuala Lumpur. In addition to the dinner, the children were also treated to a magic show. They were also given 'duit raya' upon their departure back to their homes.

8. Visit to High 5 Bread Town : 7 October 2008

Children from Precious Gift Home, Ipoh visited the High 5 Bread Town in Shah Alam, the first Bread Museum in Malaysia.

For the year 2008, the following financial aids were distributed directly to the following homes:

- 11 June: RM44,000 to Asrama Rumah Anak-anak Yatim Damai in Kuang
- 29 July: RM12,000 to Good Samaritan Home, Klang
- 20 July: RM12,000 to the Children's Protection Society, Penang
- 20 July: RM24,000 to Per. Kebajikan Anak-anak Yatim Islam in Penang
- 31 July: RM24,000 to Hannah Home, Ipoh
- 31 July: RM18,000 to Precious Gift Home, Ipoh
- 19 August: RM12,000 to the Bethesda Children's Mission Home in Kajang
- 14 October: RM6,000 to Persatuan Kebajikan Darul Najjah (Pusat Jagaan Anak-anak Yatim An-Najjah), Kuala Lumpur
- 23 October: RM6,000 to Women's Aid Organisation



• MAA-MEDICARE Kidney Charity Fund ("MEDICARE")

MEDICARE opened its doors to the public in 1994 to help those with end-stage renal failure. Under its initiative, the first dialysis centre was set up in Jalan Ipoh and over the next three years, more centres were established.

Today, there are 11 satellite dialysis centres nationwide providing treatment at hugely subsidised fees.

Activities undertaken by MEDICARE throughout 2008:

1. Purchase and replacement of dialysis machines at 3 centres – Jalan Ipoh, Teluk Intan and Kuching at a cost of RM127,500.
2. Renovation costs of RM200,000 to cater to the increased demand at the Johor Bahru Centre. The centre previously had 22 machines to serve 72 patients.
3. RM200,000 was used to refurbish the Mentakab centre which was damaged during the 2007 floods. The centre has 21 patients with 9 machines.
4. 55 patients received subsidies for their eprex medication, from July 2007 to June 2008, costing RM540,000.

5. Blood Test & Nephrologists Fees – Since 2007, MEDICare has been absorbing these costs amounting to RM400,000 per annum.
6. 36 patients received subsidised Hi-Flux dialysis treatment, which cost RM105,000
7. Solo Bike Ride from the USA – When Law Tzuo Hann completed his studies in the USA, he decided to return home – in an unconventional way. In May 2007, Law cycled all the way from the US to his home in Taiping, using only his savings. He did this in aid of MEDICare and other charities. He finally arrived home in March 2008, after journeying through 20 countries and covering 30,000km.
8. Charity Bazaars – MEDICare organises charity bazaars on a quarterly basis. It's a great way to hunt for bargains whilst contributing to a good cause.
9. Reggie Lee Note Pads – Renowned cartoonist, Reggie Lee generously drew 8 fun cartoons, which were incorporated into notepads. Each notepad is sold for RM4 or RM32 for a set of 8 notepads.
10. Exclusive T-Shirts – Awang Fadillah, a MEDICare patient since 2002, designed exclusive T-shirts for sale, in aid of MEDICare. Each t-shirt costs RM45.

• Ad-Hoc Sponsorships & Activities

The MAAH Group of Companies undertook various other philanthropic activities in 2008. These included:

1. Malaysian Assurance Alliance Berhad

- Corporate Sponsorships worth RM390,490 was donated to various projects stemming from appeal letters from the public.
- Yearly grant of RM200,000 was donated to Budimas to assist them in undertaking various fund-raising activities of their own.
- A further sponsorship of RM65,000 was donated to Budimas in terms of absorbing their rental for the year.
- RM9,999 was donated to MEDICare to organise the Old Georgian Long Way Home Charity Ride in aid of the fund.

2. From MAAKL Mutual Bhd

Donation of Net Proceeds from Sale of "CHOICES" to Charities
Date: Since June 2008

The book entitled "CHOICES – Live Well and Don't Die Broke" is a useful and practical guide to help readers make the right choices when it comes to health and wealth.

The five authors of this book (Dato' Dr. Rajen M, Dr. Allan K. C. Yee, Edmond Cheah, Rajen Devadason and Wong Boon Choy) made the decision to contribute all net proceeds from its sale to various charities including Budimas. The book thus far, has raised over RM11,000 for fund.

3. MAA Takaful Berhad ("MAAT")

MAAT sponsored T-shirts and photography for the GP2 Race amounting to RM1,715.

At MAAH, we believe in nurturing a strong sense of togetherness. Our corporate culture is that of family, respect and values. We always aim for the highest standards of corporate behaviour.

We understand the importance of strong leadership, clear corporate governance and effective communication to all staff and will continue to perform and report our activities through good CSR initiatives.

Financial Statements 2008

Director's Report

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 2008.

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, family takaful and all classes of general takaful 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.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Loss for the financial year	<u>(70,002)</u>	<u>(57,604)</u>

DIVIDENDS

No dividend was declared or paid since the end of the previous financial year and the board of directors do not recommend the payment of any dividend for the current financial year.

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 (demised on 20.08.2008)
Tunku Dato' Ya'acob 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)
Tan Sri Ahmad bin Mohd Don
Datuk Razman Md Hashim bin Che Din Md Hashim
Muhamad Umar Swift
Yeo Took Keat
Dr Zaha Rina binti Zahari

In accordance with Section 129(6) of the Companies Act, 1965, Major General Lai Chung Wah (Rtd) and Datuk Razman Md Hashim bin Che Din Md Hashim retire and being eligible, offer themselves for re-election.

In accordance with Article 73 of the Company's Articles of Association, Dato' Iskandar Michael bin Abdullah, Tan Sri Ahmad bin Mohd Don and Muhamad Umar Swift retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Director's 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 1.1.2008	Acquired	Disposed	At 31.12.2008
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
- Direct	1,237,500	-	-	1,237,500
- Indirect *	103,778,684	760,900	-	104,539,584
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
- Indirect *	103,778,684	-	-	103,778,684
Tan Sri Ahmad bin Mohd Don	1,000,000	250,000	-	1,250,000
Datuk Razman Md Hashim bin Che Din Md Hashim	80,000	70,000	-	150,000
Yeo Took Keat	80,000	-	-	80,000

* Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965, held through Melewar Equities Sdn Bhd, Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd, companies in which the above mentioned Directors have a direct/indirect interest.

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 30 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:

- (a) 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
- (b) 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:

- (a) 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
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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; 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) On 12 June 2008, MAA International Assurance Ltd ("MAAIA"), a wholly-owned subsidiary company of MAA Corporation Sdn Bhd which is in turn a wholly-owned subsidiary of the Company, disposed a total of 6,446,918 ordinary shares of Rp1,000 each, representing 34% equity interest in PT MAA General Assurance ("PT MAAG") to Mr. Ng Feby Antonious ("Feby"), a minority shareholder of PT MAAG, for a total cash consideration of RM252,188 pursuant to an Option granted by MAAIA to Feby via the Shareholders' Agreement dated 6 September 2001.

Upon completion of the disposal, MAAIA's equity interest in PT MAAG reduced from 94% to 60%.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (b) To meet the Indonesian insurance regulation minimum net equity requirements by 31 December 2008, MAAIA converted subordinated loans and injected new capital on 31 October 2008 and 18 December 2008 respectively to PT MAAG and PT MAA Life Assurance ("PT MAAL"). Arising from these capital exercises, the paid up capital of PT MAAG and PT MAAL increased by Rp25,702,727,000 (equivalent to RM9,407,855) and Rp69,396,700,000 (equivalent to RM25,617,325) respectively.

Upon completion of the capital exercises, MAAIA's equity interest in PT MAAG and PT MAAL increased from 60% to 83% and 98% to 99.5% respectively.

- (c) On 10 November 2008, the Company announced the entering into a non-binding memorandum of understanding ("MOU") between Malaysian Assurance Alliance Berhad ("MAA") (a wholly-owned subsidiary company) and AMG Insurance Berhad ("AMG") to formalise discussions on the disposal of the General Insurance Business of MAA to AMG at a headline price of RM274.8 million (subject to adjustments) and the acquisition of a 4.9% stake in MAA Takaful Berhad by AMG for a total consideration of RM16.2 million (collectively "Proposed Transactions").

The Proposed Transactions is subject to the approvals being obtained from the following:

- (i) Bank Negara Malaysia ("BNM") for the scheme of transfer under the business transfer agreement;
- (ii) Minister of Finance, based on the recommendation of BNM, pursuant to the Insurance Act, 1996;
- (iii) Foreign Investment Committee (if required);
- (iv) Securities Commission (if required);
- (v) Malaysian High Court for the confirmation of scheme of transfer;
- (vi) Shareholders of the Company

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 April 2009.

MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
DIRECTOR

Kuala Lumpur
20 April 2009

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



We, Muhamad Umar Swift and Yeo Took Keat, two of the Directors of MAA Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 88 to 215 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 2008 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 20 April 2009.

MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
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 88 to 215 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 20 April 2009, before me.

MOHD RADZI BIN YASIN
COMMISSIONER FOR OATHS

Independent Auditors' Report To The Members Of MAA Holdings Berhad

(Incorporated in Malaysia) (Company No.471403-A)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MAA Holdings Berhad, which comprise the balance sheet as at 31 December 2008 of the Group and of the company, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 88 to 215.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2(a) in the financial statements which discloses the plans of the Company's wholly-owned insurance subsidiary, Malaysian Assurance Alliance Berhad, to meet the new prescribed capital requirements of the Risk-Based Capital Framework, which came into effect on 1 January 2009. Compliance with the said framework will depend on the successful implementation of that subsidiary company's action plans.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia we also report the following:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.
- (b) we have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 10 to the financial statements.
- (c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and

Independent Auditors' Report To The Members Of MAA Holdings Berhad (continued)

(Incorporated in Malaysia) (Company No.471403-A)

- (d) the audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

JAYARAJAN A/L U. RATHINASAMY
(No. 2059/06/10 (J))
Chartered Accountant

Kuala Lumpur
20 April 2009

Balance Sheets As At 31 December 2008

	Note	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
ASSETS					
GENERAL AND SHAREHOLDERS' FUND ASSETS					
Property, plant and equipment	4(a)	77,974	85,646	3,169	2,448
Intangible assets	5(a)	8,900	8,979	148	143
Investment properties	6(a)	39,316	37,696	-	-
Financial assets					
Investments					
- at fair value through profit or loss	7(a)	16,048	106,095	5	17,317
- available-for-sale	7(a)	75,273	241,402	-	-
- held to maturity	7(a)	2,209	20,418	-	-
Loans and receivables	8(a)	143,151	269,324	113,267	194,265
Insurance receivables	9(a)	30,616	88,852	-	-
Subsidiary companies	10	-	-	366,409	366,409
Associated companies	11	58,939	53,619	5,099	7,970
Tax recoverable		21,928	26,104	2,665	2,418
Deferred tax assets	12	12,462	21,130	-	13,002
Fixed and call deposits	38(a)	253,464	262,064	91,063	17,000
Cash and bank balances	39	5,746	24,296	19	119
Assets classified as held for sale	41(a)	537,489	-	-	-
TOTAL GENERAL AND SHAREHOLDERS' FUND ASSETS		<u>1,283,515</u>	<u>1,245,625</u>	<u>581,844</u>	<u>621,091</u>
TOTAL LIFE FUND ASSETS		6,221,323	6,485,648	-	-
TOTAL GENERAL TAKAFUL FUND ASSETS		38,957	1,219	-	-
TOTAL FAMILY TAKAFUL FUND ASSETS		141,842	53,734	-	-
TOTAL ASSETS		<u>7,685,637</u>	<u>7,786,226</u>	<u>581,844</u>	<u>621,091</u>
LIABILITIES					
GENERAL AND SHAREHOLDERS' FUND LIABILITIES					
Provision for outstanding claims	13(a)	32,971	318,323	-	-
Insurance payables	14(a)	18,265	92,242	-	-
Financial liabilities					
Borrowings					
- medium term notes – secured	15	200,000	200,000	200,000	200,000
- term loan - unsecured	16	20,000	30,000	20,000	30,000
- bank overdrafts – unsecured	17	11,382	11,159	1,985	1,992
Trade and other payables	18(a)	103,890	111,831	10,911	5,236
Derivative liabilities	19	46,733	24,173	46,733	24,173
Current tax liabilities		19,611	12,038	-	-
Deferred tax liabilities	12	5,514	798	129	-
Liabilities directly associated with assets classified as held for sale	41(b)	563,094	-	-	-
TOTAL GENERAL AND SHAREHOLDERS' FUND LIABILITIES		<u>1,021,460</u>	<u>800,564</u>	<u>279,758</u>	<u>261,401</u>
TOTAL LIFE FUND LIABILITIES		748,720	730,812	-	-
TOTAL GENERAL TAKAFUL FUND LIABILITIES		33,276	1,014	-	-
TOTAL FAMILY TAKAFUL FUND LIABILITIES		65,131	15,188	-	-
		<u>1,868,587</u>	<u>1,547,578</u>	<u>279,758</u>	<u>261,401</u>

Balance Sheets As At 31 December 2008 (continued)

	Note	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
LIABILITIES (continued)					
Unearned premium reserves	20(a)	16,582	129,141	-	-
Life policyholders' fund	21	5,349,062	5,744,502	-	-
Life fund reserves	24(b)	123,541	10,334	-	-
General takaful participants' fund	22(a)	5,681	205	-	-
Family takaful participants' fund	22(b)	76,711	38,546	-	-
		<u>5,571,577</u>	<u>5,922,728</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>7,440,164</u>	<u>7,470,306</u>	<u>279,758</u>	<u>261,401</u>
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	23	304,354	304,354	304,354	304,354
(Accumulated losses)/retained earnings	24(a)	(81,473)	(12,166)	(2,268)	55,336
Reserves	24(a)	(11,161)	(4,221)	-	-
		<u>211,720</u>	<u>287,967</u>	<u>302,086</u>	<u>359,690</u>
Minority interest		33,753	27,953	-	-
TOTAL EQUITY		<u>245,473</u>	<u>315,920</u>	<u>302,086</u>	<u>359,690</u>
TOTAL LIABILITIES AND EQUITY		<u>7,685,637</u>	<u>7,786,226</u>	<u>581,844</u>	<u>621,091</u>

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

Income Statements

For The Financial Year Ended 31 December 2008

	Note	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
OPERATING REVENUE					
	25				
- Continuing operations		1,804,701	1,880,389	17,365	17,949
- Discontinued operations		414,675	419,944	-	-
		<u>2,219,376</u>	<u>2,300,333</u>	<u>17,365</u>	<u>17,949</u>
CONTINUING OPERATIONS					
SHAREHOLDERS' FUND					
Investment income	26(a)	9,532	6,399	9,061	10,992
Operating revenue from non-insurance business	27	62,046	86,170	8,304	6,957
Wakalah fee from takaful business	28	25,748	2,950	-	-
Other operating (expenses)/income-net	29(a)	(42,028)	(48,167)	(24,885)	30,112
Management expenses	30	(100,321)	(92,963)	(17,823)	(20,927)
		<u>(45,023)</u>	<u>(45,611)</u>	<u>(25,343)</u>	<u>27,134</u>
(DEFICIT)/SURPLUS TRANSFERRED (TO)/FROM INSURANCE REVENUE ACCOUNTS:					
General insurance		(5,509)	3,540	-	-
Life insurance		33,796	(42,812)	-	-
		<u>(16,736)</u>	<u>(84,883)</u>	<u>(25,343)</u>	<u>27,134</u>
(Loss)/profit from continuing operations					
Finance costs	31	(20,111)	(14,198)	(19,130)	(13,308)
Share of profit/(loss) of associated companies		2,131	(9,887)	-	-
		<u>(34,716)</u>	<u>(108,968)</u>	<u>(44,473)</u>	<u>13,826</u>
(LOSS)/PROFIT BEFORE TAXATION					
Taxation	32(a)	(29,137)	17,113	(13,131)	6,155
		<u>(63,853)</u>	<u>(91,855)</u>	<u>(57,604)</u>	<u>19,981</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS					
DISCONTINUED OPERATIONS					
(DEFICIT)/SURPLUS TRANSFERRED FROM INSURANCE REVENUE ACCOUNTS:					
General insurance		(17,635)	24,431	-	-
Taxation	32(a)	11,486	(5,843)	-	-
		<u>(6,149)</u>	<u>18,588</u>	<u>-</u>	<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS					
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(70,002)</u>	<u>(73,267)</u>	<u>(57,604)</u>	<u>19,981</u>

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

Income Statements For The Financial Year Ended 31 December 2008 (continued)

	Note	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Attributable to:					
- Equity holders of the Company		(69,307)	(73,767)	(57,604)	19,981
- Minority interest		(695)	500	-	-
		<u>(70,002)</u>	<u>(73,267)</u>	<u>(57,604)</u>	<u>19,981</u>
GROSS DIVIDENDS PER SHARE (sen)	33	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BASIC (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY (sen)					
- Continuing operations	34	(20.8)	(30.3)		
- Discontinued operations	34	(2.0)	6.1		
		<u>(22.8)</u>	<u>(24.2)</u>		

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

General Insurance Revenue Account For The Financial Year Ended 31 December 2008

CONTINUING OPERATIONS

							GROUP
	Note	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		26,269	4,958	42	11,639	21,763	64,671
Reinsurance		(20,639)	(7,328)	-	(8,091)	(16,455)	(52,513)
Net premium		5,630	(2,370)	42	3,548	5,308	12,158
(Increase)/decrease in unearned premium reserves	20(a)	(1,021)	(531)	25	(641)	(1,642)	(3,810)
Earned premium		4,609	(2,901)	67	2,907	3,666	8,348
Net claims incurred	35(a)	(1,239)	(1,962)	(39)	(488)	(2,213)	(5,941)
Net commission		139	675	(8)	323	(441)	688
Underwriting surplus/(deficit) before management expenses		3,509	(4,188)	20	2,742	1,012	3,095
Management expenses	30						(6,755)
Underwriting deficit							(3,660)
Investment income	26(b)						950
Other operating expenses - net	29(b)						(2,799)
Deficit transferred to Income Statement							(5,509)

DISCONTINUED OPERATIONS

Gross premium		56,661	155,090	41,664	32,927	85,733	372,075
Reinsurance		(30,204)	(5,605)	(6,039)	(28,643)	(35,412)	(105,903)
Net premium		26,457	149,485	35,625	4,284	50,321	266,172
Decrease/(increase) in unearned premium reserves	20(a)	46	5,410	(3,466)	111	(322)	1,779
Earned premium		26,503	154,895	32,159	4,395	49,999	267,951
Net claims incurred	35(b)	(6,893)	(136,863)	(26,469)	(3,714)	(22,126)	(196,065)
Net commission		(63)	(15,364)	(3,256)	739	(6,330)	(24,274)
Underwriting surplus before management expenses		19,547	2,668	2,434	1,420	21,543	47,612
Management expenses	30						(63,013)
Underwriting deficit							(15,401)
Investment income	26(c)						42,600
Other operating expenses - net	29(c)						(44,834)
Deficit transferred to Income Statement							(17,635)

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

General Insurance Revenue Account For The Financial Year Ended 31 December 2007

CONTINUING OPERATIONS

GROUP

	Note	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		23,226	9,692	88	13,502	12,020	58,528
Reinsurance		(17,857)	(8,026)	-	(11,623)	(9,995)	(47,501)
Net premium		5,369	1,666	88	1,879	2,025	11,027
Decrease/(increase) in unearned premium reserves	20(a)	629	1,128	(88)	(67)	(107)	1,495
Earned premium		5,998	2,794	-	1,812	1,918	12,522
Net claims incurred	35(a)	(558)	(776)	(172)	(378)	(3,584)	(5,468)
Net commission		285	(2,685)	(18)	2,051	1,076	709
Underwriting surplus/(deficit) before management expenses		5,725	(667)	(190)	3,485	(590)	7,763
Management expenses	30						(6,570)
Underwriting surplus							1,193
Investment income	26(b)						995
Other operating income - net	29(b)						1,352
Surplus transferred to Income Statement							3,540

DISCONTINUED OPERATIONS

Gross premium		61,443	175,782	37,524	47,569	78,808	401,126
Reinsurance		(35,558)	(7,200)	(5,483)	(43,577)	(27,098)	(118,916)
Net premium		25,885	168,582	32,041	3,992	51,710	282,210
Decrease/(increase) in unearned premium reserves	20(a)	111	10,008	2,261	(3,392)	5,384	14,372
Earned premium		25,996	178,590	34,302	600	57,094	296,582
Net claims incurred	35(b)	(13,118)	(143,993)	(32,079)	(3,604)	(31,411)	(224,205)
Net commission		(343)	(16,700)	(2,984)	83	(7,499)	(27,443)
Underwriting surplus/(deficit) before management expenses		12,535	17,897	(761)	(2,921)	18,184	44,934
Management expenses	30						(62,054)
Underwriting deficit							(17,120)
Investment income	26(c)						18,818
Other operating income - net	29(c)						22,733
Surplus transferred to Income Statement							24,431

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

Life Fund Balance Sheet

As At 31 December 2008

	Note	GROUP	
		2008 RM'000	2007 RM'000
ASSETS			
Property, plant and equipment	4(b)	247,300	259,532
Intangible assets	5(b)	4,190	4,890
Investment properties	6(b)	546,100	599,656
Financial assets			
Investments			
- at fair value through profit or loss	7(b)	128,930	997,907
- available-for-sale	7(b)	2,680,310	1,548,317
- held to maturity	7(b)	481,974	484,908
Loans and receivables	8(b)	899,225	964,776
Insurance receivables	9(b)	38,905	42,381
Tax recoverable		22,503	20,429
Deferred tax assets	12	17,249	16,514
Fixed and call deposits	38(b)	559,483	800,711
Cash and bank balances	39	34,627	17,622
Investment-linked fund assets	36(a)	560,527	728,005
TOTAL LIFE FUND ASSETS		<u>6,221,323</u>	<u>6,485,648</u>
LIABILITIES			
Provision for outstanding claims	13(b)	26,782	20,475
Provision for life agents' retirement benefits	37	3,104	3,247
Insurance payables	14(b)	592,197	546,302
Trade and other payables	18(b)	105,085	121,765
Current tax liabilities		10,751	6,280
Investment-linked fund liabilities	36(a)	10,801	32,743
TOTAL LIFE FUND LIABILITIES		<u>748,720</u>	<u>730,812</u>
LIFE POLICYHOLDERS' FUND RESERVES	21	5,349,062	5,744,502
	24(b)	123,541	10,334
		<u>5,472,603</u>	<u>5,754,836</u>
TOTAL LIFE FUND LIABILITIES AND LIFE POLICYHOLDERS' FUND		<u>6,221,323</u>	<u>6,485,648</u>

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

Life Insurance Revenue Account For The Financial Year Ended 31 December 2008

GROUP

	Note	GROUP	
		2008 RM'000	2007 RM'000
Gross premium		1,277,931	1,460,310
Reinsurance		(10,114)	(22,891)
Net premium		1,267,817	1,437,419
Gross benefits paid and payable:			
Death		(56,145)	(53,003)
Maturity		(560,444)	(511,328)
Cash bonus		(220,003)	(203,832)
Surrender		(386,373)	(343,339)
Annuity		(2,144)	(778)
Others		(76,146)	(69,569)
Reinsurance recoveries		14,776	10,385
Net benefits paid and payable		(1,286,479)	(1,171,464)
		(18,662)	265,955
Commission and agency expenses		(103,442)	(129,386)
Management expenses	30	(96,794)	(97,797)
		(218,898)	38,772
Investment income	26(d)	251,799	214,532
Other operating expenses - net	29(d)	(256,190)	(5,683)
(Deficit)/surplus from operations		(223,289)	247,621
Finance costs	31	(19)	(27)
(Deficit)/surplus before taxation		(223,308)	247,594
Taxation	32(b)	1,055	(17,343)
(Deficit)/surplus for the financial year after taxation		(222,253)	230,251
(Deficit)/surplus from investment-linked fund	36(a)	(141,613)	94,736
Exchange reserve from investment-linked fund		2,222	(1,678)
Net (deficit)/surplus before changes in policy reserves for the financial year		(361,644)	323,309
Life policyholders' fund at beginning of financial year	21	5,744,502	5,378,381
(Surplus)/deficit transferred (to)/from Income Statements	21	(33,796)	42,812
Life policyholders' fund at end of financial year	21	5,349,062	5,744,502

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

General Takaful Fund Balance Sheet As At 31 December 2008

	Note	GROUP	
		2008 RM'000	2007 RM'000
ASSETS			
Loans and receivables	8(c)	13,147	285
Insurance receivables	9(c)	22,099	252
Fixed and call deposits	38(c)	3,500	-
Cash and bank balances	39	211	682
TOTAL GENERAL TAKAFUL FUND ASSETS		<u>38,957</u>	<u>1,219</u>
LIABILITIES			
Provision for outstanding claims	13(c)	1,326	39
Insurance payables	14(c)	21,325	383
Trade and other payables	18(c)	10,625	592
TOTAL GENERAL TAKAFUL FUND LIABILITIES		<u>33,276</u>	<u>1,014</u>
PARTICIPANTS' FUND			
General Takaful Fund	22(a)	<u>5,681</u>	<u>205</u>
TOTAL GENERAL TAKAFUL FUND LIABILITIES AND PARTICIPANTS' FUND		<u>38,957</u>	<u>1,219</u>

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

General Takaful Fund Revenue Account For The Financial Year Ended 31 December 2008

GROUP

	Note	Motor Fire RM'000	Motor vehicles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross contribution		7,094	1,983	16,607	8,198	33,882
Retakaful						
- Proportional		(5,482)	(974)	(16,552)	(4,851)	(27,859)
- Non-proportional		(402)	(48)	(20)	(278)	(748)
Net contribution		1,210	961	35	3,069	5,275
Increase in unearned contribution reserves	20(b)	(737)	(461)	(2,831)	(1,447)	(5,476)
Earned contribution		473	500	(2,796)	1,622	(201)
Net claims incurred	35(c)	(357)	(349)	(70)	(873)	(1,649)
Commission earned on retakaful		1,655	265	1,960	1,267	5,147
Underwriting surplus/(deficit) before wakalah fee		1,771	416	(906)	2,016	3,297
Wakalah fee	28	(2,093)	(525)	(4,567)	(3,095)	(10,280)
Underwriting deficit before taxation		(322)	(109)	(5,473)	(1,079)	(6,983)
Investment income	26(f)					37
Allowance for doubtful debts						(901)
						(7,847)
Taxation	32(c)					-
						(7,847)
Qardhul Hassan	22(a)					7,847
General takaful fund at end of financial year						-

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

General Takaful Fund Revenue Account For The Financial Year Ended 31 December 2007

		GROUP				
	Note	Motor Fire RM'000	Motor vehicles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross contribution Retakaful		378	157	-	313	848
- Proportional		(269)	-	-	(81)	(350)
- Non-proportional		(193)	(62)	(10)	(101)	(366)
Net contribution		(84)	95	(10)	131	132
Increase in unearned contribution reserves	20(b)	-	(80)	-	(125)	(205)
Earned contribution		(84)	15	(10)	6	(73)
Net claims incurred	35(c)	(12)	(10)	-	(17)	(39)
Commission earned on retakaful		86	-	-	26	112
Underwriting (deficit)/surplus before wakalah fee		(10)	5	(10)	15	-
Wakalah fee	28	(112)	(42)	-	(131)	(285)
Underwriting deficit before taxation		(122)	(37)	(10)	(116)	(285)
Taxation	32(c)					-
						(285)
Qardhul Hassan	22(a)					285
General takaful fund at end of financial year						-

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

Family Takaful Fund Balance Sheet

As At 31 December 2008

	Note	GROUP	
		2008 RM'000	2007 RM'000
ASSETS			
Loans and receivables	8(d)	15,310	84
Fixed and call deposits	38(d)	43,900	-
Cash and bank balances	39	7,453	13,249
Investment-linked fund assets	36(b)	75,179	40,401
TOTAL FAMILY TAKAFUL FUND ASSETS		<u>141,842</u>	<u>53,734</u>
LIABILITIES			
Provision for outstanding claims	13(d)	182	-
Insurance payables	14(d)	1,342	1,970
Trade and other payables	18(d)	63,244	11,298
Investment-linked fund liabilities	36(b)	363	1,920
TOTAL FAMILY TAKAFUL FUND LIABILITIES		<u>65,131</u>	<u>15,188</u>
PARTICIPANTS' FUND			
Family Takaful Fund	22(b)	76,711	38,546
TOTAL FAMILY TAKAFUL FUND LIABILITIES AND PARTICIPANTS' FUND		<u>141,842</u>	<u>53,734</u>

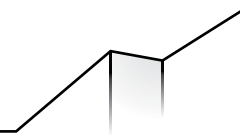
The accompanying notes are an integral part of these financial statements.

Family Takaful Fund Revenue Account For The Financial Year Ended 31 December 2008

	Note	GROUP	
		2008 RM'000	2007 RM'000
Gross contribution		76,097	25,754
Retakaful		(214)	-
		<u>75,883</u>	<u>25,754</u>
Investment-linked fund seed money		-	15,000
Benefits paid and payable:			
Surrender		(14,751)	-
Death		(243)	-
Medical		(81)	-
Net benefits paid and payable		<u>(15,075)</u>	<u>-</u>
Wakalah fee	28	(15,468)	(2,665)
Investment income	26(g)	29	-
Other operating expenses – net	29(f)	(792)	(46)
Surplus before taxation before surplus from investment - linked fund		<u>44,577</u>	<u>38,043</u>
(Deficit)/surplus from investment-linked fund	36(b)	<u>(6,412)</u>	<u>503</u>
Surplus before taxation		<u>38,165</u>	<u>38,546</u>
Taxation	32(c)	-	-
Surplus for the financial year after taxation	22(b)	<u>38,165</u>	<u>38,546</u>
Family takaful fund at beginning of the financial year	22(b)	<u>38,546</u>	<u>-</u>
Family takaful fund at end of the financial year		<u>76,711</u>	<u>38,546</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 2008



Attributable to equity holders of the Company						
Note	Issued and fully paid ordinary share of RM1 each		(Accumulated losses)/ retained earnings		Minority interest RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000	Reserves RM'000	RM'000		
2008						
Balance as at 1 January	304,354	304,354	(4,221)	(12,166)	27,953	315,920
Increase in share of net assets during the financial year	-	-	-	-	6,495	6,495
Currency translation differences arising during the financial year	24(a)	-	-	(5,836)	-	(5,836)
Net change in available-for-sale financial assets	24(a)	-	-	(1,104)	-	(1,104)
Loss for the financial year	-	-	-	(69,307)	(695)	(70,002)
Balance as at 31 December	<u>304,354</u>	<u>304,354</u>	<u>(11,161)</u>	<u>(81,473)</u>	<u>33,753</u>	<u>245,473</u>
2007						
Balance as at 1 January	304,354	304,354	(3,786)	67,688	2,453	370,709
Increase arising from additional investment in subsidiary company during the financial year	-	-	-	-	25,000	25,000
Currency translation differences arising during the financial year	24(a)	-	-	207	-	207
Net change in available-for-sale financial assets	24(a)	-	-	(50)	-	(50)
Impairment of property, plant and equipment (net of tax)	24(a)	-	-	(592)	-	(592)
(Loss)/profit for the financial year	-	-	-	(73,767)	500	(73,267)
Dividends paid for the financial year ended 31 December 2006	33	-	-	(6,087)	-	(6,087)
Balance as at 31 December	<u>304,354</u>	<u>304,354</u>	<u>(4,221)</u>	<u>(12,166)</u>	<u>27,953</u>	<u>315,920</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 2008

	Note	Issued and fully paid ordinary shares of RM1 each		Distributable	Total RM'000
		Number of shares '000	Nominal value RM'000	(Accumulated losses)/ retained earnings RM'000	
2008					
Balance as at 1 January		304,354	304,354	55,336	359,690
Loss for the financial year		-	-	(57,604)	(57,604)
Balance as at 31 December		<u>304,354</u>	<u>304,354</u>	<u>(2,268)</u>	<u>302,086</u>
2007					
Balance as at 1 January		304,354	304,354	41,442	345,796
Profit for the financial year		-	-	19,981	19,981
Dividends paid for the financial year ended 31 December 2006	33	-	-	(6,087)	(6,087)
Balance as at 31 December		<u>304,354</u>	<u>304,354</u>	<u>55,336</u>	<u>359,690</u>

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

Consolidated Cash Flow Statement For The Financial Year Ended 31 December 2008

GROUP

	Note	GROUP	
		2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the financial year		(70,002)	(73,267)
Adjustments for:			
Loss/(gain) on disposal of:			
- investments - net		130,259	(193,863)
- investment properties		(3,110)	(2,436)
Net fair value loss/(gain) of financial assets at fair value through profit or loss		124,937	(83,128)
Allowance for diminution in value of investments		22,545	39,905
Decrease/(increase) in value of investments in investment-linked business		156,524	(8,806)
Fair value loss/(gain) in investment properties		26,219	(5,357)
Fair value loss on interest rate swap		22,560	24,173
Property, plant and equipment:			
- depreciation		17,150	18,618
- loss on disposal		341	7
- write off		75	7
Impairment loss on property, plant and equipment		3,201	18,559
Amortisation of intangible assets		3,736	3,207
Amortisation of leases		63	63
Increase/(decrease) in unearned premium/contribution reserves		7,507	(15,662)
Life fund surplus before changes in policy reserves		(361,644)	323,309
Transfer of life fund (surplus)/deficit to income statement		(33,796)	42,812
Family takaful fund surplus after taxation		38,165	38,546
Interest expense		20,111	14,225
Investment income		(332,674)	(267,657)
Share of (profit)/loss of associated companies		(2,131)	9,887
Provision for agents' retirement benefits		180	157
Bad debts written off/(recovered)		12,868	(285)
Allowance for doubtful debts on lease, hire purchase and other loan receivables		1,638	54,601
(Write back of)/allowance for doubtful debt on loans		(588)	132,176
Increase/(decrease) in allowance for doubtful debts on insurance receivables		901	(1,631)
Tax expense		5,903	14,605
Exchange reserves		(6,665)	(468)
Minority interest		6,495	25,000
(Loss)/profit from operations before changes in operating assets and liabilities		(209,232)	107,297
Decrease/(increase) in insurance and other receivables		37,617	(40,751)
Decrease in loans		104,361	79,074
Increase in insurance, trade and other payables		147,799	123,358
Increase in provision for outstanding claims		22,711	17,081
Decrease/(increase) in fixed and call deposits		53,647	(485,693)
Interest paid		(20,111)	(14,225)
Dividends received		36,347	50,791
Interest received		239,146	218,148
Other investment income received		26,662	15,637
Payments of agents' retirement benefits		(323)	(820)
Proceeds from disposal of investments		2,893,753	2,376,380
Purchases of investments		(3,319,322)	(2,627,887)
Purchase of intangible assets		(4,735)	(5,552)
Purchases of investment properties		(29,671)	(40,974)
Proceeds from disposal of investment properties		58,518	146,144

Consolidated Cash Flow Statement

For The Financial Year Ended 31 December 2008 (continued)

	Note	GROUP	
		2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Cash generated from/(utilised in) operations		37,167	(81,992)
Income taxes paid		(21,905)	(32,173)
Tax refund		-	2,145
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	40	15,262	(112,020)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(10,814)	(7,253)
Proceeds from disposal of property, plant and equipment		4,404	934
Investment in associated companies		(3,189)	(10,236)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	40	(9,599)	(16,555)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	(6,087)
Repayment of term loans		(10,000)	(39,935)
Repayment of bonds		-	(30,000)
Proceeds from issuance of medium term notes		-	200,000
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	40	(10,000)	123,978
NET DECREASE IN CASH AND CASH EQUIVALENTS	40	(4,337)	(4,597)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		55,684	60,281
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	39	51,347	55,684

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

Company Cash Flow Statement

For The Financial Year Ended 31 December 2008

COMPANY

Note	COMPANY	
	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the financial year	(57,604)	19,981
Adjustments for:		
Net fair value gain of financial assets at fair value through profit or loss	(318)	(5,627)
Gain on disposal of equity securities at fair value through profit or loss	(112)	-
Property, plant and equipment		
- depreciation	559	536
- loss on disposal	31	-
- write off	-	1
Amortisation of intangible assets	46	36
Fair value loss on interest rate swap	22,560	24,173
Interest expense	19,130	13,308
Interest income	(8,161)	(9,894)
Amortisation of capitalised of MTNs issue expenses	1,986	1,889
Dividend income	(900)	(1,098)
Impairment loss on associated company	2,871	1,405
Tax expense	13,131	(6,155)
(Loss)/profit from operations before changes in operating assets and liabilities	(6,781)	38,555
Decrease in loans	128	214
Increase in other receivables	(458)	(4,760)
(Decrease)/increase in other payables	(182)	1,160
Decrease/(increase) in current balances with subsidiary and associated companies	84,220	(47,471)
Cash generated from/(utilised in) operations	76,927	(12,302)
Interest paid	(13,274)	(11,308)
Interest received	3,284	2,604
Dividends received	658	795
Income tax paid	(5)	(6)
Tax refund	-	2,145
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	67,590	(18,072)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	177	3
Purchase of property, plant and equipment	(1,488)	(163)
Purchase of intangible assets	(51)	(179)
Increase in fixed and call deposits	(74,063)	(15,770)
Purchase of investment in quoted equity securities	-	(80)
Proceeds from disposal of investment in quoted equity securities	17,742	-
Investment in associated company	-	(782)
Investment in subsidiary companies	-	(114,333)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(57,683)	(131,304)

Company Cash Flow Statement

For The Financial Year Ended 31 December 2008 (continued)

	Note	COMPANY	
		2008 RM'000	2007 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	(6,087)
Repayment of bonds		-	(30,000)
Repayment of term loan		(10,000)	-
Proceeds from issuance of medium term notes		-	200,000
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		(10,000)	163,913
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(93)	14,537
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		(1,873)	(16,410)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	39	(1,966)	(1,873)

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

Notes To The Financial Statements

- 31 December 2008

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, family takaful and all classes of general takaful 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 20 April 2009.

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 fair valuation 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 FRS 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 statements are disclosed in note 3 to the financial statements.

After a parallel run of 2 years, Bank Negara Malaysia ("BNM") replaced the admitted assets based computation of margin of solvency for all licensed insurer with a Risk Based Capital ("RBC") Framework which is effective from 1 January 2009. Under the RBC Framework, each insurer is required to determine the adequacy of the capital available in its insurance and shareholders' fund to support the Total Capital Required, which will serve as an indicator of the insurer's financial resilience.

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

With the implementation of the RBC, Malaysian Assurance Alliance Berhad ("MAA"), a wholly owned subsidiary company will need to increase its required capital, so as to comply with the new prescribed capital requirements, until such time MAA is not allowed to pay any dividends to the Company. In this regard, MAA is in the process of undertaking the following efforts during the financial year to meet the new prescribed capital requirements:

- Rebalancing its investment portfolios to improve investment yield;
- Reorganise its product offerings in line with asset-liability management;
- Further refining its product structures and is now only offering products which are less capital intensive under the RBC regime.

As disclosed in note 41 to the financial statements, the Board of Directors of the Company has approved the proposed divestment of the General Insurance Business of MAA. The final terms on the proposed divestment is at the advanced stage and upon completion of the divestment, the proceeds from the divestment will be re-invested back into MAA.

In addition, MAA is considering certain measures in reducing its future liabilities arising from its life insurance policies.

The Board of Directors is of the view that following the implementation of the above strategies and initiatives, MAA will meet the said capital requirement.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective

The following are standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective and not early adopted by the Group and Company:

- FRS 8 Operating Segments (effective for annual periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114²⁰⁰⁴ Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from financial periods beginning on 1 January 2010. This FRS is not applicable to the Company.
- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group will apply this standard from financial periods beginning on 1 January 2010.
- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Company will apply this standard from financial periods beginning on 1 January 2010. This Interpretation is not expected to have significant changes to the Group's accounting policies.
- The following standards will be effective for annual periods beginning on or after 1 January 2010. The Group will apply these standards from financial periods beginning on 1 January 2010. The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Group.
 - FRS 4 Insurance Contracts
 - FRS 7 Financial Instruments: Disclosures

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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.

(i) Subsidiary companies

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 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 values of the investment in the subsidiary company over the nominal value of the shares acquired is taken to merger reserve.

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 2007 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(1)). 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 statements.

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.

The gain or loss on disposal of a subsidiary company 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 company is recognised in the consolidated income statements.

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

(ii) Transactions with minority interests

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

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interest result in goodwill, being the difference between any considerations paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(d) 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(I)).

Equity accounting involves recognising in the income statements, 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 company equals or exceeds its interest in the associate company, 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 company.

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 statements.

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 acquired 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.

(e) 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 may perform additional valuations during the intervening periods where market conditions indicate that the carrying values of the revalued assets are materially higher than the market value. 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.

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

Subsequent cost is 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 statements 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 statements 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% - 20%
Motor vehicles	10% - 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.

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.

(f) 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.

Investments properties are initially stated at cost including related and incidental expenditure incurred and are subsequently 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. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially higher than the fair values.

Changes in fair values are recorded in the income statements 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.

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties (continued)

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 statements 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 statements 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.

(g) 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 statements 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 statements and/or revenue accounts.

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

Valuation principles (continued)

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(h) on impairment of assets.

(h) 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.

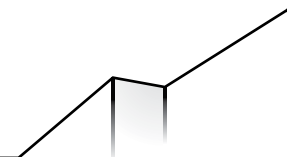
If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding 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.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of assets (continued)

(ii) Financial assets carried at fair value (continued)

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). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to the income statements and/or revenue accounts immediately.

A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements and/or revenue accounts immediately.

(i) Derivative financial instruments

Derivatives are initially recognised at fair values at inception and are subsequently remeasured at their fair values. Fair values are obtained from quoted market price in active markets, including recent market transactions, and valuation techniques including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

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 financial 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.

(j) 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. This includes interest that is suspended and/or recognised to the extent of the recoverable amount.

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 five years, depending on default condition of the loan, type of collateral and whether under litigations. The amount of the provision is recognised in the income statements and/or revenue accounts.

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 or discounted cash flow projections. The sensitivity analysis is described in note 8 to the financial statements.

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Loans and receivables (continued)

Consistent with previous years, loans are classified as non-performing when repayments of interest are in arrears for more than six (6) months from the first day of default or after maturity date.

(k) 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.

(l) 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 company at the acquisition date. Goodwill on acquisition of subsidiary companies 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.

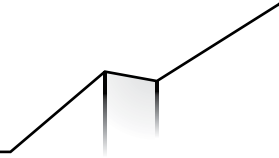
(m) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Notes To The Financial Statements

- 31 December 2008 (continued)



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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.

(p) 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 incepted 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.

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) General insurance underwriting results (continued)

Unearned premium reserves (continued)

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.

(q) Life insurance underwriting results

The surplus transferable from the life fund to the income statements is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders. In the event the actuarial valuation indicates that a transfer is required from the shareholders' fund, the transfer from the income statements to the life insurance fund is made in the financial year of the actuarial valuation.

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.

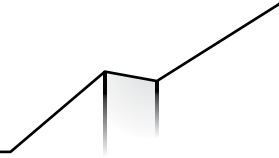
Premium income of the investment-linked fund includes net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on receipt basis.

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.

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.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Life insurance underwriting results (continued)

Provision for claims (continued)

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.

(r) General Takaful underwriting results

The General Takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and consists of unearned contribution reserves, and accumulated surplus attributable to participants which represents the participants' share in the net surplus of the General Takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of the subsidiary company engaged in takaful businesses. The General Takaful underwriting results are determined for each class of general takaful business after taking into account retakaful, wakalah fee, unearned contributions reserves and claims incurred. Any deficit in the participants' special account will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hassan.

Contribution income

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

Outward retakaful contributions are recognised in the same accounting period as the original certificate to which the retakaful relates.

Unearned contribution reserves

Unearned contribution reserves ("UCR") represent the portion of the net contributions of takaful certificate written that relate to the unexpired periods of the certificates at the end of the financial year.

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

- 1/365th method for all classes of general takaful business within Malaysia as reduced by the corresponding percentage of accounted gross direct business commission and agency-related expenses not exceeding the limit specified by BNM; and
- time apportionment method for non-annual certificates and first year annual certificates cover period of more than one year reduced by the percentage of accounted gross direct business commission to the corresponding contribution not exceeding the limits specified by BNM.

Provision for claims

A liability for outstanding claims is recognised in respect of both direct takaful and inward retakaful, 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.

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) General Takaful underwriting results (continued)

Provision for claims (continued)

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.

(s) Family Takaful underwriting results

The Family Takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of the subsidiary company engaged in takaful businesses.

The Family Takaful fund surplus/deficit is determined by an annual actuarial valuation of the Family Takaful fund. Any actuarial deficit in the Family Takaful fund will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hassan.

Contribution income

Contribution income represents contribution recognised in the family takaful and investment-linked fund.

Contribution income from the family takaful fund is recognised as soon as the amount can be reliably measured. First contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of the financial year, all the contributions are accounted for to the extent that they can be reliably measured.

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

Contribution income of the investment-linked fund includes net creation of units represent contributions paid by participants as payment for a new contract or subsequent which payments to increase the amount of that contract. Net creation of unit is recognised on receipt basis.

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

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

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

(t) Management expenses, commission expenses and Wakalah fee

Acquisition costs, commissions and management expenses are borne by the Family Takaful and General Takaful funds respectively in the revenue accounts at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by the Shariah Advisory Committee of the subsidiary company engaged in takaful businesses and agreed between the participants and the subsidiary company and, is allocated to the Shareholders' fund and recognised as income upon issuance of certificates.

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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.

Profit income of the subsidiary company engaged in takaful businesses 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.

(v) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are 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 assets 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's 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;
- income and expenses for each income statements 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

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Foreign currencies (continued)

(iii) Group companies (continued)

- 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 statements 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.

(w) 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.

(x) Zakat

Zakat represents tithes payable by the subsidiary company engaged in takaful businesses to comply with Shariah principles and as approved by the Shariah Advisory Committee. Zakat provision is calculated on 2.5% of the profit before zakat and taxation of the subsidiary company for the financial year.

(y) Finance leases - lessor

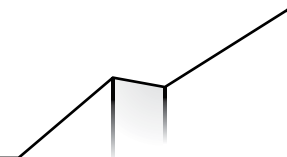
When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease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

(z) 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 statements and/or revenue accounts on a straight line basis over the period of the lease.

(aa) 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.



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Dividends

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

(ac) 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.

(ad) 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.

(ae) Cash and cash equivalents

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

(af) 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.

Recognition method

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.

(ag) 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.

Notes To The Financial Statements

- 31 December 2008 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ah) Assets acquired under hire purchase agreements

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

(a) Critical accounting estimates and assumptions

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

The estimation of IBNR claims or equivalently, the ultimate claims liability arising from claims made under insurance contract, is one of the Group's most critical accounting estimates.

Independent external actuaries are engaged to perform the IBNR claims reserve estimation for the Group's insurance subsidiary companies. A number of methods were employed initially in the estimation of IBNR claims reserves using historical experience of those insurance subsidiary companies and other relevant market quantitative and qualitative information. The final estimates were selected after due consideration was given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin was also incorporated into the IBNR claims estimates.

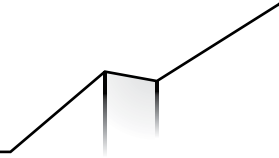
For the subsidiary company that carries on takaful businesses, the ultimate loss ratios of the conventional insurance industry and that of the takaful industry were used as benchmarks in determining the IBNR reserves as at 31 December 2008, in view it was only into the second year of operations.

Due to the fact that the ultimate claims liability is dependent upon 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, there is an inherent uncertainty in any estimate of ultimate claims liability. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

(ii) Liabilities of life insurance business

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, investment returns and administration expenses. The Group'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 Group'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. 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 BNM.

At each 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.



3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) 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.

(iv) Derivative financial instruments

Fair values of derivatives are obtained from valuation techniques, including discounting cash flow models, as appropriate.

The Group has relied on the fair value statements provided by the licensed bank to record the fair value changes during the current financial year which is determined by using valuation techniques. In assessing fair value of the interest rate swap, estimates are made for future interest rates, discount rates, future cash flows and other factors used in valuation process. The Group uses discounted cashflow analysis for its interest rate swap arrangement which is not traded in active markets.

The carrying value of the derivative liabilities would increase or decrease by an estimated amount of RM2,829,000 if the future interest rates used in the discounted cashflow analysis differs by 50 basis points from the current estimates.

The interest rate swap does not qualify for hedge accounting and accordingly changes in fair value are recognised immediately in the income statements.

(v) Impairment assessment on non-performing loans

Judgement is applied in determining the amount that may be recovered from long outstanding non-performing loans via collaterals pledged to those loans. Management has applied a 20% discount on the open market value of prime-located collateral and for non-prime located collateral, the forced sale value as recommended by independent external valuers is used. The assigned values as determined for the non-performing loans are discounted over 3 years for unhindered loans and over 5 years for those hindered loans.

There has not been any significant addition to the loan portfolios held by the Group. The Group, after taking into consideration of the current economic environment and the possibility of delay in recovering those outstanding loans, continue to discount the assigned value of those loans over 3 or 5 years, which is an extension of 1 year as compared to if the assigned value be discounted over the unwound period of 2 or 4 years.

The actual amount that will be recovered from these non-performing loans is largely dependent on the values that those collaterals can fetch should foreclosure take place or if the borrowers agreed to a settlement with the Group, and lastly the time taken to complete recovery of these loans. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that the actual results as explained above may not develop exactly as projected and may vary significantly from the projections.

(vi) Actuarial liabilities for Family Takaful fund

For Family Takaful plans, the actuarial liabilities are determined by the Appointed Actuary based on the type of product as follow:

(aa) Investment-Linked Personal Risk Investment Account ("PRIA Investment-Linked")

This is the risk fund that involves investment-linked certificates including unit deducting riders. Tabarru' rates are dripped from Participant Investment Account ("PIA") to this risk fund on a monthly basis.

Notes To The Financial Statements

- 31 December 2008 (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Critical accounting estimates and assumptions (continued)

(vi) Actuarial liabilities for Family Takaful fund (continued)

(aa) Investment-Linked Personal Risk Investment Account ("PRIA Investment-Linked") (continued)

Liabilities in this fund are calculated as unearned contribution reserve, which is half of the total monthly drip at the valuation date. In addition, the IBNR reserve has also been included for riders that provide medical and health benefits. Since at the reporting date the subsidiary company that carries on takaful businesses does not have sufficient experience for a full IBNR computation, the Appointed Actuary has assumed all earned contributions for medical and health takaful products in the fund are set aside for claim reserve.

(bb) Ordinary Personal Risk Investment Account ("PRIA Ordinary Life")

This fund consists of only one product, CancerCare (guaranteed renewable medical takaful product with additional death benefit) at the reporting date. Contribution reserve is calculated taking 80% of unearned gross cancer contribution and applied the 1/24th method. For the death benefit, a net contribution valuation reserve is calculated using DGI94 mortality table discounted at 4% p.a. In addition, all the earned cancer contributions in the fund are set aside for claims reserve.

(cc) Group Fund Risk Investment Account ("GFRIA")

Currently there are two products in this fund, namely Group Term Takaful and Group Mortgage Protection Plan at the reporting date. For Group Term Takaful, the reserve is based on Unexpired Risk Reserve ("URR"), but with the risk rates assumed to follow 100% DGI94 mortality table. The reserving method used for group mortgage certificates is based on statutory requirement for takaful operators, ie. net contribution valuation of 90% DGI94 mortality table discounted at 4% p.a.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

(vii) Impairment review of Qardhul Hassan

The subsidiary company that carries on takaful businesses performs an impairment review whenever changes in circumstances indicate that the carrying amount of Qardhul Hassan may not be recoverable. The recoverable amount represents the estimated future surplus generating from the general takaful fund.

In arriving at the estimated future surplus, management has applied projected growth in contributions based on the subsidiary company's business plan. The underwriting surplus was arrived after deducting for underwriting outgo. Claim outgo was projected based on the subsidiary company's experience and industry information. The subsidiary company had incorporated current retakaful arrangement in estimation of net contribution, claims recovery and retakaful commissions. The surplus generated from general takaful fund includes investment income from investment assets of the fund projected based on current return on investment.

Assumptions used in estimating the future surplus from the general takaful fund include business growth projection that is based on the takaful industry forecast growth of 15% to 20% and the subsidiary company's strategy as new entrant in the industry. The projection has taken into consideration of discount rate at 4%.

Notes To The Financial Statements

- 31 December 2008 (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(b) Critical judgement in applying the entity's accounting policies

In determining and applying accounting policies, judgement 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 Directors are of their view that currently there are no accounting policies which requires significant judgement to be exercised.

4 PROPERTY, PLANT AND EQUIPMENT

(a) GENERAL AND SHAREHOLDERS' FUNDS

	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 2008	14,544	51,567	145	5,450	7,104	3,168	3,668	85,646
Additions at cost	-	-	3	1,205	2,498	365	-	4,071
Disposals at net book value	-	-	-	(26)	(760)	(61)	-	(847)
Write off at net book value	-	-	-	(19)	(52)	-	-	(71)
Currency translation differences	-	-	-	(5)	(35)	(5)	-	(45)
Depreciation charge for the financial year	-	(1,228)	(12)	(2,110)	(1,503)	(659)	-	(5,512)
Transfer to assets classified as held for sale 41(a)	-	-	-	(2,519)	(1,519)	(1,230)	-	(5,268)
At 31 December 2008	<u>14,544</u>	<u>50,339</u>	<u>136</u>	<u>1,976</u>	<u>5,733</u>	<u>1,578</u>	<u>3,668</u>	<u>77,974</u>
GROUP								
Net book value								
At 1 January 2007	14,544	58,480	153	6,024	8,012	3,829	6,536	97,578
Additions at cost	-	-	2	2,661	780	363	20	3,826
Disposals at net book value	-	-	-	(372)	(203)	(194)	-	(769)
Write off at net book value	-	-	-	(7)	-	-	-	(7)
Impairment loss	-	(4,731)	-	-	-	-	(2,798)	(7,529)
Reversal of impairment loss	-	-	-	-	36	-	-	36
Reversal of revaluation surplus 24(a)	-	(822)	-	-	-	-	-	(822)
Currency translation differences	-	-	-	(11)	20	(3)	(90)	(84)
Depreciation charge for the financial year	-	(1,360)	(10)	(2,845)	(1,541)	(827)	-	(6,583)
At 31 December 2007	<u>14,544</u>	<u>51,567</u>	<u>145</u>	<u>5,450</u>	<u>7,104</u>	<u>3,168</u>	<u>3,668</u>	<u>85,646</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

Note	Freehold	Freehold	Plant and	Furniture,	Motor	Renovation	Assets	Total
	land	buildings	machinery	fitting and	vehicles		under	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP								
At 31 December 2008								
Cost	-	-	183	30,972	16,208	10,764	6,466	64,593
Valuation	14,544	51,567	-	-	-	-	-	66,111
Accumulated impairment loss	-	-	-	(65)	(55)	-	(2,798)	(2,918)
Accumulated depreciation	-	(1,228)	(47)	(26,412)	(8,901)	(7,956)	-	(44,544)
Transfer to assets classified as held for sale	41(a)	-	-	(2,519)	(1,519)	(1,230)	-	(5,268)
Net book value	<u>14,544</u>	<u>50,339</u>	<u>136</u>	<u>1,976</u>	<u>5,733</u>	<u>1,578</u>	<u>3,668</u>	<u>77,974</u>
At 31 December 2007								
Cost	-	-	180	32,427	16,162	10,833	6,466	66,068
Valuation	14,544	51,567	-	-	-	-	-	66,111
Accumulated impairment loss	-	-	-	(65)	(55)	-	(2,798)	(2,918)
Accumulated depreciation	-	-	(35)	(26,912)	(9,003)	(7,665)	-	(43,615)
Net book value	<u>14,544</u>	<u>51,567</u>	<u>145</u>	<u>5,450</u>	<u>7,104</u>	<u>3,168</u>	<u>3,668</u>	<u>85,646</u>

The net book value of assets acquired under hire purchase agreements was RM2,305,000 (2007: RM2,494,000).

Notes To The Financial Statements

- 31 December 2008 (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 2008	279	2,122	47	2,448
Additions at cost	183	1,212	93	1,488
Disposals at net book value	(2)	(206)	-	(208)
Depreciation charge for the financial year	(104)	(438)	(17)	(559)
At 31 December 2008	<u>356</u>	<u>2,690</u>	<u>123</u>	<u>3,169</u>
At 31 December 2008				
Cost	862	4,383	173	5,418
Accumulated depreciation	(506)	(1,693)	(50)	(2,249)
Net book value	<u>356</u>	<u>2,690</u>	<u>123</u>	<u>3,169</u>
Net book value				
At 1 January 2007	269	2,515	41	2,825
Additions at cost	145	4	14	163
Disposals at net book value	(2)	(1)	-	(3)
Write off at net book value	(1)	-	-	(1)
Depreciation charge for the financial year	(132)	(396)	(8)	(536)
At 31 December 2007	<u>279</u>	<u>2,122</u>	<u>47</u>	<u>2,448</u>
At 31 December 2007				
Cost	699	3,959	80	4,738
Accumulated depreciation	(420)	(1,837)	(33)	(2,290)
Net book value	<u>279</u>	<u>2,122</u>	<u>47</u>	<u>2,448</u>

The net book value of assets acquired under hire purchase agreements was RM887,000 (2007: RM1,015,000)

Notes To The Financial Statements

- 31 December 2008 (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 2008	52,228	167,662	15,826	8,846	2,819	12,151	259,532
Additions at cost	-	260	-	2,181	226	4,076	6,743
Disposals at net book value	-	-	(2,846)	(4)	(1,030)	(18)	(3,898)
Write off at net book value	-	-	-	(4)	-	-	(4)
Impairment loss	-	(2,565)	(636)	-	-	-	(3,201)
Reversal of revaluation surplus	24(b)	-	(234)	-	-	-	(234)
Depreciation charge for the financial year	-	(3,890)	(409)	(2,865)	(1,135)	(3,339)	(11,638)
At 31 December 2008	<u>52,228</u>	<u>161,467</u>	<u>11,701</u>	<u>8,154</u>	<u>880</u>	<u>12,870</u>	<u>247,300</u>
Net book value							
At 1 January 2007	52,228	184,835	16,268	9,734	3,632	14,572	281,269
Additions at cost	-	-	-	2,135	97	1,195	3,427
Disposals at net book value	-	-	-	(14)	(158)	-	(172)
Impairment loss	-	(11,066)	-	-	-	-	(11,066)
Reversal of revaluation surplus	24(b)	(1,892)	-	-	-	-	(1,892)
Currency translation differences	-	-	-	1	-	-	1
Depreciation charge for the financial year	-	(4,215)	(442)	(3,010)	(752)	(3,616)	(12,035)
At 31 December 2007	<u>52,228</u>	<u>167,662</u>	<u>15,826</u>	<u>8,846</u>	<u>2,819</u>	<u>12,151</u>	<u>259,532</u>
GROUP							
At 31 December 2008							
Cost	-	-	-	61,155	5,095	50,310	116,560
Valuation	52,228	165,536	12,485	-	-	-	230,249
Accumulated depreciation	-	(4,069)	(784)	(53,001)	(4,215)	(37,440)	(99,509)
Net book value	<u>52,228</u>	<u>161,467</u>	<u>11,701</u>	<u>8,154</u>	<u>880</u>	<u>12,870</u>	<u>247,300</u>
At 31 December 2007							
Cost	-	-	-	58,980	6,622	46,258	111,860
Valuation	52,228	169,926	16,710	-	-	-	238,864
Accumulated depreciation	-	(2,264)	(884)	(50,134)	(3,803)	(34,107)	(91,192)
Net book value	<u>52,228</u>	<u>167,662</u>	<u>15,826</u>	<u>8,846</u>	<u>2,819</u>	<u>12,151</u>	<u>259,532</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Certain land and buildings were revalued in 2008. 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.

Had the freehold land and freehold and long term leasehold buildings been carried at historical cost less accumulated depreciation and impairment loss, the carrying amounts that would have been included in the financial statements at the end of the financial year are as follows:

	General and Shareholders' funds		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Freehold land	14,544	14,544	45,164	45,164
Freehold and leasehold buildings	50,339	51,567	161,275	171,267
	<u>64,883</u>	<u>66,111</u>	<u>206,439</u>	<u>216,431</u>

The titles to certain properties of the life fund held by an insurance subsidiary company, amounting to RM27,974,000 (2007: RM30,898,000) 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

GROUP	Management rights RM'000	Computer software RM'000	Total RM'000
Net book value			
At 1 January 2008	5,495	3,484	8,979
Additions at cost	-	3,566	3,566
Amortisation charge for the financial year	(347)	(1,520)	(1,867)
Transfer to assets classified as held for sale (note 41(a))	-	(1,778)	(1,778)
At 31 December 2008	<u>5,148</u>	<u>3,752</u>	<u>8,900</u>
At 31 December 2008			
Cost	7,000	10,161	17,161
Accumulated amortisation	(1,852)	(4,631)	(6,483)
Transfer to assets classified as held for sale (note 41(a))	-	(1,778)	(1,778)
Net book value	<u>5,148</u>	<u>3,752</u>	<u>8,900</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

5 INTANGIBLE ASSETS (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	Management rights RM'000	Computer software RM'000	Total RM'000
GROUP			
Net book value			
At 1 January 2007	5,842	2,997	8,839
Additions at cost	-	1,708	1,708
Amortisation charge for the financial year	(347)	(1,221)	(1,568)
At 31 December 2007	<u>5,495</u>	<u>3,484</u>	<u>8,979</u>
At 31 December 2007			
Cost	7,000	6,595	13,595
Accumulated amortisation	(1,505)	(3,111)	(4,616)
Net book value	<u>5,495</u>	<u>3,484</u>	<u>8,979</u>

Computer Software

2008 RM'000	2007 RM'000
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COMPANY

Net book value

At 1 January	143	-
Additions at cost	51	179
Amortisation charge for the financial year	(46)	(36)
At 31 December	<u>148</u>	<u>143</u>
At 31 December		
Cost	230	179
Accumulated amortisation	(82)	(36)
Net book value	<u>148</u>	<u>143</u>

(b) LIFE FUND

GROUP

Net book value

At 1 January	4,890	2,685
Additions at cost	1,169	3,844
Amortisation charge for the financial year	(1,869)	(1,639)
At 31 December	<u>4,190</u>	<u>4,890</u>
At 31 December		
Cost	9,368	8,199
Accumulated amortisation	(5,178)	(3,309)
Net book value	<u>4,190</u>	<u>4,890</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

5 INTANGIBLE ASSETS (continued)

The intangible assets of the Group consist of computer software and management rights.

Computer software

Computer software consists mainly of development costs and costs 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 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 (2007: 20 years), the period in which the Group expects to recognise the related revenue.

6 INVESTMENT PROPERTIES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Balance as at 1 January	37,696	48,423	-	-
Additions at cost	12,207	2,496	-	-
Transfer out	-	(16,438)	-	-
Disposals	(7,855)	-	-	-
Fair value (loss)/gain	(2,752)	3,423	-	-
Currency translation differences	20	(208)	-	-
Balance as at 31 December	<u>39,316</u>	<u>37,696</u>	<u>-</u>	<u>-</u>
Comprising of:				
Freehold land and buildings	25,747	35,186	-	-
Leasehold land and buildings	13,569	2,510	-	-
	<u>39,316</u>	<u>37,696</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

6 INVESTMENT PROPERTIES (continued)

(b) LIFE FUND

	GROUP	
	2008 RM'000	2007 RM'000
Balance as at 1 January	599,656	686,514
Additions at cost	17,464	38,478
Transfer in	-	16,438
Disposals	(47,553)	(143,708)
Fair value (loss)/gain	(23,467)	1,934
Balance as at 31 December	<u>546,100</u>	<u>599,656</u>
Comprising of:		
Freehold land and buildings	383,165	405,224
Leasehold land and buildings	162,935	194,432
	<u>546,100</u>	<u>599,656</u>

The titles to certain investment properties of the general and shareholders' fund and the life fund of an insurance subsidiary company, amounting to RM14,629,000 (2007: RM3,570,000) and RM85,379,000 (2007: RM111,438,000) 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.

7 INVESTMENTS

The Group's financial assets are summarised by measurement category in the following presentation:

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At fair value through profit or loss	16,048	106,095	5	17,317
Available-for-sale	75,273	241,402	-	-
Held to maturity	2,209	20,418	-	-
	<u>93,530</u>	<u>367,915</u>	<u>5</u>	<u>17,317</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

7 INVESTMENTS (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

The Group's current portion of financial assets is RM2,718,000 (2007: RM15,137,000), the remaining portion being non-current. The assets included in each of the categories above are detailed in the tables below:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Investments held at fair value through profit or loss				
Equity securities				
- Quoted	774	80,743	5	17,317
- Unquoted	1,297	3,069	-	-
	<u>2,071</u>	<u>83,812</u>	<u>5</u>	<u>17,317</u>
Corporate debt securities				
- Quoted	6,487	7,944	-	-
Unit trusts				
- Unquoted	1,526	1,295	-	-
Investment-linked units				
- Unquoted	5,964	13,044	-	-
Total financial assets at fair value through profit or loss	<u>16,048</u>	<u>106,095</u>	<u>5</u>	<u>17,317</u>
All assets above are held for trading.				
Available-for-sale financial assets				
Equity securities				
- Unquoted	25,883	24,661	-	-
Corporate debt securities				
- Unquoted	36,370	80,043	-	-
Malaysian Government Securities/ Government Investment Issues	-	121,478	-	-
Investment-linked units				
- Unquoted	13,020	15,220	-	-
Total available-for-sale financial assets	<u>75,273</u>	<u>241,402</u>	<u>-</u>	<u>-</u>
Held to maturity financial assets				
Corporate debt securities				
- Unquoted	2,209	15,272	-	-
Malaysian Government Securities/ Government Investment Issues	-	5,146	-	-
Total held to maturity financial assets	<u>2,209</u>	<u>20,418</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

7 INVESTMENTS (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

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 RM2,209,000 (2007: RM20,644,000).

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.

(b) LIFE FUND AND LIFE FUND - INVESTMENT-LINKED FUND

	GROUP			
	Life fund		Life fund-Investment-linked fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At fair value through profit or loss	128,930	997,907	366,136	534,790
Available-for-sale	2,680,310	1,548,317	-	-
Held to maturity	481,974	484,908	-	-
	<u>3,291,214</u>	<u>3,031,132</u>	<u>366,136</u>	<u>534,790</u>

The Group's current portion of financial assets is RM571,800,000 (2007: RM258,429,000), the remaining portion being non-current. The assets included in each of the categories above are detailed in the tables below:

	GROUP			
	Life fund		Life fund-Investment-linked fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Investments held at fair value through profit or loss				
Equity securities				
- Quoted	68,903	911,849	179,914	333,159
- Unquoted	2,092	2,092	-	-
	<u>70,995</u>	<u>913,941</u>	<u>179,914</u>	<u>333,159</u>
Unit trusts				
- Quoted	7,683	16,846	7,714	8,992
- Unquoted	-	-	33,824	27,477
	<u>7,683</u>	<u>16,846</u>	<u>41,538</u>	<u>36,469</u>
Corporate debt securities				
- Quoted	18,104	29,560	-	535
- Unquoted	30,890	35,356	141,123	101,929
	<u>48,994</u>	<u>64,916</u>	<u>141,123</u>	<u>102,464</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

7 INVESTMENTS (continued)

(b) LIFE FUND AND LIFE FUND - INVESTMENT-LINKED FUND (continued)

	GROUP			
	Life fund		Life fund-Investment-linked fund	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities/ Government Investment Issues	-	-	-	57,580
Investment-linked units - Unquoted	1,258	2,204	3,561	5,118
Total financial assets at fair value through profit or loss	128,930	997,907	366,136	534,790
All assets above are held for trading.				
Available-for-sale financial assets				
Corporate debt securities - Unquoted	2,328,117	675,159	-	-
Less: Impairment loss	(57,519)	(25,779)	-	-
	<u>2,270,598</u>	<u>649,380</u>	-	-
Malaysian Government Securities/ Government Investment Issues	409,712	898,937	-	-
Total available-for-sale financial assets	2,680,310	1,548,317	-	-
Held to maturity financial assets				
Corporate debt securities - Unquoted	445,465	457,045	-	-
Less: Impairment loss	(18,577)	(27,782)	-	-
	<u>426,888</u>	<u>429,263</u>	-	-
Malaysian Government Securities/ Government Investment Issues	55,086	55,645	-	-
Total held to maturity financial assets	481,974	484,908	-	-

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 RM475,088,000 (2007: RM507,760,000).

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 2008 (continued)

7 INVESTMENTS (continued)

(c) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND

	GROUP	
	2008 RM'000	2007 RM'000
At fair value through profit or loss	13,829	16,327
Investments held at fair value through profit or loss		
Equity securities		
- Quoted	10,841	12,346
Islamic debt securities		
- Unquoted	2,988	3,981
	<u>13,829</u>	<u>16,327</u>

All assets above are held for trading.

8 LOANS AND RECEIVABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Loans arising from:				
Mortgage loans	14,742	41,194	276	420
Other secured loans	35,947	74,285	18	-
Unsecured loans	182	133	12	14
	<u>50,871</u>	<u>115,612</u>	<u>306</u>	<u>434</u>
Interest-in-suspense	(12,153)	(29,615)	-	-
Allowance for doubtful debts	(14,672)	(15,295)	-	-
Net loans	<u>24,046</u>	<u>70,702</u>	<u>306</u>	<u>434</u>
Gross lease, hire purchase and other loan receivables	130,028	205,985	-	-
Interest-in-suspense	(23,756)	(25,773)	-	-
Allowance for doubtful debts	(68,505)	(68,093)	-	-
Net lease, hire purchase and other loan receivables	<u>37,767</u>	<u>112,119</u>	<u>-</u>	<u>-</u>
	<u>61,813</u>	<u>182,821</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

8 LOANS AND RECEIVABLES (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Receivables:				
Trade receivables of non- insurance subsidiary companies	7,323	8,073	-	-
Amount due from subsidiary companies	-	-	104,786	182,923
Amount due from associated company	11,594	10,814	1,209	2,489
Amount due from related companies	-	164	-	-
Outstanding proceeds from disposal of investments	-	1,367	-	-
Investment income due and accrued	1,574	4,034	107	42
Assets held under Malaysian Motor Insurance Pool	-	2,450	-	-
Amount due from life fund (note 18(b))	11,413	15,726	-	-
Amount due from general takaful fund (note 18(c))	-	2	-	-
Amount due from family takaful fund (note 18(d))	-	9	-	-
Amount due from family takaful fund - investment linked fund (note 18(e))	3	-	-	-
Qardhul Hassan (note 22(a))	8,132	285	-	-
Wakalah fee receivable (note 18(c), note 18(d))	28,697	2,950	-	-
Manager's stocks	4,186	14,330	-	-
Other receivables, deposits and prepayments	8,416	26,299	6,859	8,377
	<u>81,338</u>	<u>86,503</u>	<u>112,961</u>	<u>193,831</u>
	<u>143,151</u>	<u>269,324</u>	<u>113,267</u>	<u>194,265</u>

Qardhul Hassan represents a benevolent loan to the General Takaful fund to make good the underwriting deficit in the General Takaful fund. The amount is unsecured, not subject to any profit elements and has no fixed terms of payment.

The net loans and net lease, hire purchase and other loan receivables can be analysed as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Receivable within 12 months	48,135	168,180	70	94
Receivable after 12 months	13,678	14,641	236	340
	<u>61,813</u>	<u>182,821</u>	<u>306</u>	<u>434</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

8 LOANS AND RECEIVABLES (continued)

(b) LIFE FUND AND LIFE FUND - INVESTMENT-LINKED FUND

	GROUP			
	Life fund		Life fund-Investment-linked fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Loans arising from:				
Policy loans	322,737	298,220	-	-
Mortgage loans	465,252	480,042	-	-
Other secured loan	262,124	292,522	-	-
Unsecured loans	4,791	4,560	-	-
	<u>1,054,904</u>	<u>1,075,344</u>	<u>-</u>	<u>-</u>
Interest-in-suspense	(129,569)	(91,643)	-	-
Allowance for doubtful debts	(165,103)	(151,110)	-	-
	<u>760,232</u>	<u>832,591</u>	<u>-</u>	<u>-</u>
Net loans				
Receivables:				
Outstanding proceeds from disposal of investments	17,603	348	-	747
Investment income due and accrued	43,560	37,801	1,905	3,469
Amount due from life fund-investment linked fund (note 18(b))	7,963	12,791	-	-
Amount due from shareholders' fund (note 18(a))	37,690	16,969	-	-
Amount due from life fund (note 18(b))	-	-	7,795	25,743
Prepaid lease rentals	5,249	5,740	-	-
Outstanding proceeds from disposal of investment properties	-	35,472	-	-
Other receivables, deposits and prepayments	26,928	23,064	3,842	215
	<u>138,993</u>	<u>132,185</u>	<u>13,542</u>	<u>30,174</u>
	<u>899,225</u>	<u>964,776</u>	<u>13,542</u>	<u>30,174</u>

The net loans can be analysed as follows:

	GROUP			
	Life fund		Life fund-Investment-linked fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Receivable within 12 months	747,361	801,036	-	-
Receivable after 12 months	12,871	31,555	-	-
	<u>760,232</u>	<u>832,591</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

8 LOANS AND RECEIVABLES (continued)

(c) GENERAL TAKAFUL FUND

	GROUP	
	2008	2007
	RM'000	RM'000
Receivables:		
Profit and dividend receivable	2	-
Amount due from shareholders' fund (note 18(a))	4,108	-
Amount due from family takaful fund (note 18(d))	905	-
Qardhul Hassan receivable from shareholders' fund (note 18(a))	8,132	285
	<u>13,147</u>	<u>285</u>

(d) FAMILY TAKAFUL FUND

Receivables:		
Amount due from shareholders' fund (note 18(a))	15,221	-
Other receivables, deposits and prepayments	89	84
	<u>15,310</u>	<u>84</u>

(e) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND

Receivables:		
Profit and dividend receivable	107	-
Amount due from family takaful fund (note 18(d))	42,616	8,579
	<u>42,723</u>	<u>8,579</u>

Included in the total loans portfolio net of allowance for doubtful debts and interest-in-suspense of an insurance subsidiary company are non-performing loans ("NPL") amounting to approximately RM23,470,000 (2007: RM67,608,000) and RM413,750,000 (2007: RM476,781,000) in the general and shareholders' fund and life fund respectively, as at 31 December 2008. 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 RM13,259,000 (2007: RM105,535,000) in the shareholders' fund as at 31 December 2008. These NPL were collateralised by properties and/or shares as pledged by the borrowers.

The subsidiary companies have assessed the value of the collaterals 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 a potential shortfall of approximately RM1,648,000 and RM30,021,000 for the NPL of the insurance subsidiary company in the general and shareholders' fund and life fund respectively and RM332,000 (2007: RM3,150,000) for the NPL of the subsidiary company engaged in hire purchase, leasing and other credit activities.

Notes To The Financial Statements

- 31 December 2008 (continued)

8 LOANS AND RECEIVABLES (continued)

	General and Shareholders' fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(i) Loans analysed by loan type are as follows:				
Policy loans	-	-	322,737	298,220
Term loans	150,722	290,089	711,085	757,458
Housing loans	276	2,563	20,341	18,554
Leasing	27,374	25,697	-	-
Hire purchase	2,227	2,682	-	-
Staff loans	300	566	741	1,112
	<u>180,899</u>	<u>321,597</u>	<u>1,054,904</u>	<u>1,075,344</u>
Interest-in-suspense	(35,909)	(55,388)	(129,569)	(91,643)
Allowance for doubtful debts	(83,177)	(83,388)	(165,103)	(151,110)
	<u>61,813</u>	<u>182,821</u>	<u>760,232</u>	<u>832,591</u>
(ii) Gross loans analysed by type of customers are as follows:				
Policyholders	-	-	335,625	313,130
Business enterprises	167,581	301,437	650,149	681,318
Staff	576	3,129	2,480	3,203
Agents	-	-	1,362	1,538
Individuals	12,742	17,031	65,288	76,155
	<u>180,899</u>	<u>321,597</u>	<u>1,054,904</u>	<u>1,075,344</u>
(iii) Gross loans analysed by economic purpose are as follows:				
Policy loans	-	-	322,737	298,220
Constructions	40,402	17,550	87,172	120,973
Purchase of landed properties/securities	56,299	102,346	410,711	421,037
Purchase of property, plant and equipment other than land and buildings	29,601	74,211	429	803
Personal use	5,871	5,422	453	434
Working capital	46,747	120,183	233,402	233,877
Others	1,979	1,885	-	-
	<u>180,899</u>	<u>321,597</u>	<u>1,054,904</u>	<u>1,075,344</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

8 LOANS AND RECEIVABLES (continued)

	General and Shareholders' fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(iv) Movement of NPL are as follows:				
Gross balance at the beginning year	311,437	306,404	719,534	555,266
Classified as non-performing during the financial year	573	14,663	18,145	138,987
Interest movement	(13,563)	24,623	53,199	58,946
Recovered during the financial year	(133,451)	(34,151)	(82,456)	(33,665)
Transfer to assets classified as held for sale (note 41(a)(ii))	(35)	-	-	-
Amount written off	(9,262)	(102)	-	-
	155,699	311,437	708,422	719,534
Interest-in-suspense	(35,793)	(54,906)	(129,569)	(91,643)
Allowance for doubtful debts	(83,177)	(83,388)	(165,103)	(151,110)
	36,729	173,143	413,750	476,781
(v) Movement in the allowance for doubtful debts for NPL are as follows:				
Balance at the beginning of financial year	83,388	25,896	151,110	21,825
Allowance made during the financial year	4,127	67,964	13,993	129,379
Amount written back in respect of recoveries	(3,077)	(10,472)	-	(94)
Transfer to assets classified as held for sale (note 41(a)(ii))	(35)	-	-	-
Bad debts written off	(1,226)	-	-	-
Balance at the end of financial year	83,177	83,388	165,103	151,110
(vi) NPL analysed by loan type are as follows:				
Term loans	126,675	284,189	702,303	715,183
Housing loans	-	-	5,985	4,217
Leasing	27,374	25,697	-	-
Hire purchase	1,650	1,516	-	-
Staff loans	-	35	134	134
	155,699	311,437	708,422	719,534
Interest-in-suspense	(35,793)	(54,906)	(129,569)	(91,643)
Allowance for doubtful debts	(83,177)	(83,388)	(165,103)	(151,110)
	36,729	173,143	413,750	476,781

Notes To The Financial Statements

- 31 December 2008 (continued)

8 LOANS AND RECEIVABLES (continued)

	General and Shareholders' fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(vii) Gross NPL analysed by type of customers are as follows:				
Policyholders	-	-	5,344	3,499
Business enterprises	144,064	295,958	641,368	639,042
Staff	-	35	134	134
Agents	-	-	641	718
Individuals	11,635	15,444	60,935	76,141
	<u>155,699</u>	<u>311,437</u>	<u>708,422</u>	<u>719,534</u>
(viii) Gross NPL analysed by economic purpose are as follows:				
Constructions	23,329	17,550	86,477	92,021
Purchase of landed properties/ securities	56,234	99,634	388,268	393,377
Purchase of property, plant and equipment other than land and buildings	28,891	72,540	113	117
Personal use	4,607	4,775	162	141
Working capital	40,905	115,984	233,402	233,878
Others	1,733	954	-	-
	<u>155,699</u>	<u>311,437</u>	<u>708,422</u>	<u>719,534</u>
(ix) Aging of gross NPL are as follows:				
Up to 1 year	72,133	174,323	81,172	136,277
1 to 5 years	66,188	59,353	575,364	520,993
More than 5 years	17,378	77,761	51,886	62,264
	<u>155,699</u>	<u>311,437</u>	<u>708,422</u>	<u>719,534</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

8 LOANS AND RECEIVABLES (continued)

Lease, hire purchase and other loan receivables included loans to the following related parties:

	GROUP	
	2008 RM'000	2007 RM'000
Mithril Berhad	5,042	-
Mithril Saferay Sdn Bhd	1	12
Mithril Marketing Sdn Bhd	9,717	8,951
Mithril Clay Manufacturing Berhad	27,374	25,628
	<u>42,134</u>	<u>34,591</u>
Interest-in-suspense	(12,750)	(10,238)
Allowance for doubtful debts	(21,943)	(21,787)
	<u>7,441</u>	<u>2,566</u>
Net loans	<u>7,441</u>	<u>2,566</u>

The relationships of the above related parties are disclosed in note 45 to the financial statements.

Included in amounts due from subsidiary companies are advances to subsidiary companies which are interest-bearing and interest-free amounting to RM65,907,000 (2007: RM134,891,000) and RM37,372,000 (2007: RM45,879,000) respectively. The interest-bearing advances bear interest rates ranging from 4.35% to 9.0% (2007: 4.35% to 9.0%) per annum and are currently rolled over on a monthly basis. The interest-free advances have no fixed term of repayment.

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

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected future cash flows are discounted at effective interest rates to determine the fair values, as shown below:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Loans arising from:				
- mortgage loans	394,739	593,636	241	463
- other secured loans	148,417	268,471	-	-
Lease, hire purchase and other loan receivables	40,039	113,652	-	-
	<u>583,195</u>	<u>975,759</u>	<u>241</u>	<u>463</u>

The weighted average effective interest rates of non-current receivables were as follows:

	GROUP		COMPANY	
	2008 %	2007 %	2008 %	2007 %
Mortgage loans	10.2	10.4	5.8	5.7
Other secured loans	11.1	11.1	-	-
Unsecured loans	4.4	4.5	5.0	5.0
Lease, hire purchase and other loan receivables	1.7	6.3	-	-

Notes To The Financial Statements

- 31 December 2008 (continued)

9 INSURANCE RECEIVABLES

	GROUP	
	2008 RM'000	2007 RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Due premiums including agents, brokers and co-insurers balances	5,370	87,619
Due from reinsurers and cedants	25,246	26,723
	30,616	114,342
Allowance for doubtful debts	-	(25,490)
	<u>30,616</u>	<u>88,852</u>
(b) LIFE FUND		
Due premiums including agents, brokers and co-insurers balances	38,905	42,381
(c) GENERAL TAKAFUL FUND		
Due contributions including agents, brokers and co-takaful balances	23,000	252
Allowance for doubtful debts	(901)	-
	<u>22,099</u>	<u>252</u>

10 SUBSIDIARY COMPANIES

	COMPANY			
	Carrying value RM'000	2008 Net tangible assets RM'000	Carrying value RM'000	2007 Net tangible assets RM'000
Unquoted shares, at cost	366,409	332,436	366,409	328,877

Notes To The Financial Statements

- 31 December 2008 (continued)

10 SUBSIDIARY COMPANIES (continued)

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2008 %	2007 %	
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	75	75	General Takaful and Family Takaful businesses
<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
Maagnet Systems Sdn Bhd	Malaysia	100	100	Providing information technology consultancy services
# Meridian Asset Management Holdings Sdn Bhd	Malaysia	51	51	Investment holding
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 Services Sdn Bhd	Malaysia	100	100	Provision of motor breakdown assistance services

Notes To The Financial Statements

- 31 December 2008 (continued)

10 SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2008 %	2007 %	
<u>Subsidiary companies of MAA Corporation Sdn Bhd (continued)</u>				
MAA Universal Sdn Bhd	Malaysia	100	100	Multi-level marketing business
MAA International Investments Ltd	Labuan, Malaysia	100	100	Investment holding
Menang Bernas Sdn Bhd	Malaysia	100	100	Restaurant operator
MAA Fire-X Sdn Bhd	Malaysia	55	55	Providing fire risk assessment and prevention services
Ukay Sentral Sdn Bhd	Malaysia	100	100	Dormant
Jendela Sutera Sdn Bhd	Malaysia	100	100	Dormant
Valiant Properties Sdn Bhd	Malaysia	100	100	Property development
Daman Development Sdn Bhd	Malaysia	100	100	Dormant
MyTele Direct Sdn Bhd	Malaysia	100	100	Dormant
Maapple Eldercare Sdn Bhd	Malaysia	100	100	Dormant
MAA Cards Sdn Bhd	Malaysia	100	100	Dormant
MAA Financial Advisors Sdn Bhd	Malaysia	100	100	Dormant
MAA Cash Converter Sdn Bhd	Malaysia	100	100	Dormant
# High Sphere Sdn Bhd	Malaysia	100	100	Dormant
<u>Subsidiary companies of MAA Corporate Advisory Sdn Bhd</u>				
MAACA Labuan Ltd	Labuan, Malaysia	51	51	Providing offshore corporate advisory and consultancy services
MAACA Corporate Services Sdn Bhd	Malaysia	100	100	Providing corporate advisory and consulting services
MPE Private Equity Sdn Bhd	Malaysia	100	100	Dormant
<u>Subsidiary company of Maagnet Systems Sdn Bhd</u>				
MAAGNET – SSMS Sdn Bhd	Malaysia	100	100	Providing information technology consultancy services

Notes To The Financial Statements

- 31 December 2008 (continued)

10 SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2008 %	2007 %	
<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	British Virgin Islands	51	51	Fund management and investment advisory service
<u>Subsidiary companies of MAA International Assurance Ltd</u>				
# P.T. MAA Life Assurance	Indonesia	99.5	98	Life insurance business
# P.T. MAA General Assurance	Indonesia	83	94	General insurance business
# Tuang Thai Co. Ltd	Thailand	-	49	Dormant
<u>Subsidiary companies of MAA International Investments Ltd</u>				
# MAA Mutualife Philippines, Inc.	Philippines	100	100	Unit trust funds management
# Columbus Capital Singapore Pte Ltd	Singapore	100	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.

The details of changes in Group's effective interest in PT MAA Life Assurance and PT MAA General Assurance during the financial year are disclosed in note 48 to the financial statements.

Notes To The Financial Statements

- 31 December 2008 (continued)

11 ASSOCIATED COMPANIES

			GROUP	
	Carrying value RM'000	2008 Market value RM'000	Carrying value RM'000	2007 Market value RM'000
Quoted shares, at cost	36,609	2,380	36,609	5,308
Less: Accumulated impairment loss	(31,025)	<u> </u>	(31,025)	<u> </u>
	<u>5,584</u>		<u>5,584</u>	
Unquoted shares, at cost	63,919		60,730	
Less: Accumulated impairment loss	(6,409)		(6,409)	
	<u>57,510</u>		<u>54,321</u>	
Dividend received	(69)		(69)	
Share of post acquisition loss	(4,086)		(6,217)	
	<u>58,939</u>		<u>53,619</u>	

The Group's interests in associated companies are as follows:

	GROUP	
	2008 RM'000	2007 RM'000
Revenue	86,101	62,420
Profit/(loss) after taxation	<u>2,131</u>	<u>(9,887)</u>
Non-current assets	573,258	63,319
Current assets	101,162	871,202
Non-current liabilities	(460,441)	(25,920)
Current liabilities	(155,040)	(854,982)
	<u>58,939</u>	<u>53,619</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	
	2008 RM'000	2007 RM'000
At beginning of financial year	12,704	6,703
Share of post acquisition loss during the financial year	5,969	6,001
At end of financial year	<u>18,673</u>	<u>12,704</u>
Gain on dilution of interest in Mithril not recognised:		
At beginning and end of financial year	<u>8,250</u>	<u>8,250</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

11 ASSOCIATED COMPANIES (continued)

	COMPANY			
	Carrying value RM'000	2008 Market value RM'000	Carrying value RM'000	2007 Market value RM'000
Quoted shares, at cost	30,536	2,195	30,536	5,491
Less: Accumulated impairment loss	(28,341)	<u>2,195</u>	(25,470)	<u>5,491</u>
	<u>2,195</u>		<u>5,066</u>	
Unquoted shares, at cost	2,904		2,904	
	<u>5,099</u>		<u>7,970</u>	

Details of the associated companies are as follows:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2008 %	2007 %	
* 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	33	Investment holding
* Maybach Logistics Sdn Bhd	Malaysia	45	45	Provision of transportation and logistics
<u>Associated company of MAA International Assurance Ltd</u>				
MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business
<u>Associated company of Columbus Capital Singapore Pte Ltd</u>				
Columbus Capital Pty Limited	Australia	48	48	Retail mortgage lending and loan securitisation

* 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 2008 (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:

	GROUP					
	General and Shareholders' funds		Life fund		Life fund- Investment- linked fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deferred tax assets	12,462	21,130	17,249	16,514	7,968	156
Deferred tax liabilities	(5,514)	(798)	-	-	(122)	(4,318)
	<u>6,948</u>	<u>20,332</u>	<u>17,249</u>	<u>16,514</u>	<u>7,846</u>	<u>(4,162)</u>
At 1 January	20,332	5,000	16,514	6,357	(4,162)	(3,436)
(Charged)/credited to income statements/ revenue accounts (note 32(a),(b)) :						
- property, plant and equipment	458	1,696	976	961	-	-
- investments and loans	861	(430)	9,589	9,056	12,008	(726)
- unabsorbed tax losses	(3,861)	11,457	-	-	-	-
- unabsorbed capital allowances	(203)	(3,975)	-	-	-	-
- derivative liabilities	(6,285)	6,285	-	-	-	-
- others	68	88	17	(322)	-	-
	<u>(8,962)</u>	<u>15,121</u>	<u>10,582</u>	<u>9,695</u>	<u>12,008</u>	<u>(726)</u>
Transfer to assets classified as held for sale (note 41(a))	(3,588)	-	-	-	-	-
	<u>(12,550)</u>	<u>15,121</u>	<u>10,582</u>	<u>9,695</u>	<u>12,008</u>	<u>(726)</u>
(Debited)/credited to asset revaluation reserve (note 24(a),(b))	(785)	108	(9,863)	265	-	-
Credited to revaluation reserve (note 24(a),(b))	-	230	19	151	-	-
Currency translation differences	(49)	(127)	(3)	46	-	-
At 31 December	<u>6,948</u>	<u>20,332</u>	<u>17,249</u>	<u>16,514</u>	<u>7,846</u>	<u>(4,162)</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

12 DEFERRED TAX (continued)

	GROUP					
	General and Shareholders' funds		Life fund		Life fund- Investment- linked fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Subject to income tax:						
<u>Deferred tax assets</u> <u>(before offsetting)</u>						
Property, plant and equipment						
- to income statements/ revenue accounts	2,549	892	2,551	1,575	-	-
Investments and loans	-	-	14,820	15,094	7,968	156
Unabsorbed tax losses	9,779	13,640	-	-	-	-
Unabsorbed capital allowances	17	220	-	-	-	-
Derivative liabilities	-	6,285	-	-	-	-
Others	148	204	37	26	-	-
	<u>12,493</u>	<u>21,241</u>	<u>17,408</u>	<u>16,695</u>	<u>7,968</u>	<u>156</u>
Offsetting	(31)	(111)	(159)	(181)	-	-
Deferred tax assets (after offsetting)	<u>12,462</u>	<u>21,130</u>	<u>17,249</u>	<u>16,514</u>	<u>7,968</u>	<u>156</u>
<u>Deferred tax liabilities</u> <u>(before offsetting)</u>						
Property, plant and equipment						
- to revaluation reserve	-	-	(159)	(178)	-	-
- to income statements/ revenue accounts	(732)	(610)	-	(3)	-	-
Investments and loans	(4,813)	(299)	-	-	(122)	(4,318)
	<u>(5,545)</u>	<u>(909)</u>	<u>(159)</u>	<u>(181)</u>	<u>(122)</u>	<u>(4,318)</u>
Offsetting	31	111	159	181	-	-
Deferred tax liabilities (after offsetting)	<u>(5,514)</u>	<u>(798)</u>	<u>-</u>	<u>-</u>	<u>(122)</u>	<u>(4,318)</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

12 DEFERRED TAX (continued)

	COMPANY	
	2008 RM'000	2007 RM'000
Subject to income tax:		
<u>Deferred tax assets (before offsetting)</u>		
Investments	-	6,613
Unabsorbed capital allowances	-	205
Derivative liabilities	-	6,285
	-	13,103
Offsetting	-	(101)
Deferred tax assets (after offsetting)	-	13,002
<u>Deferred tax liabilities (before offsetting)</u>		
Property, plant and equipment	(129)	(101)
Offsetting	-	101
Deferred tax liabilities (after offsetting)	(129)	-

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 are as follows:

	GROUP	
	2008 RM'000	2007 RM'000
Deductible temporary differences	36,527	46,746
Unabsorbed tax losses	15,610	13,194
Unabsorbed capital allowances	15,079	12,658
	67,216	72,598

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.

Notes To The Financial Statements

- 31 December 2008 (continued)

13 PROVISION FOR OUTSTANDING CLAIMS

	GROUP	
	2008 RM'000	2007 RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Provision for outstanding claims	64,473	471,666
Less: Recoverable from reinsurers	(31,502)	(153,343)
Net outstanding claims	<u>32,971</u>	<u>318,323</u>
(b) LIFE FUND		
Provision for outstanding claims	33,209	32,659
Less: Recoverable from reinsurers	(6,427)	(12,184)
Net outstanding claims	<u>26,782</u>	<u>20,475</u>
(c) GENERAL TAKAFUL FUND		
Provision for outstanding claims	2,835	52
Less: Recoverable from retakaful companies	(1,509)	(13)
Net outstanding claims	<u>1,326</u>	<u>39</u>
(d) FAMILY TAKAFUL FUND		
Provision for outstanding claims	<u>182</u>	<u>-</u>
14 INSURANCE PAYABLES		
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Due to agents, brokers and co-insurers	-	32,242
Due to reinsurers and cedants	12,443	51,067
Reinsurers' deposits withheld	5,822	8,933
	<u>18,265</u>	<u>92,242</u>
(b) LIFE FUND		
Due to agents, brokers and co-insurers	579,145	515,634
Due to reinsurers and cedants	3,920	13,182
Premium deposits	9,132	17,486
	<u>592,197</u>	<u>546,302</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

14 INSURANCE PAYABLES (continued)

	GROUP	
	2008 RM'000	2007 RM'000
(c) GENERAL TAKAFUL FUND		
Due to agents, brokers and co-takaful	1,173	150
Due to retakaful companies and cedants	19,851	199
Retakaful deposits withheld	301	34
	21,325	383
(d) FAMILY TAKAFUL FUND		
Amount due to retakaful companies and cedants	106	-
Contribution deposits	1,236	1,970
	1,342	1,970

15 MEDIUM TERM NOTES - SECURED

	GROUP/COMPANY	
	2008 RM'000	2007 RM'000
RM200 million Medium Term Notes	200,000	200,000
Analysis of the MTNs:		
Payable between 1 year to 2 years	30,000	-
Payable between 2 years to 5 years	170,000	60,000
Payable after 5 years	-	140,000
	200,000	200,000

In the previous financial year ended 31 December 2007, the Company issued RM200 million nominal amount of Medium Term Notes up to a tenure of 5 years ("the MTNs") in a total of 3 tranches, comprising 2 tranches with a nominal value of RM30 million each and 1 tranche with a nominal value of RM140 million, to the primary subscribers. The tenure of the MTNs ranges from 3 to 5 years from the date of issue and bear interest rates ranging from 4.45% to 4.51% per annum, payable semi-annually in advance, beginning from the date of issue and every 6 months thereafter.

The MTNs are secured by a bank guarantee facility from DBS Bank Ltd, Labuan Branch up to the maximum aggregate principal amount of United States Dollars equivalent to RM200 million. The bank guarantee bears a commission of 1.0% per annum, payable annually in advance, beginning from the date of issue and thereafter annually on each anniversary of the issue date.

During the financial year, the interest rates charged were in the range of 4.45% to 4.51% (2007: 4.45% to 4.51%) per annum.

The MTNs were constituted by a trust deed dated 13 October 2006 between the Company and the trustee, to act for the benefit of the noteholders.

The proceeds from the issuance of the MTNs were utilised to finance repayment of existing bank borrowings of the Company and its subsidiary companies, to finance redemption of the final tranche ("series E") of the Company's RM120 million Structured Serial Bonds matured on 21 August 2007, to pre-fund the Debt Service Reserve Account ("DSRA") and to finance the working capital requirements of the Company and its subsidiary companies, including issuance expenses in connection with the arrangement of the facility.

Notes To The Financial Statements

- 31 December 2008 (continued)

16 TERM LOAN - UNSECURED

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Term loan:				
- Unsecured	20,000	30,000	20,000	30,000
Payable within 1 year	10,000	30,000	10,000	30,000
Payable between 1 year to 2 years	10,000	-	10,000	-
	<u>20,000</u>	<u>30,000</u>	<u>20,000</u>	<u>30,000</u>

The unsecured term loan of RM20,000,000 from a licensed bank of the Company bears an interest rate of 2.0% per annum above the prevailing base lending rate (2007: fixed interest rate at 7.5% per annum). During the financial year, the interest rate charged was 8.50% to 8.75% (2007: 7.5%) per annum. The loan was originally to be settled by a bullet repayment in June 2008. It was extended in June 2008 for a further two years with progressive principal repayment and will be settled in full by June 2010.

In connection with the extended terms of the term loan, the Company has signed the following deeds of assignment with the said bank in June 2008:

- Assignment of the dividend proceeds payable to the Company by its subsidiary companies, Malaysian Assurance Alliance Berhad and MAA Corporation Sdn Bhd during the extended loan period;
- Assignment of the repayment of loans from its subsidiary companies, MAA Credit Sdn Bhd and MAA Corporation Sdn Bhd. The assignment of loan repayment shall exclude management and administrative fees for the services rendered by the Company to the said subsidiary companies;
- Assignment and charge over the Sinking Fund Account.

17 BANK OVERDRAFTS - UNSECURED

The unsecured bank overdraft facility of the Company has a limit of RM2 million and bears an interest rate of 2.0% per annum above the prevailing base lending rate. During the financial year, the interest rates charged were 8.5% to 8.75% (2007: 8.75%) 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 rates charged were 9.0% to 9.25% (2007: 9.25%) 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 RM2.0 million, RM2.0 million and RM2.0 million (2007: RM2.0 million, RM2.0 million and RM2.0 million) respectively. During the financial year, the interest rates charged was 8.3% (2007: 8.50%) per annum. There were no overdrawn facilities utilised at the balance sheet date by the insurance subsidiary company.

Notes To The Financial Statements

- 31 December 2008 (continued)

18 TRADE AND OTHER PAYABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables from non-insurance subsidiary companies	2,378	6,556	-	-
Other payables:				
Cash collaterals held for bond business	-	41,334	-	-
Unclaimed monies	-	4,185	-	-
Amount due to a Director	100	100	-	-
Amount due to related companies	110	-	-	-
Amount due to life fund (note 8(b))	37,690	16,969	-	-
Amount due to general takaful fund (note 8(c))	4,108	-	-	-
Amount due to family takaful fund (note 8(d))	15,221	-	-	-
Quardhul Hassan payable to general takaful fund (note 8(c))	8,132	285	-	-
Defined contribution retirement plan payable	1,140	1,192	241	186
Accrual for unutilised staff leave	1,006	1,953	311	300
Hire purchase creditors	1,417	1,673	561	779
Duties and other taxes payable	-	1,646	-	-
Commission payable	2,572	997	-	-
Other payables and accruals	30,016	34,941	9,798	3,971
	<u>101,512</u>	<u>105,275</u>	<u>10,911</u>	<u>5,236</u>
	<u>103,890</u>	<u>111,831</u>	<u>10,911</u>	<u>5,236</u>

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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Payable within 1 year	498	483	229	218
Payable between 2 years to 5 years	919	1,190	332	561
	<u>1,417</u>	<u>1,673</u>	<u>561</u>	<u>779</u>

The hire purchase creditors of the both Group and the Company bear interest rates ranging from 2.4% to 3.9% (2007: 2.4% to 3.9%) per annum.

Notes To The Financial Statements

- 31 December 2008 (continued)

18 TRADE AND OTHER PAYABLES (continued)

(b) LIFE FUND AND LIFE FUND - INVESTMENT-LINKED FUND

	GROUP			
	Life fund		Life fund- Investment-linked fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Other payables:				
Accrued interest payable	39,564	34,169	-	-
Unclaimed monies	9,200	7,822	-	-
Amount due to shareholders' fund (note 8(a))	11,413	15,726	-	-
Amount due to life fund- Investment-linked fund (note 8(b))	7,795	25,743	-	-
Amount due to life fund (note 8(b))	-	-	7,963	12,791
Defined contribution retirement plan payable	810	512	-	-
Accrual of unutilised staff leave	949	958	-	-
Rental deposits	3,747	3,419	-	-
Other payables and accruals	31,607	33,416	1,851	12,907
	<u>105,085</u>	<u>121,765</u>	<u>9,814</u>	<u>25,698</u>

(c) GENERAL TAKAFUL FUND

	GROUP	
	2008 RM'000	2007 RM'000
Other payables:		
Wakalah fee payable to shareholders' fund (note 8(a))	10,564	285
Amount due to shareholders' fund (note 8(a))	-	2
Other payables and accruals	61	305
	<u>10,625</u>	<u>592</u>

(d) FAMILY TAKAFUL FUND

Other payables:		
Wakalah fee payable to shareholders' fund (note 8(a))	18,133	2,665
Amount due to shareholders' fund (note 8(a))	-	9
Amount due to general takaful fund (note 8(c))	905	-
Amount due to family takaful fund - investment-linked fund (note 8(e))	42,616	8,579
Other payables and accruals	1,590	45
	<u>63,244</u>	<u>11,298</u>

(e) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND

Other payables:		
Amount due on purchase of investments	-	1,793
Amount due to shareholders' fund (note 8(a))	3	-
Other payables and accruals	342	82
	<u>345</u>	<u>1,875</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

19 DERIVATIVE LIABILITIES

	GROUP/COMPANY	
	2008 RM'000	2007 RM'000
Interest rate derivative (at fair value)		
- interest rate swap	46,733	24,173

The interest rate swap transaction with notional amount of RM200,000,000 entered into by the Company with a licensed bank bears interest rates of average 3 months USD LIBOR and MUNI BMA Index. During the financial year, the average 3 months USD LIBOR and MUNI BMA Index range from 2.92% to 5.21% (2007: 5.23% to 5.47%) per annum and 2.11% to 3.54% (2007: 3.56% to 3.70%) per annum respectively.

As at balance sheet date, the average 3 months USD LIBOR and MUNI BMA Index stood at 2.92% (2007: 5.23%) per annum and 2.22% (2007: 3.56%) per annum respectively.

20 UNEARNED PREMIUM/CONTRIBUTION RESERVES

(a) GENERAL FUND

CONTINUING OPERATIONS

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
GROUP						
2008						
At beginning of financial year	3,297	7,022	27	610	2,670	13,626
Currency translation differences	187	(867)	12	313	(499)	(854)
Increase/(decrease) in reserves	1,021	531	(25)	641	1,642	3,810
At end of financial year	<u>4,505</u>	<u>6,686</u>	<u>14</u>	<u>1,564</u>	<u>3,813</u>	<u>16,582</u>
2007						
At beginning of financial year	2,909	8,886	-	789	3,503	16,087
Currency translation differences	1,017	(736)	(61)	(246)	(940)	(966)
(Decrease)/increase in reserves	(629)	(1,128)	88	67	107	(1,495)
At end of financial year	<u>3,297</u>	<u>7,022</u>	<u>27</u>	<u>610</u>	<u>2,670</u>	<u>13,626</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

20 UNEARNED PREMIUM/CONTRIBUTION RESERVES (continued)

(a) GENERAL FUND (continued)

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
DISCONTINUED OPERATIONS						
GROUP						
2008						
At beginning of financial year	10,617	64,366	13,494	5,873	21,165	115,515
(Decrease)/increase in reserves	(46)	(5,410)	3,466	(111)	322	(1,779)
At end of financial year	<u>10,571</u>	<u>58,956</u>	<u>16,960</u>	<u>5,762</u>	<u>21,487</u>	<u>113,736</u>
2007						
At beginning of financial year	10,728	74,374	15,755	2,481	26,549	129,887
(Decrease)/increase in reserves	(111)	(10,008)	(2,261)	3,392	(5,384)	(14,372)
At end of financial year	<u>10,617</u>	<u>64,366</u>	<u>13,494</u>	<u>5,873</u>	<u>21,165</u>	<u>115,515</u>

(b) GENERAL TAKAFUL FUND

	Fire RM'000	Motor vehicles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
GROUP					
2008					
At beginning of financial year	-	80	-	125	205
Increase in reserves	737	461	2,831	1,447	5,476
At end of financial year	<u>737</u>	<u>541</u>	<u>2,831</u>	<u>1,572</u>	<u>5,681</u>
2007					
At beginning of financial year	-	-	-	-	-
Increase in reserves	-	80	-	125	205
At end of financial year	<u>-</u>	<u>80</u>	<u>-</u>	<u>125</u>	<u>205</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

21 LIFE POLICYHOLDERS' FUND

	GROUP	
	2008 RM'000	2007 RM'000
Actuarial liabilities		
At beginning of financial year	5,192,686	4,818,043
Add: (Decrease)/increase in policy reserves		
- on normal business during the financial year	(361,977)	193,567
Bonus allocated to participating policyholders, including interim bonus from normal surplus	230,312	215,248
	(131,665)	408,815
Less: Interim bonus	(33,624)	(34,172)
At end of financial year	<u>5,027,397</u>	<u>5,192,686</u>
Unallocated surplus		
At beginning of financial year	551,816	560,338
Add: Surplus arising during the financial year	33,957	163,914
Less: Bonus allocated to participating policyholders, including interim bonus from normal surplus	(230,312)	(215,248)
Transfer (to)/from Income Statements	(33,796)	42,812
	(230,151)	(8,522)
At end of financial year	<u>321,665</u>	<u>551,816</u>
Life policyholders' fund at end of financial year:		
Actuarial liabilities	5,027,397	5,192,686
Unallocated surplus	321,665	551,816
	<u>5,349,062</u>	<u>5,744,502</u>

22 (a) GENERAL TAKAFUL FUND

	GROUP	
	2008 RM'000	2007 RM'000
At beginning of financial year	205	-
Underwriting deficit for the financial year	(7,847)	(285)
Increase in Qardhul Hassan (note 8(a))	7,847	285
Increase in unearned contribution reserves (note 20(b))	5,476	205
At end of financial year	<u>5,681</u>	<u>205</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

22 (a) GENERAL TAKAFUL FUND (continued)

Included in the above is the accumulated transfer of funds of RM8,132,000 from the shareholders' fund of the takaful subsidiary company to general takaful fund under the Qardhul Hassan principle as disclosed in note 2(r).

(b) FAMILY TAKAFUL FUND

	GROUP	
	2008 RM'000	2007 RM'000
Participants' Account ("PA")		
At beginning of financial year	38,481	-
Add: Increase in PA	36,335	38,481
At end of financial year	74,816	38,481
Participants' Special Account ("PSA")		
At beginning of financial year	18	-
Add: Increase in PSA	1,009	18
At end of financial year	1,027	18
Liabilities to participants at end of the financial year	75,843	38,499
Unallocated surplus:		
At beginning of financial year	47	-
Surplus arising during the financial year	38,165	38,546
Increase liabilities to participants	(37,344)	(38,499)
Unallocated surplus at end of the financial year	868	47
Family takaful fund at end of the financial year:		
Liabilities to participants	75,843	38,499
Unallocated surplus	868	47
	76,711	38,546

23 SHARE CAPITAL

	GROUP/COMPANY	
	2008 RM'000	2007 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 and end of financial year	304,354	304,354

Notes To The Financial Statements

- 31 December 2008 (continued)

24 RESERVES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(Accumulated losses)/retained earnings	(81,473)	(12,166)	(2,268)	55,336
Reserves				
- Foreign exchange reserve	(10,832)	(4,996)	-	-
- Asset revaluation reserve	(329)	775	-	-
- Revaluation reserve	-	-	-	-
	(11,161)	(4,221)	-	-
	<u>(92,634)</u>	<u>(16,387)</u>	<u>(2,268)</u>	<u>55,336</u>
Movement in (accumulated losses)/retained earnings				
At beginning of financial year	(12,166)	67,688	55,336	41,442
(Loss)/profit for the financial year	(69,307)	(73,767)	(57,604)	19,981
Dividends paid for the previous financial year	-	(6,087)	-	(6,087)
At end of financial year	<u>(81,473)</u>	<u>(12,166)</u>	<u>(2,268)</u>	<u>55,336</u>
Movement in foreign exchange reserve				
At beginning of financial year	(4,996)	(5,203)	-	-
Currency translation differences arising during the financial year	(5,836)	207	-	-
At end of financial year	<u>(10,832)</u>	<u>(4,996)</u>	<u>-</u>	<u>-</u>
Movement in asset revaluation reserve				
At beginning of financial year	775	825	-	-
Revaluation - gross	3,158	(428)	-	-
Revaluation - tax (note 12)	(785)	108	-	-
Reversal of realised loss on disposals	-	270	-	-
	2,373	(50)	-	-
Transfer to assets classified as held for sale (note 41(b))	(3,477)	-	-	-
	<u>(1,104)</u>	<u>(50)</u>	<u>-</u>	<u>-</u>
At end of financial year	<u>(329)</u>	<u>775</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

24 RESERVES (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Movement in revaluation reserve				
At beginning of financial year	-	592	-	-
Reversal of surplus arising on revaluation:				
- gross (note 4(a))	-	(822)	-	-
- tax (note 12)	-	230	-	-
	-	(592)	-	-
At end of financial year	-	-	-	-

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 retained earnings represent the amount available for dividend distribution to the equity shareholders of the Company. The Company does not have retained earnings as at 31 December 2008 for the franking of dividend.

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders. Companies with Section 108 credits as at 31 December 2008 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at 31 December 2008, subject to agreement with the tax authorities, the Company has:

- (a) tax exempt income of approximately RM18,222,000 (2007: RM18,222,000), arising from tax exempt dividends received and a chargeable income related to the financial year ended 31 December 1999 which was waived in accordance with Section 8 of the Income Tax (Amendment) Act, 1999.
- (b) Tax credit under Section 108 of the Income Tax Act, 1967 and a balance in the exempt account to declare dividends amounting to RM89,096,000 (2007: RM89,096,000) and RM88,000 (2007: RM88,000) respectively.

Notes To The Financial Statements

- 31 December 2008 (continued)

24 RESERVES (continued)

(b) LIFE FUND

	GROUP	
	2008 RM'000	2007 RM'000
Asset revaluation reserve	121,707	8,285
Revaluation reserve	1,834	2,049
	<u>123,541</u>	<u>10,334</u>
Movement in asset revaluation reserve		
At beginning of financial year	8,285	9,340
Revaluation – gross	123,285	(3,313)
Revaluation – tax (note 12)	(9,863)	265
Reversal of realised loss on disposals	-	1,993
	<u>113,422</u>	<u>(1,055)</u>
At end of financial year	<u>121,707</u>	<u>8,285</u>
Movement in revaluation reserve		
At beginning of financial year	2,049	3,790
Reversal of surplus arising on revaluation:		
– gross (note 4(b))	(234)	(1,892)
– tax (note 12)	19	151
	<u>(215)</u>	<u>(1,741)</u>
At end of financial year	<u>1,834</u>	<u>2,049</u>

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.

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 2008 (continued)

25 OPERATING REVENUE

GROUP

	CONTINUING OPERATIONS							DIS-CONTINUED OPERATIONS	
	Shareholders' fund	General fund	Life fund	Life fund -Investment linked fund	General takaful fund	Family takaful fund	Family takaful fund -Investment linked fund	Total	General fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2008									
Gross premium/contribution	-	64,671	1,068,314	209,617	33,882	76,097	-	1,452,581	372,075
Investment income (note 26)	9,532	950	251,799	26,584	37	29	1,143	290,074	42,600
Interest income from hire purchase, leasing and other credit activities	1,163	-	-	-	-	-	-	1,163	-
Income from property management, unit trust fund management, security services and consultancy services	60,883	-	-	-	-	-	-	60,883	-
	<u>71,578</u>	<u>65,621</u>	<u>1,320,113</u>	<u>236,201</u>	<u>33,919</u>	<u>76,126</u>	<u>1,143</u>	<u>1,804,701</u>	<u>414,675</u>
2007									
Gross premium/contribution	-	58,528	1,162,548	297,762	848	25,754	-	1,545,440	401,126
Investment income (note 26)	6,339	995	214,532	26,776	-	-	137	248,779	18,818
Interest income from hire purchase, leasing and other credit activities	11,422	-	-	-	-	-	-	11,422	-
Income from property management, unit trust fund management, security services and consultancy services	74,748	-	-	-	-	-	-	74,748	-
	<u>92,509</u>	<u>59,523</u>	<u>1,377,080</u>	<u>324,538</u>	<u>848</u>	<u>25,754</u>	<u>137</u>	<u>1,880,389</u>	<u>419,944</u>

Gross premium stated in the life insurance revenue account comprises both gross premium income from the life fund and the investment-linked fund.

Notes To The Financial Statements

- 31 December 2008 (continued)

25 OPERATING REVENUE (continued)

	COMPANY	
	2008 RM'000	2007 RM'000
Investment income (note 26(a))	9,061	10,992
Management fee income (note 27)	8,304	6,957
	17,365	17,949

26 INVESTMENT INCOME

	CONTINUING OPERATIONS			
	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) SHAREHOLDERS' FUND				
Interest income from:				
Financial assets				
Corporate debt securities				
- at available-for-sale	1,429	6	-	-
Loans and receivables				
- mortgage loans	21	29	21	29
- other secured and unsecured loans	619	382	1	1
- other receivables	-	1	5,167	8,230
Fixed and call deposits	6,102	4,608	2,972	1,634
	8,171	5,026	8,161	9,894
Gross dividends from equity securities of corporations:				
- at fair value through profit or loss	1,249	1,425	900	1,098
Gross rental income	32	253	-	-
Less: Rates and maintenance for investment properties	(16)	(305)	-	-
	16	(52)	-	-
Others	96	-	-	-
	9,532	6,399	9,061	10,992

Notes To The Financial Statements

- 31 December 2008 (continued)

26 INVESTMENT INCOME (continued)

	CONTINUING OPERATIONS	
	GROUP	
	2008 RM'000	2007 RM'000
(b) GENERAL FUND		
Interest income from:		
Fixed and call deposits	950	887
Accretion of discounts from:		
Financial assets		
Corporate debt securities		
- at fair value through profit or loss	-	43
Others	-	65
	950	995
	950	995
	DISCONTINUED OPERATIONS	
	GROUP	
	2008 RM'000	2007 RM'000
(c) GENERAL FUND		
Interest income from:		
Financial assets		
Malaysian Government Securities/Government Investment Issues		
- at available-for-sale	3,936	6,232
- at held to maturity	351	355
Cagamas papers		
- at available-for-sale	414	233
Corporate debt securities		
- at fair value through profit or loss	944	1,166
- at available-for-sale	6,368	3,415
- at held to maturity	609	994
Loans and receivables		
- mortgage loans	20,142	173
- other secured and unsecured loans	2,953	1,858
Fixed and call deposits	4,811	3,684
	40,528	18,110
	40,528	18,110
(Amortisation of premiums)/accretion of discounts from:		
Financial assets		
Malaysian Government Securities/Government Investment Issues		
- at available-for-sale	(991)	(1,677)
- at held to maturity	(122)	(116)
Corporate debt securities		
- at available-for-sale	277	301
- at held to maturity	(42)	(53)
	(878)	(1,545)
	(878)	(1,545)

Notes To The Financial Statements

- 31 December 2008 (continued)

26 INVESTMENT INCOME (continued)

(c) GENERAL FUND (continued)

	DISCONTINUED OPERATIONS	
	GROUP	
	2008	2007
	RM'000	RM'000
Gross dividends from equity securities of corporations		
- at fair value through profit or loss	1,742	2,033
Gross rental income	2,839	2,025
Less: Rates and maintenance for investment properties	(1,631)	(1,805)
	<u>1,208</u>	<u>220</u>
	<u>42,600</u>	<u>18,818</u>

CONTINUING OPERATIONS

	GROUP	
	2008	2007
	RM'000	RM'000
(d) LIFE FUND		
Interest income from:		
Financial assets		
Malaysian Government Securities/Government Investment Issues		
- at available-for-sale	25,384	34,541
- at held to maturity	3,078	5,649
Cagamas papers		
- at available-for-sale	5,451	766
Corporate debt securities		
- at fair value through profit or loss	2,652	4,588
- at available-for-sale	60,902	36,366
- at held to maturity	17,528	20,160
Loans and receivables		
- mortgage loans	21,851	8,199
- policy loans	22,526	22,054
- other secured and unsecured loans	18,358	3,771
Fixed and call deposits	32,692	25,667
	<u>210,422</u>	<u>161,761</u>
(Amortisation of premiums)/accretion of discounts from:		
Financial assets		
Malaysian Government Securities/Government Investment Issues		
- at available-for-sale	(1,558)	(2,301)
- at held to maturity	(560)	(1,488)
Cagamas papers		
- at available-for-sale	23	(1)
Corporate debt securities		
- at fair value through profit or loss	11,642	251
- at available-for-sale	11,312	758
- at held to maturity	69	10,679
	<u>20,928</u>	<u>7,898</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

26 INVESTMENT INCOME (continued)

	CONTINUING OPERATIONS	
	GROUP	
	2008	2007
	RM'000	RM'000
(d) LIFE FUND (continued)		
Gross dividends from:		
- equity securities of corporations at fair value through profit or loss	15,916	34,398
- unit trust	41	-
	<u>15,957</u>	<u>34,398</u>
Gross rental income	18,899	22,943
Less: Rates and maintenance for investment properties	(14,407)	(12,873)
	<u>4,492</u>	<u>10,070</u>
Others	-	405
	<u>251,799</u>	<u>214,532</u>
(e) LIFE FUND - INVESTMENT-LINKED FUND		
Interest income from:		
Financial assets at fair value through profit or loss		
- Malaysian Government Securities/Government Investment Issues	250	3,297
- Corporate debt securities	7,377	5,120
Fixed and call deposits	3,952	7,122
	<u>11,579</u>	<u>15,539</u>
Accretion of discounts/(amortisation of premium) from:		
Financial assets at fair value through profit or loss		
- Malaysian Government Securities/Government Investment Issues	(29)	(377)
- Corporate debt securities	368	237
	<u>339</u>	<u>(140)</u>
Gross dividends from equity securities of corporations		
- at fair value through profit or loss	14,666	12,956
Others	-	(1,579)
	<u>26,584</u>	<u>26,776</u>
(f) GENERAL TAKAFUL FUND		
Profit from fixed and call deposits	<u>37</u>	<u>-</u>
(g) FAMILY TAKAFUL FUND		
Profit from fixed and call deposits	<u>29</u>	<u>-</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

26 INVESTMENT INCOME (continued)

	CONTINUING OPERATIONS	
	GROUP	
	2008 RM'000	2007 RM'000
(h) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND		
Profit from:		
Financial assets		
Islamic debt securities		
- at fair value through profit or loss	25	-
Fixed and call deposits	472	111
	<u>497</u>	<u>111</u>
Gross dividends income from equity securities of corporations		
- at fair value through profit or loss	639	26
Accretion of discount from:		
Financial assets		
Islamic debt securities		
- at fair value through profit or loss	7	-
	<u>1,143</u>	<u>137</u>

27 OPERATING REVENUE FROM NON-INSURANCE BUSINESS

	CONTINUING OPERATIONS			
	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue from non-insurance businesses:				
- management fee income	4,609	3,041	8,304	6,957
- unit trust fund management fee income	15,118	29,060	-	-
- unit trust fund initial service fee	11,178	14,933	-	-
- interest income from hire purchase, leasing and other credit activities	1,163	11,422	-	-
- billings for securities services	20,869	21,590	-	-
- others	9,109	6,124	-	-
	<u>62,046</u>	<u>86,170</u>	<u>8,304</u>	<u>6,957</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

28 WAKALAH FEE FROM TAKAFUL BUSINESS

	GROUP		
	General Takaful fund RM'000	Family Takaful fund RM'000	Total RM'000
2008			
Management expenses	4,711	4,721	9,432
Commission expenses	5,569	10,747	16,316
	10,280	15,468	25,748
2007			
Management expenses	135	744	879
Commission expenses	150	1,921	2,071
	285	2,665	2,950

29 OTHER OPERATING INCOME/(EXPENSES) – NET

	CONTINUING OPERATIONS			
	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) SHAREHOLDERS' FUND				
Gain/(loss) on disposal of financial assets:				
Equity securities				
- at fair value through profit or loss	112	(1,719)	112	-
Net fair value (loss)/gain of financial assets				
at fair value through profit or loss:				
- equity securities	318	8,079	318	5,627
- corporate debt securities	(2,068)	(2)	-	-
- unit trusts	(22)	245	-	-
	(1,772)	8,322	318	5,627
Net fair value loss on investment properties	(97)	(58)	-	-
Impairment loss on associated company	-	-	(2,871)	(1,405)
Property, plant and equipment				
- (loss)/gain on disposal	(66)	6	(31)	-
- write off	(71)	(7)	-	(1)
- impairment loss	-	(2,762)	-	-
Fair value loss on interest rate swap	(22,560)	(24,173)	(22,560)	(24,173)
Premium income on goodwill (i)	-	50,000	-	50,000
Commission paid and payable to unit trusts agents	(12,051)	(25,410)	-	-
Allowance for doubtful debts on loans	(16)	(35)	-	-

Notes To The Financial Statements

- 31 December 2008 (continued)

29 OTHER OPERATING INCOME/(EXPENSES) – NET (continued)

	CONTINUING OPERATIONS			
	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) SHAREHOLDERS' FUND (continued)				
Allowance for doubtful debts on lease, hire purchase and other loan receivables - net	(1,638)	(54,601)	-	-
Bad debts recovered - net	311	285	-	-
Loss on disposal of shares in a subsidiary company (note 48(a))	(5,879)	-	-	-
Loss on accretion of shares in subsidiary companies (note 48(a),(b))	(370)	-	-	-
Others	2,069	1,985	147	64
Other operating (expenses)/income - net	<u>(42,028)</u>	<u>(48,167)</u>	<u>(24,885)</u>	<u>30,112</u>

- (i) Premium income on goodwill represents the income received by the Group/Company in the previous financial year in respect of the access of rights to the network of operations and the infrastructure of the insurance subsidiary company provided to the minority interest of the takaful subsidiary company.

	CONTINUING OPERATIONS	
	GROUP	
	2008 RM'000	2007 RM'000
(b) GENERAL FUND		
Net fair value loss of financial assets at fair value through profit or loss: - equity securities	(619)	-
Net fair value (loss)/gain on investment properties	(2,280)	908
Others	100	444
Other operating (expenses)/income - net	<u>(2,799)</u>	<u>1,352</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

29 OTHER OPERATING INCOME/(EXPENSES) – NET (continued)

	DISCONTINUED OPERATIONS	
	GROUP	
	2008	2007
	RM'000	RM'000
(c) GENERAL FUND		
(Loss)/gain on disposal of:		
Financial assets		
Equity securities		
- at fair value through profit or loss	(7,424)	18,479
Corporate debt securities		
- at fair value through profit or loss	447	-
- at available-for-sale	(98)	(10)
Unit trusts		
- at fair value through profit or loss	-	(14)
Malaysian Government Securities/Government Investment Issues		
- at available-for-sale	112	-
Investment properties	1,432	-
	<u>(5,531)</u>	<u>18,455</u>
Net fair value (loss)/gain of financial assets		
at fair value through profit or loss:		
- equity securities	(20,938)	9,246
- corporate debt securities	(4,030)	(1,074)
- unit trusts	-	13
- investment-linked units	(1,561)	505
	<u>(26,529)</u>	<u>8,690</u>
Net fair value (loss)/gain on investment properties	(375)	2,573
Property, plant and equipment		
- loss on disposal	(32)	-
- impairment loss	-	(4,731)
Write back of/(allowance for) doubtful debts on loans	604	(2,856)
Non-performing loans written off	(13,179)	-
Others	208	602
Other operating (expenses)/income - net	<u>(44,834)</u>	<u>22,733</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

29 OTHER OPERATING INCOME/(EXPENSES) – NET (continued)

	CONTINUING OPERATIONS	
	GROUP	
	2008 RM'000	2007 RM'000
(d) LIFE FUND		
(Loss)/gain on disposal of:		
Financial assets		
Equity securities		
- at fair value through profit or loss	(110,888)	99,439
Corporate debt securities		
- at fair value through profit or loss	1,518	2,172
- at available-for-sale	(2,354)	(1,993)
Unit trusts		
- at fair value through profit or loss	75	176
Malaysian Government Securities/Government Investment Issues		
- at available-for-sale	(160)	-
Investment properties	1,678	2,436
	<u>(110,131)</u>	<u>102,230</u>
Net fair value (loss)/gain of financial assets		
at fair value through profit or loss:		
- equity securities	(83,691)	70,568
- corporate debt securities	(3,327)	(4,798)
- unit trusts	(741)	381
- investment-linked units	(946)	(35)
	<u>(88,705)</u>	<u>66,116</u>
Allowance for diminution in value of investments:		
Unquoted corporate debt securities		
- at available-for-sale	(22,545)	(31,328)
- at held to maturity	-	(8,577)
	<u>(22,545)</u>	<u>(39,905)</u>
Net fair value (loss)/gain on investment properties	(23,467)	1,934
Property, plant and equipment		
- loss on disposal	(243)	(13)
- write off	(4)	-
- impairment loss	(3,201)	(11,066)
Allowance for doubtful debts on loans	(13,993)	(129,285)
Others	6,099	4,306
Other operating expenses - net	<u>(256,190)</u>	<u>(5,683)</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

29 OTHER OPERATING INCOME/(EXPENSES) – NET (continued)

	CONTINUING OPERATIONS	
	GROUP	
	2008	2007
	RM'000	RM'000
(e) LIFE FUND - INVESTMENT-LINKED FUND		
(Loss)/gain on disposal of:		
Financial assets		
Equity securities		
- at fair value through profit or loss	(11,714)	77,114
Corporate debt securities		
- at fair value through profit or loss	410	220
Malaysian Government Securities/Government Investment Issues		
- at fair value through profit or loss	249	14
Unit trusts		
- at fair value through profit or loss	(19)	(26)
Structured deposit	(84)	11
	<u>(11,158)</u>	<u>77,333</u>
(Decrease)/increase in value of investments	(156,524)	8,383
Others	(10,679)	(9,269)
	<u>(167,203)</u>	<u>(886)</u>
Other operating (expenses)/income - net	<u>(178,361)</u>	<u>76,447</u>
(f) FAMILY TAKAFUL FUND		
Policy fee expenses	(788)	(42)
Switching fee expenses	(4)	-
Others	-	(4)
	<u>(792)</u>	<u>(46)</u>
(g) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND		
Net fair value (loss)/gain on quoted equities at fair value through profit or loss	(7,312)	423
Loss on disposal of quoted equities at fair value through profit or loss	(441)	-
Tharawat expenses	(330)	(12)
Others	(1)	-
	<u>(8,084)</u>	<u>411</u>
Other operating (expenses)/income - net	<u>(8,084)</u>	<u>411</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

30 MANAGEMENT EXPENSES

	CONTINUING OPERATIONS					
	Shareholders' fund		General fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Staff costs (including executive directors):						
- salaries and bonus	43,725	42,482	2,668	2,620	31,772	30,916
- defined contribution retirement benefits	5,122	4,712	11	15	5,885	6,921
	<u>48,847</u>	<u>47,194</u>	<u>2,679</u>	<u>2,635</u>	<u>37,657</u>	<u>37,837</u>
Depreciation of property, plant and equipment	2,291	2,533	116	162	11,638	12,035
Amortisation of intangible assets	1,208	698	-	-	1,869	1,639
Amortisation of leases	-	-	-	-	63	63
Auditors' remuneration						
- statutory audit	298	220	6	5	223	170
- under provision in prior financial year	45	21	-	1	27	17
Auditors' remuneration payable/paid to other audit firms	26	28	13	38	13	20
Fees paid to a company in which certain Directors have an interest	305	272	1	1	83	30
Allowance for/(write back of) doubtful debts	1,850	(1,543)	520	407	-	-
Bad debts written off	118	2,835	-	-	-	-
Office rental	385	353	789	510	6,679	6,962
Rental of office equipment	470	515	4	2	635	732
Training expenses	370	431	146	123	2,230	3,674
Repairs and maintenance	115	703	1	-	5,453	5,842
EDP expenses	700	531	-	-	7,850	2,307
Advertising, promotional and entertainment	2,632	5,507	288	280	6,460	5,583
Motor vehicle and traveling expenses	5,005	5,228	211	273	1,999	2,129
Printing and stationery	1,107	922	77	89	2,080	2,552
Postage, telephone, telex and fax	826	917	202	228	2,412	2,760
Management expenses	32	47	-	-	4,981	9,284
Commission expenses of takaful business	17,499	2,160	-	-	-	-
Professional fee	2,920	6,428	-	-	184	-
Foreign exchange (gain)/loss	(1,794)	2,024	(149)	(32)	369	(447)
Other expenses	15,066	14,939	1,851	1,848	3,889	4,608
	<u>100,321</u>	<u>92,963</u>	<u>6,755</u>	<u>6,570</u>	<u>96,794</u>	<u>97,797</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

30 MANAGEMENT EXPENSES (continued)

	DISCONTINUED OPERATIONS	
	GROUP	
	General fund	
	2008 RM'000	2007 RM'000
Staff costs (including executive directors):		
- salaries and bonus	29,228	28,411
- defined contribution retirement benefits	6,902	6,936
	36,130	35,347
Depreciation of property, plant and equipment	3,105	3,888
Amortisation of intangible assets	659	870
Auditors' remuneration		
- statutory audit	85	77
- under provision in prior financial year	13	12
Fees paid to a company in which certain Directors have an interest	80	28
Write back of doubtful debts	(1,487)	(1,631)
Office rental	2,100	2,155
Rental of office equipment	576	605
Training expenses	927	934
Repairs and maintenance	2,083	2,199
EDP expenses	3,552	2,328
Advertising, promotional and entertainment	6,108	6,270
Motor vehicle and traveling expenses	2,344	2,273
Printing and stationery	2,540	2,004
Postage, telephone, telex and fax	1,381	1,508
Management expenses	682	2,768
Other expenses	2,135	419
	63,013	62,054

Included in management expenses were emoluments receivable by Directors of the Group during the financial year:

	CONTINUING OPERATIONS					
	GROUP					
	Shareholders' fund		General fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive directors:						
- salaries	4,246	4,226	-	12	-	453
- bonus	1,016	1,329	-	-	-	131
- defined contribution retirement benefits	810	866	-	1	-	61
- other emoluments	3	6	-	-	-	15
Non-executive directors:						
- fees	804	714	-	-	186	160
- other emoluments	271	187	-	-	-	52
	7,150	7,328	-	13	186	872

Notes To The Financial Statements

- 31 December 2008 (continued)

30 MANAGEMENT EXPENSES (continued)

	DISCONTINUED OPERATIONS	
	GROUP	
	General fund	
	2008	2007
	RM'000	RM'000
Executive directors:		
- salaries	-	435
- bonus	-	130
- defined contribution retirement benefits	-	59
- other emoluments	-	15
Non-executive directors:		
- fees	185	161
- other emoluments	-	53
	<u>185</u>	<u>853</u>
	CONTINUING OPERATIONS	
	COMPANY	
	2008	2007
	RM'000	RM'000
Staff costs (including executive directors):		
- staff costs	7,710	7,579
- defined contribution retirement benefits	1,241	1,843
	<u>8,951</u>	<u>9,422</u>
Depreciation of property, plant and equipment	559	536
Amortisation intangible assets	46	36
Auditors' remuneration		
- statutory audit	41	32
- under provision in prior financial year	10	16
Fees paid to a company in which certain Directors have an interest	185	170
Office rental payable to a subsidiary company	567	497
Rental of office equipment	408	453
Advertising and entertainment expenses	843	1,170
Motor vehicle and travelling expenses	994	1,226
Professional fee	609	2,675
Amortisation of capitalised of MTNs issue expenses	1,986	1,889
Other expenses	2,624	2,805
	<u>17,823</u>	<u>20,927</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

30 MANAGEMENT EXPENSES (continued)

Included in management expenses were emoluments receivable by Directors of the Company during the financial year:

	COMPANY	
	2008 RM'000	2007 RM'000
Executive directors:		
- salaries	2,508	2,508
- bonus	418	1,026
- defined contribution retirement benefits	435	508
Non-executive directors:		
- fees	380	429
- other emoluments	129	98
	3,870	4,569

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 RM242,000 (2007: RM273,300) and RM 150,300 (2007: RM156,400) respectively.

The Directors of the Company in office during the financial year were as follows:

Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman	(demised on 28.08.2008)
Tunku Dato' Ya'acob 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)	
Tan Sri Ahmad bin Mohd Don	
Datuk Razman Md Hashim bin Che Din Md Hashim	
Muhamad Umar Swift	
Yeo Took Keat	
Dr Zaha Rina binti Zahari	

31 FINANCE COSTS

	CONTINUING OPERATIONS			
	Shareholders' fund		GROUP	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest on bonds	-	1,537	-	-
Interest on term loan	2,213	2,360	-	-
Interest on bank overdrafts	1,039	626	19	27
Interest on revolving credit facility	-	93	-	-
Hire purchase interest	77	82	-	-
Interest on medium term notes	9,017	8,797	-	-
Interest on interest rate swap – net	5,696	(1,399)	-	-
Bank guarantee commission	2,000	2,000	-	-
Others	69	102	-	-
	20,111	14,198	19	27

Notes To The Financial Statements

- 31 December 2008 (continued)

31 FINANCE COSTS (continued)

	COMPANY	
	2008 RM'000	2007 RM'000
Interest on bonds	-	1,537
Interest on term loan	2,213	2,250
Interest on bank overdraft	173	74
Hire purchase interest	31	42
Interest on advances paid to subsidiary companies	-	7
Interest on medium term notes	9,017	8,797
Interest on interest rate swap - net	5,696	(1,399)
Bank guarantee commission	2,000	2,000
	19,130	13,308

The interest rates charged during the financial year for medium term notes, term loan and bank overdrafts are disclosed in notes 15, 16, and 17 to the financial statements respectively.

32 TAXATION

(a)

	CONTINUING OPERATIONS		DISCONTINUED OPERATIONS	
	General and Shareholders' funds		General fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax	11,460	102	(2,771)	3,749
Deferred tax (note 12)	17,677	(17,215)	(8,715)	2,094
Tax expenses/(income)	29,137	(17,113)	(11,486)	5,843
Current tax				
Current financial year	11,342	548	2,500	5,271
Under/(over) accrual in prior financial years	118	(446)	(5,271)	(1,522)
	11,460	102	(2,771)	3,749
Deferred tax				
Origination and reversal of temporary differences	12,474	(15,848)	(8,715)	406
Over accrual in prior financial years	2	(510)	-	-
Benefits from previously unrecognised tax loss	-	(864)	-	-
Reversal of previously recognised deferred tax assets	5,201	-	-	1,688
Effect of changes in tax rates on opening balance of deferred tax	-	7	-	-
	17,677	(17,215)	(8,715)	2,094
	29,137	(17,113)	(11,486)	5,843

Notes To The Financial Statements

- 31 December 2008 (continued)

32 TAXATION (continued)

	COMPANY	
	2008 RM'000	2007 RM'000
Deferred tax (note 12)	13,131	(6,155)
Tax expenses/(income)	<u>13,131</u>	<u>(6,155)</u>
Deferred tax		
Origination and reversal of temporary differences	13,131	(6,155)
	<u>13,131</u>	<u>(6,155)</u>

(b)

	CONTINUING OPERATIONS			
	Life fund		Life fund-Investment -linked fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax	9,527	27,038	1,844	7,761
Deferred tax (note 12)	(10,582)	(9,695)	(12,008)	726
Tax (income)/expenses	<u>(1,055)</u>	<u>17,343</u>	<u>(10,164)</u>	<u>8,487</u>
Current tax				
Current financial year	9,762	27,038	2,454	8,113
Over accrual in prior financial years	(235)	-	(610)	(352)
	9,527	27,038	1,844	7,761
Deferred tax				
Origination and reversal of temporary differences	(10,582)	(9,695)	(12,008)	726
	<u>(10,582)</u>	<u>(9,695)</u>	<u>(12,008)</u>	<u>726</u>
	<u>(1,055)</u>	<u>17,343</u>	<u>(10,164)</u>	<u>8,487</u>

(c)

	General Takaful fund		Family Takaful fund		Family Takaful fund- Investment-linked fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax	-	-	-	-	56	11
Deferred tax (note 12)	-	-	-	-	(585)	34
Tax (income)/expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(529)</u>	<u>45</u>

The taxation of the Family Takaful fund, General Takaful fund and Family Takaful fund - Investment-linked fund is based on the method prescribed under the Income Tax Act, 1967.

Notes To The Financial Statements

- 31 December 2008 (continued)

32 TAXATION (continued)

Numerical reconciliation between the average effective tax rate and the statutory tax rate:

	GROUP	
	2008 %	2007 %
Malaysian tax rate	26	27
Tax effects of:		
- expenses not deductible for tax purposes	(4)	(6)
- income not taxable for tax purposes	-	16
- tax losses not recognised	(30)	(11)
- deductible temporary differences not recognised	-	(16)
- reversal of previously recognised deferred tax assets	(36)	-
- over accrual in prior financial year	10	3
Average effective tax rate	<u>(34)</u>	<u>13</u>

Numerical reconciliation between the average effective tax rate and the statutory tax rate:

	COMPANY	
	2008 %	2007 %
Malaysian tax rate	26	27
Tax effects of:		
- expenses not deductible for tax purposes	(11)	21
- income not taxable for tax purposes	-	(98)
- change in tax rate	(2)	5
- reversal of previously recognised deferred tax assets	(43)	-
Average effective tax rate	<u>(30)</u>	<u>(45)</u>

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, where the income tax in the life fund is calculated at 8% on investment income.

33 DIVIDENDS

	GROUP/COMPANY			
	2008		2007	
	Gross dividend per share Sen	Amount of dividend, tax exempt RM'000	Gross dividend per share Sen	Amount of dividend, tax exempt RM'000
Proposed final dividend	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Dividends paid:				
Proposed final dividend of prior financial year	<u>-</u>	<u>-</u>	<u>2.0</u>	<u>6,087</u>

The Board of Directors do not recommend any payment of dividend (2007: 2 sen per share for financial year ended 31 December 2006) in respect of the financial year ended 31 December 2008.

Notes To The Financial Statements

- 31 December 2008 (continued)

34 EARNING OR LOSS PER SHARE - GROUP

The basic earning or loss per ordinary share has been calculated by dividing the Group's net profit or loss from continuing and discontinued operations as stated below over the weighted average number of ordinary shares of the Company in issue during the financial year of 304,354,000 shares (2007: 304,354,000 shares).

	2008 RM'000	2007 RM'000
Loss for the financial year from continuing operations	(63,853)	(91,855)
(Loss)/profit for the financial year from discontinued operations	(6,149)	18,588

The effects on the basic earnings per ordinary share for the financial year ended 31 December 2008 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 2008 has not been presented.

35 NET CLAIMS INCURRED

(a) GENERAL FUND

CONTINUING OPERATIONS

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
GROUP						
2008						
Gross claims paid less salvage	10,743	19,545	46	3,737	6,465	40,536
Reinsurance recoveries	(10,128)	(20,702)	-	(3,364)	(4,150)	(38,344)
Net claims paid	615	(1,157)	46	373	2,315	2,192
Net outstanding claims:						
At end of financial year	1,282	28,481	24	247	2,937	32,971
Currency translation differences	141	220	1	27	136	525
At beginning of financial year	(799)	(25,582)	(32)	(159)	(3,175)	(29,747)
Net claims incurred	1,239	1,962	39	488	2,213	5,941
2007						
Gross claims paid less salvage	13,268	21,753	175	4,730	8,100	48,026
Reinsurance recoveries	(12,213)	(23,494)	-	(4,172)	(4,442)	(44,321)
Net claims paid	1,055	(1,741)	175	558	3,658	3,705
Net outstanding claims:						
At end of financial year	799	25,582	32	159	3,175	29,747
Currency translation differences	61	651	2	18	645	1,377
At beginning of financial year	(1,357)	(23,716)	(37)	(357)	(3,894)	(29,361)
Net claims incurred	558	776	172	378	3,584	5,468

Notes To The Financial Statements

- 31 December 2008 (continued)

35 NET CLAIMS INCURRED (continued)

(b) GENERAL FUND

DISCONTINUED OPERATIONS

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
GROUP						
2008						
Gross claims paid less salvage	21,403	126,682	30,643	7,023	32,375	218,126
Reinsurance recoveries	(10,130)	(4,108)	(5,534)	(4,828)	(9,172)	(33,772)
Net claims paid	11,273	122,574	25,109	2,195	23,203	184,354
Net outstanding claims:						
At end of financial year	13,001	184,463	53,091	6,688	43,044	300,287
At beginning of financial year	(17,381)	(170,174)	(51,731)	(5,169)	(44,121)	(288,576)
Net claims incurred	<u>6,893</u>	<u>136,863</u>	<u>26,469</u>	<u>3,714</u>	<u>22,126</u>	<u>196,065</u>
2007						
Gross claims paid less salvage	36,229	143,158	36,635	32,864	32,356	281,242
Reinsurance recoveries	(20,159)	(4,693)	(6,314)	(30,877)	(7,904)	(69,947)
Net claims paid	16,070	138,465	30,321	1,987	24,452	211,295
Net outstanding claims:						
At end of financial year	17,381	170,174	51,731	5,169	44,121	288,576
At beginning of financial year	(20,333)	(164,646)	(49,973)	(3,552)	(37,162)	(275,666)
Net claims incurred	<u>13,118</u>	<u>143,993</u>	<u>32,079</u>	<u>3,604</u>	<u>31,411</u>	<u>224,205</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

35 NET CLAIMS INCURRED (continued)

(c) GENERAL TAKAFUL FUND

CONTINUING OPERATIONS

	Fire RM'000	Motor vehicles RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
GROUP					
2008					
Gross claims paid less salvages	143	122	582	292	1,139
Retakaful recoveries	(87)	(34)	(538)	(118)	(777)
Net claims paid	56	88	44	174	362
Net outstanding claims:					
At end of financial year	313	271	26	716	1,326
At beginning of financial year	(12)	(10)	-	(17)	(39)
Net claims incurred	357	349	70	873	1,649
2007					
Gross claims paid less salvages	5	-	-	-	5
Retakaful recoveries	(5)	-	-	-	(5)
Net claims paid	-	-	-	-	-
Net outstanding claims:					
At end of financial year	12	10	-	17	39
At beginning of financial year	-	-	-	-	-
Net claims incurred	12	10	-	17	39

Notes To The Financial Statements

- 31 December 2008 (continued)

36 INVESTMENT-LINKED FUND

(a) LIFE FUND

	GROUP	
	2008 RM'000	2007 RM'000
BALANCE SHEET		
ASSETS		
Financial assets		
Investments		
- at fair value through profit or loss (note 7(b))	366,136	534,790
Loans and receivables (note 8(b))	13,542	30,174
Tax recoverable	4,159	146
Deferred tax assets (note 12)	7,968	156
Fixed and call deposits (note 38(b))	163,156	151,794
Cash and bank balances (note 39)	5,566	10,945
	560,527	728,005
LIABILITIES		
Trade and other payables (note 18(b))	9,814	25,698
Current tax liabilities	865	2,727
Deferred tax liabilities (note 12)	122	4,318
	10,801	32,743
NET ASSET VALUE OF FUNDS	549,726	695,262
REPRESENTED BY:		
UNITHOLDERS' ACCOUNT		
At beginning of financial year	695,262	518,465
Net (cancellation)/creation of units	(5,699)	84,521
Net (deficit)/surplus for the financial year after taxation	(141,613)	94,736
Foreign exchange reserve	2,222	(1,678)
	550,172	696,044
Distribution during the financial year	(446)	(782)
At end of financial year	549,726	695,262
INCOME STATEMENT		
Investment income (note 26(e))	26,584	26,776
Other operating (expenses)/income - net (note 29(e))	(178,361)	76,447
(Deficit)/surplus before taxation	(151,777)	103,223
Taxation (note 32(b))	10,164	(8,487)
Net (deficit)/surplus for the financial year after taxation	(141,613)	94,736

Notes To The Financial Statements

- 31 December 2008 (continued)

36 INVESTMENT-LINKED FUND (continued)

(b) FAMILY TAKAFUL FUND

	GROUP	
	2008	2007
	RM'000	RM'000
BALANCE SHEET		
ASSETS		
Financial assets		
Investments		
- at fair value through profit or loss (note 7(c))	13,829	16,327
Loan and receivables (note 8(e))	42,723	8,579
Tax recoverable	65	-
Deferred tax assets (note 12)	551	-
Fixed and call deposits (note 38(e))	18,003	15,446
Cash and bank balances (note 39)	8	49
	<u>75,179</u>	<u>40,401</u>
LIABILITIES		
Trade and other payables (note 18(e))	345	1,875
Current tax liabilities	18	11
Deferred tax liabilities (note 12)	-	34
	<u>363</u>	<u>1,920</u>
NET ASSET VALUE OF FUNDS	<u>74,816</u>	<u>38,481</u>
REPRESENTED BY:		
UNITHOLDERS' ACCOUNT		
At beginning of financial year	38,481	-
Net creation of units	42,747	37,978
Net (deficit)/surplus for the financial year after taxation	(6,412)	503
At end of financial year	<u>74,816</u>	<u>38,481</u>
INCOME STATEMENT		
Investment income (note 26(h))	1,143	137
Other operating (expenses)/income (note 29(g))	(8,084)	411
(Deficit)/surplus before taxation	(6,941)	548
Taxation (note 32 (c))	529	(45)
Net (deficit)/surplus for the financial year after taxation	<u>(6,412)</u>	<u>503</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

37 PROVISION FOR LIFE AGENTS' RETIREMENT BENEFITS

	GROUP	
	Life fund	
	2008	2007
	RM'000	RM'000
At beginning of financial year	3,247	3,910
Provision for the financial year	180	157
Utilised during the financial year	(323)	(820)
At end of financial year	<u>3,104</u>	<u>3,247</u>
Payable within 12 months	1,124	954
Payable after 12 months	1,980	2,293
	<u>3,104</u>	<u>3,247</u>

The amount recognised in the balance sheet is analysed as follows:

Present value of funded obligations	21,047	20,291
Fair value of plan assets	(21,047)	(20,291)
Status of funded plan	-	-
Present value of unfunded obligations	3,104	3,247
Liability in the balance sheet	<u>3,104</u>	<u>3,247</u>

The expense recognised in the life insurance revenue account under commission and agency expenses may be analysed as follows:

	GROUP	
	Life fund	
	2008	2007
	RM'000	RM'000
Current service cost	30	(5)
Interest cost	150	162
	<u>180</u>	<u>157</u>

The actual return on plan asset was RM829,000 (2007: RM336,000).

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.

Notes To The Financial Statements

- 31 December 2008 (continued)

38 FIXED AND CALL DEPOSITS

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fixed and call deposits with:				
Licensed banks	253,464	237,532	91,063	17,000
Other corporations	-	24,532	-	-
	<u>253,464</u>	<u>262,064</u>	<u>91,063</u>	<u>17,000</u>

Included in the balances above are fixed deposits amounting to approximately RM71 million that are assigned from the Shareholders' Fund of MAA to rectify the deficit of assets over liabilities of the Annuity Fund of RM 57 million in the Life Insurance Fund until the deficiency ceases, the excess in assignment is to provide additional support to the Life Insurance Fund.

(b) LIFE FUND AND LIFE FUND - INVESTMENT-LINKED FUND

	GROUP			
	Life fund		Life fund-Investment -linked fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fixed and call deposits with:				
Licensed banks	381,323	620,820	163,156	151,794
Other corporations	178,160	179,891	-	-
	<u>559,483</u>	<u>800,711</u>	<u>163,156</u>	<u>151,794</u>

	GROUP	
	2008 RM'000	2007 RM'000
(c) GENERAL TAKAFUL FUND		
Fixed and call deposits with:		
Licensed banks	3,500	-
	<u>3,500</u>	<u>-</u>
(d) FAMILY TAKAFUL FUND		
Fixed and call deposits with:		
Licensed banks	43,900	-
	<u>43,900</u>	<u>-</u>
(e) FAMILY TAKAFUL FUND – INVESTMENT-LINKED FUND		
Fixed and call deposits with:		
Licensed financial corporations	18,003	15,446
	<u>18,003</u>	<u>15,446</u>

The maturity structure of the above fixed and call deposits and the interest rates are disclosed in note 47 to the financial statements.

Notes To The Financial Statements

- 31 December 2008 (continued)

39 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and bank balances:				
- General and shareholders' funds	5,746	24,296	19	119
- Life fund	34,627	17,622	-	-
- Life fund-Investment-linked fund (note 36(a))	5,566	10,945	-	-
- General takaful fund	211	682	-	-
- Family takaful fund	7,453	13,249	-	-
- Family takaful fund-Investment-linked fund (note 36(b))	8	49	-	-
	<u>53,611</u>	<u>66,843</u>	<u>19</u>	<u>119</u>
Bank overdrafts:				
- General and shareholders' funds	(11,382)	(11,159)	(1,985)	(1,992)
	<u>42,229</u>	<u>55,684</u>	<u>(1,966)</u>	<u>(1,873)</u>
Assets classified as held for sale (note 41(a))	9,118	-	-	-
	<u>51,347</u>	<u>55,684</u>	<u>(1,966)</u>	<u>(1,873)</u>

The cash and cash equivalents of the life fund and family takaful fund are applicable only to meet such part of the liabilities and expenses of the life fund and family takaful fund as are properly so attributable.

40 CASH FLOW SEGMENT INFORMATION

	GROUP							Total RM'000
	General fund RM'000	Shareholders' fund RM'000	Life fund- Life fund RM'000	Investment linked-fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Family Takaful fund- Investment linked-fund RM'000	
2008								
Cash flows from:								
Operating activities	221	6,635	20,093	(5,379)	(471)	(5,796)	(41)	15,262
Investing activities	(372)	(6,139)	(3,088)	-	-	-	-	(9,599)
Financing activities	-	(10,000)	-	-	-	-	-	(10,000)
	<u>(151)</u>	<u>(9,504)</u>	<u>17,005</u>	<u>(5,379)</u>	<u>(471)</u>	<u>(5,796)</u>	<u>(41)</u>	<u>(4,337)</u>
Net increase/(decrease) in cash and cash equivalents	(151)	(9,504)	17,005	(5,379)	(471)	(5,796)	(41)	(4,337)
Cash and cash equivalents:								
At beginning of financial year	10,735	2,402	17,622	10,945	682	13,249	49	55,684
At end of financial year	<u>10,584</u>	<u>(7,102)</u>	<u>34,627</u>	<u>5,566</u>	<u>211</u>	<u>7,453</u>	<u>8</u>	<u>51,347</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

40 CASH FLOW SEGMENT INFORMATION (continued)

	GROUP							Total
	General fund	Shareholders' fund	Life fund	Life fund- Investment linked-fund	General Takaful fund	Family Takaful fund	Family Takaful fund- Investment linked-fund	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2007								
Cash flows from:								
Operating activities	1,145	(99,862)	(29,313)	2,030	682	13,249	49	(112,020)
Investing activities	(1,327)	(11,960)	(3,268)	-	-	-	-	(16,555)
Financing activities	-	123,978	-	-	-	-	-	123,978
	<u>(182)</u>	<u>12,156</u>	<u>(32,581)</u>	<u>2,030</u>	<u>682</u>	<u>13,249</u>	<u>49</u>	<u>(4,597)</u>
Net increase/(decrease) in cash and cash equivalents	(182)	12,156	(32,581)	2,030	682	13,249	49	(4,597)
Cash and cash equivalents:								
At beginning of financial year	10,917	(9,754)	50,203	8,915	-	-	-	60,281
At end of financial year	<u>10,735</u>	<u>2,402</u>	<u>17,622</u>	<u>10,945</u>	<u>682</u>	<u>13,249</u>	<u>49</u>	<u>55,684</u>

41 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The disposal group classified as held for sale is in respect of the proposed disposal of the General Insurance Business of MAA to AMG following the signing of a non-binding memorandum of understanding ("MOU") between the Company on 10 November 2008 as disclosed in the note 48 (c) to the financial statements. The disposal is expected to be completed in the next financial year.

Accordingly the related assets and liabilities of the General Insurance Business identified for disposal have been classified under assets and liabilities held for sale.

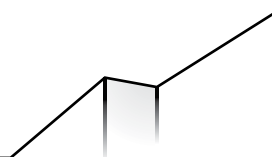
The components of assets and liabilities held for sale and the related net cash flows attributable to the discontinued operations are as follows:

(a) Assets classified as held for sale comprise of:

	2008
	RM'000
Property, plant and equipment (note 4(a))	5,268
Intangible assets (note 5(a))	1,778
Investments (i)	
- at fair value through profit and loss	26,431
- available-for-sale	262,322
- held to maturity	14,456
Loans and receivables	
- loans (ii)	2,063
- other receivables	8,860
Insurance receivables	61,611
Tax recoverable	7,132
Deferred tax assets (note 12)	3,588
Fixed and call deposits	134,862
Cash and banks balances	9,118
Total	<u>537,489</u>

Notes To The Financial Statements

- 31 December 2008 (continued)



41 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

(a) Assets classified as held for sale comprise of: (continued)

	2008
	RM'000
(i) The analysis of investment is as follow:	
At fair value through profit or loss	
Equity securities	
- Quoted	22,860
Investment-linked units	
- unquoted	3,571
Total	<u>26,431</u>
Available-for-sale	
Corporate debt securities	
- unquoted	193,364
Malaysian Government Securities/Government Investment Issues	68,958
Total	<u>262,322</u>
Held to maturity	
Corporate debt securities	
- unquoted	9,431
Malaysian Government Securities/Government Investment Issues	5,025
Total	<u>14,456</u>
(ii) The analysis of loans is as follows:	
Mortgage loans	1,781
Other secured loans	285
Unsecured loans	32
	<u>2,098</u>
Allowance for doubtful debts	(35)
Total	<u>2,063</u>
(b) Liabilities classified as held for sale comprise of:	
Provision for outstanding claims (note 35(b))	300,287
Insurance payables	82,086
Trade and other payables	63,030
Current tax liabilities	478
Unearned premium reserve (note 20(a))	113,736
Assets revaluation reserve (note 24(a))	3,477
Total	<u>563,094</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

41 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(continued)

(c) Net cash flows attributable to the discontinued operations comprise of:

	2008 RM'000
Net outflow from operating activities	(749)
Net outflow from investing activities	(194)
Total net cash outflows	<u>(943)</u>

42 CAPITAL AND OTHER COMMITMENTS

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

	GROUP			
	General and Shareholders' fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Authorised and contracted for:				
- property, plant and equipment	2,813	3,690	-	-
- investment properties	-	563	17,194	33,178
	<u>2,813</u>	<u>4,253</u>	<u>17,194</u>	<u>33,178</u>
Authorised and not contracted for:				
- property, plant and equipment	67	-	-	-

43 CONTINGENT LIABILITIES

During the financial year ended 31 December 2005 ("FY 2005"), Meridian Asset Management Sdn Bhd ("MAM") a subsidiary company had commenced legal proceeding against one of its custodian of its fund under management to recover, inter alia, the loss of investment moneys of its clients, Malaysian Assurance Alliance Berhad ("MAA") and Kumpulan Wang Amanah Pencen ("KWAP") of RM19.6 million and RM7.3 million respectively placed with the custodian ("Custodian"). The Custodian had filed an Application under Order 14A of the Rules of High Court ("Order 14A Application") to dismiss the case but the Order 14A Application was dismissed by the Court. The Custodian has filed an appeal against the decision. On 26 June 2008, the Custodian Application for Stay of Proceedings was dismissed with cost and the Court had fixed 16 September 2008 for Pre Trial Case Management. On 16 September 2008 the Court directed the matter to be tried together with MAA's case. On 23 January 2009, the Court had allowed MAM's application to amend the Statement of Claim to include the damages suffered by MAM but disallowed the amendment to include an associate company of the Custodian as the Second Defendant. The matter is now fixed for case management on 9 June 2009.

MAM has also during FY 2005 commenced legal proceedings against its former employee and other related parties to the former employee to recover, inter alia, the loss of investment moneys of its clients, MAA and KWAP together with interest and general damages. The matter is now fixed for Pre Trial Case Management on 30 June 2009.

MAA has during the financial year ended 31 December 2006 commenced legal proceeding against the Custodian for negligence to recover, inter alia, its loss of investment moneys amounting to RM19.6 million. The Custodian has served a Third Party Notice to bring MAM as a third party to the legal proceedings. The case is now fixed for Pre Trial Case Management on 9 June 2009.

Notes To The Financial Statements

- 31 December 2008 (continued)

43 CONTINGENT LIABILITIES (continued)

In November 2007, KWAP had commenced a legal proceeding against MAM to recover, inter alia, its loss of investment moneys amounting to RM7.3 million together with interest. KWAP had filed an Application under Order 14 of the Rules of the High Court ("Order 14 Application"). The Order 14 Application was dismissed by court on 23 September 2008. The Pre Trial Case Management is now fixed for mention on 8 June 2009.

The directors of MAA Holdings Berhad, supported by legal advice to MAM, are of the opinion that MAM has a good chance in both their cases against the Custodian and the former employee and other parties related to the former employee. Its solicitors are also of the opinion that MAM has a good defence to the case taken by KWAP against MAM and even if MAM is found to be liable for the loss, it would be able to recover the same from the Custodian and/or its former employee and other parties related to the former employee. However, for prudence purposes, MAA has made full allowance of RM19.6 million relating to its investments in the financial year ended 31 December 2005. This allowance remains in the current financial year.

44 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	GROUP			
	General and Shareholders' funds		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
2007				
Not later than 1 year	1,463	875	5,247	2,228

There were no non-cancellable operating lease commitments as at 31 December 2008.

45 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:

Related party	Relationship
Melewar Equities Sdn Bhd	Substantial shareholder of the Company
Melewar Khyra 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 ("MIG")	Company controlled by certain Directors of the Company
Mitra Malaysia Sdn Bhd	Company controlled by person connected to certain Directors of the Company
Melewar Apex Sdn Bhd	Company controlled by person connected to certain Directors of the Company

Notes To The Financial Statements

- 31 December 2008 (continued)

45 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Related parties and relationships (continued)

Related party	Relationship
Mycron Steel Berhad	A subsidiary company of MIG
Melewar Integrated Engineering Sdn Bhd	A subsidiary company of MIG
Mperial Power Ltd	A subsidiary company of MIG
Melewar Steel Engineering Sdn Bhd	A subsidiary company of MIG
Melewar Steel Tube Sdn Bhd	A subsidiary company of MIG
Melewar Steel Mills Sdn Bhd	A subsidiary company of MIG
Malaysian Merchant Marine Berhad	A company in which a subsidiary company of MIG, is a substantial shareholder
Mithril Berhad ("Mithril")	An associated company of the Group
Mithril Saferay Sdn Bhd	A subsidiary company of Mithril
Mithril Marketing Sdn Bhd	A subsidiary company of Mithril
Mithril Clay Manufacturing Berhad	A subsidiary company of Mithril
Mithril PVC Sdn Bhd	A subsidiary company of Mithril
Mithril FRP Industrial Sdn Bhd	A subsidiary company of Mithril
Maybach Logistics Sdn Bhd	An associated company of the Company
MAA Bancwell Trustee Berhad	An associated company of the Group
MAA Key Executive Retirement Scheme ("MAAKER")	Retirement fund for the benefits of employees of the Group

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.

Notes To The Financial Statements

- 31 December 2008 (continued)

45 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Significant related party transactions

The significant related party transactions during the financial year are as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Transactions with subsidiary companies:				
Interest income from advances to subsidiary companies	-	-	5,167	8,230
Gross dividend income from subsidiary companies	-	-	-	-
Management fee income from subsidiary companies	-	-	3,705	4,108
*Rental expense payable to a subsidiary company	-	-	(567)	(497)
*Rental income receivable from related parties:				
Trace Management Services Sdn Bhd	121	110	-	-
Melewar Group Berhad	66	66	-	-
Melewar Integrated Engineering Sdn Bhd	381	261	-	-
Mithril Berhad	1,481	158	-	-
Melewar Industrial Group Berhad	213	213	-	-
Mperial Power Ltd	76	76	-	-
Malaysian Merchant Marine Berhad	78	430	-	-
*Other transactions with related parties:				
Purchase of air tickets and travel packages from Mitra Malaysia Sdn Bhd	(2,521)	(2,977)	(29)	(93)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(469)	(331)	(185)	(170)
Rental expenses payable to Mithril Berhad	(6,749)	(6,791)	-	-
Consultancy advisory fee receivable from Melewar Steel Engineering Sdn Bhd	-	190	-	-
*Interest income receivable from related parties:				
Mithril Marketing Sdn Bhd	-	236	-	-
Mithril Berhad	339	176	-	-
Melewar Steel Engineering Sdn Bhd	-	2,539	-	-
Transactions with associated companies:				
*Trustee fee payable by MAAKER to MAA Bancwell Trustee Berhad	(196)	(192)	-	-
Management fee income receivable from MAA Bancwell Trustee Berhad	-	-	4,599	2,849
Transportation charges payable to Maybach Logistics Sdn Bhd	(334)	(379)	(334)	(379)
Retirement benefit fund contributed to MAAKER	612	1,341	113	737

Notes To The Financial Statements

- 31 December 2008 (continued)

45 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Significant related party transactions (continued)

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000

*Security services fee receivable from related parties:

Mycron Steel Berhad	159	135	-	-
Melewar Industrial Group Berhad	22	144	-	-
Melewar Steel Tube Sdn Bhd	115	108	-	-
Melewar Steel Mills Sdn Bhd	61	47	-	-
Mithril Saferay Sdn Bhd	16	79	-	-
Mithril PVC Sdn Bhd	34	91	-	-

* Related party transactions on terms and conditions equivalent to those in arm's length transactions with unrelated parties.

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, namely Melewar Industrial Group Berhad and Mycron Steel Berhad's quoted equity securities and Mithril Berhad's quoted corporate debt securities (included in note 7 to the financial statements):

	General and Shareholders' fund		Life fund	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At carrying value:				
- Quoted equity securities	769	938	8,574	29,026
- Quoted corporate debts securities	6,405	7,982	18,104	22,407
At end of financial year	7,174	8,920	26,678	51,433

In addition, executive 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 executive directors and key management personnel as well as fees paid to directors were as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Salaries and other short-term employee benefits	11,711	12,792	3,585	4,217
Defined contribution retirement benefits	1,420	1,677	435	508
	13,131	14,469	4,020	4,725

Notes To The Financial Statements

- 31 December 2008 (continued)

45 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Related party receivables/payables (continued)

The financial year end balances with key management personnel were as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Amount receivable from mortgage loans	1,166	1,515	276	316
Amount payable to a director	100	100	-	-

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 (2007: 5% to 8.5% per annum).

The amount payable to a director is unsecured, interest free and with no fixed terms of repayment.

46 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, takaful businesses, 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.

	Continuing operations					Discontinued operations	Eliminations RM'000	Group RM'000
	Life insurance		General insurance fund	Unit trust fund management	Shareholders' fund and other operations	General insurance fund		
Investment -linked fund RM'000	Non- investment -linked fund RM'000	RM'000					RM'000	RM'000
2008								
Operating revenue								
External revenue	236,201	1,320,115	65,619	26,830	181,684	388,927	-	2,219,376
Inter-segment sales	-	3,194	-	-	18,115	478	(21,787)	-
Total operating revenue	236,201	1,323,309	65,619	26,830	199,799	389,405	(21,787)	2,219,376

Notes To The Financial Statements

- 31 December 2008 (continued)

46 SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

	Continuing operations					Discontinued operations		Eliminations RM'000	Group RM'000
	Life insurance		General insurance fund	Unit trust fund management	Shareholders' fund and other operations	General insurance fund			
	Investment -linked fund RM'000	Non- investment -linked fund RM'000							
2008 (continued)									
Results									
Segment results	(141,613)	(59,671)	(30,766)	3,817	(37,254)	2,335	(1,370)	(264,522)	
Transfer from life reserve	141,613	88,538	-	-	-	-	-	230,151	
(Loss)/profit from operations	-	28,867	(30,766)	3,817	(37,254)	2,335	(1,370)	(34,371)	
Finance costs								(20,111)	
Share of profit of associated companies								2,131	
Taxation								(17,651)	
Loss for the financial year								(70,002)	
Other information									
Segment assets	560,527	5,655,680	56,669	30,663	658,523	667,805	(3,169)	7,626,698	
Investments in associated companies								58,939	
Total assets								7,685,637	
Segment liabilities/ total liabilities	10,801	6,213,179	71,670	6,161	575,259	563,094	-	7,440,164	
Capital expenditure	-	6,743	310	155	3,242	364	-	10,814	
Depreciation of property, plant and equipment	-	11,638	116	327	1,964	3,105	-	17,150	
2007									
Operating revenue									
External revenue	324,538	1,377,081	59,523	44,430	77,767	416,994	-	2,300,333	
Inter-segment sales	-	3,074	-	-	20,084	411	(23,569)	-	
Total operating revenue	324,538	1,380,155	59,523	44,430	97,851	417,405	(23,569)	2,300,333	

Notes To The Financial Statements

- 31 December 2008 (continued)

46 SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

	Continuing operations					Discontinued operations		Eliminations RM'000	Group RM'000
	Life insurance		General insurance fund management	Unit trust fund management	Shareholders' fund and other operations	General insurance fund	General insurance fund		
	Investment -linked fund RM'000	Non- investment -linked fund RM'000							
2007 (continued)									
Results									
Segment results	94,736	(152,862)	(23,672)	5,325	(34,846)	44,801	(2,456)	(68,974)	
Transfer from life reserve	(94,736)	103,258	-	-	-	-	-	8,522	
(Loss)/profit from operations	-	(49,604)	(23,672)	5,325	(34,846)	44,801	(2,456)	(60,452)	
Finance costs								(14,198)	
Share of loss of associated companies								(9,887)	
Taxation								11,270	
Loss for the financial year								(73,267)	
Other information									
Segment assets	728,005	5,754,158	47,797	35,604	501,059	659,261	6,723	7,732,607	
Investments in associated companies								53,619	
Total assets								7,786,226	
Segment liabilities/ total liabilities	32,743	6,466,908	61,801	12,072	355,279	541,503	-	7,470,306	
Capital expenditure	-	3,427	86	180	2,319	1,241	-	7,253	
Depreciation of property, plant and equipment	-	12,035	162	315	2,218	3,888	-	18,618	

(b) Geographical segments

The Group operates mainly in Malaysia, Indonesia, Philippines and Australia. 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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysia	2,091,863	2,171,422	7,611,343	7,634,876	10,199	7,037
Indonesia	127,353	128,611	69,210	94,864	615	216
Others	160	300	5,084	56,486	-	-
	2,219,376	2,300,333	7,685,637	7,786,226	10,814	7,253

47 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, by failing to repay principal and interest in a timely manner. 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.

Notes To The Financial Statements

- 31 December 2008 (continued)

47 MANAGEMENT OF FINANCIAL RISK (continued)

Credit Risk (continued)

The Group's credit risk exposure in the insurance subsidiary companies is analysed as follows:

	2008			2007		
	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	-	674,900	-	-	60,883	-
AAA	-	569,423	-	-	220,018	-
AA	-	1,198,971	-	-	475,450	-
A	-	335,003	-	-	451,614	-
BBB	24,509	33,732 *	-	29,938	54,728 *	-
BB or lower	-	51,364 *	-	-	37,395 *	-
D	-	182	-	-	182	-
Non-investment grade	82	47,491	784,278	8,101	14,954	903,293
	<u>24,591</u>	<u>2,911,066</u>	<u>784,278</u>	<u>38,039</u>	<u>1,315,224</u>	<u>903,293</u>

*Full allowance for diminution in value of investments held in one D rated corporate debt securities were made during the financial year. Allowance for diminution in value of investments in BB or lower and D rated corporate debt securities were made to the extent of the net realisable values of the securities pledged against the carrying amounts of that corporate debt securities.

The above rating categories are based on the gradings of reputable rating agencies.

	2008			2007		
	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	-	-	31,235	-	85,253	32,119
Construction	-	115,132	-	-	107,864	-
Finance	1,363,038	18,901	-	270,961	21,762	-
Industrial/Manufacturing	24,591	169,482	-	38,039	142,859	-
Infrastructure	-	422,229	-	-	299,032	-
Power	-	464,759	-	-	227,305	-
Property	-	105,547	287,413	-	52,986	373,999
Trading/Services	-	75,505	36,352	-	55,094	53,758
Technology	-	195,374	-	-	73,870	-
Others	-	-	410,377	-	-	421,655
	<u>24,591</u>	<u>2,911,066</u>	<u>784,278</u>	<u>38,039</u>	<u>1,315,224</u>	<u>903,293</u>

Notes To The Financial Statements

- 31 December 2008 (continued)

47 MANAGEMENT OF FINANCIAL RISK (continued)

Credit Risk (continued)

The Group's insurance subsidiary company encountered occurrence of rating default events for two unquoted corporate debt securities during the current financial year (one of which was written down in the last financial year end), bringing the occurrence of rating default events to six unquoted corporate debt securities since financial year ended 2005. The renegotiated terms of one of the securities has been approved by the Securities Commission and have been implemented. As for the other five securities, the bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers. During the financial year, two unquoted corporate debt securities were written down to their net realisable value and market value respectively.

Settlement risk

Settlement risk arises when one party fails to deliver the terms of a contract/financial instruments with another party at the time of settlement or any timing differences in settlement between the two parties. All transactions currently entered into are mainly with approved counter parties for settlement methods that minimises the risks.

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 internally generated funds and 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.

Non-interest bearing RM'000	Interest-bearing/contractual maturity date						Total carrying amount RM'000	Weighted average effective interest rate %
	Up to 1 year	2 years	3 years	4 to 5 years	Above 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000			
2008								
Financial assets								
Financial assets at fair value through profit or loss:								
Equity securities								
- quoted	260,432	-	-	-	-	-	260,432	
- unquoted	3,389	-	-	-	-	-	3,389	
Corporate debt securities								
- quoted	-	3,262	24	58	21,247	-	24,591	7.04
- unquoted	-	35,420	35,357	10,835	18,354	75,035	175,001	6.01
Unit trusts and investment-linked units								
- quoted	15,397	-	-	-	-	-	15,397	
- unquoted	46,133	-	-	-	-	-	46,133	
	<u>325,351</u>	<u>38,682</u>	<u>35,381</u>	<u>10,893</u>	<u>39,601</u>	<u>75,035</u>	<u>524,943</u>	

Notes To The Financial Statements

- 31 December 2008 (continued)

47 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2008 (continued)								
Financial assets (continued)								
Financial assets at available-for-sale:								
Malaysian Government Securities/ Government Investment Issues	-	287,924	30,378	20,388	51,120	19,902	409,712	4.00
Equity securities								
- unquoted	25,883	-	-	-	-	-	25,883	
Corporate debt securities								
- unquoted	-	185,779	98,032	184,678	314,500	1,523,979	2,306,968	6.01
Unit trusts and investment-linked units								
- unquoted	13,020	-	-	-	-	-	13,020	
	<u>38,903</u>	<u>473,703</u>	<u>128,410</u>	<u>205,066</u>	<u>365,620</u>	<u>1,543,881</u>	<u>2,755,583</u>	
Financial assets at held to maturity:								
Malaysian Government Securities/ Government Investment Issues	-	35,089	-	19,997	-	-	55,086	4.00
Corporate debt securities								
- unquoted	-	30,385	-	33,092	36,455	329,165	429,097	6.01
	<u>-</u>	<u>65,474</u>	<u>-</u>	<u>53,089</u>	<u>36,455</u>	<u>329,165</u>	<u>484,183</u>	
Loans:								
Policy loans	-	322,737	-	-	-	-	322,737	7.57
Mortgage loans	-	310,227	987	936	1,297	9,629	323,076	10.15
Other secured loans	-	137,703	124	79	68	27	138,001	11.09
Unsecured loans	-	282	53	13	111	5	464	4.40
	<u>-</u>	<u>770,949</u>	<u>1,164</u>	<u>1,028</u>	<u>1,476</u>	<u>9,661</u>	<u>784,278</u>	
Other receivables:								
Investment income due and accrued	47,148	-	-	-	-	-	47,148	
Lease, hire-purchase and other loan receivables	-	24,547	6,044	1,915	3,427	1,834	37,767	1.65
Others	163,568	2,274	-	-	-	-	165,842	
	<u>210,716</u>	<u>26,821</u>	<u>6,044</u>	<u>1,915</u>	<u>3,427</u>	<u>1,834</u>	<u>250,757</u>	
Fixed and call deposits	-	916,527	-	-	124,979	-	1,041,506	3.21

Notes To The Financial Statements

- 31 December 2008 (continued)

47 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

	Interest-bearing/contractual maturity date						GROUP	
	Non-interest bearing	Up to 1 year	2 years	3 years	4 to 5 years	Above 5 years	Total carrying amount	Weighted average effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2008 (continued)								
Financial assets (continued)								
Cash and bank balances							53,611	
Other financial assets*							92,631	
Total financial assets							146,242	
Other assets								
Property, plant and equipment							325,274	
Investment properties							13,090	
Intangible assets							585,416	
Associated companies							58,939	
Tax recoverable							48,655	
Deferred tax assets							38,230	
Other receivables							91,052	
Assets classified as held for sale							537,489	
Total assets							7,685,637	
Financial liabilities								
Medium term notes - secured	-	-	30,000	30,000	140,000	-	200,000	4.50
Term loan - unsecured	-	10,000	10,000	-	-	-	20,000	8.83
Bank overdrafts - unsecured	-	11,382	-	-	-	-	11,382	8.50
Hire purchase creditors	-	498	658	193	68	-	1,417	2.43
Derivative liabilities	46,733	-	-	-	-	-	46,733	
Other payables	217,475	-	-	-	-	-	217,475	
	264,208	21,880	40,658	30,193	140,068	-	497,007	
Other financial liabilities*							6,269,071	
Total financial liabilities							6,766,078	
Other liabilities								
Current tax liabilities							31,245	
Deferred tax liabilities							5,636	
Other payables							74,111	
Liabilities directly associated with assets classified as held for sale							563,094	
Total liabilities							7,440,164	

* 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 2008 (continued)

47 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2007								
Financial assets								
Financial assets at fair value through profit or loss:								
Malaysian Government Securities/ Government Investment Issues	-	-	55,568	2,012	-	-	57,580	3.60
Equity securities								
- quoted	1,338,097	-	-	-	-	-	1,338,097	
- unquoted	5,161	-	-	-	-	-	5,161	
Corporate debt securities								
- quoted	-	177	10,542	2,856	22,697	1,767	38,039	7.04
- unquoted	-	27,044	31,619	41,622	11,811	29,170	141,266	5.48
Unit trusts and investment-linked units								
- quoted	25,838	-	-	-	-	-	25,838	
- unquoted	49,138	-	-	-	-	-	49,138	
	<u>1,418,234</u>	<u>27,221</u>	<u>97,729</u>	<u>46,490</u>	<u>34,508</u>	<u>30,937</u>	<u>1,655,119</u>	
Financial assets at available-for-sale:								
Malaysian Government Securities/ Government Investment Issues	-	21,053	592,498	376,816	30,048	-	1,020,415	3.60
Equity securities								
- unquoted	24,661	-	-	-	-	-	24,661	
Corporate debt securities								
- unquoted	-	193,621	171,003	87,563	125,972	151,264	729,423	5.48
Unit trusts and investment-linked units								
- unquoted	15,220	-	-	-	-	-	15,220	
	<u>39,881</u>	<u>214,674</u>	<u>763,501</u>	<u>464,379</u>	<u>156,020</u>	<u>151,264</u>	<u>1,789,719</u>	
Financial assets at held to maturity:								
Malaysian Government Securities/ Government Investment Issues	-	-	40,795	-	19,996	-	60,791	3.60
Corporate debt securities								
- unquoted	-	32,173	5,015	-	45,143	362,204	444,535	5.48
	<u>-</u>	<u>32,173</u>	<u>45,810</u>	<u>-</u>	<u>65,139</u>	<u>362,204</u>	<u>505,326</u>	

Notes To The Financial Statements

- 31 December 2008 (continued)

47 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2007 (continued)								
Financial assets (continued)								
Loans:								
Policy loans	-	298,220	-	-	-	-	298,220	7.57
Mortgage loans	-	357,801	16,908	739	1,753	13,744	390,945	10.38
Other secured loans	-	212,719	333	135	342	412	213,941	11.14
Unsecured loans	-	92	95	-	-	-	187	4.54
	-	868,832	17,336	874	2,095	14,156	903,293	
Other receivables:								
Investment income due and accrued	45,304	-	-	-	-	-	45,304	
Lease, hire-purchase and other loan receivables	-	100,384	5,641	603	2,869	2,622	112,119	6.30
Others	210,370	-	-	-	-	-	210,370	
	255,674	100,384	5,641	603	2,869	2,622	367,793	
Fixed and call deposits	-	1,131,238	-	-	98,777	-	1,230,015	3.30
Cash and bank balances							66,843	
Other financial assets*							115,138	
Total financial assets							6,633,246	
Other assets								
Property, plant and equipment							345,178	
Investment properties							637,352	
Intangible assets							13,869	
Associated companies							53,619	
Tax recoverable							46,679	
Deferred tax assets							37,800	
Other receivables							18,483	
Total assets							7,786,226	

Notes To The Financial Statements

- 31 December 2008 (continued)

47 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2007 (continued)								
Financial liabilities								
Medium term notes - secured	-	-	-	30,000	30,000	140,000	200,000	4.50
Term loan - unsecured	-	30,000	-	-	-	-	30,000	7.50
Bank overdrafts - unsecured	-	11,159	-	-	-	-	11,159	8.75
Hire purchase creditors	-	483	657	346	187	-	1,673	2.43
Derivative liabilities	24,173	-	-	-	-	-	24,173	
Other payables	1,254,367	-	-	-	-	-	1,254,367	
	<u>1,278,540</u>	<u>41,642</u>	<u>657</u>	<u>30,346</u>	<u>30,187</u>	<u>140,000</u>	<u>1,521,372</u>	
Other financial liabilities*							5,922,728	
Total financial liabilities							<u>7,444,100</u>	
Other liabilities								
Current tax liabilities							21,056	
Deferred tax liabilities							5,150	
Total liabilities							<u>7,470,306</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 2008 (continued)

47 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2008								
Financial assets								
Financial assets at fair value through profit or loss:								
Quoted equity securities of corporations								
	5	-	-	-	-	-	5	
Loans:								
Mortgage loans								
	-	43	94	139	-	-	276	5.80
Unsecured loans								
	-	27	3	-	-	-	30	5.00
	-	70	97	139	-	-	306	
Other receivables:								
Amounts due from subsidiary companies								
	38,879	65,907	-	-	-	-	104,786	6.14
Amounts due from associated company								
	1,209	-	-	-	-	-	1,209	
Investment income due and accrued								
	107	-	-	-	-	-	107	
	40,195	65,907	-	-	-	-	106,102	
Fixed and call deposits								
	-	91,063	-	-	-	-	91,063	3.45
Cash and bank balances								
							19	
							197,495	
Other assets								
Property, plant and equipment								
							3,169	
Intangible assets								
							148	
Investment in subsidiary and associated companies								
							371,508	
Tax recoverable								
							2,665	
Others receivables								
							6,859	
Total assets								
							581,844	

Notes To The Financial Statements

- 31 December 2008 (continued)

47 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

	Interest-bearing/contractual maturity date						COMPANY	
	Non-interest bearing	Up to 1 year	2 years	3 years	4 to 5 years	Above 5 years	Total carrying amount	Weighted average effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2008 (continued)								
Financial liabilities								
Medium term notes - secured	-	-	30,000	30,000	140,000	-	200,000	4.50
Term loan - unsecured	-	10,000	10,000	-	-	-	20,000	8.83
Bank overdraft - unsecured	-	1,985	-	-	-	-	1,985	8.50
Hire purchase creditors	-	229	240	92	-	-	561	2.43
Derivative liabilities	46,733	-	-	-	-	-	46,733	
	46,733	12,214	40,240	30,092	140,000	-	269,279	
Other liabilities								
Deferred tax liabilities							129	
Others payables							10,350	
Total liabilities							279,758	
2007								
Financial assets								
Financial assets at fair value through profit or loss:								
Quoted equity securities of corporations	17,317	-	-	-	-	-	17,317	
Loans:								
Mortgage loans	-	81	89	59	99	92	420	5.63
Unsecured loans	-	13	1	-	-	-	14	5.00
	-	94	90	59	99	92	434	
Other receivables:								
Amounts due from subsidiary companies	98,557	84,366	-	-	-	-	182,923	7.41
Amounts due from associated company	2,489	-	-	-	-	-	2,489	
Investment income due and accrued	42	-	-	-	-	-	42	
	101,088	84,366	-	-	-	-	185,454	
Fixed and call deposits	-	17,000	-	-	-	-	17,000	3.10

Notes To The Financial Statements

- 31 December 2008 (continued)

47 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

	Interest-bearing/contractual maturity date						COMPANY	
	Non-interest bearing	Up to 1 year	2 years	3 years	4 to 5 years	Above 5 years	Total carrying amount	Weighted average effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2007 (continued)								
Financial assets (continued)								
Cash and bank balances							119	
							220,324	
Other assets								
Property, plant and equipment							2,448	
Intangible assets							143	
Investment in subsidiary and associated companies							374,379	
Tax recoverable							2,418	
Deferred tax assets							13,002	
Others receivables							8,377	
Total assets							621,091	
Financial liabilities								
Medium term notes - secured	-	-	-	30,000	30,000	140,000	200,000	4.50
Term loan - unsecured	-	30,000	-	-	-	-	30,000	7.50
Bank overdraft - unsecured	-	1,992	-	-	-	-	1,992	8.75
Hire purchase creditors	-	218	229	240	92	-	779	2.43
Derivative liabilities	24,173	-	-	-	-	-	24,173	
	24,173	32,210	229	30,240	30,092	140,000	256,944	
Other liabilities								
Others payables							4,457	
Total liabilities							261,401	

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 negative 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.

Notes To The Financial Statements

- 31 December 2008 (continued)

47 MANAGEMENT OF FINANCIAL RISK (continued)

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, Singapore and Australia whose revenue and expenses are denominated in Indonesian Rupiah, United States Dollar, Peso, Singapore Dollar and Australia Dollar 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 exchange rate movements of the foreign currencies against Ringgit Malaysia, the Group finances its net investments in the foreign subsidiary and associated companies by means of composition of Ringgit Malaysia and United States Dollar denominated funds based on assessment of the exchange rate exposure.

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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Amount due from subsidiary companies	-	-	104,786	182,923
Amount due from associated companies	11,594	10,814	1,209	2,489
Amount due from related companies	-	164	-	-
Amount due to related companies	(110)	-	-	-

It is not practicable to determine the fair values of amounts due from subsidiary, associated and related companies because these balances have no fixed terms of repayment and are repayable on demand.

Notes To The Financial Statements

- 31 December 2008 (continued)

48 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 12 June 2008, MAA International Assurance Ltd ("MAAIA"), a wholly-owned subsidiary company of MAA Corporation Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, disposed a total of 6,449,918 ordinary shares of Rp1,000 each, representing 34% equity interest in PT MAA General Assurance ("PT MAAG") to Mr. Ng Feby Antonious ("Feby"), a minority shareholder of PT MAAG, for a total cash consideration of approximately RM252,188 pursuant to an Option granted by MAAIA to Feby via the Shareholders' Agreement dated 6 September 2001.

Upon completion of the disposal, the Group's effective interest in PT MAAG reduced from 94% to 60%. Consequently, the Group recognised a loss on disposal of equity interest of RM5,879,000 in the consolidated income statements.

Subsequent to the disposal, in order to assist PT MAAG to meet the Indonesian insurance regulations on minimum net equity requirements, MAAIA converted the subordinated loans to PT MAAG and injected new capital on 31 October 2008 and 18 December 2008 respectively, to PT MAAG, thereby increasing the paid-up capital of PT MAAG by Rp25,702,727,000 (approximately RM9,407,855). The new shares issued rank parri passu with the existing shares of the company. Upon completion of the capital exercise, the Group's effective interest in PT MAAG increased from 60% to 83%. The Group recorded a loss of RM135,285 from the accretion of shares in PT MAAG in the consolidated income statement.

- (b) In order to assist PT MAA Life Assurance ("PT MAAL") meet the Indonesian insurance regulations on minimum net equity requirements, MAAIA converted the subordinated loans to PT MAAL and injected new capital on 31 October 2008 and 18 December 2008 respectively, to PT MAAL, thereby increasing the paid-up capital of PT MAAL by Rp69,396,700,000 (approximately RM25,617,325). The new shares issued rank parri passu with the existing shares of the company. Upon completion of the capital exercise, the Group's effective interest in PT MAAL increased from 98% to 99.5%. The Group recorded a loss of RM234,717 from the accretion of shares in PT MAAL in the consolidated income statement.
- (c) On 10 November 2008, the Company announced the entering into a non-binding memorandum of understanding ("MOU") between Malaysian Assurance Alliance Berhad ("MAA") (a wholly-owned subsidiary company) and AMG Insurance Berhad ("AMG") to formalise discussions on the disposal of the General Insurance Business of MAA to AMG at a headline price of RM274.8 million (subject to adjustments) and the acquisition of a 4.9% stake in MAA Takaful Berhad by AMG for a total consideration of RM16.2 million (collectively "Proposed Transactions").

The Proposed Transactions is subject to the approvals being obtained from the following:

- (i) Bank Negara Malaysia ("BNM") for the scheme of transfer under the business transfer agreement;
- (ii) Minister of Finance, based on the recommendation of BNM, pursuant to the Insurance Act, 1996;
- (iii) Foreign Investment Committee (if required);
- (iv) Securities Commission (if required);
- (v) Malaysian High Court for the confirmation of scheme of transfer;
- (vi) Shareholders of the Company

List Of Properties As At 31 December 2008

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT-UP AREA (sm)	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	63,569	A 26-storey office building with mezzanine floor and 7-storey car park, for branch office use and rental	6	120,000	27.02.2007(R)
2	Tanjung Puteri Condominium at No. 1, Jalan Stulang Laut 2, Off Jalan Ibrahim Sultan, Stulang Laut, 80300 Johor Bahru, Johor Darul Takzim	Freehold	1,573	12 Units of condominium for rental	12	3,220	09.03.2006(R)
3	Mukim Sungai Seluang, Kedah Darul Aman	Freehold	534	3 Units of one and half storey terrace industrial buildings (about 90% completed)	-	330	05.02.2004(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	4,436	A detached factory with a 2-storey office for rental	5.7	7,000	05.09.2007(R)
5	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	A training resort for staff and agents' training use	13	12,338	19.01.2009(R)
		Leasehold for 99 years expiring on 13.10.2036	6,220	A piece of vacant land			
6	Lot 1478, Nilai Industrial, Estate Phase II, 71800 Nilai, Negeri Sembilan Darul Khusus	Leasehold for 99 years expiring on 20.08.2089	5,853	1 Unit factory building for rental	12	5,800	22.12.2008(R)
7	Kemayan Square, 70200 Seremban, Negeri Sembilan Darul Khusus	Freehold	2,041	1 Unit 3-storey shop office and 1 unit 5-storey shop office for rental	11	3,245	04.09.2007(R)
8	Kemayan Square, 70200 Seremban, Negeri Sembilan Darul Khusus	Freehold	10,618	20 Units 3-storey shop office and 1 unit 5-storey shop office for rental	10	11,600	26.03.2007(R)
9	Terminal One Shopping Centre, 20B Jalan Lintang, 70200 Seremban, Negeri Sembilan Darul Khusus	Freehold	5,607	21 Retail shoplots for rental	10	15,197	05.09.2007(R)

List Of Properties As At 31 December 2008 (continued)

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT-UP AREA (sm)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION (A)/ REVALUATION (R)
10	Section 22, Jalan Telok Sisek, Lot 16, Town and District of Kuantan, Pahang Darul Makmur	Freehold	2,753	5 Plots of vacant land	-	5,364	12.10.2007(R)
11	Jalan Kampar, 30250 Ipoh, Perak Darul Ridzuan	Freehold	2,076	1 Plot of vacant land	-	3,000	06.03.2006(R)
12	No. 12, Off Jalan Chin Choon Sam and No. 142 Jalan Sultan Abdul Jalil, Ipoh, Perak Darul Ridzuan	Freehold	4,846	2 Plots of vacant land	-	5,402	24.03.2006(R)
13	No. 28, Medan Silibin, 30300 Ipoh, Perak Darul Ridzuan	Leasehold for 99 years expiring on 29.09.2098	2,687	1 Unit 3-storey shop office for rental	9	2,200	09.01.2006(R)
14	Taman Kampar Perdana, 31900 Kampar, Perak Darul Ridzuan	Leasehold for 99 years expiring on 22.05.2101	4,290	30 Units double-storey houses for sale	4	5,571	31.12.2006(R)
15	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	164	1 Plot of vacant land	-	100	15.04.2006(R)
16	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	3,158	7 Units 3-storey shop office for branch office use and rental	9	2,142	15.04.2006(R)
17	Menara MAA, No. 170, Jalan Argyll, 10250 Pulau Pinang	Freehold	22,014	A 13-Storey office building with 5-storey car park, for branch office use and rental	9	34,500	27.02.2007(R)
18	The Garage, No. 2 Penang Road, 10000 George Town, Penang	Freehold	6,311	4 Parcels of commercial lot erected with a renovated single storey building and a renovated double storey detached house for rental :		13,849	27.02.2007(R)
				Renovated single storey building	119		
				Detached house	79		
				2 Plots of vacant land	-		

List Of Properties As At 31 December 2008 (continued)

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT- UP AREA (sm)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION (A)/ REVALUATION (R)
19	Taman Amansutra, Jalan Amansutra, Off Jalan Lintas, Kota Kinabalu, Sabah	Leasehold for 99 years expiring on 31.12.2103	27,711	75 Units city houses	3	18,000	20.11.2008(R)
20	Taman Amansutra, Jalan Amansutra, Off Jalan Lintas, Kota Kinabalu, Sabah	Leasehold for 999 years expiring on 19.04.2909	16,820	3 Plots of vacant land	-	2,730	13.09.2007(R)
21	The Residency, Sutera Harbour, Kota Kinabalu, Sabah	Leasehold for 99 years expiring on 31.12.2091	1,328	1 Bungalow lot for sale	-	1,930	19.12.2007(R)
22	Mile 10, Jalan Apas Tawau, Sabah	Leasehold for 99 years expiring on 10.04.2060	1,235,545	1 Plot of vacant land	-	14,655	31.12.2008(R)
23	Menara MAA, Lot 86, Section 53, Jalan Ban Hock, 93100 Kuching, Sarawak	Leasehold for 99 years expiring on 28.04.2051	2,598	2nd floor, 10th floor, 11th floor and the roof top of a 11-storey office building with basement floor and open car park, for branch office use and rental	12	10,346	18.10.2006(R)
24	Within SS 7 Kelana Jaya, Petaling Jaya	Leasehold for 99 years expiring on 28.01.2092	6,990	1 Plot of vacant land	-	6,398	02.01.2004(R)
25	Tiara Kelana Condominium at Jalan SS7/19, Taman Sri Kelana, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan	Leasehold for 99 years expiring on 28.01.2092	6,506	43 Units of condominiums for rental	12	10,300	03.12.2008(R)
26	No. 11, Jalan SS 8/4, Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan	Freehold	5,624	A single-storey semi-detached factory, a 4-storey detached factory building, a canteen block, a guard house, a car parking shed together with other ancillary structure for rental	20	10,500	29.08.2007(R)
27	Sinaran Ukay Condominium at Jalan BU 1/1, Taman Bukit Utama, 68000 Bukit Antarabangsa, Ampang, Selangor Darul Ehsan	Leasehold for 99 years expiring on 03.08.2098	736	5 Units of condominium for rental	11	957	05.01.2004(R)

List Of Properties As At 31 December 2008 (continued)

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT-UP AREA (sm)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION (A)/ REVALUATION (R)
28	Mukim Setapak, District of Gombak, Selangor Darul Ehsan	Freehold	38,572	2 Plots of vacant land	-	1,410	21.11.2007(R)
29	Mukim of Ulu Kelang, District of Gombak, Selangor Darul Ehsan	Freehold	249,449	2 Pots of vacant land	-	171,211	31.12.2008(R)
30	District of Hulu Langat, Mukim of Kajang and Mukim of Cheras	Freehold	18,193	1 Plot of vacant land for sale	-	1,225	15.06.2005(R)
31	Mukim Bukit Raja, Daerah Petaling, Selangor Darul Ehsan	Leasehold for 99 years expiring on 27.1.2103	1,924	2 Units bungalow under construction - 85% completed	-	3,579	20.01.2005(A)
32	Prima Klang Avenue Office Block (Block A) at Jalan Kota, Mukim Bandar Kelang, Selangor Darul Ehsan	Leasehold for 99 years expiring on 17.08.2103	11,595	1 Unit 7-storey office block under construction - 95% completed	-	47,668	26.01.2006(A)
33	Wisma MAA, No. 21.5,21.6, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim	Freehold	1,205	1 Unit 4-storey shop office for branch office use	10	1,440	24.04.2006(R)
34	Wisma MAA, No. 11A & 15, Jalan Syed Abdul Hamid Sagaff, 86000 Kluang, Johor Darul Takzim	Leasehold for 99 years expiring on 2093	1,041	2 Units 4-storey shop offices for branch office use	12	1,474	17.04.2006(R)
35	Desa Ungasan Kecamatan Kuta, Selatan Kabupaten Badung, Bali Province Republic of Indonesia	Leasehold for 20 years expiring on 2024	1,860	Villa for rental	2	3,469	31.10.2008(R)
36	Wisma MAA, No. 34, Jalan Bakri, 84000 Muar, Johor Darul Takzim	Freehold	1,596	1 Unit 5-Storey office building for branch office use	25	1,715	06.01.2006(R)
37	Wisma MAA, No. 1, 2, 3 & 4, Jalan Emas, Taman Batu Hampar, 85000 Segamat, Johor Darul Takzim	Freehold	2,541	4 Units 4-storey shop offices for branch office use and rental	12	3,017	17.04.2006(R)
38	No.18.E, Jalan Raya, 08300 Gurun, Kedah Darul Aman	Freehold	446	1 Unit 3-storey shop office for rental	15	274	17.04.2006(R)
39	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	1,014	2 Units 3-storey shop offices for branch office use	13	997	12.01.2006(R)

List Of Properties As At 31 December 2008 (continued)

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT-UP AREA (sm)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION (A)/ REVALUATION (R)
40	Menara MAA, No. 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur	Freehold	71,526	A 19-Storey office building with 2 levels basement car park, for head office use and rental	9	213,952	24.12.2007(R)
41	Wisma MAA, No.185 to 190, Taman Melaka Raya, 75000 Melaka	Leasehold for 99 years expiring on 19.08.2075	2,230	6 Units 3-storey shop office for branch office use and rental	17	2,394	04.01.2006(R)
42	PT 1561, Kawasan Perusahaan Nilai, 71800 Nilai, Negeri Sembilan Darul Khusus	Leasehold for 60 years expiring on 05.11.2050	3,933	1 Unit factory building for rental	18	3,000	22.12.2008(R)
43	Menara MAA, Lot 5318, Jalan Lintang, 70200 Seremban, Negeri Sembilan Darul Khusus	Freehold	20,082	1 Unit 22-storey office building for rental	3.3	26,500	03.12.2008(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	12	4,424	26.02.2008 (R)
45	Wisma MAA, No. 65, Persiaran Greenhill, 30450 Ipoh, Perak Darul Ridzuan	Leasehold for 999 years expiring on 21.09.2894	3,281	1 Unit 7 1/2 storey office building for branch office use	12	6,743	9.1.2006(R)
46	Wisma MAA, No. 10, Jalan Sena Indah 1, Taman Sena Indah, 01000 Kangar, Perlis Indera Kayangan	Leasehold for 99 years expiring on 02.10.2094	223	1 Unit 2-storey shop office for branch office use	10	199	19.04.2006(R)
47	Wisma MAA, No. 7126-7128, Jalan Bagan Jermal, Taman Bintang, 12300 Butterworth, Pulau Pinang	Freehold	2,049	3 Units 3-storey shop offices for branch office use	9	1,875	13.01.2006(R)
48	Wisma MAA, No. 14, 16, 18, 20, 22 & 24, Jalan SS 3/5, Taman Sentosa, 47300 Petaling Jaya, Selangor Darul Ehsan	Freehold	2,868	6 Units 3-storey shop offices for branch office use and rental	36	6,688	24.04.2006(R)
49	Wisma MAA, No. 77, 79, 81, 83, 85, 87 & 89, Lorong Tiong, Taman Orkid, 41050 Klang, Selangor Darul Ehsan	Freehold	3,747	7 Units 3-storey shop offices for branch office use and rental	12	5,698	09.01.2006(R)

List Of Properties As At 31 December 2008 (continued)

No.	LOCATION OF PROPERTIES	TENURE	LAND/ BUILT-UP AREA (sm)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION (A)/ REVALUATION (R)
50	Wisma MAA, No.134, Jalan Sultan Zainal Abidin, 20000 Kuala Terengganu, Terengganu Darul Iman	Freehold	1,343	1 Unit 5 storey office building for branch office use	31	1,962	02.05.2006(R)
51	Lot No. 5930, Kamunting Industrial Estate, 34600 Kamunting, Taiping, Perak Darul Ridzuan	Leasehold for 99 years expiring on 29.01.2072	54,469	A single-storey factory, double storey office block and ancillary buildings for rental	31	13,800	26.11.2008(R)
52	No. 126 Kampar Perdana, Perak Darul Ridzuan	Leasehold for 99 years expiring on 11.12.2102	933	1 Unit 3-storey shophouse for rental	2.75	1,450	14.11.2006(A)
53	Block C, Unit No. LG2.2, Kuantan Tembeling Resort, Jalan Padang Golf, 25050 Kuantan, Pahang Darul Makmur	Leasehold for 99 years expiring on 12.12.2092	134	1 Unit resort condominium	9	250	05.06.2007(A)
54	Block A Marina Court, Api-Api Centre, 88000 Kota Kinabalu	Leasehold for 99 years expiring on 31.12.2086	1,433	9 Units of condominium for sale or rental	1.25	5,400	22.08.2008(A)
55	Block B Marina Court, Api-Api Centre, 88000 Kota Kinabalu	Leasehold for 99 years expiring on 31.12.2086	974	5 Units of condominium for sale or rental	3	3,318	22.08.2008(A)
56	Block C Marina Court, Api-Api Centre, 88000 Kota Kinabalu	Leasehold for 99 years expiring on 31.12.2086	905	4 Units of condominium for sale or rental	8	2,716	22.08.2008(A)
57	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 or sale	12	425	06.06.2007 (R)
58	Wisma MAA, No. A1, Jalan Stadium, 25200 Kuantan, Pahang Darul Makmur	Freehold	721	1 Unit 3-storey shop offices for branch office use	18	845	13.01.2006(R)
59	Bangunan Wira, No. 183, Jalan Ipoh, 51200 Kuala Lumpur	Freehold	4,552	1 Unit 5-Storey office building for rental	47	15,153	27.02.2006(R)

880,944

List Of Substantial Shareholders And Director's Shareholdings As At 15 April 2009

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Held	% of Issued Capital
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY")		
Direct Interest	1,237,500	0.41
Indirect Interest	104,539,584	34.35
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY")		
Indirect Interest	104,539,584	34.35
Khyra Legacy Berhad ("Khyra")		
Indirect Interest	104,539,584	34.35#

DIRECTORS' SHAREHOLDINGS

Name	Number of Shares Held			
	Direct	%	Indirect	%
TY	1,237,500	0.41	104,539,584	34.35*
TYY	-	-	104,539,584	34.35*
Tan Sri Ahmad bin Mohd Don	2,055,000	0.67	-	-
Datuk Razman Md Hashim	150,000	0.05	-	-
Yeo Took Keat	80,000	0.02	-	-

Notes:

Khyra is a company controlled by TY. Khyra is the ultimate holding company of Melewar Equities Sdn Bhd, Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd.

* Under Section 6A(4) of the Companies Act 1965, TYY is deemed interested in Khyra's deemed interest in MAAH by virtue of his family relationship with TY.

Statistics Of Shareholdings As At 15 April 2009

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	9,273

Breakdown of shareholdings

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1-99	199	2.15	8,004	0.00
100 – 1,000	1,200	12.94	1,005,425	0.33
1,001 – 10,000	5,549	59.84	26,495,827	8.71
10,001 – 100,000	2,104	22.69	61,203,864	20.11
100,001 and below 5%	217	2.34	98,593,692	32.39
5% and above	4	0.04	117,046,940	38.46
	9,273	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>	38,013,030	12.49
2. OSK Nominees (Tempatan) Sdn Berhad <i>Beneficiary: Pledged Securities Account for Melewar Khyra Sdn Bhd</i>	30,327,566	9.96
3. Melewar Equities (BVI) Ltd	26,937,944	8.85
4. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Skim Amanah Saham Bumiputera</i>	21,768,400	7.15
5. OSK Nominees (Tempatan) Sdn Berhad <i>Beneficiary: Pledged Securities Account for Melewar Khyra Sdn Bhd</i>	8,761,044	2.88
6. Permodalan Nasional Berhad	8,622,400	2.83
7. Lembaga Tabung Angkatan Tentera	5,866,666	1.93
8. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Amanah Saham Wawasan 2020</i>	5,197,500	1.71
9. Employees Provident Fund Board	3,348,234	1.10
10. Citigroup Nominees (Asing) Sdn Bhd <i>Beneficiary: Nom HK for Kegani Pacific Ltc Fund L.P.</i>	2,608,400	0.86
11. Citigroup Nominees (Asing) Sdn Bhd <i>Beneficiary: Exempt an for OCBC Securities Private Limited (Client A/C-NR)</i>	2,396,882	0.79
12. Lee Kek Ming	2,208,000	0.73
13. HSBC Nominees (Asing) Sdn Bhd <i>Beneficiary: Exempt an for Credit Suisse (SG BR-TST-Asing)</i>	1,660,000	0.55
14. HSBC Nominees (Asing) Sdn Bhd <i>Beneficiary: Exempt an for HSBC Private Bank (Suisse) S.A. (SPORE TST AC CL)</i>	1,575,000	0.52

Statistics Of Shareholdings

As At 15 April 2009 (continued)

List of Top Thirty Shareholders (continued)

Name	No. of Shares Held	% of Issued Capital
15. HSBC Nominees (Asing) Sdn Bhd <i>Beneficiary: Exempt an for the HongKong and Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)</i>	1,360,400	0.45
16. MAA Bancwell Trustee Berhad <i>Beneficiary: As Beneficial Owner</i>	1,261,400	0.41
17. Tunku Ya'acob Bin Tunku Abdullah	1,237,500	0.41
18. Lee Fook Kheun	1,225,500	0.40
19. Nirmala Navinchandra Shah	1,154,600	0.38
20. MAA Bancwell Trustee Berhad <i>Beneficiary: MAAKER Fund</i>	1,114,800	0.37
21. AMSEC Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Pledged Securities Account for Lee Boon Siong</i>	1,000,000	0.33
22. G.T.Y. Holdings Sdn Bhd	1,000,000	0.33
23. Teh Chor Tik	1,000,000	0.33
24. Citigroup Nominees (Asing) Sdn Bhd <i>Beneficiary: CBNY for DFA Emerging Markets Fund</i>	888,700	0.29
25. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Pledged Securities Account for Jiantilal Jethalal a/l Jethalal Valji (CEB)</i>	860,000	0.28
26. CIMSEC Nominees (Asing) Sdn Bhd <i>Beneficiary: Exempt an for CIMB-GK Securities Pte Ltd (Retail Clients)</i>	780,854	0.26
27. HLB Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Pledged Securities Account for Richard George Azlan Bin Abas</i>	705,000	0.23
28. RHB Investment Bank Berhad <i>Beneficiary: Clearing for Permodalan Nasional Berhad</i>	700,000	0.23
29. TA Nominees (Tempatan) Sdn Bhd <i>Beneficiary: Pledged Securities Account for Oh Kim Sun</i>	695,000	0.23
30. Tabung Amanah Warisan Negeri Johor	639,932	0.21
	174,914,752	57.47

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 person(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 Eleventh 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 Friday, 29 May 2009 at 10.00 a.m.** and at any adjournment thereof on the following resolutions referred to in the Notice of 11th AGM. My / our proxy is to vote as indicated below :-

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
Resolution 1	To approve the payment of Directors' fees for the period from July 2009 until the forthcoming Annual General Meeting to be held in 2010 to be payable quarterly in arrears				
	To re-elect the following Directors of the Company who are retiring pursuant to Article 73 of the Company's Articles of Association :-				
Resolution 2	(i) Dato' Iskandar Michael bin Abdullah				
Resolution 3	(ii) Tan Sri Ahmad bin Mohd Don				
Resolution 4	(iii) Muhamad Umar Swift				
	To re-elect the following directors who are retiring pursuant to Section 129(6) of the Companies Act 1965:-				
Resolution 5	(i) Major General Lai Chung Wah (Rtd)				
Resolution 6	(ii) Datuk Razman Md Hashim bin Che Din Md Hashim				
Resolution 7	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration				
Resolution 8	To approve the Shareholders' Mandate for Recurrent Related Party Transactions				

(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 _____ 2009

Signature/Common Seal of Member(s)

NOTES: -

- Applicable to shares held through a nominee account.
- 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 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.
- 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.
- Form of Proxy sent through facsimile transmission shall not be accepted.
- For the purpose of determining a member who shall be entitled to attend this 11th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 51(b), 51(c) and 51(d) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 25 May 2009. Only a depositor whose name appears on the Record of Depositors as at 25 May 2009 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.
- Explanatory notes to Special Business of the Agenda 6 :-
 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")**

The Proposed Resolution 8, 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 the Circular dated 7 May 2009 which is despatched together with this Annual Report.

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STAMP

The Secretary
MAA HOLDINGS BERHAD
Suite 20.03, 20th Floor, Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

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NOTICE
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MAA HOLDINGS BERHAD

(471403-A)

(Incorporated in Malaysia)

Menara MAA, 22nd Floor, No. 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur.

Tel: 03 2146 8000 Fax: 03 2142 5489

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