MAA HOLDINGS BERHAD
(471403-A)

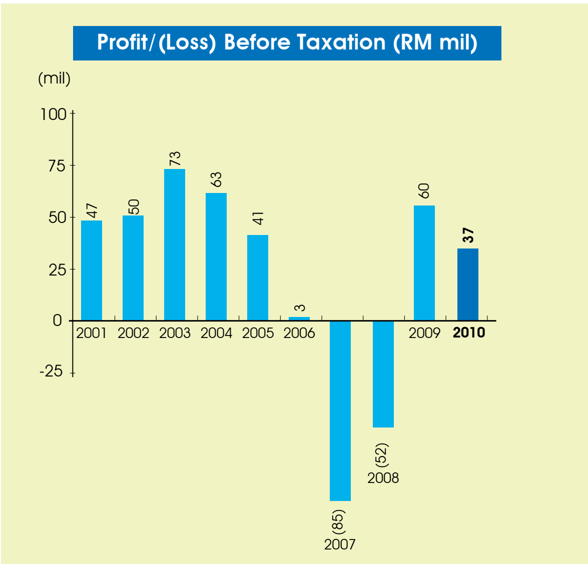
Annual Report 2010

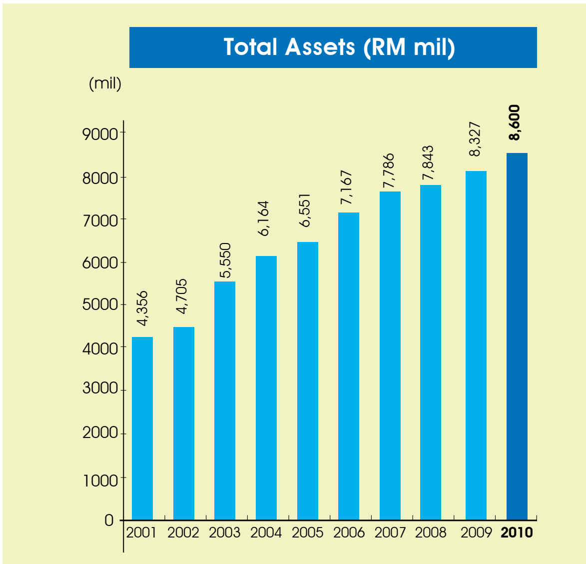
CONTENTS

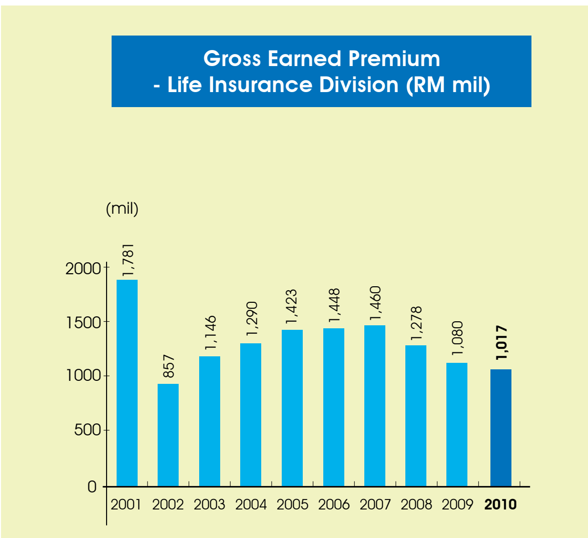
FINANCIAL HIGHLIGHTS

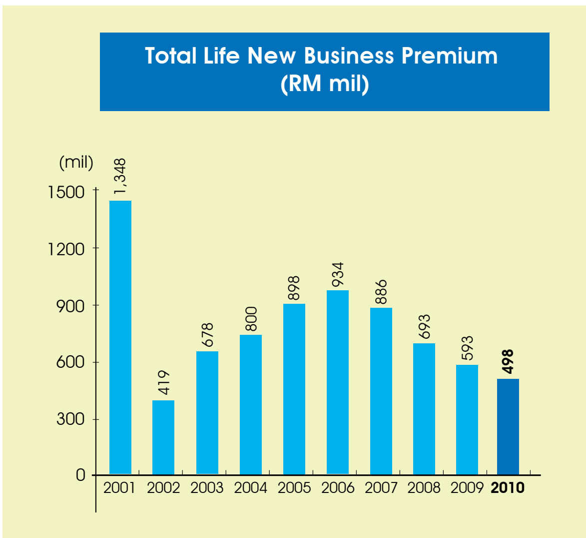
Ten Years in Review	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	RM mil	RM mil	RM mil	RM mil	RM mil	RM mil	RM mil	RM mil	RM mil	RM mil
Profit/(loss) Before Taxation	47	50	73	63	41	3	(85)	(52)	60	**37**
Total Assets	4,356	4,705	5,550	6,164	6,551	7,167	7,786	7,843	8,327	**8,600**
Gross Earned Premium - Life Insurance Division	1,781	857	1,146	1,290	1,423	1,448	1,460	1,278	1,080	**1,017**
Total Life New Business Premium	1,348	419	678	800	898	934	886	693	593	**498**
Gross Earned Premium - General Insurance Division	347	433	460	407	460	453	460	437	486	**608**
Gross Earned Premium - Family Takaful Division*	-	-	-	-	-	-	26	76	85	**157**
Gross Earned Premium - General Takaful Division*	-	-	-	-	-	-	1	34	60	**100**
Net Asset Value Of Unit Trust Funds Under Management - Malaysian Unit Trust Division	-	12	297	424	694	920	1,413	1,090	1,570	**1,811**

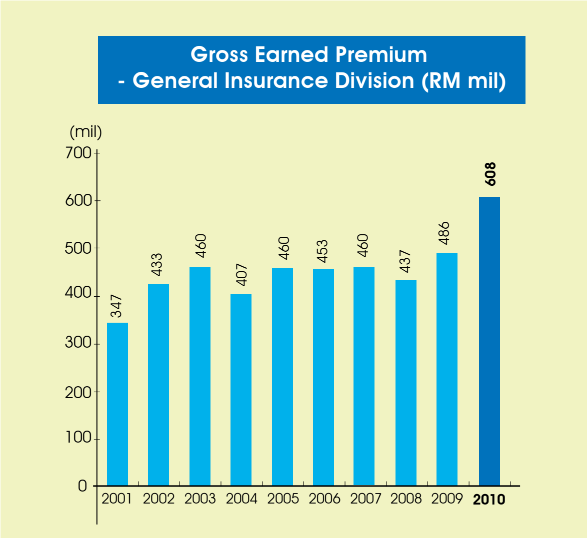
* The Malaysian takaful insurance operation under MAA Takaful Berhad ("MAA Takaful") commenced operations in July 2007

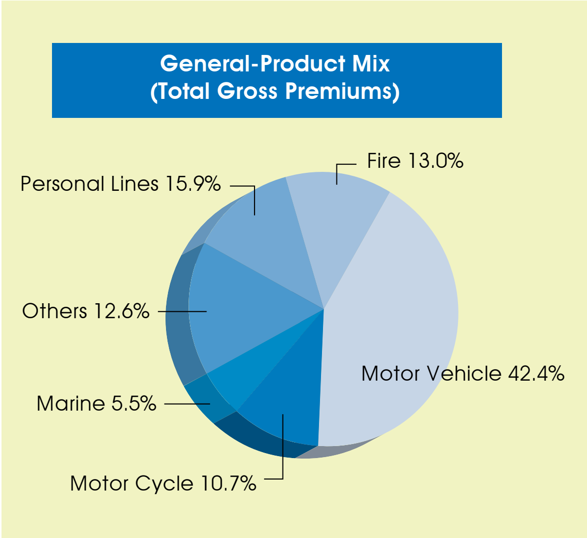


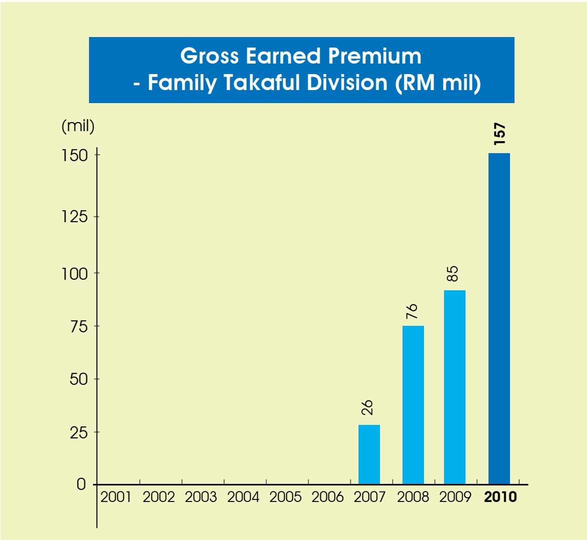


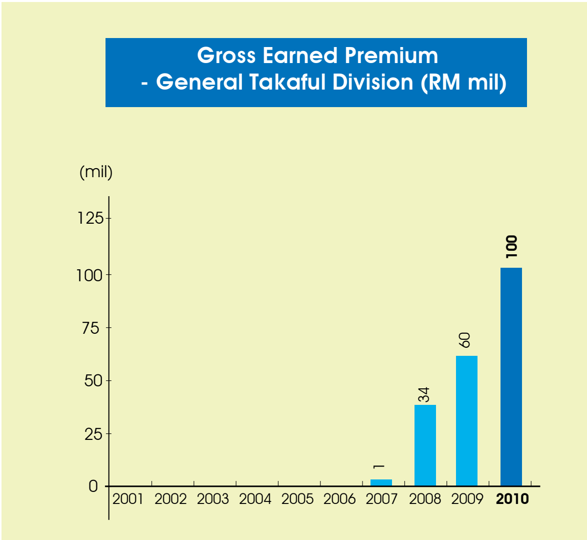


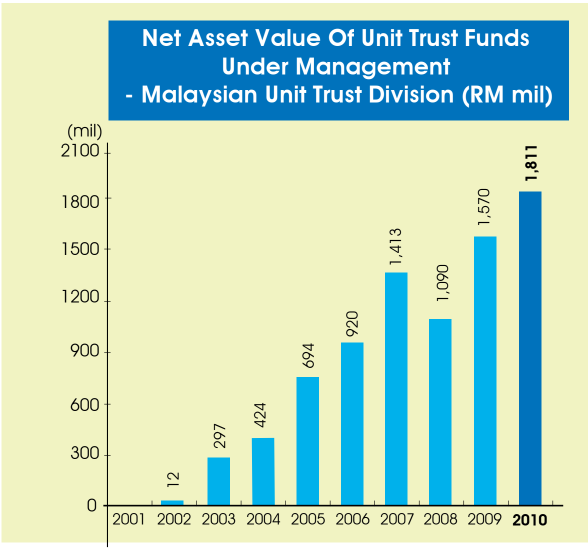



Gross Earned Premium
- General Insurance Division (RM mil)
(mil)
700
600
500
400
300
200
100
0
347
433
460
407
460
453
460
437
486
608
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010


General-Product Mix
(Total Gross Premiums)
Fire 13.0%
Personal Lines 15.9%
Others 12.6%
Motor Vehicle 42.4%
Marine 5.5%
Motor Cycle 10.7%


Gross Earned Premium
- Family Takaful Division (RM mil)
(mil)
150
125
100
75
50
25
0
26
76
85
157
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010


Gross Earned Premium
- General Takaful Division (RM mil)
(mil)
125
100
75
50
25
0
1
34
60
100
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010


Net Asset Value Of Unit Trust Funds
Under Management
- Malaysian Unit Trust Division (RM mil)
(mil)
2100
1800
1500
1200
900
600
300
0
12
297
424
694
920
1,413
1,090
1,570
1,811
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah

Executive Chairman

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, aged 50, 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 Non-Executive 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 & 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 and has been heading MAA Holdings Berhad ("MAAH") Group of Companies since 1999.

Currently, Tunku Dato' Ya'acob is a Board Member of MIG, MSB, Melewar Group Berhad, Khyra Legacy Berhad, Maveric Ltd (listed on the Singapore Stock Exchange) and Ithmaar Bank B.S.C. (listed on the Bahrain Stock Exchange) and several private limited companies. His shareholdings in the Company is disclosed on page 244 of the Annual Report.

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

Tunku Dato' Ya'acob also sits on the board of several trade associations, specifically, the Federation of Public Listed Companies Berhad (FPLC) as Vice President and the Federation of Investment Managers Malaysia (FIMM) 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 46, is a permanent resident and was appointed to the Board on 7 September 2006.

Encik Umar started his career with Price Waterhouse as a Chartered Accountant in January 1986. He has more than 15 years experience in the areas of banking and financial services. He began his career in the banking industry in November 1992 as Manager, Corporate Finance in Bank of Singapore (Australia) Limited. 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 in January 2002 to become a Practice Leader for the Utilities Business of Deloitte Consulting in Malaysia. In April 2004, he joined Maybank as Executive Vice President – Head, Enterprise Financial Services Group. In May 2006, Encik Umar left Maybank and joined the Company as Deputy Chief Executive Officer.

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, a member of AASA Certified Practicing Accountant, 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 Chartered Accountant with the Malaysian Institute of Accountants and a Registered Financial Planner.

Currently, Encik Umar is a Board Member of MAA, MAAKL Mutual Bhd ("MAAKL Mutual"), MAA Takaful Berhad ("MAA Takaful") and Columbus Capital Pty Limited. He was appointed as the Acting Chief Executive Officer of MAA in August 2007 and appointed as Chief Executive Officer of MAA in August 2008.

Encik Umar also serves as Member of the Management Committee of Life Insurance Association of Malaysia (LIAM), Member of Regulation/Enforcement (Disciplinary) Committee and Chairman of LIAM's Industry Promotion Committee.

Encik Umar is also a Member of the Board of Trustees for MAA-Medicare Kidney Charity Fund.

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 53, 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 firms 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 & Administration 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 FPLC 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 ("MAA Bancwell") and MAAKL Mutual. He also serves on the Boards of several private limited companies in 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 on page 244 of the Annual Report.

Major General Datuk 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 Datuk Lai Chung Wah (Rtd), aged 78, a Malaysian, was appointed to the Board on 8 June 1999.

General Datuk Lai's directorships in other public companies in MAAH Group are in MAAKL Mutual and MAA Bancwell. He also sits on the Board of a private limited company, namely Wira Security Services Sdn Bhd.

General Datuk 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 three Diplomas, one by the Armed Forces Defence College for Defence Strategy and Joint Operations Studies, The National Institute of Public Administration, Malaysia (INTAN) on Defence Resources Management in year 1981 and Defence Resources Management Education Centre, Department of Defence, United States of America on Senior Defence Resources Management in year 1983.

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

General Datuk 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' Sri 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' Sri Iskandar Michael bin Abdullah, aged 66, a Malaysian, was appointed to the Board on 30 April 2001.

Dato' Sri Michael is a Board Member of MAA Bancwell, a public company in MAAH Group. He is also a Board Member of several private limited companies.

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

Dato' Sri 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 RMAF (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 RMAF (Rtd), aged 64, a Malaysian, was appointed to the Board on 18 May 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 Fellow of the Malaysian Institute of Logistics.

General Dato' Sri Suleiman currently serves on the Boards of MLABS Systems Berhad and Vasseti Berhad. 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 72, a Malaysian, was appointed to the Board on 1 July 2006.

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

Upon his return to Malaysia, Datuk Razman joined Standard Chartered Bank Malaysia Berhad ("SCB") as an Officer Trainee in 1967. Throughout his 34 years of banking experience in Standard Chartered Bank Malaysia Berhad, 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 Standard Chartered Bank 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 include Multi-Purpose Holdings Berhad, Ranhill Berhad, Sunway City Berhad, SILK Holdings Berhad, Berjaya Land Berhad, MAA and MAA Takaful.

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 shareholders of MAAH and he has had no convictions for any offences within the past 10 years. His shareholdings in the Company is disclosed on page 244 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 63, 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, United Malacca Berhad, Hap Seng Plantations Holdings Berhad and MAAKL Mutual. Tan Sri Ahmad is also the Independent Non-Executive Chairman of MAA and MAA Takaful.

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 on page 244 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 49, 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 shareholdings in the Company is disclosed on page 244 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, Jat Acres Berhad and other several private limited companies.

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

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

Dr Zaha Rina Zahari

Independent Non-Executive Director

Dr Zaha Rina, aged 49, 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 specialising 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 Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. Dr Zaha Rina has more than 20 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 Chief Executive Officer of RHB Securities Sdn Bhd, which was one of the larger stock broking firms in Malaysia from 2004 to 2006. 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, MAA Takaful, MAA International Assurance Ltd, EON Capital Berhad, EON Bank Berhad and MIMB Investment Bank Berhad. She also holds directorships in several private limited companies. Dr Zaha Rina is a Member of extensible Business Reporting Language and Divemaster with National Association of Underwater Instructors (NAUI). She was a Member of Global Board of Advisers for XBRL and was also on the Board of Trustee for Malaysian AIDS Foundation; both of which she has since resigned from.

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 Datuk Lai Chung Wah (Rtd)
Dato' Sri Iskandar Michael bin Abdullah
General Dato' Sri Hj Suleiman bin Mahmud RMAF (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

23rd 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

General Insurance

	Rating
Hannover Ruckversicherung AG, Malaysian Branch Suite 31-1, 31st Floor, Wisma UOA II, 21, Jalan Pinang, 50450 Kuala Lumpur	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)
Sirius International Insurance Corporation (PUBL), Labuan Branch c/o ETIQA 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)
Malaysian Reinsurance Berhad 12th Floor, Bangunan Malaysian Re, No 17, Lorong Dungun, Damansara Heights, 50490 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)
Everest Reinsurance Company, Singapore 20 Cecil Street, #08-06, Equity Plaza, Singapore 049705	A+ (S&P)

	Rating
Taiping Reinsurance Co Ltd, Labuan Branch c/o ETIQA Offshore Insurance (L) Ltd, Level 11(B), Block 4, Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 W.P. Labuan	A- (S&P)
Mitsui Sumitomo Reinsurance Ltd, Labuan Branch Level 13, 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)
Caisse Centrale de Reassurance, Labuan Branch c/o ETIQA Offshore Insurance (L) Ltd, Level 11(B), Block 4, Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 W.P. Labuan	AAA (S&P)
B.E.S.T. Reinsurance - Far East Regional Office, Suite 3A, Level 8, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur	A- (AM Best)
MAA International Assurance Ltd 21st Floor, Menara MAA, 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur	N/A
Asia Capital Reinsurance Malaysia Sdn Bhd Unit A-12A-8, Level 12A Menara UOA Bangsar, 5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur	A- (AM Best)

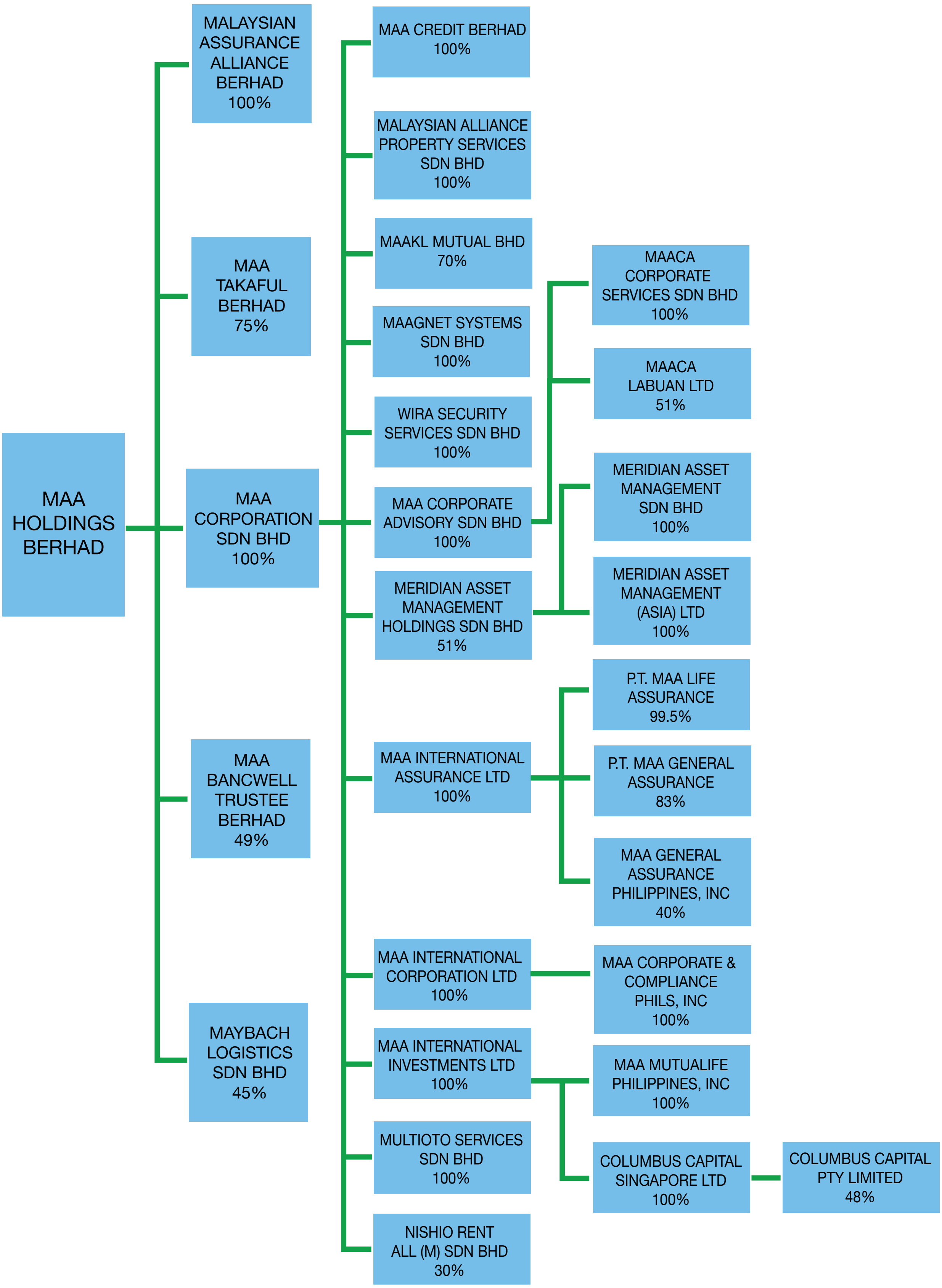
Life Insurance

	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)
Scor Global Life SE, Singapore Branch 143, Cecil Street, #20-04 GB Building, Singapore 069542	A (S&P)
Munich Reinsurance Company, Malaysian Branch Suite 13.1, Level 13, Menara IMC, 8, Jalan Sultan Ismail, 50250, Kuala Lumpur	AA- (S&P)
Munich Reinsurance Company, Singapore Branch 20, Collyer Quay, #13-01 Tung Centre, Singapore 049319	AA- (S&P)

	Rating
General Reinsurance AG, Singapore Branch 9, Temasek Boulevard, Suntec Tower 2, #10-01, Singapore 038989	AA+ (S&P)
Hannover Ruckversicherung AG, Malaysian Branch Suite 31-1, 31st Floor, Wisma UOA II, 21, Jln Pinang, 50450 Kuala Lumpur	AA- (S&P)
MNRB Retakaful Berhad 9th Floor, Bangunan Malaysian Re, No 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur	N/A
MAA International Assurance Ltd 21st Floor, Menara MAA, 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur	N/A

CORPORATE INFORMATION
(continued)

GROUP STRUCTURE



MAA REGIONAL NETWORK

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

MAA HOLDINGS BERHAD
(471403-A)
Incorporated in Malaysia

NOTICE IS HEREBY GIVEN that the **THIRTEENTH ANNUAL GENERAL MEETING** of the Company will be held at The Auditorium, Podium 1, Menara MAA, 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur on Tuesday, 28 June 2011 at 10.00 a.m. for the following purposes: -

AS ORDINARY BUSINESS		**Resolution**
(1)	To receive the Audited Financial Statements for the year ended 31 December 2010 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 financial year ending 31 December 2011 to be payable quarterly in arrears.	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' Sri Iskandar Michael bin Abdullah	2
	(ii) General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	3
	(iii) Dr Zaha Rina Zahari	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 Datuk Lai Chung Wah (Rtd)	5
	(ii) Datuk Razman Md Hashim	6
(5)	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.	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") 8

"THAT the mandate granted by the shareholders of the Company on 28 June 2010 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), authorising the Company and its subsidiaries ("the MAAH Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the MAAH Group's day-to-day operations as set out in Section 3 of Part A of the Circular to Shareholders dated 6 June 2011 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, 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

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

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

SPECIAL RESOLUTION	Resolution
(b) Proposed Amendments to the Articles of Association of the Company	9

"THAT the proposed new Articles of Association of the Company as set out in Section 1 of Part B of the Circular to Shareholders dated 6 June 2011, be and are hereby approved and adopted as the new Articles of Association of the Company AND THAT the Directors of the Company and Company Secretary be and are hereby authorised to take all such steps and carry out all the necessary formalities to give full effect to the proposed adoption of the Company's new Articles of Association."

By Order of the Board

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

Kuala Lumpur
Dated : 6 June 2011

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING
(continued)

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 not more than two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company, and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

4. 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.

5. 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.

6. 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.

7. Any alteration in the form of proxy must be initialed.

8. Form of Proxy sent through facsimile transmission shall not be accepted.

9. For the purpose of determining a member who shall be entitled to attend this Thirteenth 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 22 June 2011. Only a depositor whose name appears on the Record of Depositors as at 22 June 2011 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

10. 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 Section 3 of Part A of the Circular dated 6 June 2011 which is despatched together with the Company's 2010 Annual Report.

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

    The Proposed Resolution 9, if passed, will give authority for the Company to amend its Articles of Association in order to align with the amendments of the Main Market Listing Requirements of Bursa Securities pursuant to the directive from Bursa Securities on the implementation of payment of electronic cash dividend.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities, the details of the Directors who are seeking for re-election or re-appointment in Agenda 3 and 4 of the Notice of Thirteenth Annual General Meeting of the Company are set out in the Directors' Profile on pages 4 to 13 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 244 of this Annual Report.

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Akaun Kumpulan bagi tahun berakhir 31 Disember 2010.

PERSEKITARAN OPERASI

Tahun 2010 sememangnya tahun yang sangat mencabar bagi ekonomi Malaysia, memandangkan krisis kewangan global yang melanda dan masalah kecairan yang dialami di negara maju seperti Amerika Syarikat dan Kesatuan Eropah. Sebaliknya, negara sedang membangun di Asia tidak begitu terjejas akibat krisis kewangan global. Di Malaysia, negara mencatatkan pertumbuhan Keluaran Dalam Negara Kasar yang memberangsangkan sebanyak 7.2% pada 2010 (2009: penyusutan 1.7%), didorong oleh permintaan dalam negara yang kukuh dan disokong oleh pakej rangsangan fiskal proaktif kerajaan dan langkah pelonggaran dasar wang oleh Bank Negara Malaysia.

Pada 2010, jumlah premium/sumbangan bersih bagi pengendali insurans hayat dan takaful keluarga meningkat sebanyak 11.5% (2009: 6.8% pertumbuhan), dipacu terutamanya oleh permintaan lebih tinggi bagi produk hayat biasa dan pemulihan kukuh dalam permintaan bagi produk berkaitan pelaburan. Sejajar dengan itu, premium/sumbangan perniagaan baru bagi perniagaan insurans hayat dan takaful keluarga mencatatkan peningkatan 12% kepada RM11.2 bilion (2009: RM10.0 bilion). Premium kasar langsung bagi perniagaan insurans am (termasuk takaful am) naik sebanyak 10.2% kepada RM14.1 bilion (2009: RM12.8 bilion), sebahagian besarnya berdasarkan pertumbuhan perniagaan kebakaran dan motor.

ULASAN PRESTASI

Bagi tempoh yang dilaporkan, jumlah hasil operasi Kumpulan meningkat sebanyak 8.8% kepada RM2,264.1 juta (2009: RM2,081.9 juta). Di bawah perniagaan insurans konvensional, Bahagian Insurans Hayat mencatatkan sedikit penyusutan dari segi jumlah premium diperoleh kasar iaitu 5.8% daripada RM1,080.0 juta pada 2009 kepada RM1,016.9 juta pada 2010, sedangkan Bahagian Insurans Am mencatatkan pertumbuhan menggalakkan sebanyak 25.0% dari segi jumlah premium diperoleh kasar yang berjumlah RM608.3 juta berbanding RM486.5 juta pada 2009. Di bawah perniagaan takaful, Bahagian Takaful Keluarga dan juga Bahagian Takaful Am terus mencatatkan momentum pertumbuhan untuk meraih sumbangan kasar lebih tinggi berjumlah RM157.4 juta (2009: RM84.7 juta) dan RM99.5 juta (2009: RM59.9 juta) masing-masing pada 2010.

Kumpulan mencatatkan keuntungan sebelum cukai lebih rendah berjumlah RM36.9 juta bagi tahun semasa yang dilaporkan (2009: RM60.1 juta). Dana Insurans Am melaporkan lonjakan 2(dua) kali ganda dalam keuntungan sebelum cukai kepada RM69.9 juta berbanding RM33.6 juta pada 2009, manakala Dana Insurans Hayat mencatatkan kerugian sebelum cukai RM7.1 juta (2009: keuntungan sebelum cukai RM2.1 juta) secara keseluruhannya daripada operasi luar negara dan anak syarikat insurans Labuan tanpa pemindahan lebihan daripada Dana Insurans Hayat tempatan. Di bawah perniagaan takaful, Dana Takaful Keluarga mencatatkan keuntungan sebelum cukai RM3.4 juta (2009: RM1.6 juta). Dana Pemegang Saham mencatatkan kerugian sebelum cukai RM29.4 juta (2009: keuntungan sebelum cukai RM22.7 juta).

Keuntungan yang dicatatkan oleh Dana Pemegang Saham pada 2009 adalah disebabkan oleh pembalikan kerugian nilai saksama RM46.7 juta daripada urus niaga pertukaran kadar faedah yang ditamatkan oleh Syarikat pada Disember 2009 untuk mengurangkan pendedahan Syarikat kepada sebarang ketaktentuan pertukaran kadar faedah.

PENYATA PENGERUSI
(bersambung)

Pada 31 Disember 2010, aset Kumpulan berjumlah RM8.6 bilion, dengan peningkatan kecil 3.6% berbanding RM8.3 bilion pada 2009. Secara keseluruhan, pendapatan sesaham ("EPS") adalah lebih rendah sebanyak 9.0 sen pada akhir Disember 2010 berbanding 17.2 sen pada akhir Disember 2009.

TINJAUAN OPERASI PERNIAGAAN

Bagi tahun yang dilaporkan, Kumpulan terus memberi tumpuan kepada lima (5) operasi teras, iaitu Operasi Insurans Hayat Malaysia, Operasi Insurans Am Malaysia, Operasi Insurans Takaful Malaysia, Operasi Unit Amanah Malaysia dan Operasi Antarabangsa. Prestasi setiap operasi dibincangkan secara berasingan pada halaman seterusnya.

PELABURAN

Pada tempoh yang dilaporkan, jumlah bersih pendapatan pelaburan, keuntungan atau kerugian daripada jualan pelaburan dan perubahan nilai saksama portfolio pelaburan Kumpulan berjumlah RM548.0 juta, iaitu kenaikan 13.3% berbanding RM483.6 juta pada 2009. Peningkatan dicatatkan terutamanya kerana pendapatan faedah lebih tinggi daripada portfolio bon dan keuntungan daripada jualan sekuriti ekuiti yang disebut harga, disokong oleh masuk kira semula elaun susut nilai bagi pinjaman komersial tertentu yang dibuat pada tahun sebelumnya berasaskan kutipan semula pinjaman yang dibuat.

Seperti tahun-tahun sebelumnya, Kumpulan telah menjajarkan semula strategi pelaburan untuk mengimbangi semula portfolio pelaburan antara portfolio ekuiti dan sekuriti pendapatan tetap dalam sekuriti kerajaan berisiko rendah, kertas Cagamas dan bon korporat gred pelaburan dalam industri terpilih, dengan matlamat melindungi modal dan mengurangkan risiko pelaburan. Dalam pada itu, Kumpulan akan terus mengkaji semula dan mengatur strategi pelaburan dan campuran portfolio pelaburan selaras dengan perubahan dalam suasana pelaburan untuk memastikan ia dapat memenuhi matlamat untuk melindungi modal, meraih untung dan mencapai aliran pendapatan konsisten untuk memenuhi komitmen kepada pelanggan.

PERUNTUKAN PINJAMAN

Menjelang akhir Disember 2010, jumlah nilai dibawa bagi pinjaman tidak berbayar berjumlah RM305.0 juta (2009: RM383.7 juta), meliputi 3.5% (2009: 4.6%) daripada jumlah aset Kumpulan. Penurunan 20.5% dalam pinjaman tidak berbayar bersih merupakan hasil dari kutipan hutang yang lebih baik dan tumpuan berterusan dalam mendapatkan kembali hutang.

DIVIDEN

Bagi tahun berakhir 31 Disember 2010, Lembaga Pengarah tidak mencadangkan sebarang pembayaran dividen kerana modal perlu dikekalkan bagi memenuhi keperluan operasi semasa dan masa depan Kumpulan.

MAKLUMAT TERKINI MENGENAI CADANGAN KORPORAT

Kumpulan dengan sukacitanya menyediakan maklumat terkini berikut:

a) Pada 10 November 2008, Syarikat mengumumkan bahawa memorandum persefahaman ("MOU") tidak mengikat telah dimeterai antara MAA dan AMG Insurance Berhad ("AMG") untuk memulakan perbincangan rasmi mengenai cadangan AMG untuk memperoleh Perniagaan Insurans Am MAA pada harga ditetapkan RM274.8 juta (tertakluk kepada pelarasan), dan pemerolehan kepentingan 4.9% dalam MAA Takaful Berhad ("MAA Takaful") untuk pertimbangan berjumlah RM16.2 juta, bersamaan RM3.30 sesaham (secara kolektif "Urus Niaga Cadangan").

   Urus Niaga Cadangan adalah tertakluk kepada kelulusan daripada pihak berikut:-

   (i) Bank Negara Malaysia ("BNM") bagi skim pemindahan di bawah perjanjian pemindahan perniagaan;
   (ii) Kementerian Kewangan, berasaskan cadangan BNM, menurut Akta Insurans1996;
   (iii) Jawatankuasa Pelaburan Asing (jika perlu);
   (iv) Suruhanjaya Sekuriti ("SC") (jika perlu);
   (v) Mahkamah Tinggi Malaysia bagi pengesahan skim pemindahan; dan
   (vi) Pemegang saham Syarikat

   Pada 26 Februari 2009, Syarikat mengumumkan bahawa MAA dan AMG sedang berusaha memuktamadkan perjanjian pemindahan perniagaan ("BTA") berhubung dengan cadangan pelupusan Perniagaan Insurans Am MAA sebelum mengemukakan perjanjian tersebut kepada BNM untuk diluluskan.

   Pada 24 April 2009, Syarikat mengumumkan bahawa harga ditetapkan telah dipinda kepada RM254.8 juta (tertakluk kepada pelarasan) dan permohonan telah dibuat kepada BNM untuk meminta kelulusan bagi cadangan pelupusan Perniagaan Insurans Am MAA kepada AMG ("Cadangan Pelupusan"). Pelaksanaan BTA adalah tertakluk kepada kelulusan BNM, yang sedang dinantikan. Syarikat dan juga MAA juga telah memberi AMG lanjutan selama 120 hari kepada tempoh eksklusif di dalam MOU. Pada 27 April 2009, Syarikat telah mengemukakan permohonan kepada SC bagi Cadangan Pelupusan.

   Pada 21 Julai 2009, Syarikat mengumumkan bahawa SC telah meluluskan Cadangan Pelupusan menerusi surat bertarikh 20 Julai 2009 (yang diterima pada 21 Julai 2009). Namun begitu, Cadangan Pelupusan masih tertakluk kepada kelulusan BNM dan Pemegang Saham syarikat.

   Pada 17 November 2009, Syarikat mengumumkan bahawa selepas rundingan lanjut, harga ditetapkan telah diubah kepada RM180 juta (tertakluk kepada pelarasan). Harga ditetapkan itu dipersetujui selepas mengambil kira nilai berasingan Perniagaan Insurans Am tanpa perjanjian strategik dengan perniagaan MAA Takaful. Keuntungan bagi tahun kewangan berakhir 31 Disember 2009 dan sebelum tarikh tamatnya pelupusan Perniagaan Insurans Am akan terakru kepada MAA. Permohonan berkenaan dengan pindaan syarat dalam Cadangan Pelupusan telah dikemukakan kepada BNM untuk kelulusan.

   Pada 6 Januari 2010, Syarikat mengumumkan bahawa BNM menerusi suratnya bertarikh 5 Januari 2010 telah memberikan kelulusan bagi Cadangan Pelupusan menurut Seksyen 130 Akta Insurans 1996. Pada 12 Februari 2010, Syarikat selanjutnya mengumumkan bahawa SC telah meluluskan harga ditetapkan indikatif yang telah diubah sebanyak RM180 juta (tertakluk kepada pelarasan) bagi Cadangan Pelupusan menerusi surat bertarikh 10 Februari 2010.

Pada 30 Julai 2010, Syarikat telah mengumumkan bahawa SC menerusi surat bertarikh 27 Julai 2010, memberikan Syarikat lanjutan masa selama lapan (8) bulan dari 20 Julai 2010 hingga 19 Mac 2011 untuk menyempurnakan Cadangan Pelupusan tersebut.

Pada 16 Disember 2010, Syarikat mengumumkan penamatan perbincangan atas persetujuan bersama dengan AMG berkenaan dengan Cadangan Pelupusan.

(b) Pada 29 April 2010, Syarikat mengumumkan bahawa MAA telah mendapat kelulusan daripada BNM menerusi surat yang diterima daripada BNM bertarikh 11 Mac 2010 bagi MAA mengambil langkah yang sewajarnya untuk memenuhi keperluan sasaran kawal selia minimum bagi nisbah kecukupan modal yang perlu dikekalkan oleh semua penanggung insurans di bawah Rangka Kerja Modal Berasaskan Risiko ("Pelan Modal"). Syarikat juga mengumumkan bahawa ia akan melaksanakan kegiatan penggabungan dan pemerolehan yang diperlukan, termasuk potensi jualan MAA dalam tempoh 12 bulan selepas kelulusan BNM untuk mengukuhkan asas modal MAA.

Pada 16 Disember 2010, Syarikat mengumumkan perjanjian dengan Zurich Insurance Company Ltd ("Zurich") yang mana pihak yang terbabit akan menilai dan merundingkan urus niaga yang mungkin membabitkan pemerolehan kepentingan dalam MAA.

Pada 10 Februari 2011, permohonan telah dikemukakan kepada BNM untuk mendapatkan lanjutan 12 bulan sehingga Mac 2012 untuk menyempurnakan rundingan dengan Zurich bagi memenuhi Pelan Modal tersebut.

Pada 11 April 2011, Syarikat mengumumkan bahawa permohonan telah dikemukakan kepada BNM untuk memohon kelulusan Kementerian Kewangan mengikut Seksyen 67 Akta Insurans 1996 bagi perjanjian dengan Zurich untuk Cadangan Pelupusan MAA dan beberapa anak syarikat iaitu Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd dan Maagnet – SSMS Sdn Bhd bagi pegangan kepentingan ekuiti keseluruhan Syarikat kepada Zurich.

Pada 28 April 2011, Syarikat mengumumkan BNM melalui surat bertarikh 27 April 2011 telah meluluskan lanjutan tempoh berkaitan Pelan Modal MAA termasuk cadangan pelupusan MAA hingga 31 Julai 2011.

TANGGUNGJAWAB SOSIAL KORPORAT

Kumpulan sentiasa komited terhadap peranannya sebagai warga korporat yang prihatin dan bertanggungjawab.

Untuk mencapai matlamat ini, Tabung Amal Buah Pinggang MAA-Medicare ditubuhkan pada 1994 sebagai usaha Tanggungjawab Sosial Korporat Kumpulan untuk meringankan beban kewangan pesakit buah pinggang dan keluarga mereka, dengan menyediakan kemudahan dialisis dan penjagaan kesihatan berkualiti dan termampu pada kos rawatan bersubsidi. Setakat ini, Kumpulan telah meluaskan rangkaian kepada dua belas (12) pusat dialisis buah pinggang di seluruh negara untuk memenuhi keperluan semakin ramai pesakit baru yang memerlukan perkhidmatan perubatan bersubsidi. Sehingga ini, Tabung Amal Buah Pinggang MAA-Medicare telah berkembang menjadi penyedia khidmat dialisis kedua terbesar di Malaysia, yang merawat lebih daripada 650 pesakit di seluruh negara.

Kumpulan juga menyokong Yayasan Amal Budimas dalam memenuhi matlamatnya memberikan khidmat kebajikan kepada kanak-kanak kurang bernasib baik dan fakir miskin. Buat masa ini, Yayasan telah menjadikan dua belas (12) rumah kebajikan sebagai rumah angkat untuk memberikan sokongan kewangan berterusan kepada kanak-kanak kurang bernasib baik dan anak yatim piatu. Yayasan ini juga telah menubuhkan Rumah Kebajikan sendiri yang dikenali sebagai Pusat Jagaan Kebajikan Budimas Orion, yang mengambil anak yatim piatu dan kanak-kanak kurang bernasib baik daripada semua bangsa.

Akhir sekali, Kumpulan akan terus memperuntukkan sumber untuk membantu menunaikan objektif aktiviti amal ini pada tahun-tahun akan datang di samping memenuhi tanggungjawab sosial korporatnya.

Maklumat mengenai aktiviti- aktiviti Tanggungjawab Sosial Korporat dibincangkan secara berasingan pada halaman seterusnya.

PROSPEK

Bagi 2011, Institut Penyelidikan Ekonomi Malaysia telah meramalkan pertumbuhan Keluaran Dalam Negara Kasar di antara 5.0% - 6.0%, berteraskan asas ekonomi yang lebih baik dan permintaan tempatan yang lebih kukuh di ekonomi Asia yang sedang membangun. Namun begitu, Malaysia akan terus menghadapi tekanan inflasi yang semakin hebat yang akan menyaksikan dasar wang diperketat.

Kumpulan akan terus menghadapi persaingan sengit dalam persekitaran operasinya memandangkan liberalisasi, penyatuan dan perubahan peraturan industri selanjutnya yang dijangkakan dalam sektor perkhidmatan kewangan, khususnya untuk mencapai pulangan pelaburan mencukupi bagi melindungi modal, mengekalkan keuntungan dan memenuhi komitmen kepada pelanggan.

Kumpulan akan meneruskan usahanya untuk mengkaji, melaksana dan memantau pelan tindakan pengurusan, termasuk pelan pengurusan modal, berlengkapkan objektif untuk memastikan pertamanya, modal yang mencukupi untuk memenuhi keperluan kawal selia dan sokongan pertumbuhan perniagaan, mampu untuk memperbaiki kualiti aset serta menguruskan risiko dengan baik; dan keduanya, produk dan perkhidmatan yang ditawarkan kekal inovatif dan berdaya saing untuk memenuhi keperluan para pelanggan semasa dan sasaran.

PENGIKTIRAFAN DAN PENGHARGAAN

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

Saya juga ingin mengambil kesempatan ini untuk merakamkan penghargaan kami kepada pada pelanggan yang dihormati, ejen, sekutu perniagaan dan pemegang saham atas sokongan tidak berbelah bahagi serta keyakinan dan kepercayaan yang diletakkan pada kami.

Akhir kata, saya ingin mengucapkan terima kasih kepada para ahli Lembaga Pengarah di atas kepimpinan dan sumbangan kepada Kumpulan.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
Pengerusi Eksekutif

ULASAN OPERASI PERNIAGAAN

ULASAN INSURANS HAYAT MALAYSIA

Bahagian Insurans Hayat mencatatkan kemerosotan 9.1% dalam jumlah premium diperoleh kasar kepada RM1.0 bilion (2009: RM1.1 bilion) sebahagian besarnya berikutan pengurangan premium perniagaan tunggal, khususnya pelan Endowmen Dividen Tetap ("FDE") dan perniagaan kumpulan. Pengurangan premium FDE adalah disebabkan oleh strategi yang diatur oleh MAA untuk mengurangkan jualan pelan yang intensif modal ini untuk menguruskan kecairan dengan lebih baik. Namun begitu MAA mencatatkan pertumbuhan 56.8% dalam premium tahun pertama hasil peningkatan jualan pelan berkaitan pelaburan.

Bahagian Insurans Hayat juga mencatatkan jumlah pendapatan pelaburan bersih, untung atau rugi daripada jualan pelaburan dan perubahan nilai saksama portfolio pelaburan berjumlah RM472.6 juta, peningkatan 15.7% berbanding RM408.6 juta pada 2009. Peningkatan dicatatkan terutamanya kerana pendapatan faedah lebih tinggi daripada portfolio bon dan keuntungan daripada jualan sekuriti ekuiti yang disebut harga, disokong pula oleh masuk kira semula elaun rosot nilai bagi pinjaman komersial tertentu yang dibuat pada tahun sebelumnya berasaskan kutipan semula pinjaman yang dibuat.

Seiring dengan langkah yang diambil pada 2009 untuk memenuhi keperluan modal di bawah Rangka Kerja RBC, tiada pindahan lebihan dibuat daripada Dana Insurans Hayat ke Dana Pemegang Saham pada tahun yang dilaporkan.

Dalam pada itu, MAA akan memberi tumpuan kepada pertumbuhan hasil menerusi inovasi produk, khususnya pelan berkaitan pelaburan dan meluaskan pengedaran dengan merekrut, melatih dan mengekalkan ejen berkualiti.

ULASAN INSURANS AM MALAYSIA

Bahagian Insurans Am mencatatkan pertumbuhan menggalakkan sebanyak 25.2% dalam jumlah premium diperoleh kasar kepada RM521.7 juta (2009: RM416.6 juta). Perniagaan motor dan premium bukan motor masing-masing meningkat sebanyak 38.5% kepada RM292.9 juta (2009: RM211.5 juta) dan 11.6% kepada RM228.8 juta (2009: RM205.1 juta).

Pada tahun yang dilaporkan, nisbah tuntutan juga bertambah baik pada kadar 65.3% (2009: 68.3%). Nisbah tuntutan lebih baik ini merupakan hasil tindakan strategik berterusan sejak beberapa tahun lepas untuk beralih daripada perniagaan yang tidak menguntungkan. Walaupun dengan nisbah tuntutan yang lebih baik, Bahagian ini telah mencatatkan jumlah pendapatan pelaburan bersih, untung atau rugi daripada jualan pelaburan dan perubahan nilai saksama bagi portfolio pelaburan lebih rendah berjumlah RM36.5 juta (2009: RM45.2 juta). Pendapatan yang lebih rendah ini adalah terutamanya disebabkan oleh pelupusan beberapa aset pelaburan bernilai RM85.0 juta oleh Bahagian Insurans Am kepada Dana Pemegang Saham pada tahun yang dilaporkan untuk menjelaskan hutang antara dana.

Berbekalkan jumlah premium diperoleh kasar yang lebih tinggi dan nisbah tuntutan lebih baik, Bahagian Insurans Am MAA telah memulihkan operasi daripada kerugian taja jamin RM7.9 juta pada 2009 hingga mencatatkan keuntungan taja jamin RM13.8 juta pada 2010. Bagi tahun yang dilaporkan, Bahagian Insurans Am mencatatkan keuntungan sebelum cukai RM55.5 juta, kenaikan 48.0% yang membanggakan berbanding keuntungan sebelum cukai RM37.5 juta pada 2009.

ULASAN INSURANS TAKAFUL MALAYSIA

Pada 2010, Dana Takaful Keluarga mencatatkan jumlah sumbangan diperoleh kasar RM157.4 juta (2009: RM84.7 juta) terutamanya daripada produk berkaitan pelaburan, manakala Dana Takaful Am mencatatkan jumlah sumbangan diperoleh kasar berjumlah RM99.5 juta (2009: RM59.9 juta), terutamanya daripada pertumbuhan perniagaan motor, kemalangan diri dan lain-lain kelas perniagaan.

Dalam tahun keempat operasi, Dana Pemegang Saham MAA Takaful mencatatkan keuntungan berganda sebelum zakat dan cukai kepada RM7.2 juta (2009: RM3.1 juta), selepas mengambil kira lebihan RM3.4 juta (2009: RM1.6 juta) yang dipindahkan daripada Dana Takaful Keluarga.

Dana Takaful Am mencatatkan kerugian sebelum cukai lebih tinggi berjumlah RM5.8 juta (2009: kerugian sebelum cukai RM1.3 juta). Kerugian lebih tinggi ini disebabkan terutamanya oleh peningkatan nisbah tuntutan daripada 63.4% pada 2009 kepada 80.3%, sebahagian besarnya daripada kebakaran, motor dan lain-lain kelas perniagaan.

Seperti yang diperuntukkan di bawah Seksyen 16(3) Akta Takaful 1984, pihak lembaga pengarah MAA Takaful telah meluluskan agihan lebihan Dana Takaful Keluarga berjumlah RM6.8 juta seperti yang disarankan oleh aktuari dilantik oleh syarikat. Agihan ini akan dikongsi secara sama rata di antara pihak syarikat (sebagai pengendali) dan para peserta mengikut polisi agihan lebihan MAA Takaful.

Kami berbangga mengumumkan bahawa pada Ogos 2010, MAA Takaful menerima anugerah "Produk Takaful Paling Cemerlang" bagi produk Takafulink di Majlis Anugerah Kewangan Islam Ketujuh Kuala Lumpur, iaitu tahun kedua berturut-turut syarikat memenangi anugerah bagi salah satu daripada produknya.

MAA Takaful yang memasuki tahun keempat operasi, telah menggiatkan usaha untuk mengoptimumkan proses dan sistem, sambil meluaskan produk yang ditawarkan bagi memastikan para pelanggan mendapat manfaat mutlak dari perkhidmatan yang cekap dan produk yang unggul yang ditawarkan.

MAA Takaful meramalkan bahawa persekitaran operasi dalam sektor takaful akan terus mencabar dan bertambah sengit, dengan pemberian empat (4) lesen takaful keluarga baru oleh Kementerian Kewangan pada 2009/2010. Namun begitu, MAA Takaful akan meneruskan usahanya untuk melancarkan produk inovatif baru, meluaskan asas pelanggan, merekrut tenaga agensi yang berkualiti dan produktif serta mewujudkan saluran pengedaran baru.

ULASAN UNIT AMANAH MALAYSIA

Pada 2010, industri unit amanah Malaysia mencatatkan pertumbuhan dengan jumlah Nilai Aset Bersih ("NAB") dana di bawah pengurusan meningkat sebanyak 18.3% kepada RM226.8 bilion (2009: RM191.7 bilion). Sementara itu, nilai aset di bawah pengurusan oleh pengurus dana meningkat 12.1% dalam tempoh yang dilaporkan.

ULASAN OPERASI PERNIAGAAN
(bersambung)

Pada akhir Disember 2010, jumlah bilangan dana di bawah pengurusan MAAKL Mutual (syarikat pengurusan unit amanah kumpulan) meningkat daripada dua puluh empat (24) pada 2009 kepada dua puluh lima (25) dengan pelancaran satu dana baru dalam tempoh yang dilaporkan, iaitu Dana MAAKL Indonesia Equity. Pada tahun yang dilaporkan, jumlah NAB dana unit amanah di bawah pengurusan MAAKL Mutual meningkat sebanyak 15.4% daripada RM1.6 bilion pada akhir Disember 2009 kepada RM1.8 bilion pada akhir Disember 2010, satu peningkatan yang seiring dengan kenaikan 19.3% FBM KLCI dan prestasi industri unit amanah sepanjang tahun. Justeru, penarafan MAAKL Mutual dari segi bahagian pasaran telah meningkat daripada 10 pada akhir Disember 2009 kepada 9 pada akhir Disember 2010. Sehingga akhir Disember 2010, MAAKL Mutual mempunyai seramai 1,212 ejen (2009: 1,175 ejen).

Pada tahun yang dilaporkan, MAAKL Mutual terus memberikan sumbangan positif kepada keputusan Kumpulan, dengan peningkatan dua angka dalam keuntungan sebelum cukai berjumlah RM2.2 juta (2009: RM1.1 juta).

TINJAUAN OPERASI ANTARABANGSA

MAA International Assurance Ltd ("MAAIA"), bahagian insurans dan pelaburan luar pesisir Kumpulan yang berpangkalan di Labuan telah memulihkan operasi untuk mencatatkan keuntungan operasi sebelum cukai RM9.4 juta (2009: kerugian sebelum cukai RM1.8 juta) sebelum mengambil kira peruntukan kemerosotan nilai akaun yang dibuat atas aset dan pelaburan tertentu dalam anak syarikat insurans di Indonesia berjumlah RM32.6 juta bagi tempoh yang dilaporkan. Namun begitu, peruntukan kemerosotan nilai atas anak syarikat insurans tidak akan memberikan kesan terhadap keputusan Kumpulan kerana Kumpulan telah memasukkan keputusan anak syarikat dari tarikh pemerolehan.

Buat enam tahun berturut-turut, perniagaan insurans am di Filipina memberikan sumbangan positif kepada hasil Kumpulan dengan keuntungan sebelum cukai RM2.1 juta (2009: RM1.2 juta). Bagaimanapun, kedua-dua perniagaan insurans hayat dan am Indonesia memberikan sumbangan negatif kepada Kumpulan apabila masing-masing mengalami kerugian sebelum cukai RM8.2 juta dan RM0.1 juta. Kerugian perniagaan insurans hayat adalah terutamanya disebabkan oleh perniagaan tidak menguntungkan yang ditaja jamin pada tahun yang dilaporkan.

Sejak 2008, Kumpulan telah mengurangkan kegiatan operasi dalam perniagaan unit amanah di Filipina untuk mengawal kos dan kerana perniagaan yang tidak berdaya maju. Sehubungan ini, Kumpulan sedang mencari pihak yang berminat untuk melupuskan pelaburan dalam perniagaan unit amanah di Filipina.

Syarikat bersekutu Kumpulan, Columbus Capital Pty Ltd ("CCAU") yang memulakan perniagaan pinjaman gadai janji runcit dan pensekuritian pinjaman di Australia pada 2006, mencatatkan kerugian sebelum cukai RM2.1 juta pada 2010 (2009: keuntungan sebelum cukai RM6.6 juta). Kerugian dialami sebahagian besarnya disebabkan hasil faedah lebih rendah yang timbul daripada pengurangan portfolio pinjaman ekoran kematangan portfolio tertentu sepanjang tahun. Namun begitu, CCAU terus berusaha mendapatkan portfolio pinjaman baru pada tahun yang dilaporkan. Pinjaman gadai janji CCAU yang dipakej tidak mengambil risiko kredit kerana pinjamannya mendapat perlindungan S&P (syarikat insurans bertaraf AA).

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 2010.

OPERATING ENVIRONMENT

2010 remained an extremely challenging time for the Malaysian economy with the unprecedented global financial crisis and liquidity crunch which hit the advanced economies in the United States and the European Union. In contrast, the emerging economies in Asia were relatively less affected by the global financial crisis. In Malaysia, the country achieved a commendable Gross Domestic Product growth of 7.2% in 2010 (2009: contraction of 1.7%), brought about by strong domestic demand and supported by the Government's proactive fiscal stimulus packages and monetary policy easing measures by Bank Negara Malaysia.

In 2010, total net premiums/contributions of the life insurance and family takaful operators grew by 11.5% (2009: 6.8% growth), driven mainly by higher demand for ordinary life products and strong recovery in the demand for investment-linked products. With this, the new business premiums/contributions for life insurance and family takaful businesses recorded an increase of 12% to RM11.2 billion (2009: RM10.0 billion). The gross direct premiums for the general insurance business (including general takaful) increased by 10.2% to RM14.1 billion (2009: RM12.8 billion) driven mainly by growth in fire and motor businesses.

PERFORMANCE REVIEW

For the year under review, the Group's total operating revenue increased by 8.8% to RM2,264.1 million (2009: RM2,081.9 million). Under the conventional insurance business, the Life Insurance Division recorded a marginal 5.8% decrease in total gross earned premiums from RM1,080.0 million in 2009 to RM1,016.9 million in 2010, whereas the General Insurance Division registered a commendable 25.0% growth in total gross earned premiums to RM608.3 million from RM486.5 million in 2009. Under the takaful business, both the Family Takaful Division and General Takaful Division continued with growth momentum to register higher gross contributions of RM157.4 million (2009: RM84.7 million) and RM99.5 million (2009: RM59.9 million) respectively in 2010.

The Group recorded a lower profit before taxation of RM36.9 million for the current year under review (2009: RM60.1 million). The General Insurance Fund recorded a 2 (two) fold increase in profit before taxation to RM69.9 million from RM33.6 million in 2009, while the Life Insurance Fund registered a loss before taxation of RM7.1 million (2009: profit before taxation of RM2.1 million) wholly from the overseas and Labuan insurance subsidiary companies with no transfer of surplus from the local Life Insurance Fund. Under the takaful business, the Family Takaful Fund registered a profit before taxation of RM3.4 million (2009: RM1.6 million). The Shareholders' Fund recorded a loss before taxation of RM29.4 million (2009: profit before taxation of RM22.7 million).

The profit recorded by Shareholders' Fund in 2009 was due mainly to reversal of fair value loss of RM46.7 million from an interest rate swap transaction which was terminated by the Company in December 2009 to mitigate the exposure of the Company to any further volatility in the interest rate swap.

As at 31 December 2010, the Group's total assets stood at RM8.6 billion, a marginal increase of 3.6% over 2009 of RM8.3 billion. Overall, Earnings per share ("EPS") was lower at 9.0 sen at end December 2010 compared to 17.2 sen at end December 2009.

BUSINESS OPERATIONS REVIEW

For the year under review, the Group continues to remain focused in five (5) core operations, namely Malaysian Life Insurance Operations, Malaysian General Insurance Operations, Malaysian Takaful Insurance Operations, Malaysian Unit Trust Operations and the International Operations. Details of their performance are separately discussed in the following pages.

INVESTMENTS

During the year under review, net total of the Group's investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios amounted to RM548.0 million, a 13.3% improvement over 2009 of RM483.6 million. The improvement was due mainly to higher interest income from the bonds portfolio and gain from realisation of quoted equity securities, coupled with write back of impairment allowance on certain commercial loans made in previous years on the back of loan recovery made.

Consistent with previous years, the Group realigned the investment strategies to rebalance the investment portfolios between the equity portfolio and 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. Moving forward, the Group will continue to review and revise its investment strategies and investment portfolio-mix in light of changes in the investment environment to ensure that it achieves the benefits of capital preservation, profitability and consistent income flows to meeting commitments to customers.

LOAN PROVISIONS

As at end December 2010, total carrying amount of non-performing loans stood at RM305.0 million (2009: RM383.7 million), comprising 3.5% (2009: 4.6%) of the Group's total assets. The improvement of 20.5% in net non-performing loans was the result of stronger debt collection and on-going focus recovery exercise undertaken.

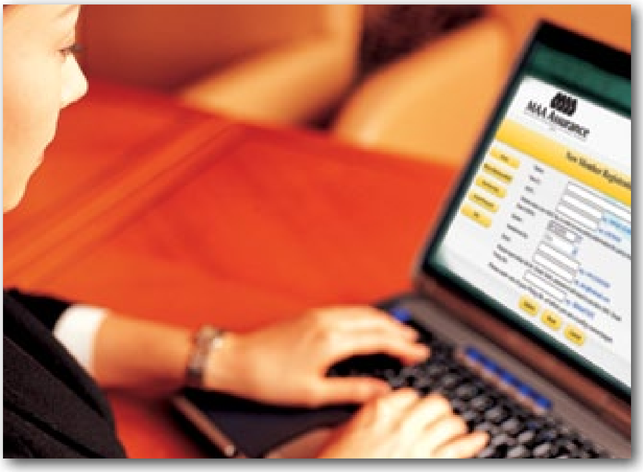
DIVIDENDS

For the year ended 31 December 2010, 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) 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 the acquisition of a 4.9% stake in MAA Takaful Berhad ("MAA Takaful") for a total consideration of RM16.2 million, equivalent to RM3.30 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) Ministry 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; and
(vi) Shareholders of the Company

On 26 February 2009, the Company announced that both MAA and AMG were 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 was revised to RM254.8 million (subject to adjustments) and an application to BNM seeking its approval for the proposed disposal of General Insurance Business of MAA to AMG ("the Proposed Disposal") was submitted. The execution of the BTA was subject to BNM's approval which is currently pending. The Company and MAA had 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.

On 21 July 2009, the Company announced that the SC approved the Proposed Disposal via its letter dated 20 July 2009 (which was received on 21 July 2009). However, the Proposed Disposal was still subject to approvals from BNM and Shareholders of the Company.

On 17 November 2009, the Company announced that after further negotiations, the headline price was revised to RM180 million (subject to adjustments). The revised headline price was arrived at after taking into consideration the standalone value of the General Insurance Business without a strategic cooperation arrangement on the takaful business with MAA Takaful. The profit for the financial year ended 31 December 2009 and prior to the completion date of the General Insurance Business will be accrued to MAA. An application in respect of the revised terms on the Proposed Disposal was submitted to BNM for approval.

On 6 January 2010, the Company announced that BNM had via its letter dated 5 January 2010 granted its approval on the Proposed Disposal pursuant to Section 130 of the Insurance Act, 1996. On 12 February 2010, the Company further announced that the SC has approved the revised indicative headline price of RM180 million (subject to adjustments) for the Proposed Disposal via its letter dated 10 February 2010.

On 30 July 2010, the Company announced that SC had via its letter dated 27 July 2010, granted the Company an extension of time of eight (8) months from 20 July 2010 till 19 March 2011 to complete the Proposed Disposal.

On 16 December 2010, the Company announced the discontinued discussion with AMG as mutually agreed on the Proposed Disposal.

b) On 29 April 2010, the Company announced that MAA had received approval from BNM via BNM's letter dated 11 March 2010 for MAA to undertake the necessary measures to meet the minimum supervisory target level of capital adequacy ratio that is required to be maintained by all insurers under the Risk-Based Capital Framework ("the Capital Plan"). The Company also announced it will carry out the necessary merger and acquisition activities which include the potential sale of MAA within 12 months of BNM's approval to strengthen MAA's capital base.

On 16 December 2010, the Company announced the entering into an agreement with Zurich Insurance Company Ltd ("Zurich") pursuant to which, the parties will evaluate and negotiate a possible transaction involving the acquisition of an interest in MAA.

On 10 February 2011, an application was submitted to BNM to seek extension of time of 12 months till March 2012 to complete the negotiations with Zurich to meet the Capital Plan.

On 11 April 2011, the Company announced that it had submitted an application to BNM to seek approval of the Minister of Finance pursuant to Section 67 of the Insurance Act 1996 to enter into an agreement with Zurich for the Proposed Disposal of MAA and certain subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd for the Company's entire equity interests held therein to Zurich.

On 28 April 2011, the Company announced BNM has vide its letter dated 27 April 2011 granted extension of time in relation to MAA's Capital Plan including the proposed disposal of MAA till 31 July 2011.

CORPORATE SOCIAL RESPONSIBILITY

The Group has always remained committed to its quest to be a responsible and caring citizen.

Towards this, the MAA-Medicare Kidney Charity Fund was set up in 1994 as the Corporate Social Responsibility arm of the Group to ease the financial burden of kidney patients and their families by providing affordable access to quality dialysis and healthcare at subsidised treatment costs. Over the years, the Group has expanded its network to twelve (12) kidney dialysis centres which are well spread over the whole country to cater to the needs of the ever-increasing number of new patients for such subsidised medical services. Todate, MAA-Medicare Kidney Charity Fund has grown to become the second largest dialysis provider in Malaysia, caring for more than 650 patients across the country.

The Group has also supported The Budimas Charitable Foundation in its objective of providing welfare to the under-privileged children and the poor. Currently, the Foundation has adopted twelve (12) homes to provide continuous financial support for under-privileged children and orphans. The Foundation has also set up its own Home known as Pusat Jagaan Kebajikan Budimas Orion which takes in orphans and under-privileged children of all races.

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 the Corporate Social Responsibility activities are discussed separately in the following pages.

PROSPECTS

For 2011, the Malaysian Institute of Economic Research has projected a domestic Gross Domestic Product growth of between 5.0% - 6.0%, based on better economic fundamentals and stronger domestic demand in the developing Asia economies. Nevertheless, Malaysia will continue to face rising inflationary pressures that will lead to further policy tightening measures.

The Group will continue to face strong competition in its operating environment in view of further industry liberalisation, consolidation and regulatory changes anticipated in the financial services sector, particularly to achieve sufficient investment return to protect capital, remain profitable and fulfilling commitments to customers.

The Group will continue its efforts to review, implement and monitor management action plans, including its capital management plans, with the objectives to ensure that firstly, we are well capitalised to meet regulatory requirements and support business growth, able to improve asset quality and 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 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

BUSINESS OPERATIONS REVIEW

MALAYSIAN LIFE INSURANCE REVIEW

The Life Insurance Division posted a drop of 9.1% in total gross earned premiums to RM1.0 billion (2009: RM1.1 billion), largely from reduction in single premium business, in particular Fixed Dividend Endowment plan (“FDE”) and group business. The contraction in FDE’s premium was the result of MAA’s strategy to wind down the sale of this capital intensive plan for better liquidity management. However, MAA recorded a 56.8% growth in first year premium due to increase in the sales of investment-linked plans.

The Life Insurance Division also recorded a net total investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios amounted to RM472.6 million, a 15.7% improvement over 2009 of RM408.6 million. The improvement was due mainly to higher interest income from the bonds portfolio and gain from realisation of quoted equity securities, coupled with write back of impairment allowance on certain commercial loans made in previous years on the back of loan recovery made.

Consistent with 2009 to meet the capital requirements under RBC Framework, no transfer of surplus is made from the Life Insurance Fund to the Shareholders’ Fund during the year under review.

Moving forward, MAA will focus on revenue growth through product innovation particularly investment-linked plans and distribution creation via recruiting, training and retaining quality agents.

MALAYSIAN GENERAL INSURANCE REVIEW

The General Insurance Division recorded a commendable growth of 25.2% in total gross earned premiums to RM521.7 million (2009: RM416.6 million). Both motor business and non-motor premiums increased by 38.5% to RM292.9 million (2009: RM211.5 million) and 11.6% to RM228.8 million (2009: RM205.1 million) respectively.

During the year under review, the claims ratio improved to 65.3% (2009: 68.3%). 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 Division has recorded a lower net total investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios amounted to RM36.5 million (2009: RM45.2 million). This lower income was mainly due to disposal of some investment assets by the General Insurance Division totaling RM85.0 million to the Shareholders’ Fund during the year under review to settle the inter-fund owing.

Riding on the higher total gross earned premiums and improved claims ratio, the General Insurance Division of MAA turned-around from an underwriting loss of RM7.9 million in 2009 to making an underwriting profit of RM13.8 million in 2010. For the year under review, the General Insurance Division recorded a profit before taxation of RM55.5 million, an impressive 48.0% improvement over 2009 profit before taxation of RM37.5 million.

MALAYSIAN TAKAFUL INSURANCE REVIEW

In 2010, the Family Takaful Fund registered a total gross earned contributions of RM157.4 million (2009: RM84.7 million) mainly from investment-linked products, whilst the General Takaful Fund recorded a total gross earned contributions of RM99.5 million (2009: RM59.9 million), mainly growth from motor, personal accident and miscellaneous classes of business.

In its fourth full year of operations, the Shareholders' Fund of MAA Takaful recorded a two fold increase in profit before zakat and taxation to RM7.2 million (2009: RM3.1 million), after taking into account a surplus of RM3.4 million (2009: RM1.6 million) transferred from the Family Takaful Fund.

The General Takaful Fund recorded a higher loss before taxation of RM5.8 million (2009: loss before taxation of RM1.3 million). The higher loss was due mainly to increase in claims ratio from 63.4% in 2009 to 80.3%, mainly from fire, motor and miscellaneous classes of business.

As provided in Section 16(3) of the Takaful Act 1984, the board of directors of MAA Takaful has approved the distribution of surplus on the Family Takaful Fund amounting to RM6.8 million as recommended by the appointed actuary of the company. This distribution will be shared equally by the company (being the operator) and the participants in accordance with MAA Takaful's surplus distribution policy.

We are proud to announce that in August 2010 MAA Takaful was awarded with the "Most Outstanding Takaful Product" for its Takafulink product at the Seventh Kuala Lumpur Islamic Finance Awards Ceremony, the second consecutive year that the company has won the award for one of its products.

Moving into its fourth year of operations, MAA Takaful has intensified its measures to achieve optimised internal processes and systems, while expanding product offering to ensure that customers attain ultimate benefits in terms of efficient services and superior products.

MAA Takaful expects the operating environment in the takaful sector to remain challenging and competitive, with the granting of four (4) new family takaful licences by the Minister of Finance in 2009/2010. Nevertheless, MAA Takaful will continue with its effort to roll out new innovative products, expand its customer base, recruit quality and productive agency force and establish new distribution channels.

MALAYSIAN UNIT TRUST REVIEW

In 2010, the Malaysian unit trust industry registered an expansion with total Net Asset Value ("NAV") of funds under management increased by 18.3% to RM226.8 billion (2009: RM191.7 billion). Meanwhile, the value of assets under management by fund managers grew by 12.1% during the year under review.

As at end of December 2010, the total number of funds under management of MAAKL Mutual (the unit trust management company of the Group") grew from twenty four (24) in 2009 to twenty five (25) with the launch of one new fund during the year under review, namely MAAKL Indonesia Equity Fund. During the year under review, the total NAV of unit trust funds under management of MAAKL Mutual increased by 15.4% from RM1.6 billion as at end December 2009 to RM1.8 billion as at end December 2010, an increase which is in line with the 19.3% gain in FMB KLCI and the unit trust industry performance during the year. Towards this, MAAKL Mutual's market ranking in terms of market share has improved from 10 as at end December 2009 to 9 as at end December 2010. As at end December 2010, the agency force of MAAKL stood at 1,212 agents (2009: 1,175 agents).

During the year, MAAKL Mutual continued to contribute positively to the results of the Group with a two fold increase in profit before taxation to RM2.2 million (2009: RM1.1 million).

INTERNATIONAL OPERATIONS REVIEW

MAA International Assurance Ltd ("MAAIA"), the Labuan based offshore insurance and investment arm of the Group, turned-around to record an operating profit before taxation of RM9.4 million (2009: loss before taxation of RM1.8 million) before taking into account impairment allowance made on certain assets and investment in insurance subsidiary companies in Indonesia totaling RM32.6 million during the year under review. Nevertheless, the impairment allowance on investment in such insurance subsidiary companies will not have any impact on the Group's results since the Group has already included the results of these subsidiary companies from the date of acquisition.

For the sixth consecutive year, the general insurance business in the Philippines contributed positively to the results of the Group with profit before taxation of RM2.1 million (2009: RM1.2 million). However, both the life and general insurance businesses in Indonesia posted negatively to the results of the Group with losses before taxation of RM8.2 million and RM0.1 million respectively. The loss by the life insurance business was mainly due to non-profitable business underwritten during the year.

Since 2008, the Group has scaled down its operations in the unit trust business in the Philippines for cost containment and business non-viability. Towards this end, the Group has been on the lookout for interested parties for possibility of divestment of its investment in the unit trust business in the Philippines.

The Group's associated company, Columbus Capital Pty Ltd ("CCAU") which commenced operations in 2006 to carry out the business of retail mortgage lending and loan securitisation in Australia, recorded a loss before taxation of RM2.1 million in 2010 (2009: profit before taxation of RM6.6 million). The loss arose mainly from lower interest revenue arising from reducing mortgage portfolios as a result of maturity of certain portfolios during the year. Nevertheless, CCAU has moved ahead to actively sourcing for new mortgage portfolios during the year. CCAU packaged mortgage loans but does not take on the credit risk as the loans are insured by S&P (AA rated insurers).

STATEMENT ON CORPORATE GOVERNANCE

This statement is made pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") 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 2010.

1. BOARD OF DIRECTORS

1.1 Composition and Size of Board

The Board comprises 10 Directors as at the date of this Annual Report, of whom 6 are Independent Directors within the meaning of Chapter 1.01 of the Listing Requirements. 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 judgement.

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 judgement to take into account the interest, not only the Group but also of shareholders, employees and communities in which the Group conducts business.

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 Executive Chairman is Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah and the Group MD/CEO is Muhamad Umar Swift.

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;
- chairs the shareholders' meeting;
- acts as the Group's ambassador within the domestic and international market;
- participates in the management committee meetings;
- ensures and monitors compliance with policies set by the Board;
- provides opinion to and/or work with the Group MD/CEO on major strategic issues;
- acts as a liaison between the Group and government officials, embassy and foreign investors; and
- be the main spokeperson 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 10 times during the financial year ended 31 December 2010. The details of the attendance by each of the Directors for the financial year ended 31 December 2010 are as follows:-

Members of the Board	No. of Attendance	%
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	8/10	80
Muhamad Umar Swift	10/10	100
Yeo Took Keat	10/10	100
Major General Datuk Lai Chung Wah (Rtd)	8/10	80
Dato' Sri Iskandar Michael bin Abdullah	9/10	90
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	9/10	90
Datuk Razman Md Hashim	8/10	80
Tan Sri Ahmad bin Mohd Don	10/10	100
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	9/10	90
Dr Zaha Rina Zahari	10/10	100

1.5 Supply of Information

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

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

All Directors have access to the advice and services of the Company Secretary and the Senior Management staff in the Group and may obtain independent professional advice at the Company's expense in furtherence 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 2010.

1.7 Re-election

The Articles of Association of the Company provides that at least 1/3 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 requried 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 2010, 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.

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:-

Member of the Board	Programmes/Forums
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	• MAA National Sales Congress 2010 • Market & Economic Review and Outlook Presentation to Directors • FIMM Annual Consultants Congress 2010
Muhamad Umar Swift	• Financial Institutions Directors' Education (FIDE) Programme • Bank Negara Malaysia Annual Report 2009 / Financial Stability and Payment Systems Report 2009 Briefing • MAA National Sales Congress 2010 • World Islamic Economic Forum Foundation (WIFE) • Hannover Re Asean Seminar • Strategic Islamic Finance • Market & Economic Review and Outlook Presentation to Directors • Influencer – Power of Change • World Capital Markets Symposium 2010 • MNRB Group CEO Program • EAIC 2010 • MLRe Annual Seminar • Global Islamic Finance Forum (GIFF) • Financial Industry Conference 2010 • 18th World Congress of Accountants 2010 • Barclays Asia Forum 2010
Yeo Took Keat	• Colloquium on Risk Management Derivatives • Financial Institutions Directors' Education (FIDE) Programme • MAA National Sales Congress 2010 • Market & Economic Review and Outlook Presentation to Directors • Financial Industry Conference 2010 • 18th World Congress of Accountants 2010
Major General Datuk Lai Chung Wah (Rtd)	• Forum by Bursa on FRS 139 Financial Instruments: Recognition and Measurement • MAA National Sales Congress 2010 • Market & Economic Review and Outlook Presentation to Directors

Member of the Board	Programmes/Forums
Dato' Sri Iskandar Michael bin Abdullah	• MAA National Sales Congress 2010
General Dato' Sri Hj Suleiman bin Mahmud (Rtd)	• Colloquium on Risk Management Derivatives • Financial Institutions Directors' Education (FIDE) Programme • MAA National Sales Congress 2010
Datuk Razman bin Md Hashim	• Financial Institutions Directors' Education (FIDE) Programme • Sunway Managers' Conference 2010 • Forensic Accounting & Fraud Training Course
Tan Sri Ahmad bin Mohd Don	• Financial Institutions Directors' Education (FIDE) Programme • FRS 139 & FRS 7 Presentation • Market & Economic Review and Outlook Presentation to Directors • Impact of the Proposed Goods & Services Tax • Competition Act 2010 • Financial Industry Conference 2010 • Specialised Board and Technical Programme – "Board Risk Management Committee"
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	• Market & Economic Review and Outlook Presentation to Directors
Dr Zaha Rina Zahari	• Inaugural SC-Oxford Centre for Islamic Studies, "Developing a Scientific Methodology on Shariah Governance for positioning Islamic Finance Globally" • MAA National Sales Congress 2010 • Market and Economic Review and Outlook Presentation to Directors • International Islamic Capital Market Forum • Talk on "Islamic Institutions and Governance" • Building Confidence in Financial Institutions/'Global Trends, Asian Insights' – GES Submit 2010 • Financial Institutions Directors' Education (FIDE) Programme • "Planning for Retirement", Kiara Country Club • The Regulatory Framework and Directors Duties 2010 – "What Directors Need To Know" • Specialised Board and Technical Programme – "Board Risk Management Committee" • ASEAN Finance Ministers Investors Seminar • International Shariah Investment Convention • Financial Workshop 2010 – Women Summit

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 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 2010 are set out below:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Fees	-	315,000
Salaries and allowances	2,942,560	113,500
Bonus	418,000	-
Other Benefits	212,600	-
Total	3,482,160	428,500

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

Range of Remuneration	Executive Directors	Non-Executive Directors
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 since 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 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 Datuk Lai Chung Wah (Rtd) – Independent Non-Executive Director

Members : Dato' Sri 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 cognisance 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 4 times during the financial year ended 31 December 2010. The activities of the Audit Committee for the financial year ended 2010 are as set out in the Audit Committee Report.

3.2 Nomination Committee

In compliance with the Listing Requirements, a Nomination Committee was established on 30 August 2001. The Committee comprises 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' Sri Iskandar Michael bin Abdullah - Independent Non-Executive Director
Members	:	General Dato' Sri Hj. Suleiman bin Mahmud (Rtd) – Independent Non-Executive Director
		Major General Datuk 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 2 times during the financial year ended 31 December 2010.

3.3 Remuneration Committee

In compliance with the Listing Requirements, a Remuneration Committee was established on 30 August 2001. The Committee comprises 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 Datuk Lai Chung Wah (Rtd) – Independent Non-Executive Director
		Dato' Sri 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 once during the financial year ended 31 December 2010.

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 was 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 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' Sri Iskandar Michael bin Abdullah – Independent Non-Executive Director
		Tan Sri Ahmad bin Mohd Don – Independent Non-Executive Director
		Major General Datuk Lai Chung Wah (Rtd) – Independent Non-Executive Director

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

(a) setting up a risk management structure;

(b) reviewing and recommending risk management strategies, policies and framework for identifying, measuring, monitoring and controlling risks;

(c) ensuring adequate infrastucture, 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 3 times during the financial year ended 31 December 2010. The activities of the Risk Management Committee for the year 2010 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 GMD/CEO to be the Company's Main Spokepersons. A Communication Policy was also implemented to facilitate 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.

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 on the Group.

Further, the Board has appointed Major General Datuk 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.

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 occuring.

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 & Compliance Department and Risk Management Department.

Internal Audit

The internal audit function is performed by the Internal Audit Department which is independent of the activities it audits 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 Affairs & Compliance

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.

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 and other regulatory requirements.

Risk Management

The Risk Management Department 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.

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 2010.

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 is premised with three lines of defence that serves as the guiding principles within the Group:-

1. The Business Units acting as the "first line of defence" is primarily responsible for identifying, evaluating and managing risks within their Units. The Head of Business Units are responsible for implementing and executing appropriate risk mitigation action plans in a timely manner.

2. The Business Units are responsible for ensuring the execution of appropriate risk reduction action plans. The priority should be accorded to mitigate high and significant risks in order to ensure that their day-to-day business activities are carried out within acceptable risk level.

3. The Risk Management team acting as the "second line of defence" conducts risk oversight and supports the risk policies and framework that is approved by the Risk Management Committee. The Risk Management team facilitates in assessing the adequacy of the internal control systems.

4. The Audit Committee's key role, supported by the Internal Audit Department, as the "third line of defence" provides an independent assessment of the adequacy and reliability of the risk management processes and compliance among the Business Units with the risk policies, regulatory guidelines and Company's procedures.

5. The Board through the Risk Management Committee is ultimately responsible for effective risk oversight and framework within the Group. The Risk Management Committee determines the remit, roles, resources and structure for risk management functions to operate effectively and efficiently.

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 Department works together with the Business Units to identify the Business Units' exposure to potential risks that could have an effect on achieving the Group's objectives.

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 factors are rated either as High Risk, Significant Risk, Moderate Risk or Low Risk.

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, i.e., 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.

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. Internal Audit Department plays a crucial role in monitoring compliance with the risk management policies and action plans.

ACTIVITIES DURING THE YEAR

1. Risk Management Committee and the Board of Directors have approved the new Strategic ERM Frameworks aimed at improving the effectiveness of risk management practices within the Group. The new Framework establishes an organised and integrated approach to support the alignment of the strategy, process, people and technology. It is designed and formulated to integrate the following core components:-

   - External Risk Scanning;
   - Strategy Mapping and Balanced Scorecard;
   - Risk Appetite and Risk Tolerance; and
   - Risk Governance Structure (Policy, Process and Communication).

   Under this new Framework, the Group Risk Management Department assists the Business Units to adopt a more systematic and holistic approach to identify and manage critical risks. The focus for 2010 was as follows:-

   - Local:-
     i) Malaysian Assurance Alliance Berhad
     ii) MAA Takaful Berhad
     iii) MAA International Assurance Ltd

   - International:-
     i) PT MAA Life Assurance (Indonesia)
     ii) PT MAA General Assurance (Indonesia)
     iii) MAA General Assurance Philippines, Inc (Philippines)

   The Senior Management of the Business Units are guided by the underlying risk appetite principles in assessing trade-off between risks and returns, define risk tolerance boundary and stress level, evaluation and measurement of risks.

   Periodically, the Group Risk Management Department will compile data or statistics from the Business Units on the Key Risk Indicators ("KRI"). The Group Risk Management will report the results of the KRI to the Risk Management Committee. This enhances the effectiveness in detecting significant risk and alerts the Senior Management to take preventive or corrective actions.

2. As part of the Group's effort to comply with the Malaysian Code on Corporate Governance as well as to enhance the overall risk governance structure, core subsidiary companies namely Malaysian Assurance Alliance Berhad (MAA) and MAA Takaful Berhad (MAA Takaful) have a dedicated Risk Management team in managing their risk management function. The Heads of Risk Management of these subsidiary companies report to their respective Risk Management Committee.

   Capital Management Report was introduced and implemented by MAA Takaful in 2010. This report serves as a management tool to assess the level of capital at risk, given certain assets and liabilities. Capital Management Reporting was driven by adopting the Risk-Based Capital (RBC) Framework for Insurers, even though it is not effective as yet for implementation by takaful operators. This management reporting tool was adopted by MAA to better manage its capital and profits/surplus.

   The Group Risk Management Department will ensure consistent risk management practices and principles are applied within the group of companies, both local and international subsidiary companies. The Heads of Risk Management from subsidiary companies are required to report to the Group Risk Management Department and the Company's Senior Management for possible major and significant risk that may be detrimental to the Group's financial and operating performance.

With the initiatives mentioned above, the Group is paving the process to improve the overall risk sensitivity of the capital adequacy framework among the subsidiary companies. This will enhance effectiveness in evaluation of new product pricing, underwriting, capital management and strategy formulation.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION

Other Bursa Securities Compliance Information

1. Utilisation of Proceeds Raised from Corporate Proposal

During the financial year ended 31 December 2010, 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 2010 and the preceding financial year.

3. Options, Warrants or Convertible Securities

During the financial year ended 31 December 2010, 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 2010.

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 2010:-

(i) The Company had on 14 April 2010 paid to the Companies Commission of Malaysia ("CCM") a sum of Ringgit Malaysia Two Hundred and Fifty (RM250.00) only for late lodgement of Form 49 in relation to the change of other directorships of General Dato' Sri Hj Suleiman bin Mahmud.

(ii) The Company had on 2 August 2010 paid to CCM a sum of Ringgit Malaysia Two Hundred and Fifty (RM250.00) only for late lodgement of Form 49 in relation to the change of other directorships of General Dato' Sri Hj Suleiman bin Mahmud.

(iii) MAA Credit Sdn Bhd, a wholly owned subsidiary of MAA Corporation Sdn Bhd ("MAA Corp"), which in turn is a wholly owned subsidiary of the Company had on 27 October 2010 paid to CCM a sum of Ringgit Malaysia One Hundred and Fifty (RM150.00) only for the late lodgement of Form 27 and Ringgit Malaysia Three Hundred (RM300.00) only for the late lodgement of Form 24 and Form 25.

(iv) Multioto Services Sdn Bhd, a wholly owned subsidiary of MAA Corp, which is in turn a wholly owned subsidiary of the Company, paid a sum of Ringgit Malaysia One Thousand Three Hundred Eighty Seven and Sen Ninety Six (RM1,387.96) only to Lembaga Hasil Dalam Negeri for under estimation of advance income tax.

6. Non-Audit Fees

There was no non-audit fee paid to external auditors for the financial year ended 31 December 2010.

7. Variation in Results

The Company did not make or announce any profit forecast or projection during the financial year ended 31 December 2010. There was also no variation of 10% or more between the audited results and the unaudited result which were announced for the financial year ended 31 December 2009.

8. Profit Guarantees

During the financial year, there were no profit guarantees given by the Company.

9. Material Contracts

There were no material contracts (not being entered into in the ordinary course of business) entered into by the Group which involved directors and shareholders, either still subsisting at the end of the financial year ended 31 December 2010 or entered into since the end of the previous financial year.

10. Revaluation Policy

In the financial year ended 31 December 2010, 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.

Recurrent Related Party Transactions of a Revenue or Trading Nature

On 28 June 2010 , the Company sought approval for a shareholders' mandate for MAAH Group to enter into Recurrent Transactions (as defined In the Circular to Shareholders dated 4 June 2010) 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 2010 are:

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2010 - 31/12/2010) RM '000
Malaysian Assurance Alliance Berhad (MAA)	Office rental income received and receivable	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	20
		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	135
		Melewar Group Berhad (MGB)	A company in which TYY and TY are directors and major shareholders	80
		MAAKL Mutual Bhd (MAAKL Mutual)	A 70% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, a company controlled by TY	840
		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	51
		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	299
		Melewar Integrated Engineering Sdn Bhd (MIE)	A subsidiary of MIG in which TYY is a director. The substantial shareholders of MIG are MESB and Melewar Equities (BVI) Ltd (MEBVI), companies controlled by TY. TYY and TY are directors of MIG	410
		Melewar Equities Sdn Bhd (MESB)	A company in which TY is deemed interested in MESB as MESB is a subsidiary of Khyra, which is controlled by TY. TYY is deemed interested in MESB by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	108
MAA	Collection agent fee 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
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	516
MAAH Group	Purchase of air tickets and travel package paid and payable	Mitra	A company in which TY has deemed interest by virtue of his relationship 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	4,458
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	785
		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	6

OTHER BURSA SECURITIES COMPLIANCE INFORMATION
(continued)

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2010 - 31/12/2010) RM'000
MAAH Group	Trustee fees paid and payable	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	173
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	1,524
MAA Corporate Advisory Sdn Bhd	Provision of corporate advisory 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	-
		M3nergy Group	A company in which TY is deemed interested on M3nergy by virtue of his direct substantial interest in MIG and MEBVI, who in turn are the Major Shareholders of M3nergy. TYY is deemed interested in MESB by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	-
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	276
MAAH	Transportation charges charged / (refunded)	Maybach Logistics Sdn Bhd (Maybach)	A company in which TY has deemed interest by virtue of his direct and indirect substantial interest in MAAH, MIG, Mycron and M3nergy Berhad who are shareholders of Maybach	(315)

Definition:
* TI is Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah
TY is Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
TYY is Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 Malaysia.

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 manage 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 submit their business plans 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 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 employ 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 issue 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 programme 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 in 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 programmes 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 2010.

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 2010 are as follows:-

Name of Committee	No. of Meetings Attended
Major General Datuk Lai Chung Wah (Rtd) (Chairman, Independent Non-Executive Director)	3/4
Dato' Sri Iskandar Michael bin Abdullah (Member, Independent Non-Executive Director)	4/4
General Dato' Sri Hj Suleiman bin Mahmud (Rtd) (Member, Independent Non-Executive Director)	4/4
Datuk Razman Md Hashim (Member, Independent Non-Executive Director)	4/4

The Company has fulfilled the requirements of Section 15.09 of the Main Market 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 (1) 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 (3), the Company must fill the vacancy within three (3) 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.

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 programmes, 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 cognisance 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, indepence, 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; and

  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.

- **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 authorised by the Board.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2010, 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; and
- 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; and
- 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.

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 (MAA) which is supported by its own Internal Audit Department. Total cost incurred for maintaining Internal Audit function was approximately RM900,000 comprising mainly salaries, benefits, traveling expenses, training 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 prioritisation of auditable areas based on significance of potential risk exposure to the Group results, input from Senior Management and the Audit Committee, and in cognisance 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 ended 31 December 2010.

CORPORATE SOCIAL RESPONSIBILITY

At MAA Holdings Berhad ("MAAH" or "the Company"), we view corporate responsibility as an integral component of our business strategy. We believe that it is our responsibility to operate in an ethical manner and contribute to our country's growth.

Our corporate responsibility initiatives are designed in line with our core values, and integrated into our daily operations in the following areas:-

- Environment
- Workplace
- Community
- Marketplace

ENVIRONMENT

MAAH recognises the need to address the various concerns commercial activities have on the environment. Although the Company's day-to-day operations have no direct impact on the environment, we are committed to operating in a manner that reduces the consumption of resources to minimise overall wastage.

WORKPLACE

We believe in building a working environment conducive to good employee relations. The success of our organisation depends on the commitment, dedication and general well-being of our staff and consultants. This is the main reason why we have created a safe, healthy and hospitable workplace that helps nurture the development of our workforce. Our workplace initiatives are as follows:-

1. Health, Safety and Welfare

Our Occupational Safety & Health Administration (OSHA) team looks into all aspects of office safety and health, and organises activities compliant with OSHA regulation standards. We believe it is important to provide our staff with access to crucial information in order for them to make precise decisions concerning their health and safety. In 2010, our team organised health talks, blood donation drives, bone health checks and fire drills, nationwide.

2. Employee Training

Ongoing employee training and development helps employees sharpen their skills and expertise. A highly qualified workforce is the key to success. This is why mandatory training programmes for staff are planned to enhance and augment skills and competencies at every level. These trainings are built into the Company's Balance Score Card and KPIs. Training modules include:-

Programme	Purpose
Staff Training Programme	To equip staff with the skills necessary for a particular level. Training is organised according to the following levels:- • AVPs & above • Managers & above • Executives & above • Non-Executives • All Staff • New Recruits

Programme	Purpose
Executive Development Programme	To enhance knowledge and skills through various self-development programmes. Training courses are planned according to the following categories:- • Assistant Managers and Managers • Executives, Senior Executives and Assistant Managers • Clerks (Grade 1) and Clerks (Grade 2)
Technical Training Programme	To develop technical skills required in a specific functional role. This category of training is either planned by our Training & Education Department or organised upon request by the respective departments. Training is organised internally.

3. Agent Training

At the agency front, we aim to provide the necessary training for our consultants to continuously gain knowledge and skills to keep them competitive in the market.

Under Life training, a system known as the 'Performance Improvement Training System' has been put in place for the development of consultants. Upon entering into a contract, consultants are guided through various self-development programmes such as:-

- New Consultant Development
- Consultant Development
- Leader Development
- Continuous Development

Events and seminars are arranged for Life consultants' individual development such as:-

- Business Development Seminar
- Business Opportunity Seminar
- National Sales Congress
- Chartered Insurance Agency Manager (CIAM) Conference

Similarly, training programmes are conducted for General consultants in order to enhance professionalism. Some examples of these include:-

- General Insurance Technical Programme
- Selling Skills Programme
- Personal Effectiveness Programme

MAA Takaful entered into a Memorandum of Agreement (MOU) with LIMRA International and Centre for Research & Training (CERT) to develop the 'MAA Takaful Leadership Development Path' for Takaful Agents. The training enhances their professionalism by obtaining the LIMRA Certified Manager of Financial Advisor (CMFA) and the LIMRA Professional Financial Advisor (PFA). Other training-related activity readily available for Takaful Consultants is the annual National Sales Congress, Agency Awards, and the Certificate in Takaful Practices, Product Trainings, and innovative Consultant Management System (iCMS). The purpose of many of these activities is to provide consultants with basic understanding on the difference between conventional Insurance and Takaful, the Takaful Act and updates in the Takaful industry.

4. Staff Benefits

MAAH provides its staff with various benefits and career advancement opportunities. In 2010, a total of RM323,430.32 was allocated for staff retirement gratuity, training, education incentives and industrial training.

Other benefits include Education incentives and reimbursements, loans for Education and Housing, Industrial Training opportunities, Outpatient medical expenses, retirement gratuity, Sports Club membership and Term Life Insurance cover.

No.	Types of Benefits	Eligibility	Remarks
1	Career Advancement	Upon confirmation	n/a
2	Education Incentive upon passing the examination	Upon confirmation	Varies according to course attended
3	Education Loan	Executives with at least 3 consecutive years of service	With 4% interest
4	Industrial Training	Undergraduates from local & overseas university	With RM400 monthly allowance
5	Outpatient Medical Expenses	Permanent employees	Unlimited
6	Retirement Gratuity	After 5 years of continuous service	Additional 4% EPF contribution
7	Sports Club	Upon confirmation	Recreational activities for employees
8	Term Life Insurance	Upon confirmation	60 times the monthly salary
9	6.30 Club	Permanent employees	Free dinner once a month

5. Sports & Wellness Programmes

MAA is proud to have an active Sports & Recreational Club that holds numerous activities throughout the year for its members. Games such as badminton, futsal and bowling tournaments, social events such as MAA Idol, Family Day and even a trip to Laguna Beach Resort, Redang were organised. Healthy competition and an active lifestyle are crucial for the well-being of our staff hence; a lot of attention is given to our sports and wellness programmes.

The Company is proud of its MAA Football Club, which has emerged KL Premier League Champions for the first time. Other achievements include qualifying for the KL Premier Cup and KLFA Cup 2010. The Company's Head Office has a well-equipped gymnasium that provides free yoga and aerobic sessions, and a swimming pool for members.

6. Employee Communications Channels

MAAH staff is fortunate to enjoy a unionised structure, both at the clerical and executive levels. Continuous and open channels of communications are readily available between Management and committee members of both Unions. An Industrial Relations Officer is also appointed in Human Resource department to handle staff grievances, complaints and other issues concerning their overall welfare.

Ongoing communication is an important aspect of employee engagement hence, the reason why print and electronic communication channels are actively used. 'Agency Review', a monthly magazine distributed to Life Agents, contains constructive articles for the benefit of our consultants. For the convenience of our diverse group of consultants, these articles are carried in 4 main languages; English, Malay, Chinese and Tamil.

'Newslink' is published online twice a year, highlighting the Company's latest developments and achievements to all employees. Our corporate email system is also used as our main communication channel as it allows timely and reliable flow of information, across the board.

7. Company Projects and Innovations Development

The DAT (Department Action Team) Convention is an initiative that focuses on continual quality improvement. The objective of this convention is to encourage creativity and innovation and, develop analytical and problem solving skills. The format used in the 2010 convention was a combination of the Idea Factory (IF) and the Innovative & Creative Circle (ICC), both practiced by the Malaysian Productivity Council (MPC). The recent 16th DAT Convention offered new opportunities for management to improve current processes.

COMMUNITY

As a responsible corporate citizen, MAAH plays a positive role in society through various programmes that benefit the local community. We believe that the true spirit of giving and caring goes beyond just donations. This is why we are committed to supporting programmes and partnerships that address the community's specific needs. The following are our corporate responsibility initiatives:-

1. The Bank Negara Malaysia – Ministry of Finance School Adoption Programme

The School Adoption Programme was first introduced in 1997 as a collaborative effort by the Ministry of Finance and Bank Negara Malaysia ("BNM"). Initially aimed at financial institutions, this project has evolved to include the private sector. The schools currently under MAA's care are; SK Seri Bintang Utara and SML Cochrane Perkasa in Kuala Lumpur and SMK Seksyen 7, in Shah Alam. Under this programme, the Company develops yearly joint-activities with their adopted schools to enhance the quality of their education. Other efforts include contributions and sponsorships to improve the students' overall learning experience. We are proud to have committed ourselves to this programme since 2009.

2. MAAH Recycling Initiative

In 2010, we embarked on a recycling initiative in which our disposes are segregated and sent to recycling centres every fortnight. Recycling helps reduce the need to manufacture paper, plastic, metal and glass, thus saving energy. This initiative is part of our effort to reduce wastage, and ultimately contribute to sustaining the earth's natural resources. We believe, any kind of recycling, no matter how small the effort, has a positive impact on the environment.

3. MAA-MEDIcare Kidney Charity Fund

The MAA-MEDIcare Kidney Charity Fund (MEDIcare) is an independent, non-governmental organisation established in 1994 with the mission to ease the financial burden of kidney patients by providing affordable access to quality healthcare treatment and medicinal drugs. Since then, MEDIcare has grown to become the second largest dialysis provider in Malaysia with 12 operational centres and 181 dialysis machines located in various towns and cities across the country. The patients, more than 700 to date, are also provided with counselling services, dietary and nutrition advice, health checks, and blood tests.

Recently, MEDIcare initiated two new programmes to further benefit its patients:

i. Patients' Welfare Fund: a fund established to further assist patients who cannot pay the bare minimum for their dialysis treatment

ii. Kids@Medicare: a fund established to further ease the financial burden of patients who have children in school with school uniforms, textbooks, and stationary

4. The Budimas Charitable Foundation

Incorporated in 1998, the Budimas Charitable Foundation is under the royal patronage of Duli Yang Maha Mulia Seri Paduka Baginda, Raja Permaisuri Agong with the objective of providing guidance, funding and a healthy environment to orphans and underprivileged children in Malaysia. Currently, Budimas extends monetary support to more than 600 children in over 12 charitable homes nationwide, including two in Sabah and one in Sarawak. Budimas also manages two homes of their very own; Orion I & II in Petaling Jaya.

Budimas' on-going project, a home in Senawang, Seremban is expected to be completed in 2012. The half acre of land will include facilities such as a football field and a badminton court. Apart from just providing shelter and education, the home will provide sustainable activities which will in turn, supply fish and vegetables for consumption.

Budimas recently started a campaign to provide underprivileged children in selected schools with nutritional breakfast before school. The Budimas Children's Food (BCF) programme provides breakfast, five-days a week, to over 1000 children in 22 schools.

MARKETPLACE

At MAAH, we believe in ethics and integrity. We encourage transparency and engage in ethical procurement practices. We believe in acting responsibly with our stakeholders by developing and providing excellent goods and services.

We aim to develop sustainable relationships with our stakeholders, be it our clients or our suppliers, by conducting our business activities in a transparent manner that is in line with good corporate behaviour.

We are committed to minimising our environmental impact and will continuously endeavour to be responsible when exercising our duties and daily operations.

FINANCIAL STATEMENTS 2010

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 2010.

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	COMPANY
	RM'000	RM'000
Profit/(loss) for the financial year	30,017	(23,045)

DIVIDENDS

No dividend was declared or paid by the Company since the end of the previous financial year and the 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 Dato' Ya'acob bin Tunku Tan Sri Abdullah
Muhamad Umar Swift
Yeo Took Keat
Major General Datuk Lai Chung Wah (Rtd)
Dato' Sri Iskandar Michael bin Abdullah
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
Datuk Razman Md Hashim bin Che Din Md Hashim
Tan Sri Ahmad bin Mohd Don
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Dr Zaha Rina Zahari

In accordance with Section 129(6) of the Companies Act, 1965, Major General Datuk 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' Sri Iskandar Michael bin Abdullah, General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) and Dr Zaha Rina Zahari retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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:-

	Number of ordinary shares of RM1 each			
	At 1.1.2010	Acquired	Disposed	At 31.12.2010
Company				
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
- Direct	1,237,500	-	1,237,500	-
- Indirect *	104,539,584	1,237,500	-	105,777,084
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
- Indirect *	104,539,584	1,237,500	-	105,777,084
Tan Sri Ahmad bin Mohd Don	2,055,000	-	-	2,055,000
Datuk Razman Md Hashim bin Che Din Md Hashim	150,000	-	-	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 36 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 financial statements 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, other than as disclosed below and in Note 2(a) and Note 55 in to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END

(a) On 6 January 2010, the Company announced that Bank Negara Malaysia ("BNM") had via its letter dated 5 January 2010 granted approval for the proposed disposal of the General Insurance Business of Malaysian Assurance Alliance Berhad ("MAA"), a wholly owned subsidiary company, to AMG Insurance Berhad ("AMG") at the revised indicative headline price of RM180 million (subject to adjustments) pursuant to Section 130 of the Insurance Act, 1996. On 12 February 2010, the Company further announced that the Securities Commission ("SC") had approved the Proposed Disposal via its letter dated 10 February 2010.

On 30 July 2010, the Company announced that the SC has via its letter dated 27 July 2010, granted the Company an extension of time of eight (8) months from 20 July 2010 till 19 March 2011 to complete the Proposed Disposal.

On 16 December 2010, the Company announced that both parties had mutually agreed to discontinue discussion on the Proposed Disposal.

(b) The Board of Directors of the Company announced on 29 April 2010 that MAA had received approval from BNM vide its letter dated 11 March 2010 for MAA to undertake the necessary measures to meet the minimum supervisory target level of capital adequacy ratio that is required to be maintained by all insurers under the Risk-Based Capital Framework ("the Capital Plan"), as further explained in Note 2(a) to the financial statements.

(c) On 16 December 2010, the Company announced the entering into an agreement with Zurich Insurance Company Ltd ("Zurich") pursuant to which, the parties will evaluate and negotiate a possible transaction involving the acquisition of an interest in MAA.

On 10 February 2011, an application was submitted by MAA to BNM to seek extension of time of 12 months until March 2012 to complete the negotiation with Zurich to meet the Capital Plan.

On 11 April 2011, the Company announced that it had submitted an application to BNM to seek approval of the Minister of Finance pursuant to Section 67 of the Insurance Act 1996 to enter into an agreement with Zurich for the Proposed Disposal of MAA and certain subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd for the Company's entire equity interests held therein to Zurich.

On 28 April 2011, the Company announced that BNM has vide its letter dated 27 April 2011 granted an extension of time in relation to MAA's Capital Plan including the proposed disposal of MAA, until 31 July 2011.

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 29 April 2011.

MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
DIRECTOR

Kuala Lumpur
29 April 2011

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 70 to 243 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 2010 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, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia, and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 April 2011.

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 70 to 243 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 29 April 2011, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAA HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MAA Holdings Berhad on pages 70 to 242, which comprise the statement of financial position as at 31 December 2010 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flow of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to Note 55.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia, and the Companies Act, 1965 and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view 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 the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia, 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 2010 and of their financial performance and cash flows for the financial year then ended.

Emphasis of matter

Without qualifying our opinion above, we draw attention to Note 2(a)(i) to the financial statements, which discloses the status of compliance by the Company's wholly-owned insurance subsidiary, Malaysian Assurance Alliance Berhad ("MAA"), with the regulatory requirements under the Risk Based Capital Framework, and the Company's loan commitments at the date of the statement of financial position. Compliance by MAA with the regulatory requirements stated above and the Company's ability to meet its loan repayment commitments is dependent on the successful completion of the proposed disposal of MAA by the stipulated deadline.

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, and its subsidiaries of which we have acted as auditors, 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 9 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

(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 REPORTING RESPONSIBILITIES

The supplementary information set out in Note 56 on page 243 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/12 (J))
Chartered Accountant

Kuala Lumpur
29 April 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	31.12.2010	31.12.2009	Restated 01.01.2009
		RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	4	8,387	312,591	330,523
Investment properties	5	11,601	570,165	585,416
Intangible assets	6	8,271	12,519	13,090
Investments	7	415,284	5,521,235	4,921,802
Financial assets held at fair value through profit or loss		154,353	992,225	526,220
Available-for-sale financial assets		224,335	3,529,988	2,784,002
Held-to-maturity investments		-	-	484,183
Loans and receivables		36,596	999,022	1,127,397
Associated companies	10	49,404	56,862	58,939
Reinsurance assets	11	123,897	120,679	101,532
Insurance receivables	12	68,807	116,201	91,620
Trade and other receivables	13	58,187	92,287	100,625
Tax recoverable		4,554	38,224	48,655
Deferred tax assets	14	1,602	25,918	40,440
Cash and cash equivalents	15	252,579	673,409	802,096
Assets classified as held for sale	16	7,597,399	786,445	748,066
Total assets		8,599,972	8,326,535	7,842,804
Equity, policyholders' funds and liabilities				
Liabilities				
Insurance contract liabilities	17	517,350	5,933,808	5,699,168
Investment contract liabilities	18	40,538	53,584	45,491
Financial liabilities				
Borrowings				
- Medium term notes (secured)	19	170,000	200,000	200,000
- Term loan (unsecured)	20	-	10,000	20,000
- Revolving credit (secured)	21	36,300	-	-
- Bank overdrafts (unsecured)	22	9,905	11,419	11,382
Derivative liabilities		-	-	46,733
Insurance payables	23	58,899	739,036	633,129
Trade and other payables	24	79,829	200,758	143,605
Provision for life agents' retirement benefits	25	-	2,780	3,104
Current tax liabilities		631	26,070	33,455
Deferred tax liabilities	14	3,322	10,047	5,636
Liabilities directly associated with assets classified as held for sale	16	7,363,214	847,001	773,671
Total liabilities		8,279,988	8,034,503	7,615,374

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010
(continued)

	Note	31.12.2010	31.12.2009	Restated 01.01.2009
		RM'000	RM'000	RM'000
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital	26	304,354	304,354	304,354
Accumulated losses	27	(16,728)	(44,193)	(96,449)
Reserves	27	(981)	1,065	(11,161)
Total equity attributable to owners of the Company		286,645	261,226	196,744
Minority interest		33,339	30,806	30,686
Total equity		319,984	292,032	227,430
Total equity, policyholders' fund and liabilities		8,599,972	8,326,535	7,842,804

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

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	31.12.2010	31.12.2009	Restated 01.01.2009
		RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	4	1,784	2,233	3,169
Intangible assets	6	57	103	148
Investments	7	9,866	4,788	4,844
Financial assets held at fair value through profit or loss		-	-	5
Available-for-sale financial assets		4,658	-	-
Loans and receivables		5,208	4,788	4,839
Subsidiary companies	9	244,834	396,855	391,565
Associated companies	10	100	8,814	5,099
Trade and other receivables	13	64,568	91,392	87,805
Tax recoverable		2,841	2,667	2,665
Cash and cash equivalents	15	47,934	42,589	86,549
Assets classified as held for sale	16	150,000	-	-
Total assets		521,984	549,441	581,844
Liabilities				
Financial liabilities				
Borrowings				
- Medium term notes (secured)	19	170,000	200,000	200,000
- Term loan (unsecured)	20	-	10,000	20,000
- Revolving credit (secured)	21	36,300	-	-
- Bank overdrafts (unsecured)	22	-	1,976	1,985
Derivative liabilities		-	-	46,733
Trade and other payables	24	11,361	11,010	10,911
Deferred tax liabilities	14	19	104	129
Total liabilities		217,680	223,090	279,758
Equity				
Share capital	26	304,354	304,354	304,354
(Accumulated losses)/retained earnings	27	(1,048)	21,997	(2,268)
Reserves	27	998	-	-
Total equity		304,304	326,351	302,086
Total equity and liabilities		521,984	549,441	581,844

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

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Operating revenue	28				
- Continuing operations		443,737	318,314	9,268	12,170
- Discontinued operations		1,820,327	1,763,629	-	-
		2,264,064	2,081,943	9,268	12,170
CONTINUING OPERATIONS					
Gross earned premiums/contributions	29(a)	364,607	241,360	-	-
Premiums/contributions ceded to reinsurers	29(b)	(125,476)	(110,512)	-	-
Net earned premiums/contributions		239,131	130,848	-	-
Investment income	30	19,587	16,055	3,636	5,328
Realised gains and losses	31	6,265	1,324	(475)	(229)
Fair value gains and losses	32	3,294	9,827	(4,604)	3,710
Fee and commission income	33	24,136	25,032	-	-
Other operating revenue from non-insurance businesses	34	59,543	60,899	5,632	6,842
Other revenue		112,825	113,137	4,189	15,651
Gross benefits and claims paid	35(a)	(176,283)	(114,507)	-	-
Claims ceded to reinsurers	35(b)	99,714	74,686	-	-
Gross change to contract liabilities	35(c)	(25,554)	(62,681)	-	-
Change in contract liabilities ceded to reinsurers	35(d)	1,397	32,822	-	-
Net claims		(100,726)	(69,680)	-	-
Fee and commission expense		(76,076)	(56,342)	-	-
Management expenses	36	(118,771)	(104,692)	(19,296)	(21,194)
Other operating income/(expense) – net	37	(11,185)	34,670	2,815	42,926
Finance costs	38	(11,861)	(13,970)	(11,011)	(13,143)
Other expenses		(217,893)	(140,334)	(27,492)	8,589
Share of (loss)/profit of associated companies, net of tax		(380)	3,788	-	-
Profit/(loss) before taxation		32,957	37,759	(23,303)	24,240
Taxation of life insurance/family takaful fund		(1,180)	(556)	-	-
Surplus after taxation/profit before taxation		31,777	37,203	(23,303)	24,240
Surplus retained in life insurance/family takaful fund		(56,957)	(17,544)	-	-
(Loss)/profit before taxation		(25,180)	19,659	(23,303)	24,240
Taxation	39	7,603	(423)	258	25
Zakat		(180)	(77)	-	-
(Loss)/profit for the financial year from continuing operations		(17,757)	19,159	(23,045)	24,265

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010
(continued)

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
DISCONTINUED OPERATIONS					
Profit before taxation		62,069	40,434	-	-
Taxation	39	(14,295)	(7,217)	-	-
Profit for the financial year from discontinued operations	40	47,774	33,217	-	-
Profit/(loss) for the financial year		30,017	52,376	(23,045)	24,265
Profit/(loss) for the financial year attributable to:					
- Owners of the Company		27,465	52,256	(23,045)	24,265
- Minority interest		2,552	120	-	-
		30,017	52,376	(23,045)	24,265
Gross dividends per share (sen)	41	-	-	-	-
Basic earnings/(loss) per ordinary share attributable to owners of the Company (sen)					
- Continuing operations	42	(6.7)	6.3		
- Discontinued operations	42	15.7	10.9		
		9.0	17.2		

The accompanying notes are an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	GROUP		COMPANY	
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the financial year		30,017	52,376	(23,045)	24,265
Other comprehensive income/(loss), net of tax					
Foreign currency translation differences	27	(703)	4,905	-	-
Fair value of available-for-sale financial assets, net of tax	27	10,991	3,844	998	-
Fair value of available-for-sale financial assets of discontinued operations transferred (to)/from liabilities classified as held for sale	27	(12,334)	3,477	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(2,046)	12,226	998	-
Total comprehensive income/(loss) for the financial year		27,971	64,602	(22,047)	24,265
Total comprehensive income/(loss) for the financial year attributable to:					
- Owners of the Company		25,419	64,482	(22,047)	24,265
- Minority interest		2,552	120	-	-
		27,971	64,602	(22,047)	24,265

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Attributable to owners of the Company						
	Note	**Share capital**	**Foreign exchange reserves**	**Available-for-sale reserves**	**Accumu-lated losses**	**Total**	**Minority Interest**	**Total equity**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2010								
- as previously stated		304,354	(5,927)	6,992	(28,855)	276,564	33,947	310,511
- change in accounting policy	47	-	-	-	(15,338)	(15,338)	(3,141)	(18,479)
		304,354	(5,927)	6,992	(44,193)	261,226	30,806	292,032
Profit for the financial year		-	-	-	27,465	27,465	2,552	30,017
Other comprehensive income	27	-	(703)	(1,343)	-	(2,046)	-	(2,046)
Total comprehensive income for the financial year		-	(703)	(1,343)	27,465	25,419	2,552	27,971
Decrease in net assets arising from disposal of subsidiary company		-	-	-	-	-	(19)	(19)
At 31 December 2010		304,354	(6,630)	5,649	(16,728)	286,645	33,339	319,984
At 1 January 2009								
- as previously stated		304,354	(10,832)	(329)	(81,473)	211,720	33,753	245,473
- change in accounting policy	47	-	-	-	(14,976)	(14,976)	(3,067)	(18,043)
- as restated		304,354	(10,832)	(329)	(96,449)	196,744	30,686	227,430
Profit for the financial year								
- as previously stated		-	-	-	52,618	52,618	194	52,812
- change in accounting policy	47	-	-	-	(362)	(362)	(74)	(436)
- as restated		-	-	-	52,256	52,256	120	52,376
Other comprehensive income	27	-	4,905	7,321	-	12,226	-	12,226
Total comprehensive income for the financial year		-	4,905	7,321	52,256	64,482	120	64,602
At 31 December 2009		304,354	(5,927)	6,992	(44,193)	261,226	30,806	292,032

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

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Number of shares	Nominal value	Non-distributable: Available for-sale reserve	Distributable: (Accumulated losses)/ retained earnings	Total
		'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010		304,354	304,354	-	21,997	326,351
Loss for the financial year		-	-	-	(23,045)	(23,045)
Other comprehensive income	27	-	-	998	-	998
Total comprehensive loss for the financial year		-	-	998	(23,045)	(22,047)
At 31 December 2010		304,354	304,354	998	(1,048)	304,304
At 1 January 2009		304,354	304,354	-	(2,268)	302,086
Profit for the financial year		-	-	-	24,265	24,265
Total comprehensive income for the financial year		-	-	-	24,265	24,265
At 31 December 2009		304,354	304,354	-	21,997	326,351

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

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000
Profit for the financial year		30,017	52,376
Life fund's surplus after taxation		119,083	205,544
Investment income	30	(322,331)	(309,937)
Realised gains recorded in income statement	31	(48,664)	(17,465)
Fair value gains recorded in income statement	32	(177,042)	(156,197)
Finance cost	38	11,861	13,970
Purchases of investment properties	5	(5,093)	(2,832)
Proceeds from disposal of investment properties		45,835	22,024
Purchases of financial assets at fair value through profit or loss	7	(678,281)	(921,412)
Proceeds from disposal of financial assets at fair value through profit or loss		640,416	573,869
Purchases of available-for-sale financial assets	7	(999,251)	(1,579,112)
Proceeds from disposal of available-for-sale financial assets		935,432	1,089,014
Decrease in loans and receivables		120,993	126,861
Non-cash items:			
Depreciation of property, plant and equipment	4	13,205	14,583
Amortisation of intangible assets	6	4,572	3,383
Impairment losses on intangible assets		-	2,502
Increase in provision for agents' retirement benefits		100	152
Utilisation of agents' retirement benefits		(177)	(476)
Decrease in allowance for impairment on insurance receivables	36	(12,649)	(997)
Bad debts written off	36	10,666	124
Tax expense	39	44,057	40,145
Changes in working capital:			
Decrease/(increase) in reinsurance assets		3,508	(37,639)
Decrease/(increase) in insurance receivables		18,326	(11,053)
(Increase)/decrease in trade and other receivables		(11,114)	12,474
Increase in insurance contract liabilities		20,328	335,238
(Decrease)/increase in investment contract liabilities		(13,046)	8,093
Increase in insurance payables		87,958	101,274
Increase in trade and other payable		38,590	64,852
Cash utilised in operating activities		(122,701)	(370,642)
Dividend income received		34,752	20,423
Interest/profit income received		226,100	227,545
Rental income on investment properties received		16,168	47,101
Interest paid		(14,181)	(13,989)
Income tax paid		(24,163)	(2,479)
Net cash inflow from operating activities		115,975	92,041

		GROUP	
	Note	**2010**	**2009**
		RM'000	**RM'000**
Investing activities:			
Proceeds form disposal of property plant and equipments		67,248	6,717
Purchase of property plant and equipment	4	(73,041)	(7,404)
Purchase of intangible assets	6	(3,397)	(2,863)
Decrease in investment in associated companies		-	5,769
Net cash (outflow)/inflow from investing activities		(9,190)	2,219
Financing activities:			
Repayment of term loans		(10,000)	(10,000)
Repayment of medium-term notes		(30,000)	(30,000)
Proceeds from revolving credit		36,300	-
Net cash outflow from financing activities		(3,700)	(40,000)
Net increase/(decrease) in cash and cash equivalents		103,085	(129,822)
Cash and cash equivalents at beginning of financial year		758,864	888,686
Cash and cash equivalents at end of financial year	15	861,949	758,864

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

COMPANY STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	COMPANY 2010 RM'000	COMPANY 2009 RM'000
(Loss)/profit for the financial year		(23,045)	24,265
Investment income	30	(3,636)	(5,328)
Realised loss recorded in income statement	31	478	230
Fair value loss/(gains) recorded in income statement	32	4,604	(3,710)
Gain on unwinding of derivatives	37	-	(46,733)
Finance cost	38	11,011	13,143
Non-cash items:			
Depreciation of property, plant and equipment	4	348	380
Amortisation of intangible assets	6	46	46
Amortisation of capitalised of medium-term notes issue expenses	36	1,949	1,949
Allowance for doubtful debts	36	-	130
Tax income	39	(258)	(25)
Changes in working capital:			
Decrease in trade and other receivables		727	87
Increase/(decrease) in amounts due from subsidiary and associated companies		30,334	(7,121)
Increase in trade and other payable		945	4,793
Cash generated from/(utilised in) operating activities		23,503	(17,894)
Interest/profit income received		322	1,457
Interest paid		(12,876)	(17,837)
Income tax paid		(1)	(2)
Net cash inflow/(outflow) from operating activities		10,948	(34,276)
Investing activities:			
Proceeds form disposal of property plant and equipments		47	407
Proceeds from disposal of quoted securities		50	-
Purchase of property plant and equipments	4	(24)	(81)
Purchase of intangible assets	6	-	(1)
Net cash inflow from investing activities		73	325
Financing activities:			
Repayment of term loans		(10,000)	(10,000)
Repayment of medium-term notes		(30,000)	-
Proceeds from revolving credit		36,300	-
Net cash outflow from financing activities		(3,700)	(10,000)
Net increase/(decrease) in cash and cash equivalents		7,321	(43,951)
Cash and cash equivalents at beginning of financial year		40,613	84,564
Cash and cash equivalents at end of financial year	15	47,934	40,613

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

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in investment holding and providing management services. The principal activities of the Group consist of general and life insurance businesses, 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 29 April 2011.

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 Company has been granted relief by the Companies Commission of Malaysia to prepare its consolidated financial statements on the basis consistent with the basis of preparation of the Group's insurance subsidiary company. Accordingly, the financial statements of the Group and Company 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 arising from the early adoption of FRS 139 "Financial Instruments – Recognition and Measurements", since the financial year ended 31 December 2005. The financial statements comply with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia, and the provisions of the Companies Act, 1965, in all material aspects.

At the beginning of the current financial year, the Group has adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described in Note 2(b).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

In preparing the financial statements of the Group and the Company for the financial year ended 31 December 2010, the Directors of the Company have also taken into consideration the following matters:

(i) Compliance by MAA with insurance regulatory requirements

As described in Note 55 of the financial statements, the Group's wholly-owned subsidiary, Malaysian Assurance Alliance Berhad ("MAA") has not complied with the minimum supervisory target level capital adequacy ratio ("CAR") requirements prescribed under the Risk-Based Capital Framework applicable for insurers as at 31 December 2010.

On 11 April 2011, the Company, as part of its previous commitment to the insurance regulatory authority made in April 2010, announced that it had submitted an application to the insurance regulatory authority to seek approval for the disposal of MAA ("the Proposed Disposal of MAA") in consideration of the proposed buyer's undertaking to recapitalise MAA and MAA's insurance liabilities upon completion of the sale.

On 27 April 2011, MAA received approval from the insurance regulatory authority to extend the timelines to meet the conditions as stated in its original letter dated 10 March 2010 relating to its capital resolution plans, including the completion of the Proposed Disposal of MAA, to 31 July 2011. Therefore, MAA continues to apply the following measures to mitigate the above non-compliance as at 31 December 2010, similar to the previous financial year end:

(1) a bonus revision of RM420 million to reduce the non-guaranteed future liabilities of the Life Participating fund as at 31 December 2010; and

(2) the assignment of surplus assets of RM159 million from the Life Non-Participating fund to the Par fund, and RM89 million, consisting of RM18 million from the Life Non-Participating fund and RM71 million from the Shareholders' fund, to the Life Annuity fund as at 31 December 2010.

The Directors of the Company and MAA are of the opinion that compliance with the minimum supervisory target level CAR requirements stated above is dependent on the successful completion of the Proposed Disposal of MAA by the stipulated deadline.

(ii) Compliance with undertakings / covenants in respect of borrowings of the Company

The Company has provided certain undertakings and covenants in respect of its ownership and control over MAA, relating to Medium Term Notes issued by the Company and a Standby Letter of Credit facility with an offshore licensed bank, as disclosed in Notes 19 and 21 to the financial statements respectively.

The Proposed Disposal of MAA, as disclosed in Note 2(a)(i) above, is subject to the consent of the lenders of the respective borrowings. The Company will obtain the necessary consent accordingly where part of the proceeds from the Proposed Disposal of MAA will be utilised to settle borrowings thereafter.

(iii) Cash flow projections of the Company

As at 31 December 2010, the Company's loan commitments consist of Medium Term Notes amounting to RM170 million and revolving credit from a licensed bank of RM36 million.

As a consequence of the matter disclosed in Note 2(a)(i) above, MAA is not allowed to distribute dividends to the Company until such time that the regulatory conditions have been adequately addressed.

The Directors of the Company have assessed the cash flow projections of the Company for the financial years ending 31 December 2011 and 31 December 2012 in view of the above dividend distribution restriction, and are of the opinion that, the Company's ability to meet its financial obligations as and when they fall due is dependent on the successful completion of the Proposed Disposal of MAA by the stipulated deadline.

Accordingly, the Directors have prepared the financial statements of the Group and the Company on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, and relevant amendments to published standards and interpretations to existing standards that are applicable to the Group and Company

The following are the significant new standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company and effective for the financial year beginning on or after 1 January 2010:

(i) FRS 101 (Revised) "Presentation of Financial Statements"
(ii) Amendments to FRS 139 "Reclassification of Financial Assets"
(iii) FRS 4 "Insurance Contract"
(iv) FRS 7 " Financial Instruments: Disclosures"
(v) FRS 8 " Operating Segments"
(vi) Amendments to FRS 117 "Leases"
(vii) Amendments to FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
(viii) IC Interpretation 10 "Interim Financial Reporting and Impairment"

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group and Company require retrospective application other than FRS 7. FRS 139 "Financial Instruments: Recognition and Measurement" came into effect from 1 January 2010. The Group and Company had early adopted this Financial Reporting Standard since the financial year ended 31 December 2005.

The effects of applying the aforementioned are described in Note 47 to the financial statements.

(i) Other new standards, amendments and improvements to published standards and interpretations that are effective for the financial year beginning on or after 1 January 2010 are as follows:

- FRS 123 "Borrowing Costs"
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendment to FRS 2 " Share-based Payment: Vesting Conditions and Cancellations"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" – Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 13 "Customer Loyalty Programme"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset Minimum Funding Requirements and The Interaction"

There are no significant changes to the Group's and Company's accounting policies as a result of adopting the above.

2 **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(b) **Standards, and relevant amendments to published standards and interpretations to existing standards that are applicable to the Group and Company** (continued)

(ii) The following new standards , amendments to published standards and interpretations have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group and Company:

FRSs/Interpretations	Effective date
Amendment to FRS 132 "Financial instruments: Presentation on classified of rights issues"	1 March 2010
FRS 3 (revised) "Business combinations"	1 July 2010
FRS 127 (revised) "Consolidated and separate financial statements"	1 July 2010
IC Interpretation 12 "Service concession arrangements"	1 July 2010
IC Interpretation 16 "Hedges of a net investment in a foreign operation"	1 July 2010
Amendments to FRS 2 "Share-based payment Group cash-settled share-based payment transactions"	1 January 2011
Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards"	1 January 2011
IC Interpretation 4 "Determining whether an arrangement contains a lease"	1 Janaury 2011
IC Interpretation 18 "Transfers of assets from customers"	1 January 2011
IC Interpretation 19 "Extinguishing financial liabilities with equity Instruments"	1 July 2011
Amendments to IC Interpretation 14 "FRS 119 – The limit on a defined benefit assets,minimum funding requirements and their interaction"	1 July 2011
FRS 124 (revised) "Related party disclosures"	1 January 2012
IC Interpretation 15 "Agreements for construction of real estates"	1 January 2012
Improvements to FRSs:	
• FRS 5 "Non-current assets held for sale and discontinued operations"	1 July 2010
• FRS 2	1 July 2010
• IC Interpretation 9	1 July 2010
• FRS 3	1 January 2011
• FRS 101 "Presentation of financial statements"	1 January 2011
• FRS 138 "Intangible Assets"	1 July 2011

The adoption of the above revised standards, amendments and interpretations is not yet expected to have significant financial impact to the financial statements of the Group and Company.

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 2008 have not been restated to comply with this Standard. In addition, FRS 3 requires business combinations to be accounted for using the purchase 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 the fair values 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 values of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill (see Note 2(h)). If the cost of acquisition is less than the fair values of the net assets of the subsidiary company acquired, the difference is recognised directly in the income statement.

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

The gain or loss on disposal of a subsidiary company which 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 income statement.

(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 values 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (continued)

(ii) Transactions with minority interests (continued)

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 shares acquired of the carrying values of net assets of the subsidiary company.

(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 investments in associated companies include goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2(l)).

Equity accounting involves recognising in the income statement, the Group's share of the results of associated companies for the financial year and its share of post-acquisition movements in reserves, recognised in reserves. The cumulative post-acquisition movement in reserves is adjusted against the carrying amount of the investment. The Group's investments in associated companies are carried in the statement of financial position 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 long term interests that is substance form part of the Group's net investment in the associate company, 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 the income statement.

For incremental interest in associated company, the date of acquisition is the date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair values of assets and liabilities identified. The previously acquired stake is stepped up to fair values 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, less accumulated depreciation and accumulated impairment loss. Costs include expenditure that is directly attributed to the acquisition of the asset. Land and buildings are shown at fair values, based on periodic, but at least triennial, valuations 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 values.

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

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 statement during the financial year in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

Surplus arising on revaluation are credited to the statement of comprehensive income and shown as a separate component of equity, except that for the life business, such revaluation surplus are reported as a separate component of insurance contract liabilities. Deficits that offset previous increases of the same assets are charged to the statement of comprehensive income and debited against its component in equity, except that for the life insurance business, general takaful business and family takaful business, deficits that offset such previous increases are debited against its component in the insurance contract liabilities. In all other cases, decreases are charged to the income statement during the financial period in which they incurred.

Freehold land is not depreciated as it has an infinite life. Assets under construction are not depreciated until they are ready for their intended use. 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.

Leasehold land is amortised in equal instalments over the period of their respective leases or earlier if the expected useful life is lower than the leasehold period. In previous financial years, leasehold land was reported as prepaid leases rentals under other receivables.

The annual depreciation rates are as follows:

Leasehold land	Over the remaining leasehold period
Buildings	2%
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 reporting date and adjusted if appropriate at each reporting date.

At the end of each reporting 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(l) on impairment of non-financial assets.

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

(f) Leases

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

(g) Investment properties

Investment properties, comprising principally of 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 values. 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.

Gains or losses arising from changes in fair values of investment properties are recognised in the income statement in the year in which they arise.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties (continued)

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

On disposal of an investment property or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it is derecognised (eliminated from the statement of financial position). The difference between net proceeds and the carrying amount is recognised in the income statement 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 asset revaluation reserve as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon the disposal of such investment property, any surplus previously recorded in asset revaluation reserve is transferred to the statement of comprehensive income and/or shown as a separate component in the insurance contract liabilities.

(h) Intangible assets

<u>Goodwill</u>

Goodwill represents the excess of the cost of an acquisition over the fair values 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. Goodwill is allocated to cash generating units for the purpose of impairment testing.

<u>Management rights</u>

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.

<u>Computer software</u>

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. Costs that are directly associated with identifiable software systems controlled by the Group and 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.

(i) 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 amounts 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and other 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 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 hedges.

Investments held by investment-linked funds are designated at fair value through profit or loss at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

These investments are initially recorded at fair value and transaction costs are expensed in the income statement. Subsequent to initial recognition, these assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

(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 but do not include insurance receivables. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment.

Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) 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. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, available-for-sale financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired, except for the life insurance business, general takaful business and family takaful business, where such fair value gains or losses are reported as a separate component of insurance contract liabilities. Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and other changes in the carrying amount of the instrument. The translation differences on monetary instruments are recognised in the income statement; translation differences on non-monetary instruments are reported in the statement of comprehensive income and shown as a separate component of equity except for the life insurance business, general takaful business and family takaful business, where such fair value gains or losses are reported as a separate component of insurance contract liabilities until the investment is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in the equity is transferred through the statement of comprehensive income or from insurance contract liabilities to the income statement.

(k) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published bid prices on reporting date. If quoted prices are not available over the counter, broker or dealer price quotations are used.

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Fair value of financial instruments (continued)

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(l) 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 amounts 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 statement 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 statement immediately.

(m) Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

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 at each reporting date 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.

To determine whether there is objective that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of financial assets (continued)

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

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recorded in the income statement.

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 statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Available-for-sale financial assets

The Group assesses at each reporting 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 the income statement, is transferred from equity through the statement of comprehensive income or from insurance contract liabilities to the income statement. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed. The impairment loss is reversed through the income statement, 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 the income statement.

(n) Loans

Loans are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, less allowance for impairment. An allowance for impairment of loans 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 allowance is the difference between the assets' carrying amounts and the present value of estimated future cash flows discounted at the effective interest rates. This includes interest that is suspended and/or recognised to the extent of the recoverable amount.

The amount of specific allowance 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 allowance is recognised in the income statement.

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 on loans is described in Note 8 to the financial statements.

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

(o) Insurance receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Insurance receivables (continued)

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(m)(i) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(p) to the financial statement have been met.

The accounting policy on insurance receivables that was applied in the previous financial year is described in Note 47 to the financial statements.

(p) Financial instruments - derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

(q) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributed to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the financial year that are approved after end of the reporting date are dealt with as an event after the date of the statement of financial position.

(r) Product classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Product classification (continued)

The insurance and investment contracts of the conventional insurance subsidiary companies, are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - o performance of a specified pool of contracts or a special type of contract
  - o realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - o the profit or loss of the Group, fund or other entity that issues the contract.

Under the terms of contracts, surpluses in the DPF funds can be distributed on a 90/10 basis to the policyholders and the shareholders respectively. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

Under the Risk Based Capital Framework for Insurers, statutory liabilities are calculated based on the Gross Premium Valuation ("GPV") method which takes into consideration not only the guaranteed but also the discretionary benefits in the case of participating products and the underlying assumptions are based on the Group's actual experience.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

The Group defines insurance risk to be significant when ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force.

(s) Reinsurance

The Group cedes insurance risk in the normal course of business for most of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurers. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Reinsurance (continued)

The Group also assumes reinsurance risk in the normal course of business for life insurance and general (non-life) insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire, or when the contracts are transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(t) Insurance contracts - Life insurance business

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

Gross premiums

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

Gross premiums of the life fund are recognised as soon as the amount of the premiums can be reliably measured. First premiums are recognised from inception date and subsequent premiums are recognised when they are due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

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

Reinsurance premiums

Gross reinsurance premiums are recognised as expense when payable or on the date on which the policy is effective.

Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose; the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- 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; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Insurance contracts - Life insurance business (continued)

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to the income statement in the financial year in which they are incurred.

(u) Insurance contracts - General insurance business

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, commissions, premium liabilities and claims incurred.

Gross premiums

Gross premiums are recognised in a financial year in respect of risks assumed during that particular financial 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 reporting date are accrued at that date.

Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inceptions dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

Premium liabilities

For the insurance subsidiary company regulated by BNM, premium liabilities refers to the higher of:

(i) the aggregate of the unearned premium reserves ("UPR"), or

(ii) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the provision of risk margin for adverse deviation ("PRAD") calculated at the overall company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

For insurance subsidiary companies not regulated by BNM, premium liabilities refer to UPR.

UPR represent the portion of the net premiums of general insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

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

(i) 25% method for marine and aviation cargo, and transit business;

(ii) 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding the limits specified by BNM; and

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Insurance contracts - General insurance business (continued)

Premium liabilities (continued)

(iii) time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding the limits specified by BNM.

Claims and expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amounts of outstanding claims are the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at the reporting date based on an actuarial valuation with a PRAD at a 75% confidence level Group-wide, consistent with the requirements for the insurance subsidiary company regulated by BNM.

Acquisition costs

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

(v) Insurance contract - General takaful business

The General takaful business 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 business, distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the subsidiary company engaged in the takaful business. 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 via a benevolent loan or Qardhul Hassan.

Gross contributions

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

Retakaful contributions

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 reporting 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; and
- time apportionment method for non-annual certificates and first year annual certificates with a cover period of more than one year.

with a further reduction for wakalah fee expenses to reflect the wakalah business principle.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Insurance contract - General takaful business (continued)

During the financial year, the Group changed the basis of estimating UCR reserves. In prior financial years, unearned contributions were reduced by the corresponding percentage of accounted gross direct commission and agency related expenses not exceeding the limit specified by BNM, without any further reduction for Wakalah fee expenses. The effect of this change in basis is described in Note 47 to the financial statements.

Provision for outstanding 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 reporting date.

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

(w) Insurance contracts - Family takaful business

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

Any actuarial deficit in the Family takaful fund will be made good via a benevolent loan or Qardhul Hassan.

Gross contributions

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

Gross contributions from the Family takaful business are 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.

Gross contributions of the investment-linked business include net creation of units and 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 units is recognised on a receipt basis.

Retakaful contributions

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

Provision for outstanding claims

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

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 certificates 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 certificate benefit payments due on specified dates are treated as claims payable on the due dates; and

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Insurance contract liabilities

(i) Life actuarial liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guarantee and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, is set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits that originate from margins of adverse deviations on run-off contracts, are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

As the valuation methods used to value liabilities are in accordance with the RBC Framework for Insurers, the insurance subsidiary company regulated by BNM is deemed to have complied with the requirements of a liability adequacy test under FRS 4 Insurance Contracts.

For insurance subsidiary companies not regulated by BNM, separate assessments are carried out to comply with the requirements of a liability adequacy test under FRS 4.

(ii) Surplus in insurance contracts

Surpluses in DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the Insurance Act, 1996 for the insurance subsidiary company regulated by BNM. The Group, however, has the discretion over the amount and timing of these surpluses to policyholders and shareholders. Surpluses on non-DPF are attributable wholly to the shareholders, and the amount and timing of the distribution to the shareholders is subject to the advice of the Group’s appointed actuary.

The Group has applied the treatment as recommended under the Guidelines on Financial Reporting for Insurers issued by BNM and applied by its local insurance subsidiary companies, i.e. the unallocated surpluses of the DPF and non-DPF funds, where the amount of surplus allocation or attributable to either policyholders or shareholders has yet to be determined at the end of the financial year, are held within the insurance contract liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Insurance contract liabilities (continued)

(iii) Family takaful contract liabilities

Family takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

The valuation methodology had changed this year to incorporate the requirements of the Financial Reporting Standards. Liability adequacy test was performed at 75th percentile sufficiency level, in line with BNM's new valuation guidelines on Family takaful business. Hence, claim rates, surrender assumptions and other valuation parameters are determined at a 75th percentile confidence level.

For investment-linked products, the non-unit liabilities are valued on a cash flow basis by projecting tabarru' (risk charges) stream on a certificate basis, taking into account expected death and surrenders as decrements. The tabarru' streams are then compared against the corresponding projected mortality and other risk benefits. Future deficits are reserved on a present value basis, using the risk free spot rates of return. The higher of the UCR and total present value of deficits is taken as the actuarial liability. The value of Participant Investment Account ("PIA") is taken as the unit reserves.

In the case of yearly renewable term products with no savings elements, the liability for such Family takaful certificate comprises of the provision for unearned contributions and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the operator. Where the portfolio demonstrates deteriorating experience, a deficiency reserve is set up as an additional reserve.

For long-term term products with implicit guarantees, the liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of present value of future benefits less the present value of future contributions, discounted at the appropriate risk discount rate. The liability is then compared against reserves derived from statutory method, and the larger of the two reserves is held as the liability. In the event that the surrender value is higher than the reserve in aggregate, the excess is held as an additional reserve.

Expense reserve in the shareholder's fund is determined by taking the present value of future deficits, discounted at appropriate spot rates. Future deficits are defined as the excess of future expense stream over future income cash flows, in aggregate basis.

The liability is de-recognised when the contract expires, is discharged or is cancelled.

(iv) General (non-life) insurance and general takaful contract liabilities

General insurance and general takaful contract liabilities are recognised when contracts are entered into and premiums/contributions are charged.

These liabilities comprise outstanding claims provision and premium liabilities/unearned contribution reserves.

Outstanding claims provision which includes a margin for adverse deviation is based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the statement of financial position date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques on empirical data. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Premium liabilities/unearned contribution reserves represent premiums/contributions received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium/ contribution income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Insurance contract liabilities (continued)

(iv) General (non-life) insurance and general takaful contract liabilities (continued)

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. The Group engaged independent external actuaries to perform the claims liabilities estimation. A number of methods were employed initially in the estimation of ultimate claims reserves using the Group's own historical experience and other relevant market quantitative and qualitative information. The valuation methods used include the Incurred Claim Development method, the Paid Claim Development method, the Bornhuetter-Ferguson Method, the Mack's Method and Stanard-Buhlmann's Method. 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 ultimate claims estimates. The provision for adverse deviation is set at 75 per cent confidence level Group-wide, consistent with the requirements for the insurance subsidiary company regulated by BNM.

(y) Investment contracts

The Group issues investment contracts without fixed terms, i.e. investment-linked plans.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of the underlying financial and/or non-financial assets and are designated at inception at fair value through profit or loss because it eliminates or significantly reduces the measurement or recognition inconsistency (i.e. an accounting mismatch) that would otherwise arise from measuring assets and liabilities or recognising the gains or losses or others on different bases. See Note 2(j) to the financial statements for the financial assets backing these liabilities.

The Group's main valuation technique incorporates all factors that market participants would consider. The fair value of financial liabilities for investment contracts without fixed terms is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair value of the financial assets contained within the Group's unitised investment fund linked to the financial liability. The fair value of the financial liabilities are obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date.

The Group re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by calculating the present value of estimated future cashflow using the financial liability's original effective interest rate. Any adjustment is immediately recognised as income or expense in the income statement.

(z) 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 income statement at an agreed percentage of the gross contribution, in accordance with the principles of wakalah as approved by the Shariah Committee of the subsidiary company engaged in the takaful business and agreed between the participants and the subsidiary company, and are allocated to the shareholders' fund and recognised as income upon issuance of certificates.

(aa) Other revenue recognition

Interest and profit income

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Other revenue recognition (continued)

Rental income

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.

Rental income on self-occupied and investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

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

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

Other fee income

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

Realised gains and losses on Investments

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Fees and commission income

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

(ab) Tax expense

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

Current tax

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respects of prior financial years.

Deferred tax

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes.

Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Tax expense (continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax is also recognised in the Life insurance contract liabilities for the shareholders' portion of the unallocated surpluses.

(ac) Zakat

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

(ad) Foreign currencies

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.

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 date of the statement of financial position. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Foreign currencies (continued)

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

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

(ae) 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.

(af) 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 statement over the period of the borrowings using the effective interest method.

(ag) 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 their existence where inflows of economic benefits are probable, but not virtually certain.

(ah) Provisions

Provisions are recognised when the Group has a present obligation, either legal or constructive, 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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

(ai) Employee benefits

<u>Short-term employee benefits</u>

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.

<u>Post employment benefits</u>

The Group and Company have 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ai) Employee benefits (continued)

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

(aj) 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 the respective Agent Retirement Plan Arrangement with the insurance subsidiary company.

The retirement benefits earned by the eligible life agents on and subsequent to 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 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.

(ak) Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability and an insurance payable are derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially modified terms, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(al) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held at call with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

(am) Financial instruments

<u>Description</u>

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.

<u>Recognition method</u>

The particular recognition method adopted for financial instruments recognised in the statement of financial position is disclosed in the individual accounting policy note associated with each item.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(an) Segment reporting

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

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Comparatives have been restated. There has been no impact on the measurement of the Group's assets and liabilities.

Operating segments are reported in a manner consistent with the internal reporting structure. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which is the Executive Committee of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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.

(ao) 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 statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase liabilities.

(ap) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

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) Valuation of life insurance contract liabilities

The liability for life insurance contracts of the insurance subsidiary company regulated by BNM is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflects management's best current estimate of future cash flows.

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

(a) Critical accounting estimates and assumptions (continued)

(i) Valuation of life insurance contract liabilities (continued)

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate. Lapse and surrender rates are based on the company's historical experience of lapses and surrenders.

The discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian Government Security ("MGS"). In the case of the total benefits liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund.

(ii) Valuation of general insurance contract liabilities

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

Provision is made for the estimated cost of claims incurred but not settled at the statement of financial position date, whether reported or not, together with a risk margin for adverse deviation ("PRAD"). PRAD is an additional component to the liability value aimed at ensuring that the value of the insurance liabilities is established at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. This provision consists of estimates of both the expected ultimate cost of claims reported to the Group at statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported to the Group at statement of financial position date. The estimated cost of claims includes both direct and indirect expenses that are expected to be incurred in settling those claims.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, incurred but not reported claims form the majority of the liability on the statement of financial position.

The Group engaged independent external actuaries to perform the claims liabilities estimation. A number of methods were employed initially in the estimation of ultimate claims reserves using the Group's own historical experience 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 ultimate claims estimates.

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.

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 financial assets

The Group performs an impairment review when changes in circumstances indicate that the carrying amounts of available-for-sale 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 exercises judgement in estimating the collectible or realisable amounts including the extent of credit loss.

(iv) Impairment assessment on non-performing loans

Judgement is applied in determining the amounts 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 the current economic environment and the possibility of delay in recovering those outstanding loans, has continued to discount the assigned values of those loans over the expected recoverable period, extended where necessary.

The actual amounts that will be recovered from these non-performing loans are largely dependent on the values that those collaterals can fetch should foreclosure take place or if the borrowers agree to settlements 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.

(v) Fair value of an investment property

The Group's investment properties are stated at fair value, as stated in Note 2(g) of the significant accounting policies.

Included in the Group's investment properties is a piece of vacant land held for development in Malaysia which is valued at RM160 million as at the dated of the statement of financial position, based on a valuation performed by an independent property valuer on 11 October 2010.

In the previous financial year, several events had occurred, whereby the outcome of those events were unresolved or uncertain. Those events, which included a legal suit by residents of the surrounding area against the local council, and a proposed draft local plan by the same local council, had casted uncertainties over the fair value of the said property in the previous financial year. In light of the fact that the outcome of the events is still pending, the insurance subsidiary company sought a fresh valuation on the said property from an independent property valuer in the current financial year.

On the premise of an updated valuation and a legal opinion obtained, the Directors are of the view that the fair value of the property is RM160 million, which resulted in an impairment in the value of the property by RM11 million in the current financial year.

(vi) Impairment assessment on insurance receivables

An impairment is deemed to exist where the insurance receivables that are individually assessed for impairment, is past due for more than 90 days or 3 months or when the accounts exhibit weaknesses. In determining the amount recoverable, the management exercises judgement in estimating the collectible or realisable amounts including the extent of credit loss.

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

(a) Critical accounting estimates and assumptions (continued)

(vi) Impairment assessment on insurance receivables (continued)

Following the requirement of FRS 4 on impairing insurance receivables and reinsurance assets, the Group has reassessed its allowance for doubtful debts by assessing the recoverability of individual debtors. The following new basis of impairment was adopted by the Group:

(i) Full impairment on outstanding debts with terminated status, closed accounts, commuted, winding-up under legal action, accounts written-off or those with served letter of demand. This applies similarly to reinsurance assets particularly reinsurance recoverable on outstanding claims; and

(ii) Full impairment on outstanding debts exceeding twelve months.

The cumulative impact of applying the new basis of impairment was an incremental amount of RM1,257,000 in financial year ended 31 December 2009. The Management had considered the amount to be immaterial to the Group's retained earnings at that date and the financial results for the current financial year and consequently, recognised this additional impairment in the current financial year ended 31 December 2010.

(vii) Actuarial liabilities for Family takaful fund

For Family Takaful plans, the actuarial liabilities are determined by the Appointed Actuary and were set up based on the type of products as follows:

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

This is the risk fund that involves investment-linked certificates including unit deducting riders. The Tabarru' rates are dripped from Participant Investment Account ("PIA") to this risk fund on a monthly basis. The UCR is calculated by taking half of the total monthly drip at the valuation date. The liabilities in this fund are calculated as the larger of UCR and total present value of future deficits.

In addition to this liability, IBNR reserve is also included for Critical Illness and Medical unit deducting riders. From the experience study, 2 months average claims were assumed in calculating IBNR.

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

This fund consists of three products, Cancer Care, SmartMedic and Takafulife88.

Cancer Care is a guaranteed renewable medical takaful product with an additional death benefit. The contribution reserve is calculated at 45% of unearned gross cancer contribution using 1/24th method. For the death benefit, the valuation reserve is calculated using M8388 mortality table discounted at spot rates. In addition, 2 months of average claims are set aside for IBNR.

SmartMedic is an individual Hospital and Surgical product with guaranteed renewability up to age 80. It also provides an additional benefit, funeral expense, which is payable upon death due to all causes. The contribution reserve is calculated at 30% or 60% of unearned gross medical contribution using 1/24th method for first certificate year and renewal certificate year respectively. Reserve for funeral expense benefit is calculated at 80% of unearned gross funeral expense contribution using 1/24th method. An additional provision of 2 months of average claims are set aside as IBNR. An additional of 60% of contribution reserve is set aside as deficiency reserve, to reflect the portfolio experience. Reserves for SmartMedic are adjusted to reflect 50% retained portion after reinsurance arrangement.

The Takafulife88, an ordinary whole life plan, was valued on a UCR basis.

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

(a) Critical accounting estimates and assumptions (continued)

(vii) Actuarial liabilities for Family takaful fund (continued)

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

Currently there are 3 products in this fund, which are Group Term Takaful, Comprehensive Group Takaful Scheme and Group Mortgage Protection Plan.

The net liability for Group Term Takaful has been calculated on Unexpired Risk Reserve ("URR") basis using 1/24th method, with the risk rates assumed to be 130% of LIAM risk rates.

For Comprehensive Group Takaful Scheme, the reserve is calculated at 100% of unearned contribution using 1/24th method.

The reserving method used for Group Mortgage Protection Plan is based on gross premium valuation ("GPV"). The present value of future benefits was discounted at spot rates using M8388 mortality table on the retained portion of the risk.

At subsequent reporting dates, these estimates will be reassessed for adequacy and reasonableness and changes will be made accordingly.

(viii) Valuation of General takaful insurance contract liabilities

The estimation of claims liabilities or equivalently, the ultimate claim liability arising from claims made under an insurance contract, is the Company's most critical accounting estimate.

The takaful company engaged an independent external actuary to perform the IBNR claims reserve estimation. The general approach to actuarial estimation of outstanding claims is to analyse all available past experience with respect to numbers of claims, claim payments and claims reserving. Using a set of appropriate assumptions, the actuary will select the future payment and reserving pattern of outstanding claims in estimating the ultimate loss.

While many different methods can be used to analyse past data and project past patterns into the future, the choice of method is constrained by the fact that the takaful insurance company has only been in operation for four years. In this year end analysis, the actuary has incorporated appropriate market data to allow the use of chain ladder and Bornheutter Ferguson method. With the additional development data in 2010, the actuary has increasingly relied on internal data and experience.

The chain ladder method involves developing each accident year's claims to ultimate by the loss development factors selected from trends shown in the historical data and market benchmarks. When used alongside the Bornheutter Ferguson method, the loss development factors become a credible weight between actual development and the expected loss taken from the 2009 valuation results. The IBNR amount is derived by subtracting the claims reported to date from the projected ultimate loss.

The actual value of the future claims liability is dependent upon many factors such as changes in procedures for reserving or claims settlement, and social and economic inflation. This means there is an inherent uncertainty in the estimate of ultimate claims liability. As such, any changes in the future claim environment may result in changes to the estimated claims liability.

(ix) 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 at after deducting underwriting outgo. Claim outgo was projected based on the subsidiary company's experience and industry information. The subsidiary company has incorporated current retakaful arrangements in the estimation of net contributions, 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.

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

(a) Critical accounting estimates and assumptions (continued)

(ix) Impairment review of Qardhul Hassan (continued)

Assumptions used in estimating the future surplus from the General takaful fund include business growth projection that is based on the subsidiary company's strategy as a new entrant in the industry and the takaful industry forecast growth of 16% to 20% per annum.

(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 and Company.

The Directors are of their view that currently there are no accounting policies which require significant judgement to be exercised.

4 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Note	Freehold and leasehold land	Freehold and leasehold buildings	Plant and machinery	Furniture, fitting, and equipment	Motor vehicles	Reno-vation	Assets under con-struction	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/valuation									
At 1 January 2008		73,354	281,390	180	91,410	22,783	57,088	6,466	532,671
Additions		-	260	3	3,386	2,724	4,441	-	10,814
Transferred to assets classified as held for sale	16	-	-	-	(22,926)	(3,012)	(8,336)	-	(34,274)
Disposals		(297)	(3,150)	-	(65)	(3,646)	(90)	-	(7,248)
Write off		-	-	-	(2,004)	(565)	(360)	-	(2,929)
Currency translation differences		-	-	-	(5)	(8)	(5)	-	(18)
At 31 December 2008		73,057	278,500	183	69,796	18,276	52,738	6,466	499,016
Additions		-	1,500	-	2,275	794	1,845	990	7,404
Transferred to assets classified as held for sale	16	-	-	-	1,862	-	-	-	1,862
Transferred to investment properties	5	(77)	(217)	-	-	-	-	-	(294)
Disposals		(3,319)	(5,350)	-	(86)	(2,600)	(120)	-	(11,475)
Write off		-	-	-	(41)	(134)	-	-	(175)
Currency translation differences		-	-	-	-	(12)	-	-	(12)
At 31 December 2009		69,661	274,433	183	73,806	16,324	54,463	7,456	496,326
Additions		14,543	49,111	6	3,657	1,842	2,915	967	73,041
Transferred from assets classified as held for sale		-	-	-	7,722	2,533	3,604	-	13,859
Transferred to assets classified as held for sale	16	(62,812)	(251,589)	-	(72,688)	(4,671)	(56,541)	(5,625)	(453,926)
Transferred to investment properties	5	(6,000)	(10,500)	-	-	-	-	-	(16,500)
Disposals		(15,392)	(61,455)	-	(224)	(3,598)	(728)	-	(81,397)
Write off		-	-	-	(661)	-	-	(2,798)	(3,459)
Currency translation differences		-	-	-	-	(66)	-	-	(66)
At 31 December 2010		-	-	189	11,612	12,364	3,713	-	27,878

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP

	Note	Freehold and leasehold land RM'000	Freehold and leasehold buildings RM'000	Plant and machinery RM'000	Furniture, fitting, and equipment RM'000	Motor vehicles RM'000	Reno-vation RM'000	Assets under con-struction RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2008		841	16,598	35	77,049	12,806	41,771	-	149,100
Charge for the financial year		63	5,336	12	4,973	2,638	3,996	-	17,018
Transferred to assets classified as held for sale		-	-	-	(20,407)	(1,493)	(7,106)	-	(29,006)
Disposals		(6)	(70)	-	(35)	(1,857)	(11)	-	(1,979)
Write off		-	-	-	(1,979)	(513)	(360)	-	(2,852)
Currency translation differences		-	-	-	-	27	-	-	27
At 31 December 2008		898	21,864	47	59,601	11,608	38,290	-	132,308
Charge for the financial year		46	5,373	10	3,652	1,452	4,050	-	14,583
Transferred to assets classified as held for sale	16	-	-	-	1,599	-	-	-	1,599
Transferred to investment properties	5	-	(20)	-	-	-	-	-	(20)
Disposals		(284)	(542)	-	(36)	(1,540)	(49)	-	(2,451)
Write off		-	-	-	(37)	(133)	-	-	(170)
Currency translation differences		-	-	-	-	(6)	-	-	(6)
At 31 December 2009		660	26,675	57	64,779	11,381	42,291	-	145,843
Charge for the financial year		35	4,432	88	3,953	1,214	3,483	-	13,205
Transferred from assets classified as held for sale		-	-	-	5,699	1,398	2,803	-	9,900
Transferred to assets classified as held for sale	16	(695)	(24,548)	-	(64,743)	(3,356)	(45,923)	-	(139,265)
Disposals		-	(6,559)	-	(153)	(2,578)	(340)	-	(9,630)
Write off		-	-	-	(653)	-	-	-	(653)
Currency translation differences		-	-	-	-	(29)	-	-	(29)
At 31 December 2010		-	-	145	8,882	8,030	2,314	-	19,371

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP

	Note	Freehold and leasehold land	Freehold and leasehold buildings	Plant and machinery	Furniture, fitting, and equipment	Motor vehicles	Reno-vation	Assets under con-struction	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated impairment loss									
At 1 January 2008		-	29,928	-	65	55	-	2,798	32,846
Impairment loss for the financial year		138	3,201	-	-	-	-	-	3,339
At 31 December 2008		138	33,129	-	65	55	-	2,798	36,185
Impairment loss for the financial year		-	1,944	-	-	-	-	-	1,944
Disposals		-	(237)	-	-	-	-	-	(237)
At 31 December 2009		138	34,836	-	65	55	-	2,798	37,892
Impairment loss for the financial year		-	-	-	-	-	-	1,690	1,690
Transferred to assets classified as held for sale	16	(138)	(30,105)	-	-	-	-	(1,690)	(31,933)
Disposals		-	(4,731)	-	-	-	-	-	(4,731)
Write off		-	-	-	-	-	-	(2,798)	(2,798)
At 31 December 2010		-	-	-	65	55	-	-	120
Net book value									
At 31 December 2008		72,021	223,507	136	10,130	6,613	14,448	3,668	330,523
At 31 December 2009		68,863	212,922	126	8,962	4,888	12,172	4,658	312,591
At 31 December 2010		-	-	44	2,665	4,279	1,399	-	8,387

The net book value of assets acquired under hire purchase agreements was RM1,345,000 (2009: RM1,862,000).

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost				
At 1 January 2009	862	4,383	173	5,418
Additions	65	-	16	81
Disposals	-	(1,756)	-	(1,756)
Write off	(11)	-	-	(11)
At 31 December 2009	916	2,627	189	3,732
Additions	20	4	-	24
Disposals	(6)	(150)	-	(156)
Write off	(20)	-	-	(20)
At 31 December 2010	910	2,481	189	3,580
Accumulated depreciation				
At 1 January 2009	506	1,693	50	2,249
Charge for the financial year	99	262	19	380
Disposals	-	(1,120)	-	(1,120)
Write off	(10)	-	-	(10)
At 31 December 2009	595	835	69	1,499
Charge for the financial year	83	246	19	348
Disposals	(5)	(30)	-	(35)
Write off	(16)	-	-	(16)
At 31 December 2010	657	1,051	88	1,796
Net book value				
At 31 December 2009	321	1,792	120	2,233
At 31 December 2010	253	1,430	101	1,784

The net book value of assets acquired under hire purchase agreements was RM634,000 (2009: RM761,000).

Certain land and buildings of the Group were revalued in previous years by independent valuers where the fair values were 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.

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Had the freehold and leasehold land as well as the 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 as at the end of the financial year as follows:

	31.12.2010	31.12.2009
	RM'000	RM'000
Freehold land	-	58,295
Leasehold land	-	3,558
Freehold buildings	-	193,088
Leasehold buildings	-	7,463
	-	262,404

As at 31 December 2009, the titles to certain properties held by an insurance subsidiary company, amounting to RM25,446,000 were 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.

As at 31 December 2010, the property, plant and equipment of that insurance subsidiary company are classified as part of assets held for sale as disclosed in Note 16 to the financial statements.

5 INVESTMENT PROPERTIES

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
At 1 January	570,165	585,416
Additions from acquisition	2,935	-
Additions from subsequent expenditure	2,158	2,832
Transferred from property, plant and equipment (Note 4)	16,500	274
Disposals	(45,289)	(18,160)
Fair value loss – net (Note 32)	(22,043)	(658)
Currency translation differences	(538)	461
Transferred to assets classified as held-for-sale (Note 16)	(512,287)	-
At 31 December	11,601	570,165
Comprising:		
Freehold land and buildings	-	389,812
Leasehold land and buildings	11,601	180,353
	11,601	570,165

Investment properties are stated at fair value, which have been determined based on valuations performed by external independent valuers at the statement of financial position date. Valuations are performed annually based on the properties' fair market values using the direct sale comparison and income approach. The fair value changes (gains/losses) are recorded in the income statement.

As at 31 December 2009, the titles to certain investment properties of an insurance subsidiary company, amounting to RM89,186,000 were 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 had submitted the relevant documents to the authorities for transfer of legal titles and was awaiting the process and finalisation of these transfers to be completed.

As at 31 December 2010, the investment properties portfolio of that insurance subsidiary company is classified as part of assets held for sale as disclosed in Note 16 to the financial statements.

6 INTANGIBLE ASSETS

GROUP

	Management rights RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2009	7,000	14,525	21,525
Additions	-	2,863	2,863
Disposals	-	(74)	(74)
Transferred from assets classified as held-for-sale	-	594	594
At 31 December 2009	7,000	17,908	24,908
Additions	-	3,397	3,397
Transferred to assets classified as held-for-sale (Note 16)	-	(13,628)	(13,628)
At 31 December 2010	7,000	7,677	14,677
Accumulated amortisation			
At 1 January 2009	1,852	6,583	8,435
Change for the financial year	347	3,036	3,383
Disposals	-	(15)	(15)
Transferred from assets classified as held-for-sale	-	586	586
At 31 December 2009	2,199	10,190	12,389
Change for the financial year	347	4,225	4,572
Transferred to assets classified as held-for-sale (Note 16)	-	(10,555)	(10,555)
At 31 December 2010	2,546	3,860	6,406
Net carrying amount			
At 31 December 2009	4,801	7,718	12,519
At 31 December 2010	4,454	3,817	8,271

6 INTANGIBLE ASSETS (CONTINUED)

COMPANY

	Computer Software	
	31.12.2010	**31.12.2009**
	RM'000	**RM'000**
Cost		
At 1 January	231	230
Additions	-	1
At 31 December	231	231
Accumulated amortisation		
At 1 January	128	82
Charge for the financial year	46	46
At 31 December	174	128
Net carrying amount	57	103

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 Mutual"), a 70% owned subsidiary company of MAA Corporation Sdn Bhd which is in turn a wholly owned subsidiary company of the Company, and MBf Unit Trust Management Berhad ("MUTMB"), MAAKL Mutual 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 are amortised over a straight line basis, over a period of 20 years (2009: 20 years), the period in which the Group expects to recognise the related revenue. The remaining expected unamortised period at the date of the statement of financial position is 13 (2009: 14) years.

7 INVESTMENTS

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities/Government Investment Issues	-	185,374	-	-
Malaysian Government Guaranteed Financing	10,631	9,991	-	-
Corporate debt securities	46,495	3,389,497	-	-
Islamic debt securities	164,633	80,580	-	-
Equity securities	128,692	799,431	4,658	-
Unit trusts	20,520	38,510	-	-
Investment-linked units	7,717	18,830	-	-
Loans	28,587	774,049	192	255
Fixed and call deposits	8,009	224,973	5,016	4,533
	415,284	5,521,235	9,866	4,788

The Group's and Company's investments are summarised by categories as follows:

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through profit or loss	154,353	992,225	-	-
Available-for-sale financial assets	224,335	3,529,988	4,658	-
Loans and receivables (Note 8)	36,596	999,022	5,208	4,788
	415,284	5,521,235	9,866	4,788
The following investments mature after 12 months:				
Financial assets at fair value through profit or loss	-	137,223	-	-
Available-for-sale financial assets	198,081	3,339,536	-	-
Loans and receivables (Note 8)	18,020	79,274	139	190
	216,101	3,556,033	139	190

(a) Financial assets at fair value through profit or loss

Held-for-trading:				
Quoted:				
Equity securities	21,229	366,375	-	-
Unit trusts	4,516	12,743	-	-
Corporate debt securities	-	25,400	-	-
Investment-linked units	5,240	5,000	-	-
Unquoted:				
Equity securities	402	24	-	-
Unit trusts	-	1,965	-	-
Investment-linked units	2,477	9,056	-	-
	33,864	420,563	-	-

7 **INVESTMENTS** (CONTINUED)

(a) **Financial assets at fair value through profit or loss** (continued)

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Designated at fair value through profit or loss:				
Quoted:				
Equity securities	60,193	404,225	-	-
Unit trusts	221	10,167	-	-
Corporate debt securities	-	4,422	-	-
Unquoted:				
Equity securities	17,483	-	-	-
Unit trusts	15,783	13,635	-	-
Corporate debt securities	4,814	115,935	-	-
Investment-linked units	-	4,774	-	-
Islamic debt securities	21,995	13,332	-	-
Malaysian Government Securities/Government Investment Issues	-	5,172	-	-
	120,489	571,662	-	-
	154,353	992,225	-	-

(b) **Available-for-sale financial assets**

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Quoted:				
Equity securities	4,658	-	4,658	-
Corporate debt securities	37,441	30,952	-	-
Unquoted:				
Equity securities	24,727	28,807	-	-
Corporate debt securities	4,240	3,212,788	-	-
Islamic debt securities	142,638	67,248	-	-
Malaysian Government Securities/Government Investment Issues	-	180,202	-	-
Malaysian Government Guaranteed Financing	10,631	9,991	-	-
	224,335	3,529,988	4,658	-

7 INVESTMENTS (CONTINUED)

Carrying value of financial instruments

The movement in the Group and Company's financial assets (excluding loans and receivables) are summarised in the table below by the measurement category:

GROUP

	Fair value through profit or loss RM'000	Available-for-sale RM'000	Held to maturity RM'000	Total RM'000
At 1 January 2009	526,220	2,784,002	484,183	3,794,405
Held to maturity financial assets reclassified to available-for-sale	-	484,183	(484,183)	-
Purchases	921,412	1,579,112	-	2,500,524
Disposals	(653,364)	(1,333,680)	-	(1,987,044)
Dividend income capitalised	65	-	-	65
Fair value gains recorded in:				
Income statement (Note 32)	198,798	-	-	198,798
Other comprehensive income	-	6,341	-	6,341
Insurance contract liabilities (Note 17)	-	(18,807)	-	(18,807)
Movement in impairment allowance (Note 32)	(2,195)	(12,800)	-	(14,995)
Amortisation/interest adjustments	(95)	41,208	-	41,113
Currency translation differences	1,384	429	-	1,813
At 31 December 2009/1 January 2010	992,225	3,529,988	-	4,522,213
Purchases	678,287	999,251	-	1,677,538
Disposals	(643,846)	(1,009,608)	-	(1,653,454)
Shares reclassified from associated company (Note 10)	-	3,660	-	3,660
Transfer from non-current assets held for sale	28,692	315,077	-	343,769
Dividend income capitalised	49	-	-	49
Fair value gains recorded in:				
Income statement (Note 32)	200,416	-	-	200,416
Other comprehensive income	-	14,957	-	14,957
Insurance contract liabilities (Note 17)	-	128,166	-	128,166
Movement in impairment allowance (Note 32)	(54)	(3,803)	-	(3,857)
Amortisation/interest adjustments	277	40,614	-	40,891
Currency translation differences	(987)	(3,054)	-	(4,041)
Transferred to assets classified as held for sale (Note 16)	(1,100,706)	(3,790,913)	-	(4,891,619)
At 31 December 2010	154,353	224,335	-	378,688

The Group has reclassified held to maturity financial assets to available-for-sale with effect from 1 January 2009. The reclassification was carried out to allow for sale of those assets arising from a change in the Group's intention to hold those assets to maturity due to changes in the credit risks of the assets.

7 INVESTMENTS (CONTINUED)

Carrying value of financial instruments (continued)

COMPANY

	Fair value through profit or loss RM'000	Available-for-sale RM'000	Total RM'000
At 1 January 2009	5	-	5
Fair value loss recorded in Income statement	(5)	-	(5)
At 31 December 2009/1 January 2010	-	-	-
Shares reclassified from associated company (Note 10)	-	3,660	3,600
Fair value gains recorded in Other comprehensive income	-	998	998
At 31 December 2010	-	4,658	4,658

Fair values of financial investments

The following tables show financial investments recorded at fair value analysed by the different basis of fair values:

GROUP

	Fair value through profit or loss RM'000	Available-for-sale RM'000	Total RM'000
31 December 2010			
Quoted market price	113,834	49,160	162,994
Valuation techniques – market observable inputs	40,519	153,128	193,647
Valuation techniques – non-market observable inputs	-	22,047	22,047
	154,353	224,335	378,688
31 December 2009			
Quoted market price	828,811	41,126	869,937
Valuation techniques – market observable inputs	150,957	3,422,650	3,573,607
Valuation techniques – non-market observable inputs	12,457	66,212	78,669
	992,225	3,529,988	4,522,213

COMPANY

	Fair value through profit or loss RM'000	Available-for-sale RM'000	Total RM'000
31 December 2010			
Quoted market price	-	4,658	4,658

7 INVESTMENTS (CONTINUED)

Fair values of financial investments (continued)

Included in the quoted price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regular occurring market transactions on an arm's length basis.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, fair values are based on broker quotes and discounted cash flow and fair value of investments in structured products are obtained via investment bankers and/or fund managers.

Non-market observable inputs means that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the instrument including assumptions about risk. These inputs are developed based on the best information available, which might include the Group's own data.

8 LOANS AND RECEIVABLES

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Loans arising from:				
Policy loans	710	351,524	-	-
Mortgage loans	187	349,876	187	233
Other secured loans	-	220,396	-	-
Unsecured loans	641	892	5	22
	1,538	922,688	192	255
Allowance for impairment	-	(185,928)	-	-
Net loans	1,538	736,760	192	255
Loans from leasing, hire purchase and others	92,249	104,424	-	-
Allowance for impairment	(65,200)	(67,135)	-	-
Net loans	27,049	37,289	-	-
Fixed and call deposits with licensed banks	8,009	224,973	5,016	4,533
	36,596	999,022	5,208	4,788

The fair values of the loans and receivables have been established by comparing current market interest rates for similar financial instruments to the rates offered when the loans and receivables were first recognised together with appropriate market credit adjustments.

8 LOANS AND RECEIVABLES (CONTINUED)

The maturity structure of the loans and receivables is as follows:

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Receivables within 12 months:				
Net loans	10,567	732,733	53	65
Fixed and call deposits	8,009	187,015	5,016	4,533
	18,576	919,748	5,069	4,598
Receivables after 12 months:				
Net loans	18,020	41,316	139	190
Fixed and call deposits	-	37,958	-	-
	18,020	79,274	139	190
	36,596	999,022	5,208	4,788

The total loans portfolio net of allowance for doubtful debts of an insurance subsidiary company as at 31 December 2009 included several loans which were non-performing ("NPL") amounting to approximately RM362,313,000. These NPL were collateralised by properties and/or shares as pledged by the borrowers. The insurance subsidiary company had assessed the value of the collaterals or agreed settlement plans and made appropriate allowance for impairment where appropriate. Should the market value or adjusted value of the collateral deviate by 10% or the recovery process be delayed by a year, particularly those loans with properties as collateral, there may be a potential shortfall of approximately RM35,145,000 for the NPL.

The fair value of the collaterals held as at the 31 December 2009 on the loan portfolio of that insurance subsidiary company was RM942 million.

As at 31 December 2010, the insurance subsidiary company's portfolio is classified as part of assets held for sale as disclosed in Note 16 to the financial statements.

The total loans portfolio net of allowance for impairment from leasing, hire purchase and others as at 31 December 2010 included NPL amounting to approximately RM25,589,000 (2009: RM21,364,000). The borrowers of these NPL have committed repayments on agreed fixed repayment schedules and certain NPL are collateralised by properties and/or shares. The Group has assessed the value of the collaterals and/or committed cashflow stream based on the methods prescribed in Note 2(n) to the financial statements and made additional allowances for impairment where appropriate. Should the market value or adjusted value on the collaterals deviate by 10% or the recovery process be delayed by a year, particularly those loans with properties as collaterals, there may be a potential shortfall of approximately RM676,000 (2009: RM2,485,000) to the Group.

The fair value of the collaterals held as at the date of statement of financial position was RM28,201,000 (2009: RM41,584,000).

Loans from leasing, hire purchase and others included loans to the following related parties:

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Mithril Marketing Sdn Bhd	-	8,353
Mithril Clay Manufacturing Berhad	-	10,889
	-	19,242
Allowance for impairment	-	(19,242)
	-	-

8 LOANS AND RECEIVABLES (CONTINUED)

The relationships of the above related parties by the Company is disclosed in Note 45 to the financial statements. The related parties are subsidiary companies of Mithril Berhad ("Mithril") which had ceased to be an associated company of the Group on 7 September 2010.

Outstanding loans before allowance for impairment analysed by loan type are as follows:

	GROUP	
	31.12.2010	**31.12.2009**
	RM'000	**RM'000**
Policy loans	710	351,524
Term loans	79,094	638,130
Housing loans	187	23,246
Staff loans	641	838
Hire purchase	1,648	1,911
Leasing	10,883	10,889
Fixed loans	624	574
	93,787	1,027,112

9 SUBSIDIARY COMPANIES

	COMPANY	
	31.12.2010	31.12.2009
	RM'000	RM'000
Cost of investment	216,409	366,409
Amounts due from subsidiary companies	28,425	30,446
	244,834	396,855

Amounts due from subsidiary companies of RM28,425,000 (2009: RM30,446,000) are akin to investments in subsidiary companies.

Details of the subsidiary companies are as follows:

	Name of company	Country of incorporation	Group's effective interest 2010 %	Group's effective interest 2009 %	Principal activities
	Malaysian Assurance Alliance Berhad ("MAA")	Malaysia	100	100	General and life insurance businesses
	MAA Corporation Sdn Bhd ("MAA Corp")	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 Corp</u>				
	MAA-Medicare Sdn Bhd	Malaysia	100	100	Operation of charitable dialysis centres
	MAA Credit Berhad	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

9 SUBSIDIARY COMPANIES (CONTINUED)

	Name of company	Country of incorporation	Group's effective interest 2010 %	Group's effective interest 2009 %	Principal activities
	Subsidiary companies of MAA Corp (continued)				
	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
	MAA Universal Sdn Bhd	Malaysia	-	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	Providing fire risk assessment and prevention services
	Valiant Properties Sdn Bhd	Malaysia	-	100	Property development
	MAA Cards Sdn Bhd	Malaysia	100	100	Dormant
#	High Sphere Sdn Bhd	Malaysia	-	100	Dormant
	Subsidiary companies of MAA Corporate Advisory Sdn Bhd				
	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 consultancy services
	MPE Private Equity Sdn Bhd	Malaysia	-	100	Dormant
	Subsidiary company of Maagnet Systems Sdn Bhd				
	MAAGNET – SSMS Sdn Bhd	Malaysia	100	100	Providing information technology consultancy services
	Subsidiary companies of Meridian Asset Management Holdings Sdn Bhd				
#	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 services

9 SUBSIDIARY COMPANIES (CONTINUED)

	Name of company	Country of incorporation	Group's effective interest 2010 %	Group's effective interest 2009 %	Principal activities
	Subsidiary companies of MAA International Assurance Ltd				
#	P.T. MAA Life Assurance	Indonesia	99.5	99.5	Life insurance business
#	P.T. MAA General Assurance	Indonesia	83	83	General insurance business
	Subsidiary companies of MAA International Investments Ltd				
#	MAA Mutualife Philippines, Inc	Philippines	100	100	Unit trust funds management
#	Columbus Capital Singapore Pte Ltd	Singapore	100	100	Investment holding
	Subsidiary company of MAA International Corporation Ltd				
#	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.

10 ASSOCIATED COMPANIES

	GROUP 31.12.2010 Carrying value RM'000	GROUP 31.12.2010 Market value RM'000	GROUP 31.12.2009 Carrying value RM'000	GROUP 31.12.2009 Market value RM'000
Quoted shares, at cost	-	-	36,609	6,407
Less: Accumulated impairment loss	-		(31,025)	
	-		5,584	
Unquoted shares, at cost	63,121		58,150	
Less: Accumulated impairment loss	(12,874)		(6,409)	
	50,247		51,741	
Dividend received	(165)		(165)	
Share of post acquisition loss	(678)		(298)	
	49,404		56,862	

10 ASSOCIATED COMPANIES (CONTINUED)

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

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Revenue	59,017	70,624
(Loss)/profit after taxation	(380)	3,788
Non-current assets	208,711	495,492
Current assets	229,253	110,593
Non-current liabilities	(211,401)	(414,610)
Current liabilities	(177,159)	(134,613)
Net assets	49,404	56,862

	COMPANY			
	31.12.2010		31.12.2009	
	Carrying value	Market value	Carrying value	Market value
	RM'000	RM'000	RM'000	RM'000
Quoted shares, at cost	-	-	30,536	5,910
Less: Accumulated impairment loss	-		(24,626)	
	-		5,910	
Unquoted shares, at cost	100		2,904	
	100		8,814	

Details of the associated companies are as follows:

	Name of company	Country of incorporation	Group's effective interest 2010 %	Group's effective interest 2009 %	Principal activities
*	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	-	20	Investment holding
*	Maybach Logistics Sdn Bhd	Malaysia	45	45	Provision of transportation and logistics
	Associated company of MAA International Assurance Ltd				
	MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business

10 ASSOCIATED COMPANIES (CONTINUED)

Name of company	Country of incorporation	Group's effective interest 2010 %	Group's effective interest 2009 %	Principal activities
Associated company of Columbus Capital Singapore Pte Ltd				
Columbus Capital Pty Limited	Australia	48	48	Retail mortgage lending and loan securitisation

* The financial year-ends of these associated companies are not co-terminus with the Group. However, for purposes of consolidation, these associated companies had prepared financial statements as at the same statement of financial position date as the financial statements of the Group.

On 7 September 2010, Mithril ceased to be an associated company of the Group with the reduction in the Group's interest from 20.08% to 16.71% arising from the disposal of 3,335,435 Mithril shares in the open market. The Group recorded a total loss on disposal of RM 253,000. Subsequent to 7 September 2010, the Group's interest in Mithril was reclassified as available-for-sale financial assets.

The share of post acquisition losses in associated company, Mithril not recognised is as follows:

	GROUP 31.12.2010 RM'000	GROUP 31.12.2009 RM'000
At beginning of financial year	18,667	18,673
Share of profit acquisition loss/(profit)	9,245	(6)
At end of financial year	27,912	18,667

In the previous financial years, the Group did not recognise losses from Mithril Berhad ("Mithril") as the investment was written down to a nominal carrying amount of RM1 in 2004, i.e. the year of acquisition. In addition, the Group did not recover 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.

During the financial year ended 31December 2010, the share of post acquisition loss is up to the date Mithril ceased to be an associated company.

The accumulated gain on dilution of interest in Mithril, which was not recognised in the financial statements due to the aforementioned cumulative post-acquisition losses and acquired net liabilities amounted to RM29,646,000 for the financial year ended 31 December 2009.

11 REINSURANCE ASSETS

	GROUP 31.12.2010 RM'000	GROUP 31.12.2009 RM'000	GROUP 1.1.2009 RM'000
Reinsurance of insurance contracts (Note 17)	123,897	120,679	101,532

The carrying amounts disclosed above in respect of the reinsurance of insurance contacts approximate the fair value at the date of the statement of financial position.

12 INSURANCE RECEIVABLES

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Due premiums/contributions including agents, brokers and co-insurers/co-takaful balances	42,748	81,254
Due from reinsurers/retakaful and cedants	29,015	37,333
	71,763	118,587
Allowance for impairment	(2,956)	(2,386)
	68,807	116,201

13 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Trade receivables of non-insurance subsidiary companies	5,980	6,375	-	-
Other receivables:				
Amounts due from subsidiary companies	-	-	59,945	84,293
Amounts due from associated companies	6,730	11,488	612	1,239
Outstanding proceeds from disposal of investments	-	15,466	-	-
Investment income due and accrued	2,055	4,647	53	77
Qardhul Hassan	16,644	9,128	-	-
Manager's stocks	2,178	4,530	-	-
Other receivables, deposits and prepayments	24,600	40,653	3,958	5,783
	52,207	85,912	64,568	91,392
	58,187	92,287	64,568	91,392

Qardhul Hassan represents a benevolent loan to the General takaful fund and the Family takaful fund to make good the underwriting deficit in the respective funds. The amount is unsecured, not subject to any profit element and has no fixed terms of repayment.

As at 31 December 2010, the total Qardhul Hassan payable by the General takaful fund amounted to RM14,519,000 (2009: RM8,763,000) and the Family takaful fund amounted to RM2,125,000 (2009: RM455,000).

Included in amounts due from subsidiary companies are interest-bearing advances to subsidiary companies amounting to RM45,985,000 (2009: RM67,049,000). The interest-bearing advances bear interest rates ranging from 4.35% to 8.0% (2009: 4.35% to 8.0%) per annum and are repayable on demand.

As at 31 December 2010, other receivables, deposits and prepayment included advance rental payments of RMNil (2009: RM7,430,000) to an associated company, Mithril Berhad.

The fair value of the above approximate the carrying value as at the date of the statement of financial position.

14 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 statement of financial position:

					31.12.2010
					GROUP
	General and shareholders' fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	1,602	-	-	-	1,602
Deferred tax liabilities	(2,234)	-	(312)	(776)	(3,322)
	(632)	-	(312)	(776)	(1,720)
At 1 January 2010	4,620	11,210	7	34	15,871
(Charged)/credited to income statement (Note 39):					
- property, plant and equipment	(358)	379	-	-	21
- investments and loans	6,820	(13,353)	-	(665)	(7,198)
- investment properties	-	1,029	-	-	1,029
- unabsorbed tax losses	(12)	-	-	-	(12)
- unabsorbed capital allowances	-	-	-	-	-
- receivables, deposits and prepayments	590	-	-	-	590
- others	(287)	(58)	-	-	(345)
	6,753	(12,003)	-	(665)	(5,915)
Charged to other comprehensive income:					
- available-for-sale reserve	(3,324)	-	-	-	(3,324)
(Charged)/credited to insurance contract liabilities:					
- available-for-sale reserve	-	(7,732)	(319)	(145)	(8,196)
- asset revaluation reserve	-	5	-	-	5
	-	(7,727)	(319)	(145)	(8,191)
Transferred (to)/from assets classified as held for sale	(8,771)	8,364	-	-	(407)
Currency translation differences	90	156	-	-	246
At 31 December 2010	(632)	-	(312)	(776)	(1,720)

14 DEFERRED TAX (CONTINUED)

	31.12.2010				
	GROUP				
	General and shareholders' fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Subject to income tax:					
Deferred tax assets (before offsetting)					
Property, plant and equipment	6	-	-	-	6
Investments and loans	34	-	-	-	34
Unabsorbed tax losses	708	-	-	-	708
Unabsorbed capital allowances	19	-	-	-	19
Receivable, deposits and prepayments	554	-	-	-	554
Others	317	-	-	-	317
	1,638	-	-	-	1,638
Offsetting	(36)	-	-	-	(36)
Deferred tax assets (after offsetting)	1,602	-	-	-	1,602
Deferred tax liabilities (before offsetting)					
Available-for-sale reserve	(1,534)	-	(312)	(111)	(1,957)
Property, plant and equipment	(736)	-	-	-	(736)
Investments and loans	-	-	-	(665)	(665)
	(2,270)	-	(312)	(776)	(3,358)
Offsetting	36	-	-	-	36
Deferred tax liabilities (after offsetting)	(2,234)	-	(312)	(776)	(3,322)

14 DEFERRED TAX (CONTINUED)

	31.12.2009				
	GROUP				
	General and shareholders' fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	11,393	14,479	7	39	25,918
Deferred tax liabilities	(6,773)	(3,269)	-	(5)	(10,047)
	4,620	11,210	7	34	15,871
At 1 January 2009	8,295	25,958	-	551	34,804
(Charged)/credited to income statement (Note 39):					
- property, plant and equipment	925	913	-	-	1,838
- investments and loans	(6,712)	(17,580)	-	(512)	(24,804)
- investment properties	552	18	-	-	570
- unabsorbed tax losses	(382)	-	-	-	(382)
- unabsorbed capital allowances	2	-	-	-	2
- others	(195)	19	-	-	(176)
	(5,810)	(16,630)	-	(512)	(22,952)
Charged to other comprehensive income:					
- available-for-sale reserve	(1,489)	-	-	-	(1,489)
(Charged)/credited to insurance contract liabilities:					
- available-for-sale reserve	-	1,887	7	(5)	1,889
- asset revaluation reserve	-	(11)	-	-	(11)
	-	1,876	7	(5)	1,878
Transferred from assets classified as held for sale	3,588	-	-	-	3,588
Currency translation differences	36	6	-	-	42
At 31 December 2009	4,620	11,210	7	34	15,871

14 DEFERRED TAX (CONTINUED)

	31.12.2009 GROUP				
	General and shareholders' fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Subject to income tax:					
Deferred tax assets (before offsetting)					
Property, plant and equipment	2,244	3,464	-	-	5,708
Investments and loans	1,702	20,822	-	39	22,563
Investment properties	-	3,637	-	-	3,637
Unabsorbed tax losses	9,467	-	-	-	9,467
Unabsorbed capital allowances	19	-	-	-	19
Available-for-sale reserve	-	-	7	-	7
Others	1,541	62	-	-	1,603
	14,973	27,985	7	39	43,004
Offsetting	(3,580)	(13,506)	-	-	(17,086)
Deferred tax assets (after offsetting)	11,393	14,479	7	39	25,918
Deferred tax liabilities (before offsetting)					
Asset revaluation reserve	-	(170)	-	-	(170)
Available-for-sale reserve	(2,371)	(8,187)	-	(5)	(10,563)
Property, plant and equipment	(673)	-	-	-	(673)
Investments and loans	(6,937)	(8,418)	-	-	(15,355)
Investment properties	(372)	-	-	-	(372)
	(10,353)	(16,775)	-	(5)	(27,133)
Offsetting	3,580	13,506	-	-	17,086
Deferred tax liabilities (after offsetting)	(6,773)	(3,269)	-	(5)	(10,047)

14 DEFERRED TAX (CONTINUED)

	COMPANY	
	31.12.2010	31.12.2009
	RM'000	RM'000
Deferred tax liabilities	(19)	(104)
At 1 January	(104)	(129)
Credited to income statement (Note 39):		
- property, plant and equipment	85	25
At 31 December	(19)	(104)
Subject to income tax:		
Deferred tax liabilities (before and after offsetting)		
Property, plant and equipment	(19)	(104)

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 statement of financial position are as follows:

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Deductible temporary differences	13,124	23,479
Unabsorbed tax losses	19,942	19,774
Unabsorbed capital allowances	8,285	13,513
	41,351	56,766

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.

15 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Fixed and call deposits with:				
- Licensed banks	192,329	628,739	11,615	42,570
- Other corporations	-	10,984	-	-
	192,329	639,723	11,615	42,570
Cash and bank balances	60,250	33,686	36,319	19
	252,579	673,409	47,934	42,589
Bank overdraft (Note 22)	(9,905)	(11,419)	-	(1,976)
	242,674	661,990	47,934	40,613
Assets classified as held for sale (Note 16)	619,275	96,874	-	-
	861,949	758,864	47,934	40,613

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

(a) The disposal group classified as held for sale in the statement of financial position as at 31 December 2010 is in respect of the following:

On 16 December 2010, the Company announced that it had entered into an agreement with Zurich Insurance Company Ltd ("Zurich Insurance") to negotiate a potential transaction involving the disposal of MAA to Zurich Insurance as disclosed in Note 55(c) to the financial statements ("the Proposed Disposal of MAA").

Accordingly the related assets and liabilities of MAA identified for disposal have been classified under assets and liabilities held for sale in the financial year ended 31 December 2010.

The consolidated income statement for the financial year ended 31 December 2009 include the financial results of MAA as part of discontinued operations.

(b) The disposal group classified as held for sale in the statement of financial position as at 31 December 2009 was in respect of the following:

(i) The proposed disposal of the General Insurance Business of MAA to AMG Insurance Berhad ("AMG") following the signing of a non-binding memorandum of understanding ("MOU") on 10 November 2008 as disclosed in Note 54(a) to the financial statements ("the Proposed Disposal of GI").

Accordingly the related assets and liabilities of the General Insurance Business of MAA identified for disposal were classified under assets and liabilities held for sale in the financial years ended 31 December 2008 and 31 December 2009.

On 16 December 2010, the Company announced the discontinued discussion of MAA with AMG as mutually agreed on the Proposed Disposal of GI.

(ii) The proposed disposal of 100% equity interest in Valiant Properties Sdn Bhd ("VPSB") by MAA Corporation Sdn Bhd ("MAA Corp"), a wholly-owned subsidiary of the Company, via a Sale of Share Agreement on 24 August 2009. The proposed disposal was completed on 6 April 2010.

Accordingly the related assets and liabilities of VPSB were classified under assets and liabilities held for sale in the financial year ended 31 December 2009.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

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

		GROUP	
	Note	31.12.2010	31.12.2009
		RM'000	RM'000
ASSETS CLASSIFIED AS HELD FOR SALE			
Property, plant and equipment (Note 4)	(i)	278,795	3,959
Investment properties (Note 5)	(ii)	512,287	-
Intangible assets (Note 6)		4,595	1,522
Investments	(iii)	5,791,497	402,214
Available-for-sale financial assets		3,790,913	315,077
Financial assets held at fair value through profit or loss		1,100,706	28,692
Loans and receivables		899,878	58,445
Reinsurance assets	(iv)	222,343	229,069
Insurance receivables	(v)	77,151	48,083
Other receivables	(vi)	49,938	4,724
Tax recoverable		26,936	-
Deferred tax assets (Note 14)		10,647	-
Cash and cash equivalents	(vii)	619,275	96,874
		7,593,464	786,445
LIABILITIES CLASSIFIED AS HELD FOR SALE			
Insurance contract liabilities	(viii)	6,228,001	698,819
Insurance payables	(ix)	845,548	77,453
Trade and other payables	(x)	230,248	70,729
Provision for life agents' retirement benefits (Note 25)		2,703	-
Current tax liabilities		34,140	-
Deferred tax liabilities (Note 14)		10,240	-
Reserves (Note 27)		12,334	-
		7,363,214	847,001

	COMPANY	
	31.12.2010	31.12.2009
	RM'000	RM'000
Assets classified as held for sale	150,000	-

The above represents the Company's cost of investment in MAA which has been classified as assets held for sale, consistent with the basis as disclosed in Note 16(A)(a)(i).

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(i) Property, plant and equipment

Certain land and buildings were revalued in previous years by independent valuers where the fair values were 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 as at the end of the financial year are as follows:

	GROUP	
	31.12.2010	**31.12.2009**
	RM'000	**RM'000**
Freehold land	57,462	-
Leasehold lands	4,214	-
Freehold buildings	187,428	-
Leasehold buildings	7,219	-
	256,323	-

As at 31 December 2010, the titles to certain properties amounting to RM24,905,000 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.

(ii) Investment properties

Investment properties are stated at fair value, which had been determined based on valuations performed by external independent valuers at the statement of financial position date. Valuations are performed annually based on the properties' fair market values using the direct sale comparison and income approach. The fair value changes (gains/losses) are recorded in the income statement.

As at 31 December 2010, the titles to certain investment properties of an insurance subsidiary company amounting to RM80,157,000 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 and is awaiting the process and finalisation of these transfers to be completed.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(iii) Investments

	GROUP	
	31.12.2010 RM'000	31.12.2009 RM'000
Malaysian Government Securities/Government Investment Issues	247,813	78,657
Corporate debt securities	3,718,589	236,420
Equity securities	876,304	28,692
Unit trusts	37,956	-
Investment-linked units	10,957	-
Loans	650,254	1,065
Fixed and call deposits	249,624	57,380
	5,791,497	402,214
The financial investments are summarised by measurement category in the following presentations:		
Available-for-sale financial assets (a)	3,790,913	315,077
Financial assets at fair value through profit or loss (b)	1,100,706	28,692
Loans and receivables (c)	899,878	58,445
	5,791,497	402,214
The following investments mature after 12 months:		
Available-for-sale financial assets	3,512,610	302,950
Financial assets held at fair value through profit or loss	167,316	-
Loans and receivables	23,091	864
	3,703,017	303,814

(a) Available-for-sale financial assets

	31.12.2010 RM'000	31.12.2009 RM'000
Quoted:		
Equity securities	3,364	-
Corporate debt securities	3,551,424	236,420
Malaysian Government Securities/Government Investment Issues	236,125	78,657
	3,790,913	315,077

Included in the above balances as at 31 December 2010 are Malaysian Government Securities, Government Investment Issues and corporate debt securities of RM159 million (2009: RM159 million) assigned from the Life Non-participating fund to the Life Participating fund, and RM89 million, consisting of RM18 million (2009: RM18 million) from the Life Non-participating and RM71 million (2009: RM71 million) from the Shareholders' fund, to the Life Annuity funds to rectify the shortfall of assets over liabilities of the Life Participating fund of RM143 million (2009: RM159 million) and the Life Annuity fund of RM81 million (2009: RM89 million) respectively, as disclosed in Note 2(a) to the financial statements.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(iii) Investments (continued)

(b) Financial assets held at fair value through profit of loss

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Held-for-trading:		
Quoted:		
Equity securities	483,932	28,692
Unit trusts	24,456	-
Corporate debt securities	21,802	-
Unquoted:		
Investment-linked units	6,245	-
	536,435	28,692
Designated at fair value through profit or loss:		
Quoted:		
Equity securities	389,008	-
Unit trusts	13,500	-
Unquoted:		
Corporate debt securities	145,363	-
Investment-linked units	4,712	-
Malaysian Government Securities/Government Investment Issues	11,688	-
	564,271	-
	1,100,706	28,692

(c) Loans and receivables

Loans arising from:		
Policy loans	351,849	-
Mortgage loans	246,745	953
Other secured loans	183,629	73
Unsecured loans	1,144	39
	783,367	1,065
Allowance for impairment	(133,113)	-
Net loans	650,254	1,065
Fixed and call deposits with:		
Licensed banks	28,227	57,380
Other corporations	221,397	-
	249,624	57,380
	899,878	58,445

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(iii) Investments (continued)

(c) Loans and receivables (continued)

The estimated fair values of the loans and receivables have been established by comparing current market interest rates for similar financial instruments to the rates offered when the loans and receivables were first recognised together with appropriate market credit adjustments except for loans which are non-performing, where the estimated value is the discounted amount of estimated future cash flows expected to be received.

The maturity structure of the loans and receivables is as follows:

	GROUP	
	31.12.2010	**31.12.2009**
	RM'000	**RM'000**
Receivables within 12 months:		
Net loans	633,981	201
Fixed and call deposits	242,806	57,380
	876,787	57,581
Receivables after 12 months:		
Net loans	16,273	864
Fixed and call deposits	6,818	-
	23,091	864
	899,878	58,445

Included in the total loans portfolio net of allowance for impairment of an insurance subsidiary company as at 31 December 2010 are several non-performing loans ("NPL") amounting to approximately RM279,377,000. These NPL were collateralised by properties and/or shares as pledged by the borrowers. The insurance subsidiary company has assessed the value of the collaterals or agreed settlement plans and has made allowance for doubtful debts where appropriate. Should the market value or adjusted value of the collaterals deviate by 10% or the recovery process be delayed by a year, particularly those loans with properties as collaterals, there may be a potential shortfall of approximately RM21 million between the carrying amount and the present value of the recoverable amount for the NPL.

As at 31 December 2010, the fair value of the collaterals held as at the date of the statement of financial position was RM813 million.

(iv) Reinsurance assets

	GROUP		
	31.12.2010	**31.12.2009**	**1.1.2009**
	RM'000	**RM'000**	**RM'000**
Reinsurers' share of insurance contract liabilities (viii)	222,343	229,069	210,577

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximate the fair value at the date of statement of financial position.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(v) Insurance receivables

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	74,679	58,283
Due from reinsurers and cedants	11,182	11,729
	85,861	70,012
Allowance for impairment	(8,710)	(21,929)
	77,151	48,083

(vi) Other receivables

Outstanding proceeds from disposal of investments	3,153	1,238
Assets held under Malaysia Motor Insurance Pool	6,868	3,484
Deposits, prepayments and other receivables	39,917	2
	49,938	4,724

The carrying amounts disclosed above approximate the fair value due to the short-term maturity of these balances.

(vii) Cash and cash equivalents

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Fixed and call deposits with licensed banks (with maturity less than three months)	606,355	86,250
Cash and bank balances	12,920	10,624
	619,275	96,874

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(viii) Insurance contract liabilities

						GROUP
			31.12.2010			31.12.2009
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Life insurance (a)	5,500,699	(28,920)	5,471,779	-	-	-
General insurance (b)	727,302	(193,423)	533,879	698,819	(229,069)	469,750
	6,228,001	(222,343)	6,005,658	698,819	(229,069)	469,750

			1.1.2009
	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000
General insurance	624,600	(210,577)	414,023

(a) <u>Life Insurance</u>

The Life insurance contract liabilities and its movements are further analysed as follows:

			GROUP
			31.12.2010
	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000
Actuarial liabilities:			
Liability for future policyholders' benefits	4,494,277	(18,196)	4,476,081
Net asset value attributable to unitholders	747,175	-	747,175
	5,241,452	(18,196)	5,223,256
Claim liabilities	45,561	(10,724)	34,837
Unallocated surplus	28,747	-	28,747
Available-for-sale reserves	183,347	-	183,347
Asset revaluation reserves	1,592	-	1,592
	5,500,699	(28,920)	5,471,779

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(viii) Insurance contract liabilities (continued)

(a) Life Insurance (continued)

	GROUP						
	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities							
Reclassified as liabilities held for sale	3,758,572	1,669,257	5,427,829	(3,956)	(15,640)	(19,596)	5,408,233
Benefit and claims experience variation	(151,037)	(173,129)	(324,166)	934	466	1,400	(322,766)
Change due to valuation basis:							
Model enhancement	5,622	33	5,655	-	-	-	5,655
Yield movement	-	13,354	13,354	-	-	-	13,354
Assumption changes	2,671	10,743	13,414	-	-	-	13,414
Net asset value attributable to unitholders	-	105,366	105,366	-	-	-	105,366
At 31 December 2010	3,615,828	1,625,624	5,241,452	(3,022)	(15,174)	(18,196)	5,223,256
Claim liabilities							
Reclassified as liabilities held for sale	16,332	25,130	41,462	(2,687)	(2,603)	(5,290)	36,172
Movement in claim provisions	4,756	(657)	4,099	(2,182)	(3,252)	(5,434)	(1,335)
At 31 December 2010	21,088	24,473	45,561	(4,869)	(5,855)	(10,724)	34,837

16 **ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE** (CONTINUED)

(A) **DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE** (CONTINUED)

(viii) Insurance contract liabilities (continued)

(a) Life Insurance (continued)

	GROUP		
	31.12.2010		
	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000
Unallocated surplus/(deficit)			
Reclassified as liabilities held for sale	(334,778)	301,033	(33,745)
Premiums received (Note 29)	267,765	709,112	976,877
Payments due to death, surrenders, benefits and claims (Note 35)	(606,313)	(756,438)	(1,362,751)
Net investment income	257,808	214,838	472,646
Management expenses and commissions	(43,066)	(131,707)	(174,773)
Change in life fund actuarial liabilities	141,810	43,167	184,977
Change in claim liabilities	(2,574)	3,909	1,335
Taxation	(20,612)	(15,573)	(36,185)
Net (deficit)/surplus for the financial year	(5,182)	67,308	62,126
Transfer of revaluation surplus on disposal of property, net of tax	366	-	366
At 31 December 2010	(339,594)	368,341	28,747
Available-for-sale reserves			
Reclassified as liabilities held for sale	74,071	20,612	94,683
Net gain arising during the financial year	88,379	35,226	123,605
Net realised gain transferred to Income Statement	(13,608)	(13,601)	(27,209)
	74,771	21,625	96,396
Deferred tax effects	(6,026)	(1,706)	(7,732)
	68,745	19,919	88,664
At 31 December 2010	142,816	40,531	183,347
Asset revaluation reserves			
Reclassified as liabilities held for sale	1,535	423	1,958
Reversal of revaluation surplus on disposal of property	(398)	-	(398)
Deferred tax effects	32	-	32
	(366)	-	(366)
At 31 December 2010	1,169	423	1,592

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(viii) Insurance contract liabilities (continued)

(b) General Insurance

The General insurance contract liabilities and movements are further analysed as follows:

						GROUP
		31.12.2010				31.12.2009
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	342,888	(123,329)	219,559	328,584	(138,822)	189,762
Provision for incurred but not reported claims ("IBNR")	172,985	(31,188)	141,797	148,017	(30,673)	117,344
Claim liabilities (i)	515,873	(154,517)	361,356	476,601	(169,495)	307,106
Premium liabilities (ii)	211,429	(38,906)	172,523	222,218	(59,574)	162,644
	727,302	(193,423)	533,879	698,819	(229,069)	469,750
(i) Claim liabilities						
At 1 January	476,601	(169,495)	307,106	461,972	(161,685)	300,287
Claims incurred in the current accident year	239,735	(48,025)	191,710	213,908	(58,384)	155,524
Other movements in claims incurred in prior accident years	43,073	10,544	53,617	51,201	(11,287)	39,914
Claims paid during the financial year (Note 35)	(268,504)	52,974	(215,530)	(273,385)	65,763	(207,622)
Movement in IBNR reserves	24,968	(515)	24,453	22,905	(3,902)	19,003
At 31 December	515,873	(154,517)	361,356	476,601	(169,495)	307,106
(ii) Premium liabilities						
At 1 January	222,218	(59,574)	162,644	162,628	(48,892)	113,736
Premium written in the financial year (Note 29)	510,943	(87,852)	423,091	476,144	(113,123)	363,021
Premium earned during the financial year	(521,732)	108,520	(413,212)	(416,554)	102,441	(314,113)
At 31 December	211,429	(38,906)	172,523	222,218	(59,574)	162,644

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(ix) Insurance payables

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Due to agents and intermediaries	777,919	32,983
Due to reinsurers and cedants	41,363	26,827
Reinsures' deposits withheld	12,593	17,643
Premium deposits	13,673	-
	845,548	77,453

The carrying amounts disclosed above approximate the fair value at the date of the statement of financial position. All amounts are payables within one year.

(x) Trade and other payables

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Investment creditors	33,477	-
Cash collaterals held for performance bond underwritten	45,489	51,010
Unclaimed monies	15,334	3,332
Rental deposits	5,265	-
Accrued interest payable	38,330	-
Accrual for unutilised staff leave	1,666	1,264
Other payables and accruals	90,687	15,123
	230,248	70,729
Repayable within 12 months	205,456	57,781
Repayable after 12 months	24,792	12,948
	230,248	70,729

The carrying amounts disclosed above approximate the fair value at the date of statement of financial position.

Net cash flows attributable to the discontinued operations comprise:

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Net inflow from operating activities	154,966	272
Net outflow from investing activities	(5,324)	(1,387)
Total net cash inflow/(outflow)	149,642	(1,115)

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(B) OTHER ASSET HELD FOR SALE

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Property, plant and equipment (Note 4)	3,935	-

The above consists of a yacht owned by the offshore insurance subsidiary company where construction was completed during the financial year. The carrying amount of the yacht represents the fair value as at the statement of financial position date.

17 INSURANCE CONTRACT LIABILITIES

		GROUP					
		31.12.2010			31.12.2009		
	Note	Gross	Re-insurance	Net	Gross	Re-insurance	Net
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Life insurance	(a)	108,560	-	108,560	5,628,862	(24,886)	5,603,976
General insurance	(b)	110,251	(44,517)	65,734	137,773	(57,731)	80,042
Family takaful	(c)	193,610	(17,198)	176,412	111,173	(1,389)	109,784
General takaful	(d)	104,929	(62,182)	42,747	56,000	(36,673)	19,327
		517,350	(123,897)	393,453	5,933,808	(120,679)	5,813,129

	GROUP		
	1.1.2009		
	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000
Life insurance	5,466,659	(19,780)	5,446,879
General insurance	131,836	(64,240)	67,596
Family takaful	76,893	-	76,893
General takaful	23,780	(17,512)	6,268
	5,699,168	(101,532)	5,597,636

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance

The Life insurance contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2010			31.12.2009		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities:						
Liability for future policyholders' benefits	90,644	-	90,644	4,868,931	(19,596)	4,849,335
Net asset value attributable to unitholders	7,892	-	7,892	647,139	-	647,139
	98,536	-	98,536	5,516,070	(19,596)	5,496,474
Claims liabilities	757	-	757	42,307	(5,290)	37,017
	99,293	-	99,293	5,558,377	(24,886)	5,533,491
Unallocated surplus/(deficit)	7,312	-	7,312	(26,684)	-	(26,684)
Available-for-sale reserve	1,955	-	1,955	95,211	-	95,211
Asset revaluation reserve	-	-	-	1,958	-	1,958
	108,560	-	108,560	5,628,862	(24,886)	5,603,976

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

	GROUP						
	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities							
At 1 January 2009	3,779,473	1,736,043	5,515,516	(4,010)	(9,343)	(13,353)	5,502,163
Benefit and claims experience variation	176,180	(98,053)	78,127	54	(6,297)	(6,243)	71,884
Change due to valuation basis:							
Model enhancement	12,829	352	13,181	-	-	-	13,181
Yield movement	236,276	(38,854)	197,422	-	-	-	197,422
Assumption changes	13,122	(13,703)	(581)	-	-	-	(581)
Bonus cut	(426,827)	-	(426,827)	-	-	-	(426,827)
Net asset value attributable to unitholders	-	140,145	140,145	-	-	-	140,145
Currency translation differences	-	(913)	(913)	-	-	-	(913)
At 31 December 2009	3,791,053	1,725,017	5,516,070	(3,956)	(15,640)	(19,596)	5,496,474
Transferred to assets/liabilities classified as held for sale (Note 16)	(3,758,572)	(1,669,257)	(5,427,829)	3,956	15,640	19,596	(5,408,233)
Benefit and claims experience variation	2,646	6,958	9,604	-	-	-	9,604
Currency translation differences	-	691	691	-	-	-	691
At 31 December 2010	35,127	63,409	98,536	-	-	-	98,536
Claims liabilities							
At 1 January 2009	12,194	19,647	31,841	(3,195)	(3,232)	(6,427)	25,414
Movement in claim provisions	4,212	6,254	10,466	508	629	1,137	11,603
At 31 December 2009	16,406	25,901	42,307	(2,687)	(2,603)	(5,290)	37,017
Transferred to assets/liabilities classified as held for sale (Note 16)	(16,332)	(25,130)	(41,462)	2,687	2,603	5,290	(36,172)
Movement in claim provisions	(4)	(84)	(88)	-	-	-	(88)
At 31 December 2010	70	687	757	-	-	-	757

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

	GROUP					
	31.12.2010			31.12.2009		
	With DPF	Without DPF	Total	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unallocated surplus/(deficit)						
At 1 January	(335,821)	309,137	(26,684)	(372,919)	168,680	(204,239)
Transferred to assets/liabilities classified as held for sale (Note 16)	334,778	(301,033)	33,745	-	-	-
Premium received	-	19,866	19,866	283,381	781,665	1,065,046
Payments due to death, surrenders, benefits and claims	-	(15,355)	(15,355)	(362,100)	(716,332)	(1,078,432)
Net investment income	2,522	7,537	10,059	197,612	222,797	420,409
Management expenses and commissions	(231)	(11,698)	(11,929)	(49,567)	(132,845)	(182,412)
Change in life assurance fund actuarial liabilities	(3,744)	6,716	2,972	(12,940)	19,853	6,913
Change in claims liabilities	4	(5,308)	(5,304)	(4,720)	(17,502)	(22,222)
Tax expenses	-	(58)	(58)	(14,751)	(17,179)	(31,930)
Net (deficit)/surplus for the financial year	(1,449)	1,700	251	36,915	140,457	177,372
Transfer of revaluation surplus on disposal of property, net of tax	-	-	-	183	-	183
At 31 December	(2,492)	9,804	7,312	(335,821)	309,137	(26,684)
Available-for-sale reserve						
At 1 January	74,340	20,871	95,211	108,631	13,076	121,707
Transferred to assets/liabilities classified as held for sale (Note 16)	(74,071)	(20,612)	(94,683)	-	-	-
Net gains/(loss) arising during the financial year	688	739	1,427	(29,662)	9,000	(20,662)
Net realised loss transferred to Income Statement	-	-	-	(7,171)	(550)	(7,721)
	688	739	1,427	(36,833)	8,450	(28,383)
Deferred tax effects	-	-	-	2,542	(655)	1,887
	688	739	1,427	(34,291)	7,795	(26,496)
At 31 December	957	998	1,955	74,340	20,871	95,211

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

	GROUP					
	31.12.2010			31.12.2009		
	With DPF	Without DPF	Total	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Asset revaluation reserve						
At 1 January	1,535	423	1,958	1,411	423	1,834
Transferred to assets/liabilities classified as held for sale (Note 16)	(1,535)	(423)	(1,958)	-	-	-
Net loss arising during the financial year	-	-	-	(199)	-	(199)
Deferred tax effects	-	-	-	16	-	16
Net realised gain transferred to Income Statement	-	-	-	334	-	334
Deferred tax effects	-	-	-	(27)	-	(27)
At 31 December	-	-	-	1,535	423	1,958

(b) General insurance

The General insurance contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2010			31.12.2009		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	33,212	(13,348)	19,864	47,482	(30,158)	17,324
Provision for incurred but not reported claims ("IBNR")	52,762	(22,674)	30,088	48,248	(11,703)	36,545
Claim liabilities (i)	85,974	(36,022)	49,952	95,730	(41,861)	53,869
Premium liabilities (ii)	24,277	(8,495)	15,782	42,043	(15,870)	26,173
	110,251	(44,517)	65,734	137,773	(57,731)	80,042

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General insurance (continued)

(i) Claims liabilities

	GROUP					
	31.12.2010			31.12.2009		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January						
- as previously stated	67,777	(32,387)	35,390	64,588	(31,617)	32,971
- change in accounting policy (Note 47)	27,953	(9,474)	18,479	37,659	(19,616)	18,043
- as restated	95,730	(41,861)	53,869	102,247	(51,233)	51,014
Claims incurred in the current accident year	44,105	(51,915)	(7,810)	65,914	(67,018)	(1,104)
Other movements in claims incurred in prior accident years	26,340	(6,657)	19,683	(3,192)	11,654	8,462
Claims paid during the financial year (Note 35)	(83,591)	74,508	(9,083)	(64,451)	58,033	(6,418)
Movement in IBNR	4,514	(10,971)	(6,457)	(6,859)	8,562	1,703
	(8,632)	4,965	(3,667)	(8,588)	11,231	2,643
Currency translation differences	(1,124)	874	(250)	2,071	(1,859)	212
At 31 December	85,974	(36,022)	49,952	95,730	(41,861)	53,869

(ii) Premium liabilities

	Gross	Re-insurance	Net	Gross	Re-insurance	Net
At 1 January	42,043	(15,870)	26,173	29,614	(13,007)	16,607
Premium written in the financial year (Note 29)	69,756	(46,286)	23,470	82,239	(61,626)	20,613
Premium earned during the financial year	(86,591)	53,251	(33,340)	(69,938)	57,813	(12,125)
	(16,835)	6,965	(9,870)	12,301	(3,813)	8,488
Currency translation differences	(931)	410	(521)	128	950	1,078
At 31 December	24,277	(8,495)	15,782	42,043	(15,870)	26,173

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(c) Family takaful

The Family takaful contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2010			31.12.2009		
	Gross	Re-takaful	Net	Gross	Re-takaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities:						
Liability for future policyholders' benefits	43,721	(11,361)	32,360	14,570	(517)	14,053
Net asset value attributable to unitholders	139,997	-	139,997	92,566	-	92,566
	183,718	(11,361)	172,357	107,136	(517)	106,619
Claims liabilities	8,164	(5,837)	2,327	4,024	(872)	3,152
Available-for-sale reserves	1,728	-	1,728	13	-	13
	193,610	(17,198)	176,412	111,173	(1,389)	109,784
At 1 January	111,173	(1,389)	109,784	76,893	-	76,893
Certificate received	157,434	(5,332)	152,102	84,714	(2,277)	82,437
Liabilities paid for death, maturities, surrender, benefits and claims (Note 35)	(49,484)	5,057	(44,427)	(21,545)	1,920	(19,625)
Benefits and claims experience variation	33,887	(21,272)	12,615	6,598	(434)	6,164
Increase in claim liabilities	(4,140)	4,965	825	3,843	(872)	2,971
Fees deducted	(55,245)	773	(54,472)	(38,148)	274	(37,874)
Surplus transferred to Shareholders' fund	(3,400)	-	(3,400)	(1,650)	-	(1,650)
Increase in Qardhul Hassan	1,670	-	1,670	455	-	455
Available-for-sale reserves	1,715	-	1,715	13	-	13
At 31 December	193,610	(17,198)	176,412	111,173	(1,389)	109,784

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(d) General takaful

The General takaful contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2010			31.12.2009		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims	41,040	(25,228)	15,812	20,042	(16,539)	3,503
Provision for incurred but not reported claims ("IBNR")	14,708	(8,076)	6,632	1,901	(679)	1,222
Provision for liability adequacy	6,463	(3,938)	2,525	3,887	(3,106)	781
Claim liabilities (i)	62,211	(37,242)	24,969	25,830	(20,324)	5,506
Unearned contribution reserves (ii)	41,782	(24,940)	16,842	30,190	(16,349)	13,841
General takaful fund (iii)	936	-	936	(20)	-	(20)
	104,929	(62,182)	42,747	56,000	(36,673)	19,327

	GROUP		
	1.1.2009		
	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims	2,001	(1,510)	491
Provision for incurred but not reported claims ("IBNR")	3,678	(2,866)	812
Provision for liability adequacy	763	(525)	238
Claim liabilities (i)	6,442	(4,901)	1,541
Unearned contribution reserves (ii)	17,338	(12,611)	4,727
	23,780	(17,512)	6,268

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(d) General takaful (continued)

(i) Claims liabilities

	GROUP					
	31.12.2010			31.12.2009		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January	25,830	(20,324)	5,506	6,442	(4,901)	1,541
Claims incurred in the current accident year	54,138	(28,948)	25,190	24,168	(18,513)	5,655
Other movements in claims						
Claims incurred in prior accident year	(4,835)	5,068	233	(2,176)	2,184	8
Claims paid during the financial year (Note 35)	(15,498)	7,794	(7,704)	(5,728)	3,487	(2,241)
Provision for liability adequacy	2,576	(832)	1,744	3,124	(2,581)	543
At 31 December	62,211	(37,242)	24,969	25,830	(20,324)	5,506

(ii) Unearned contribution reserves

	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January						
- as previously stated	30,190	(16,349)	13,841	20,851	(15,168)	5,683
- change in accounting policy (Note 47)	-	-	-	(3,513)	2,557	(956)
- as restated	30,190	(16,349)	13,841	17,338	(12,611)	4,727
Contribution written in the financial year (Note 29)	111,113	(74,289)	36,824	72,730	(53,829)	18,901
Contribution earned during the financial year	(99,521)	65,698	(33,823)	(59,878)	50,091	(9,787)
At 31 December	41,782	(24,940)	16,842	30,190	(16,349)	13,841

	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January	(20)	-	(20)	-	-	-
Deficit arising during the financial year	5,845	-	5,845	1,280	-	1,280
Increase in Qardhul Hassan	(5,845)	-	(5,845)	(1,280)	-	(1,280)
Net gains/(loss) arising from available-for-sale financial assets	1,275	-	1,275	(27)	-	(27)
Deferred tax effect	(319)	-	(319)	7	-	7
	956	-	956	(20)	-	(20)
At 31 December	936	-	936	(20)	-	(20)

Included in the above is the transfer of funds during the current financial year of RM5,845,000 (2009: RM1,280,000) under Qardhul Hassan principle, as disclosed in Note 2(v) to the financial statements. As at 31 December 2010, the total Qardhul Hassan payable amounted to RM14,519,000 (2009: RM8,763,000).

18 INVESTMENT CONTRACT LIABILITIES

	GROUP					
	31.12.2010			31.12.2009		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Without DPF	40,538	-	40,538	53,584	-	53,584
At 1 January	53,584	-	53,584	45,491	-	45,491
Deposits (creation of units)	9,282	-	9,282	14,590	-	14,590
Withdrawals	(17,848)	-	(17,848)	(11,326)	-	(11,326)
Fees deducted	(968)	-	(968)	(1,013)	-	(1,013)
Net investment income	545	-	545	451	-	451
Other operating income/(expenses)-net	243	-	243	(788)	-	(788)
Fair value adjustment – Investments	(884)	-	(884)	(2,327)	-	(2,327)
Changes in insurance liabilities and actuarial assumptions	(88)	-	(88)	7,148	-	7,148
Currency translation differences	(3,328)	-	(3,328)	1,358	-	1,358
At 31 December	40,538	-	40,538	53,584	-	53,584

Investment contract liabilities without DPF are stated at fair value.

Investment contract liabilities without DPF are further analysed as follows:

	GROUP	
	31.12.2010 RM'000	31.12.2009 RM'000
Unit-linked liabilities valued using valuation techniques with market observable inputs	40,538	53,584

The fair value of unit-linked liabilities is based upon the fair value of the underlying assets of the funds.

19 MEDIUM TERM NOTES (SECURED)

	GROUP/COMPANY	
	31.12.2010	31.12.2009
	RM'000	RM'000
RM200 million Medium Term Notes	170,000	200,000
Analysis of the MTNs:		
Payable between 1 year to 2 years	170,000	60,000
Payable between 2 years to 5 years	-	140,000
	170,000	200,000

In the financial year ended 31 December 2007, the Company issued RM200 million nominal amount of Medium Term Notes ("MTNs") up to a tenure of 5 years 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 ("DBS") up to the maximum aggregate principal amount of United States Dollars equivalent of 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. The Company has further provided undertakings to DBS under the bank guarantee facility, which amongst others include undertakings not to dispose of any part of the business and assets of its wholly-owned insurance subsidiary company, MAA, and not to dilute the Company's interest in MAA without the prior consent of DBS.

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. Under the trust deed, the Company provided covenants to the trustee for the benefit of the noteholders. The covenants include amongst others an undertaking not to dispose of the business or assets of MAA except where such disposal is to an investor of good standing and acknowledged reputation in the insurance industry who has the expertise, skills and strategic direction necessary to significantly enhance the value of MAA's business with the Company maintaining control of both the management and Board of Directors of MAA, and also the Company shall at all times remain the legal and beneficial owner of at least 51% interest in MAA, unless the prior consent of the noteholders by way of ordinary resolution or the trustee has been obtained in accordance with the terms of the trust deed.

During the financial year, interest rates of MTNs charged were in the range of 4.48% to 4.51% (2009: 4.45% to 4.51%) per annum.

During the financial year, the Company provided 100% of MAA shares as security to the bank guarantee and a new standby letter of credit facility of RM36.3 million was obtained from DBS as disclosed in Note 21 to the financial statements. The bank guarantee has a first fixed charge over MAA shares.

20 TERM LOAN (UNSECURED)

	GROUP/COMPANY	
	31.12.2010	31.12.2009
	RM'000	RM'000
Term loan:		
- Unsecured	-	10,000
Payable within 1 year	-	10,000

The unsecured term loan of RM20,000,000 from a licensed bank bears an interest rate of 2.0% per annum above the prevailing base lending rate (2009: 2.0%). During the financial year, the interest rate charged was 7.55% to 8.05% (2009: 7.55% to 8.50%) 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 was fully settled in June 2010.

21 REVOLVING CREDIT (SECURED)

	GROUP/COMPANY	
	31.12.2010	31.12.2009
	RM'000	RM'000
Revolving credit:		
- Secured	36,300	-
Payable within 1 year	36,300	-

On 30 December 2010, the Company secured a revolving credit ("RC") facility of RM36,300,000 from a licensed bank. The RC facility is secured by a standby letter of credit ("SBLC") from DBS up to the maximum aggregate principal amount of United States Dollars equivalent of RM36.3 million and a pledge of fixed deposit of RM125,000 with the licensed bank.

The tenure of the RC facility is 6 months from the date of first drawdown, subject to availability of the SBLC. The RC bears an interest rate of 0.25% per annum above the licensed bank's cost of fund. The RC interest is payable monthly at the end of the interest period. The RC is to be settled by a bullet repayment on 30 June 2011. During the financial year, the interest rate charged for the RC was 3.4% per annum.

The tenure of the SBLC is 6 months from the date of issue and will expire on 30 June 2011. The SBLC bears an upfront commission of 3.5% flat on the facility amount. The SBLC is secured by the following:

(a) a deposit of RM1.0 million into a bank account to be maintained and operated by DBS; and

(b) a second fixed charge over 100% of MAA shares.

Both the RC and SBLC facilities are secured to facilitate settlement of second tranche of the MTNs with nominal value of RM30 million and to pre-fund coupon interest of the MTNs due in July 2011 and January 2012 totalling RM6.3 million.

22 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% (2009: 2.0%) per annum above the prevailing base lending rate. During the financial year, the interest rates charged were 7.55% to 8.30% (2009: 7.55% to 8.50%) 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% (2009: 2.5%) per annum above the prevailing base lending rate. During the financial year, the interest rates charged were 8.05% to 8.8% (2009: 8.05% to 9.0%) per annum.

The unsecured bank overdraft facilities of an insurance subsidiary company of the Company have limits of RM6.0 million (2009: RM6.0 million). During the financial year, the interest rates charged were 7.80% (2009: 7.05%) per annum. There were no overdrawn facilities utilised at the statement of financial position date by the insurance subsidiary company.

23 INSURANCE PAYABLES

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Due to agents, brokers and co-insurers/co-takaful	5,837	679,530
Due to reinsurers/retakaful companies and cedants	47,440	44,112
Reinsurers'/retakaful deposits withheld	1,967	5,347
Premium/contribution deposits	3,655	10,047
	58,899	739,036

The carrying amounts disclosed above approximate the fair value at the statement of financial position.

All amounts are payable within one year.

24 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Trade payables from non-insurance subsidiary companies	14,987	34,369	-	-
Other payables:				
Amounts due to a Director	1,893	2,200	-	-
Amount due to a related company	129	-	-	-
Accrued interest payable	-	41,660	-	-
Unclaimed monies	-	10,284	-	-
Defined contribution retirement plan payable	2,012	2,143	276	247
Accrual for unutilised staff leave	969	1,925	185	213
Rental deposits	-	3,858	-	-
Hire purchase creditors	636	1,001	92	332
Commission payable	5,438	4,910	-	-
Other payables and accruals	53,765	98,408	10,808	10,218
	64,842	166,389	11,361	11,010
	79,829	200,758	11,361	11,010

Amounts due to a Director by subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

The hire purchase creditors can be analysed as follows:

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Payable within 1 year	287	505	92	240
Payable between 2 years to 5 years	349	496	-	92
	636	1,001	92	332

The hire purchase creditors of the Group and the Company bear interest rates ranging from 2.3% to 3.9% (2009: 2.3% to 3.9%) per annum and 2.4% to 2.8% per annum (2009: 2.4% to 2.8%) respectively.

25 PROVISION FOR LIFE AGENTS' RETIREMENT BENEFITS

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
At beginning of financial year	2,780	3,104
Provision for the financial year	100	152
Utilised during the financial year	(177)	(476)
	2,703	2,780
Transferred to liabilities as held for sale (Note 16)	(2,703)	-
At end of financial year	-	2,780
Payable within 12 months	-	895
Payable after 12 months	-	1,885
	-	2,780

The amount recognised in the statement of financial position is analysed as follows:

Present value of funded obligations	-	25,750
Fair value of plan assets	-	(25,750)
Status of funded plan	-	-
Present value of unfunded obligations	-	2,780
Liability in the statement of financial position	-	2,780

The expense recognised in the income statement under commission and agency expenses is analysed as follows:

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Current service cost	-	20
Interest cost	-	132
	-	152

The actual return on plan assets in 2009: RM1,973,000.

The present value of funded obligations is always equal to the fair value of plan assets of the funded retirement benefit scheme as the 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 retirement age and are eligible for the retirement benefit.

26 SHARE CAPITAL

	GROUP/COMPANY	
	31.12.2010	31.12.2009
	RM'000	RM'000
Authorised ordinary shares of RM1 each:		
At beginning and end of financial year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:		
At beginning and end of financial year	304,354	304,354

27 RESERVES

	GROUP		COMPANY	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
(Accumulated losses)/retained earnings	(16,728)	(44,193)	(1,048)	21,997
Reserves				
- Foreign exchange reserve	(6,630)	(5,927)	-	-
- Available-for-sale reserve	5,649	6,992	998	-
	(981)	1,065	998	-
	(17,709)	(43,128)	(50)	21,997
Movement in (accumulated losses)/retained earnings				
At 1 January				
- as previously stated	(28,855)	(81,473)	21,997	(2,268)
- change in accounting policy (Note 47)	(15,338)	(14,976)	-	-
- as restated	(44,193)	(96,449)	21,997	(2,268)
Profit/(loss) for the financial year	27,465	52,256	(23,045)	24,265
At 31 December	(16,728)	(44,193)	(1,048)	21,997
Movement in foreign exchange reserve				
At 1 January	(5,927)	(10,832)	-	-
Currency translation differences arising during the financial year	(703)	4,905	-	-
At 31 December	(6,630)	(5,927)	-	-
Movement in available-for-sale reserve				
At 1 January	6,992	(329)	-	-
Movement in far value for available-for-sale financial assets, net of tax	10,991	3,844	998	-
Transferred (to)/from assets classified as held for sale (Note 16)	(12,334)	3,477	-	-
	(1,343)	7,321	998	-
At 31 December	5,649	6,992	998	-

27 RESERVES (CONTINUED)

The available-for-sale reserve represents the fair value gains or losses from available-for-sale financial assets of the Group.

The retained earnings represent the amount available for dividend distribution to the equity shareholders of the Company.

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 2007 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 2010, subject to agreement with the tax authorities, the Company has:

(a) tax exempt income of approximately RM18,223,000 (2009: RM18,223,000), 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 RM89,090,000 (2009: RM89,090,000) and RM88,000 (2009: RM88,000) respectively.

28 OPERATING REVENUE

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Gross premiums/contributions (Note 29)	364,607	241,360	-	-
Investment income (Note 30)	19,587	16,055	3,636	5,328
Interest income from hire purchase, leasing and other credit facilities	3,879	7,765	-	-
Income from unit trust fund management, security services and consultancy services	54,040	50,325	-	-
Management fee income	1,624	2,809	5,632	6,842
	443,737	318,314	9,268	12,170

DISCONTINUED OPERATIONS

	GROUP	
	2010	2009
	RM'000	RM'000
Gross premiums/contributions (Note 29)	1,517,583	1,469,747
Investment income (Note 30)	302,744	293,882
	1,820,327	1,763,629

29 NET EARNED PREMIUMS/CONTRIBUTIONS

CONTINUING OPERATIONS

	GROUP 2010 RM'000	GROUP 2009 RM'000
(a) Gross earned premiums/contributions		
Insurance contracts:		
Life fund	21,061	26,831
General fund	69,756	82,239
Family takaful fund	157,434	84,714
General takaful fund	111,113	72,730
	359,364	266,514
Change in unearned premium/contribution reserves	5,243	(25,154)
	364,607	241,360
(b) Premiums/contributions ceded		
Insurance contracts:		
Life fund	(1,195)	(331)
General fund	(46,286)	(61,626)
Family takaful fund	(5,332)	(2,277)
General takaful fund	(74,289)	(53,829)
	(127,102)	(118,063)
Change in unearned premium/contribution reserves	1,626	7,551
	(125,476)	(110,512)
Net earned premiums/contributions	239,131	130,848

DISCONTINUED OPERATIONS

	GROUP 2010 RM'000	GROUP 2009 RM'000
(a) Gross premiums		
Insurance contracts:		
Life fund	995,851	1,053,193
General fund	510,943	476,144
	1,506,794	1,529,337
Change in premium liabilities	10,789	(59,590)
	1,517,583	1,469,747
(b) Premiums ceded		
Insurance contracts:		
Life fund	(18,974)	(14,647)
General fund	(87,852)	(113,123)
	(106,826)	(127,770)
Change in premium liabilities	(20,668)	10,682
	(127,494)	(117,088)
Net earned premiums	1,390,089	1,352,659

30 INVESTMENT INCOME

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Rental income from investment properties	126	130	-	-
Financial assets at fair value through profit or loss Interest/profit income				
- Corporate debt securities	-	2,738	-	-
- Islamic debt securities	1,029	281	-	-
Dividend income				
- Equity securities quoted in Malaysia	1,798	1,109	-	-
- Equity securities quoted outside Malaysia	341	328	-	-
	3,168	4,456	-	-
Financial assets at available-for-sale Interest/profit income				
- Malaysian Government Securities/Government Investment Issues	1,731	129	-	-
- Corporate debt securities	1,990	606	-	-
- Islamic debt securities	3,678	-		
Dividend income				
- Equity securities quoted in Malaysia	50	-	-	-
(Amortisation of premium)/accretion of discounts				
- Corporate debt securities	9	(81)	-	-
- Islamic debt securities	419	253		
	7,877	907	-	-
Loans and receivables				
Interest/profit income				
- mortgage loans	12	15	12	15
- other secured and unsecured loans	17	15	2	2
- other receivables	-	-	3,337	3,901
	29	30	3,351	3,918
Fixed and call deposits interest/profit income	8,387	10,532	285	1,410
	19,587	16,055	3,636	5,328

30 INVESTMENT INCOME (CONTINUED)

DISCONTINUED OPERATIONS

	GROUP 2010 RM'000	GROUP 2009 RM'000
Gross rental income from investment properties	30,466	25,284
Less: rates and maintenance for investment properties	(19,084)	(17,678)
	11,382	7,606
Financial assets at fair value through profit or loss		
Interest/profit income		
- Malaysian Government Securities/Government Investment Issues	604	47
- Corporate debt securities	7,047	8,441
Dividend income		
- Equity securities quoted in Malaysia	32,455	19,031
- Unit trust	-	17
	40,106	27,536
Financial assets at available-for-sale		
Interest/profit income		
- Malaysian Government Securities/Government Investment Issues	9,400	16,182
- Corporate debt securities	151,866	138,388
Dividend income		
- Equity securities quoted in Malaysia	70	98
(Amortisation of premium)/accretion of discounts		
- Malaysian Government Securities/ Government Investment Issues	(1,396)	(2,094)
- Corporate debt securities	42,525	41,312
	202,465	193,886
Loan and receivables		
Interest/profit income		
- policy loans	24,653	21,241
- mortgage loans	2,095	13,672
- other secured and unsecured loans	712	10,150
	27,460	45,063
Fixed and call deposits interest income	21,331	19,791
	302,744	293,882

31 REALISED GAINS AND LOSSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains	104	77	76	-
Realised losses	(89)	(359)	(1)	(229)
	15	(282)	(75)	(229)
Financial assets at fair value through profit or loss				
Realised gains:				
- Equity securities	389	422	-	-
Realised losses:				
- Equity securities	-	(273)	-	-
- Corporate debt securities	(79)	(1)	-	-
- Unit trust	(39)	(81)	-	-
	271	67	-	-
Available-for-sale financial assets				
Realised gains:				
- Equity securities	3,310	-	-	-
- Islamic debt securities	2,159	-	-	-
- Investment-linked units	-	1,538	-	-
- Unit trust	-	1	-	-
Realised losses:				
- Equity securities	-	-	(400)	-
	5,469	1,539	(400)	-
Investment properties				
Realised gains	387	-	-	-
Subsidiary companies				
Realised gains	123	-	-	-
	6,265	1,324	(475)	(229)

31 REALISED GAINS AND LOSSES (CONTINUED)

DISCONTINUED OPERATIONS

	GROUP 2010 RM'000	GROUP 2009 RM'000
Property, plant and equipment		
Realised gains	624	-
Realised losses	(90)	(194)
	534	(194)
Investment properties		
Realised gains	1,093	3,869
Realised losses	(547)	-
	546	3,869
Financial assets at fair value through profit or loss		
Realised gains:		
- Corporate debt securities	785	216
- Equity securities quoted in Malaysia	6,524	13,142
- Unit trust	26	1
Realised losses:		
- Malaysian Government Securities/ Government Investment Issues	(7)	-
- Corporate debt securities	(33)	(251)
- Equity securities quoted in Malaysia	(2,414)	(1,181)
- Unit trust	(9)	-
	4,872	11,927
Available-for-sale financial assets		
Realised gains:		
- Malaysian Government Securities/ Government Investment Issues	630	1,001
- Corporate debt securities	10,761	1,179
Realised losses:		
- Malaysian Government Securities/ Government Investment Issues	(103)	(2,232)
- Corporate debt securities	(2,636)	(1,360)
Amount transferred on disposal of investments from:		
- statement of comprehensive income	642	403
- life insurance contract liabilities		
- available-for-sale reserves	27,209	1,854
	36,503	845
Fixed and call deposits		
Realised losses	(56)	(306)
	42,399	16,141

32 FAIR VALUE GAINS AND LOSSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Investment properties				
- fair value gains	2,665	407	-	-
Financial assets at fair value through profit or loss				
Net fair value gains/(losses):				
- Equity securities quoted in Malaysia	10,357	15,090	-	(5)
- Corporate debt securities	124	563	-	-
- Islamic debt securities	1,444	(24)	-	-
- Unit trusts	(2,010)	(7,290)	-	-
- Investment-linked units	366	-	-	-
	10,281	8,339	-	(5)
Impairment loss on available-for-sale financial assets	(861)	(99)	-	-
Write back of impairment on loans from leasing, hire purchase and others – net	1,209	1,180	-	-
(Allowance for)/reversal of impairment loss on associated companies	(8,310)	-	(4,604)	3,715
Impairment loss on property, plant and equipment				
- self occupied properties	(1,690)	-	-	-
	3,294	9,827	(4,604)	3,710

32 FAIR VALUE GAINS AND LOSSES (CONTINUED)

DISCONTINUED OPERATIONS

	GROUP	
	2010	**2009**
	RM'000	**RM'000**
Financial assets at fair value through profit or loss		
Net fair value gains:		
- Malaysian Government Securities/ Government Investment Issues	105	15
- Corporate debt securities	4,226	14,704
- Equity securities quoted in Malaysia	179,872	169,354
- Unit trusts	5,336	5,837
(Amortisation of premium)/accretion of discounts		
- Malaysian Government Securities/ Government Investment Issues	(72)	(15)
- Corporate debt securities	668	564
	190,135	190,459
Impairment loss on financial assets:		
- at fair value through profit or loss	(54)	(2,195)
- at available-for-sale	(2,942)	(12,701)
	(2,996)	(14,896)
Impairment loss on property, plant and equipment		
- self occupied properties	-	(1,944)
Loans and receivables		
- write back of/(allowances for) impairment	10,524	(29,171)
- net fair value gain on deposits with financial institutions	793	2,987
	11,317	(28,128)
Investment properties		
- net fair value losses	(24,708)	(1,065)
	173,748	146,370

33 FEE AND COMMISSION INCOME

CONTINUING OPERATIONS

	GROUP	
	2010	2009
	RM'000	RM'000
Policyholder administration and investment charges	247	247
Reinsurance commission income	23,889	24,785
	24,136	25,032

DISCONTINUED OPERATIONS

	GROUP	
	2010	2009
	RM'000	RM'000
Policyholder administration and investment charges	9,060	7,045
Surrender charges and other contract fees	2,140	856
Reinsurance commission income	21,811	23,896
	33,011	31,797

34 OTHER OPERATING REVENUE FROM NON-INSURANCE BUSINESSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Revenue from non-insurance businesses:				
- management fee income	1,624	2,809	5,632	6,842
- unit trust fund management fee income	20,752	16,436	-	-
- unit trust fund initial service fee	12,328	9,593	-	-
- interest income from hire purchase, leasing and other credit activities	3,879	7,765	-	-
- billings for security services	17,847	18,933	-	-
- others	3,113	5,363	-	-
	59,543	60,899	5,632	6,842

35 NET BENEFITS AND CLAIMS

CONTINUING OPERATIONS

	GROUP	
	2010	2009
	RM'000	RM'000
(a) Gross benefits and claims paid		
Insurance contracts:		
Life fund	(27,710)	(22,783)
General fund	(83,591)	(64,451)
Family takaful fund	(49,484)	(21,545)
General takaful fund	(15,498)	(5,728)
	(176,283)	(114,507)
(b) Claims ceded to reinsurers		
Insurance contracts:		
Life fund	12,355	11,246
General fund	74,508	58,033
Family takaful fund	5,057	1,920
General takaful fund	7,794	3,487
	99,714	74,686
(c) Gross change to contract liabilities		
Insurance contracts:		
Life fund	(8,363)	(23,443)
General fund	20,066	(19,765)
Family takaful fund	-	-
General takaful fund	(37,257)	(19,473)
	(25,554)	(62,681)
(d) Change in contract liabilities ceded to reinsurers		
Insurance contracts:		
General fund	(16,398)	17,313
General takaful fund	17,795	15,509
	1,397	32,822

35 NET BENEFITS AND CLAIMS (CONTINUED)

DISCONTINUED OPERATIONS

		GROUP 2010 RM'000	GROUP 2009 RM'000
(a)	Gross benefits and claims paid		
	Insurance contracts:		
	Life fund	(1,360,483)	(1,071,475)
	General fund	(268,504)	(273,385)
		(1,628,987)	(1,344,860)
(b)	Claims ceded to reinsurers		
	Insurance contracts:		
	Life fund	(2,268)	4,580
	General fund	52,974	65,763
		50,706	70,343
(c)	Gross change to contract liabilities		
	Insurance contracts:		
	Life fund	182,278	7,944
	General fund	(39,272)	(14,629)
		143,006	(6,685)
(d)	Change in contract liabilities ceded to reinsurers		
	Insurance contracts:		
	Life fund	4,034	5,106
	General fund	(14,978)	7,810
		(10,944)	12,916

36 MANAGEMENT EXPENSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Staff costs (including Executive Directors):				
- salaries and bonus	58,752	55,324	8,556	8,651
- defined contribution retirement benefits	4,899	4,934	1,336	1,471
	63,651	60,258	9,892	10,122
Depreciation of property, plant and equipment	2,313	2,304	348	380
Amortisation of intangible assets	1,671	1,493	46	46
Auditors' remuneration				
- statutory audit	340	314	70	70
- under provision in prior financial year	1	58	-	29
- other services	-	25	-	25
Auditors' remuneration payable/paid to other audit firms	80	82	-	-
Fees paid to a company in which certain Directors have an interest	355	301	150	161
Allowance for /(write back) of impairment	(436)	(1,757)	-	130
Allowance for doubtful debts on insurance receivables	570	1,076	-	-
Bad debts written off	20	124	-	-
Office rental	2,091	1,699	686	670
Rental of office equipment	180	710	96	624
Training expenses	2,284	1,413	109	148
Repairs and maintenance	324	117	-	-
EDP expenses	846	1,301	24	29
Advertising, promotional and entertainment expenses	4,538	3,640	800	818
Motor vehicle and travelling expenses	4,093	3,479	889	865
Printing and stationery	2,341	1,389	63	96
Postage, telephone and fax	1,638	956	147	157
Professional fees	1,848	1,752	285	590
Amortisation of capitalised MTNs issue expenses	1,949	1,949	1,949	1,949
Foreign exchange loss	326	2,078	-	505
Billboard rental	400	-	-	-
Others	27,348	19,931	3,742	3,780
	118,771	104,692	19,296	21,194

36 MANAGEMENT EXPENSES (CONTINUED)

DISCONTINUED OPERATIONS

	GROUP	
	2010	2009
	RM'000	RM'000
Staff costs (including Executive Directors):		
- salaries and bonus	61,047	56,324
- defined contribution retirement benefits	12,823	11,795
	73,870	68,119
Depreciation of property, plant and equipment	10,892	12,279
Amortisation of intangible assets	2,901	1,890
Impairment loss on property, plant and equipment	-	2,502
Auditors' remuneration		
- statutory audit	600	596
- under provision in prior financial year	-	74
Fees paid to a company in which certain Directors have an interest	161	138
Write back of impairment on insurance receivables	(13,219)	(2,073)
Bad debts written off	10,646	-
Office rental	12,731	7,756
Rental of office equipment	1,430	1,266
Training expenses	3,427	2,531
Repairs and maintenance	8,084	7,145
EDP expenses	3,780	6,347
Advertising, promotional and entertainment expenses	10,006	8,290
Motor club expenses	1,435	1,875
Motor vehicle and travelling expenses	3,201	4,169
Printing and stationery	8,768	6,905
Postage, telephone and fax	3,523	3,127
Management fees	4,971	4,640
Others	16,714	12,325
	163,921	149,901

36 MANAGEMENT EXPENSES (CONTINUED)

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

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors:				
- salaries	4,424	4,386	2,508	2,508
- bonus	733	784	418	418
- defined contribution retirement benefits	750	747	435	435
- other emoluments	1	2	-	-
Non-executive Directors:				
- fees	1,005	1,074	315	315
- other emoluments	212	258	114	128
	7,125	7,251	3,790	3,804

DISCONTINUED OPERATIONS

	GROUP	
	2010	**2009**
	RM'000	**RM'000**
Non-executive Directors:		
- fees	254	140
- other emoluments	67	31
	321	171

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 RM223,850 (2009: RM227,800) and RM121,600 (2009: RM125,600) respectively.

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

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Muhamad Umar Swift
Yeo Took Keat
Major General Datuk Lai Chung Wah (Rtd)
Dato' Sri Iskandar Michael bin Abdullah
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
Datuk Razman Md Hashim bin Che Din Md Hashim
Tan Sri Ahmad bin Mohd Don
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Dr Zaha Rina Zahari

37 OTHER OPERATING INCOME/(EXPENSES) – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment written off	(12)	(64)	(4)	(1)
Gain on unwinding of derivatives	-	46,733	-	46,733
Termination charge on interest rate swap	-	(4,500)	-	(4,500)
Commission paid and payable to unit trust agents	(15,133)	(11,205)	-	-
Bad debts recovered	223	233	-	-
Others	3,737	3,473	2,819	694
	(11,185)	34,670	2,815	42,926

DISCONTINUED OPERATIONS

	GROUP	
	2010	2009
	RM'000	RM'000
Loans and receivables		
- bad debts written off	(4,351)	(5,768)
Unreconciled differences in insurance receivables written off	6,078	-
Finance costs	(40)	(39)
Others	(3,059)	8,391
	(1,372)	2,584

38 FINANCE COSTS

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Interest on term loan	385	1,343	385	1,343
Interest on bank overdrafts	968	912	153	152
Hire purchase interest	44	66	10	20
Interest on medium term notes	7,717	8,993	7,717	8,993
Interest on interest rate swap – net	-	598	-	598
Bank guarantee commission	1,739	2,025	1,739	2,025
Interest on revolving credit	7	-	7	-
Bank guarantee extension fee	850	-	850	-
Others	151	33	150	12
	11,861	13,970	11,011	13,143

The interest rates charged during the financial year for Medium Term Notes, term loan, revolving credit and bank overdrafts are disclosed in Notes 19, 20, 21 and 22 to the financial statements respectively.

39 TAXATION

Continuing operations

	GROUP			
	31.12.2010			
	General and shareholders' funds	Life fund	Family takaful	Total
	RM'000	RM'000	RM'000	RM'000
Current tax	930	-	457	1,387
Deferred tax (Note 14)	(8,533)	58	665	(7,810)
Tax (income)/expenses	(7,603)	58	1,122	(6,423)
Current tax				
Current financial year	1,397	-	457	1,854
Over provision accrual in prior financial years	(467)	-	-	(467)
	930	-	457	1,387
Deferred tax				
Origination and reversal of temporary differences	(8,458)	58	665	(7,735)
Over accrual in prior financial years	(75)	-	-	(75)
	(8,533)	58	665	(7,810)
	(7,603)	58	1,122	(6,423)

	GROUP			
	31.12.2009			
	General and shareholders' funds	Life fund	Family takaful	Total
	RM'000	RM'000	RM'000	RM'000
Current tax	1,237	-	63	1,300
Deferred tax (Note 14)	(814)	(19)	512	(321)
Tax expenses/(income)	423	(19)	575	979
Current tax				
Current financial year	1,237	-	63	1,300
Deferred tax				
Origination and reversal of temporary differences	(809)	(19)	512	(316)
Over provision in prior financial years	(5)	-	-	(5)
	(814)	(19)	512	(321)
	423	(19)	575	979

39 TAXATION (CONTINUED)

Discontinued operations

	GROUP					
	31.12.2010			31.12.2009		
	General and shareholders' fund	Life fund	Total	General and shareholders' fund	Life fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax	12,515	24,240	36,755	593	15,300	15,893
Deferred tax (Note 14)	1,780	11,945	13,725	6,624	16,649	23,273
Tax expenses	14,295	36,185	50,480	7,217	31,949	39,166
Current tax						
Current financial year	13,001	26,770	39,771	2,759	17,125	19,884
Over provision in prior financial years	(486)	(2,530)	(3,016)	(2,166)	(1,825)	(3,991)
	12,515	24,240	36,755	593	15,300	15,893
Deferred tax						
Origination and reversal of temporary differences	1,795	11,981	13,776	5,883	16,649	22,532
Benefits from previously unrecognised tax loss	-	-	-	741	-	741
Over provision in prior financial years	(15)	(36)	(51)	-	-	-
	1,780	11,945	13,725	6,624	16,649	23,273
	14,295	36,185	50,480	7,217	31,949	39,166

	COMPANY	
	2010	2009
	RM'000	RM'000
Current tax	(173)	-
Deferred tax (Note 14)	(85)	(25)
Tax income	(258)	(25)
Current tax		
Over provision in prior financial years	(173)	-
Deferred tax		
Origination and reversal of temporary differences	(85)	(25)
	(258)	(25)

39 TAXATION (CONTINUED)

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

	GROUP	
	2010 %	**2009 %**
Malaysian tax rate	25	25
Tax effects of:		
- expenses not deductible for tax purposes	21	10
- income not taxable for tax purposes	(9)	(23)
- tax losses not recognised	2	2
- benefit from previously unrecognised deductible temporary differences	(10)	(8)
- origination/(reversal) of temporary differences	(18)	10
- effects of different tax rates in foreign jurisdictions	8	1
- over accrual in prior financial year	(1)	(4)
Average effective tax rate	18	13

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

	COMPANY	
	2010 %	**2009 %**
Malaysian tax rate	25	25
Tax effects of:		
- expenses not deductible for tax purposes	(25)	27
- income not taxable for tax purposes	-	(52)
- over accrual in prior financial year	1	-
Average effective tax rate	1	-

The taxation charge in the income statement of the Group relates to income attributable to the Company and the Group's 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.

40 DISCONTINUED OPERATIONS

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		GROUP	
	Note	2010	2009
		RM'000	RM'000
Operating revenue	28	1,820,327	1,763,629
Gross earned premiums	29(a)	1,517,583	1,469,747
Premiums ceded to reinsurers	29(b)	(127,494)	(117,088)
Net earned premiums		1,390,089	1,352,659
Investment income	30	302,744	293,882
Realised gains and losses	31	42,399	16,141
Fair value gains and losses	32	173,748	146,370
Fee and commission income	33	33,011	31,797
Other revenue		551,902	488,190
Gross benefits and claims paid	35(a)	(1,628,987)	(1,344,860)
Claims ceded to reinsurers	35(b)	50,706	70,343
Gross change to contract liabilities	35(c)	143,006	(6,685)
Change in contract liabilities ceded to reinsurers	35(d)	(10,944)	12,916
Net claims		(1,446,219)	(1,268,286)
Fee and commission expense		(170,099)	(164,863)
Management expenses	36	(163,921)	(149,901)
Other operating (expenses)/income – net	37	(1,372)	2,584
Other expenses		(335,392)	(312,180)
Surplus/profit before taxation		160,380	260,383
Taxation of life insurance fund	39	(36,185)	(31,949)
Surplus after taxation/profit before taxation		124,195	228,434
Surplus retained in life insurance fund		(62,126)	(188,000)
Profit before taxation		62,069	40,434
Taxation	39	(14,295)	(7,217)
Profit for the financial year		47,774	33,217

41 DIVIDENDS

The Board of Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2010.

42 BASIC EARNINGS/(LOSS) PER SHARE - GROUP

The basic earnings/(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 (2009: 304,354,000 shares).

	2010	2009
	RM'000	RM'000
(Loss)/profit for the financial year from continuing operations	(17,757)	19,159
Profit for the financial year from discontinued operations	47,774	33,217

43 CAPITAL AND OTHER COMMITMENTS

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

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Authorised and contracted for:		
- property, plant and equipment	2,444	3,624
- investment properties	13,531	15,090
	15,975	18,714

44 CONTINGENT LIABILITIES

During the financial year ended 31 December 2005 ("FY 2005"), Meridian Asset Management Sdn Bhd ("MAM"), a subsidiary company of MAA Corp, had commenced legal proceedings against a custodian of its fund under management to recover, inter alia, the loss of investment moneys of its clients, 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's Application for Stay of Proceedings was dismissed with costs 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 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. On 10 November 2010, the Custodian filed for an order for stay pending full and final disposal of the criminal proceedings against an employee of MAM. On 1 December 2010, the Custodian's application was dismissed and the Custodian filed an appeal ('Appeal') against the decision on 14 December 2010. On 17 December 2010, the Custodian filed a stay of proceedings pending the hearing of the appeal. On 27 December 2010, the Judge granted the stay of proceedings pending the Custodian's Appeal. The matter is now fixed for Pre Trial Case Management on 25 May 2011 and tentative trial dates on 29 June 2011, 30 June 2011 and 1 July 2011 pending the disposal of the Appeal.

MAM had 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 trial on 28 June 2010 to 1 July 2010. On 28 June 2010, the Defendants decided not to defend their case and Judgment was obtained against the Defendants.

44 CONTINGENT LIABILITIES (CONTINUED)

MAA had during the financial year ended 31 December 2006 commenced legal proceedings 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. On 10 November 2010, the Custodian filed for an order for stay pending full and final disposal of the criminal proceedings against an employee of MAM. On 1 December 2010, the Custodian's application was dismissed and the Custodian filed an appeal ('Appeal') against the decision on 14 December 2010. On 17 December 2010, the Custodian filed a stay of proceedings pending the hearing of the appeal. On 27 December 2010, the Judge granted the stay of proceedings pending the Custodian's Appeal. The matter is now fixed for Pre Trial Case Management on 25 May 2011 and tentative trial dates on 29 June 2011, 30 June 2011 and 1 July 2011 pending the disposal of the Appeal.

In November 2007, KWAP had commenced legal proceedings 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. On 20 July 2009, MAM obtained leave from the Court to file and serve the Third Party Notice to the Custodian. On 4 June 2010, the Custodian filed an application to strike off the Third Party application. The application to strike off the Third Party application was allowed by the Court. On 30 November 2010, MAM filed an appeal against the decision to strike off the Third Party application ('Appeal'). A date for the appeal has yet to be fixed by the Court. The matter is now fixed for Pre Trial Case Management on 16 June 2011 pending the Appeal.

The Directors of the Company, 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.

45 SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties and relationships

The subsidiary and associated companies of the Company are disclosed in Notes 9 and 10 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 certain Directors of the Company
Mycron Steel Berhad	A subsidiary company of MIG
Melewar Integrated 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

45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related parties and relationships (continued)

Related party	Relationship
Mperial Power Ltd	A subsidiary company of MIG
M3nergy Berhad	An associated company of MIG
Mithril Berhad ("Mithril")*	An associated company of the Group
Mithril Saferay Sdn Bhd	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

* Mithril ceased to be an associated company of the Group on 7 September 2010 as disclosed in Note 10 to the financial statements.

The other related parties of, and their relationships with the Group and the Company are as follows:

Related party	Relationship
MAA Bancwell Trustee Berhad ("MAA Bancwell")	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.

45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Transactions with subsidiary companies:				
Interest income from advances to subsidiary companies	-	-	3,337	3,901
Management fee income from subsidiary companies	-	-	4,108	4,043
*Rental expense payable to a subsidiary company	-	-	(686)	(670)
Transactions with related parties:				
*Rental income receivable from:				
Trace Management Services Sdn Bhd	135	121	-	-
Melewar Group Berhad	80	67	-	-
Melewar Integrated Engineering Sdn Bhd	410	485	-	-
Melewar Industrial Group Berhad	299	256	-	-
Melewar Equities Sdn Bhd	108	-	-	-
Mperial Power Ltd	-	46	-	-
Melewar Apex Sdn Bhd	-	54	-	-
Retirement benefit fund contributed to MAAKER	(587)	(583)	(97)	(84)
* Security services fee receivable from:				
Mycron Steel Berhad	162	159	-	-
Melewar Steel Tube Sdn Bhd	114	116	-	-
Melewar Steel Mills Sdn Bhd	-	9	-	-
Transactions with associated companies:				
*Trustee fee payable by MAAKER to MAA Bancwell	(173)	(205)	-	-
Management fee income receivable from MAA Bancwell Trustee Berhad	1,524	2,799	1,524	2,799
Transportation charges (payable to)/ refundable by Maybach Logistics Sdn Bhd	315	(446)	315	(446)*
Rental income receivable from:				
Mithril	933	1,214	-	-
MAA Bancwell	51	48	-	-
Purchase of air tickets and travel packages from Mitra Malaysia Sdn Bhd	(4,458)	(1,816)	(28)	(9)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(516)	(439)	(150)	(161)
* Rental expense payable to Mithril	2,201	4,177	-	-
* Interest income receivable from Mithril	-	248	-	-

* Related party transactions on agreed terms and conditions.

45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party receivables/payables

The balances with related parties at the financial year end are disclosed in Note 13 to the financial statements. Other significant balances with other related parties at the financial year end are as disclosed below.

Investments in related parties, namely MIG, M3nergy Berhad and Mycron Steel Berhad's quoted equity securities and Mithril's quoted corporate debt securities (included in Note 7 to the financial statements):

	GROUP	
	2010	2009
	RM'000	RM'000
At carrying value:		
- Quoted equity securities	5,913	11,923
- Quoted corporate debts securities	-	23,280
At end of financial year	5,913	35,203

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	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	12,599	12,322	3,477	3,495
Defined contribution retirement benefits	1,498	1,487	435	435
	14,097	13,809	3,912	3,930

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

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Amounts receivable from mortgage loans	508	651	187	233
Amounts payable to a Director	1,893	2,200	-	-

The amounts 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 (2009: 5% to 8.5% per annum).

The amounts payable to a Director are unsecured, interest free and with no fixed terms of repayment.

46 SEGMENTAL INFORMATION

The following segment information has been prepared in accordance with FRS 8 Operating Segments, which defined the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group has six (6) operating segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they employ different technology and marketing strategies. The operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee of the Company (the chief operating decision maker). The following summary describes the operations in each of the Group's operating segments:

- Life insurance - underwriting life insurance business, including investment-linked business
- General insurance – underwriting all classes of general insurance business
- Family takaful business – underwriting family takaful business
- General takaful business - underwriting general takaful business
- Unit trust fund management – management of unit trust funds
- Shareholders' fund of the insurance and takaful businesses

All other segments comprise investment holding, hire purchase, leasing and other credit activities, property management and investment advising, security and consultancy services.

There are no changes in the operating segments during the financial year.

Measurement and Evaluation of Segment Performance

The Executive Committee evaluates operating segments' performance on the basis of revenue and profit. Expenses directly associated with each operating segment are included in determining their respective profit. Transactions between operating segments are based on mutually agreed allocation bases. In addition to the operating segments, the segment information also discloses non inter-segment eliminations.

46 SEGMENTAL INFORMATION (CONTINUED)

2010

	Insurance						Takaful			Unit trust fund mana-gement	All other segments		Total	Inter-segment elimination	Group total
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued					Conti-nuing	Disconti-nued			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	28,924	1,264,641	87,179	547,633	128	8,053	100,762	161,243	4,372	33,709	27,420	-	2,264,064	-	2,264,064
Revenue from other segments	-	3,882	-	268	-	-	-	-	-	-	20,302	-	24,452	(24,452)	-
Total operating revenue	28,924	1,268,523	87,179	547,901	128	8,053	100,762	161,243	4,372	33,709	47,722	-	2,288,516	(24,452)	2,264,064
Net earned premiums/ contributions	19,866	976,877	33,340	413,212	-	-	33,823	152,102	-	-	-	-	1,629,220	-	1,629,220
Interest income	7,029	189,847	585	24,358	5	3,502	1,241	2,561	4,015	551	858	-	234,552	-	234,552
Other revenue	2,936	299,684	8,723	32,465	666	6,196	15,187	13,461	82,565	33,160	19,091	-	514,134	(83,959)	430,175
Net claims	(23,718)	(1,176,439)	(5,415)	(269,780)	-	-	(27,166)	(44,427)	-	-	-	-	(1,546,945)	-	(1,546,945
Other expenses	(13,524)	(183,970)	(23,148)	(148,362)	(984)	(1,902)	(28,930)	(56,624)	(80,359)	(27,569)	(52,005)	-	(617,377)	93,730	(523,647)
Depreciation	(187)	(8,431)	(168)	(1,234)	(123)	(1,227)	-	-	(210)	(311)	(1,314)	-	(13,205)	-	(13,205)
Amortisation	-	(1,944)	-	(957)	-	-	-	-	(1,070)	(490)	(111)	-	(4,572)	-	(4,572)
Finance cost	-	-	-	-	-	-	-	-	-	-	(11,861)	-	(11,861)	-	(11,861)
Profit/(loss) by segments	(7,598)	95,624	13,917	49,702	(436)	6,569	(5,845)	67,073	4,941	5,341	(45,342)	-	183,946	9,771	193,717
Taxation of insurance fund/takaful fund	(58)	(36,185)	-	-	-	-	-	(1,122)	-	-	-	-	(37,365)	-	(37,365)
(Surplus)/deficit retained in insurance fund/ takaful fund	(251)	(59,439)	-	-	-	-	5,845	(62,551)	-	-	-	-	(116,396)	(2,687)	(119,083)
	(7,907)	-	13,917	49,702	(436)	6,569	-	3,400	4,941	5,341	(45,342)	-	30,185	7,084	37,269
Share of loss of associated companies not included in reportable segments													(380)	-	(380)
Profit before taxation													29,805	7,084	36,889

46 SEGMENTAL INFORMATION (CONTINUED)

2009

	Insurance						Takaful			Unit trust fund mana-gement	All other segments		Total	Inter-segment elimination	Group total
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued					Conti-nuing	Disconti-nued			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	34,444	1,322,102	70,920	438,941	135	2,538	60,072	86,053	3,579	26,452	36,659	48	2,081,943	-	2,081,943
Revenue from other segments	-	3,670	-	200	-	-	-	-	-	-	16,572	500	20,942	(20,942)	-
Total operating revenue	34,444	1,325,772	70,920	439,141	135	2,538	60,072	86,053	3,579	26,452	53,231	548	2,102,885	(20,942)	2,081,943
Net earned premiums/ contributions	26,500	1,038,546	12,125	314,113	-	-	9,786	82,437	-	-	-	-	1,483,507	-	1,483,507
Interest income	6,871	205,526	978	19,834	9	2,504	195	926	3,325	338	1,674	48	242,228	-	242,228
Other revenue	2,278	215,657	13,339	48,428	126	35	12,406	6,783	53,957	26,114	37,521	-	416,644	(57,545)	359,099
Net claims	(34,980)	(1,053,845)	(8,870)	(214,441)	-	-	(6,205)	(19,625)	-	-	-	-	(1,337,966)	-	(1,337,966)
Other expenses	(8,998)	(174,345)	(21,392)	(133,085)	(314)	562	(17,462)	(38,844)	(54,349)	(21,930)	(12,981)	(251)	(483,389)	62,811	(420,578)
Depreciation	(177)	(10,949)	(141)	(1,330)	(131)	-	-	-	(142)	(351)	(1,362)	-	(14,583)	-	(14,583)
Amortisation	-	(1,883)	-	(7)	-	-	-	-	(977)	(469)	(47)	-	(3,383)	-	(3,383)
Finance cost	-	-	-	-	-	-	-	-	-	-	(13,970)	-	(13,970)	-	(13,970)
Profit/(loss) by segments	(8,506)	218,707	(3,961)	33,512	(310)	3,101	(1,280)	31,677	1,814	3,702	10,835	(203)	289,088	5,266	294,354
Taxation of insurance fund/takaful fund	19	(31,949)	-	-	-	-	-	(575)	-	-	-	-	(32,505)	-	(32,505)
(Surplus)/deficit retained in insurance fund/ takaful fund	10,628	(186,758)	-	-	-	-	1,280	(29,452)	-	-	-	-	(204,302)	(1,242)	(205,544)
	2,141	-	(3,961)	33,512	(310)	3,101	-	1,650	1,814	3,702	10,835	(203)	52,281	4,024	56,305
Share of profit of associated companies not included in reportable segments													3,788	-	3,788
Profit before taxation													56,069	4,024	60,093

46 SEGMENTAL INFORMATION (CONTINUED)

	Insurance						Takaful			Unit trust fund mana-gement	All other segments		Total	Inter-segment elimination	Group total
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued					Conti-nuing	Disconti-nued			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010															
Segment assets	156,740	6,431,341	103,417	933,708	66,003	227,822	144,095	201,829	133,024	41,679	103,417	-	8,543,075	7,493	8,550,568
Investment in associated companies															49,404
Total assets															8,599,972
2009															
Segment assets	6,512,502	-	131,696	784,990	54,907	-	82,738	114,409	121,442	59,089	465,502	1,455	8,328,730	(2,195)	8,326,535
Investment in associated companies															56,862
Total assets															8,383,397

46 SEGMENTAL INFORMATION (CONTINUED)

Geographical segments

The Group operates mainly in Malaysia, Indonesia, the Philippines and Australia. In determining the geographical segments of the Group, revenue is based on the geographical location of customers.

	External revenue	
	2010	2009
	RM'000	RM'000
Malaysia	2,174,940	1,975,904
Indonesia	88,984	105,903
Others	140	136
	2,264,064	2,081,943

47 CHANGE IN ACCOUNTING POLICIES

During the financial year, the Group changed the following accounting policies upon adoption of new accounting standards, amendments and improvements to published standards and interpretations:

- FRS 101 (revised) : Presentation of Financial Statements (Note (a))
- FRS 7: Financial Instruments – Disclosures (Note (a))
- FRS 4: Insurance Contracts (Note (b)); and
- FRS 117 : Leases (Note (c))

In addition, the takaful subsidiary company of the Group changed its basis of estimating UCR during the financial year as described in Note 2(v) in the financial statements.

The following describes and discloses the impact of the above FRSs to the financial statements of the Group.

(a) FRS 101(revised) and FRS 7

The adoption of FRS 101 (revised) effective for the financial year ended 31 December 2010 resulted in the following:

(i) income statement for the years ended 31 December 2009 and 2010 have been re-presented as two statements, namely income statement and statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Comparative information has been re-presented so that it is in conformity with the revised standard; and

(ii) a statement of financial position at the beginning of the earliest comparative period, i.e. 1 January 2009 has been included following the change in the comparative figures for 31 December 2009 to conform with the current year's presentation arising from those changes in accounting policies with retrospective application. Similarly, a three year comparison is disclosed for those affected notes to the financial statements with retrospective changes.

FRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments. FRS 7 does not require comparative disclosures when the standard is first applied

47 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) FRS 4

The adoption of FRS 4 has resulted in a change in accounting policy relating to the presentation of insurance liabilities, i.e. premium liabilities and claim liabilities. Prior to 1 January 2010, insurance liabilities were offset with the corresponding recoverable reinsurance assets.

Upon the adoption of FRS 4, the offsetting of insurance liabilities and the corresponding reinsurance assets is prohibited. Consequently, the corresponding reinsurance assets are required to be showed separately on the face of the statement of financial position. This change in the presentation has been accounted for retrospectively and the related comparative figures as at 31 December 2009 and 1 January 2009 have been restated.

The adoption of FRS 4 has also resulted in a change in accounting policy relating to the method of assessing impairment loss on insurance receivables. Prior to 1 January 2010, an allowance was made for any premiums, including agents' and reinsurers' balances, which remained outstanding for more than six months from the date on which they became receivable, except for outstanding motor premiums for which an allowance was made for amounts outstanding for more than 30 days.

Upon the adoption of FRS 4, if there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in income statement. The objective evidence of impairment is deemed to exist where the insurance receivable is past due for more 90 days or 3 months.

In addition, the adoption of FRS 4 has required the amount of insurance liabilities to be subject to a liabilities adequacy test which takes into consideration current estimates of all contractual cash flows and related cash flows including claims handling costs. If the recognised carrying amount of the insurance liability is inadequate in the light of the estimated future cash flows, the shortfall shall be recognised in the income statement.

The effect of this change in accounting policy is applied retrospectively according to the transitional provision of the accounting standard.

(c) FRS 117: Leases

Following the adoption of the improvement to FRS 117, leasehold land, which the Group has substantially all the risks and rewards incidental to ownership, has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. The comparative figures for the financial year ended 31 December 2009 have been restated following the change in accounting policy.

47 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Effects of changes in accounting policies on the Group's statements of financial position at 1 January 2009, 31 December 2009 and 31 December 2010

The following tables disclose the adjustments that have been made in accordance with the transitional and new provisions of the respective FRSs to each of the line items in the Group's statement of financial position as at 1 January 2009, 31 December 2009 and 31 December 2010:

	1.1.2009					
	As previously reported	Reclassi-fication*	Effects of change in UCR	Effects of FRS 4	Effects of FRS 117	Restated balance
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Statement of financial position						
Assets						
Property, plant and equipment	325,274	-	-	-	5,249	330,523
Investments	5,628,260	(706,458)	-	-	-	4,921,802
Reinsurance assets	-	-	-	101,532	-	101,532
Trade and other receivables	305,053	(198,438)	(956)	215	(5,249)	100,625
Deferred tax assets	38,230	2,210	-	-	-	40,440
Assets classified as held for sale	537,489	-	-	210,577	-	748,066
- Reinsurance assets	-	-	-	210,577	-	210,577
Cash and bank balances	53,611	748,485	-	-	-	802,096
Liabilities						
Insurance contract liabilities	5,632,838	-	(956)	67,286	-	5,699,168
- Life insurance	5,499,385	-	-	(32,726)	-	5,466,659
- General insurance	49,553	-	-	82,283	-	131,836
- Family takaful	76,893	-	-	-	-	76,893
- General takaful	7,007	-	(956)	17,729	-	23,780
Investment contract liabilities	-	-	-	45,491	-	45,491
Trade and other payables	293,003	(156,411)	-	7,013	-	143,605
Current tax liabilities	31,245	2,210	-	-	-	33,455
Liabilities classified as held for sale						
- Insurance contract liabilities	563,094	-	-	210,577	-	773,671
- General insurance	414,023	-	-	210,577	-	624,600
Equity						
Accumulated losses	(81,473)	-	-	(14,976)	-	(96,449)
Minority interest	33,753	-	-	(3,067)	-	30,686

* Certain comparatives were reclassified to conform with the current financial year's presentation of financial statements.

47 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Effects of changes in accounting policies on the Group's statements of financial position at 1 January 2009, 31 December 2009 and 31 December 2010 (continued)

	31.12.2009					
	As previously reported RM'000	Reclassi- fication* RM'000	Effects of change in UCR RM'000	Effects of FRS 4 RM'000	Effects of FRS 117 RM'000	Restated balance RM'000
Statement of financial position						
Assets						
Property, plant and equipment	309,033	-	-	-	3,558	312,591
Investments	6,116,785	(595,550)	-	-	-	5,521,235
Reinsurance assets	-	-	-	120,679	-	120,679
Trade and other receivables	199,216	(101,388)	(2,755)	772	(3,558)	92,287
Current tax liabilities	23,860	2,210	-	-	-	26,070
Assets classified as held for sale	557,376	-	-	229,069	-	786,445
- Reinsurance assets	-	-	-	229,069	-	229,069
Cash and bank balances	33,686	639,723	-	-	-	673,409
Liabilities						
Insurance contract liabilities	5,856,665	-	(2,755)	79,898	-	5,933,808
- Life insurance	5,663,390	-	-	(34,528)	-	5,628,862
- General insurance	62,636	-	-	75,137	-	137,773
- Family takaful	109,329	-	-	1,844	-	111,173
- General takaful	21,310	-	(2,755)	37,445	-	56,000
Investment contract liabilities	-	-	-	53,584	-	53,584
Trade and other payables	251,525	(57,215)	-	6,448	-	200,754
Deferred tax liabilities	23,708	2,210	-	-	-	25,918
Liabilities classified as held for sale						
- Insurance contract liabilities	617,932	-	-	229,069	-	847,001
- General insurance	469,750	-	-	229,069	-	698,819
Equity						
Accumulated losses	(28,855)	-	-	(15,338)	-	(44,193)
Minority interest	33,947	-	-	(3,141)	-	30,806

* Certain comparatives were reclassified to conform with the current financial year's presentation of financial statements.

47 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Effects of changes in accounting policies on the Group's statement of financial position at 1 January 2009, 31 December 2009 and 31 December 2010 (continued)

	Effects of changes in accounting policies as at 31.12.2010
	RM'000
Statement of financial position	
Assets	
Reinsurance assets	107,935
Assets classified as held for sale	222,343
- Life insurance	28,920
- General insurance	193,423
Liabilities	
Insurance contract liabilities	83,359
- Life insurance	(40,538)
- General insurance	60,479
- Family takaful	17,198
- General takaful	62,182
Investment contract liabilities	40,538
Liabilities classified as held for sales	
- Insurance contract liabilities	222,343
- Life insurance	28,920
- General insurance	193,423
Equity	
Accumulated losses	(13,249)
Minority interest	(2,713)

47 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Effects of changes in accounting policies on the Group's income statement/statement of comprehensive income for the financial years ended 31 December 2009 and 31 December 2010.

The following tables disclose the adjustments effects of the new FRS to each of the line items in the Group's income statement/statement of comprehensive income for the financial years ended 31 December 2009 and 31 December 2010.

	Effects to the financial year ended 31.12.2009					Increase/(decrease) to Profit Before Taxation for the financial year ended 31.12.2010		
	As previously stated	Effects change in UCR	Effects of FRS 5	Effects of FRS 4	Restated balance	Effects of change in UCR	Effects of FRS 4	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing operations								
Net earned contributions								
- General takaful business	7,986	1,800	-	-	9,786	2,755	-	2,755
Net claims incurred								
- General insurance business	(8,434)	-	-	(436)	(8,870)	-	2,517	2,517
- General takaful business	(5,650)	-	-	(555)	(6,205)	-	(1,314)	(1,314)
Management expenses								
- write-back of doubtful debts	-	-	-	361	361	-	446	446
Profit before taxation	23,196	-	(3,101)	(436)	19,659	-	2,517	2,517
Qardhul Hassan on deficit arising for the financial year	2,525	(1,800)	-	555	1,280	2,755	868	3,623
Discountinued operations								
Net claims incurred								
- General insurance business	-	-	-	-	-	-	(350)	(350)
Management expenses								
- write-back of doubtful debts	-	-	-	-	-	-	13,219	13,219
Profit before taxation	37,333	-	3,101	-	40,434	-	12,869	12,869
Earnings/(loss) per share (sen):								
- Countinuing operations	7.8	-	(1.0)	-	6.8	-	0.8	0.8
- Discountinued operations	9.5	-	1.0	-	10.5	-	4.2	4.2

48 CAPITAL MANAGEMENT

The Group's capital management underlying objective is to manage capital and to allocate capital efficiently for business growth taking into account the associated business risks to meet regulatory requirements, obligations to policyholders and the expectation of stakeholders.

The Company manages the capital of the Group to ensure that source of capital and the related costs meet the overall objectives of the capital plan. Excess capital generated from profits at the subsidiary level exceeding planned requirements is returned to the Company in the form of dividends under the Group's capital management plan.

For the core insurance subsidiary companies, the performance of internal capital levels against the regulatory requirements are reviewed at least quarterly by their respective management and reported to their respective Risk Management Committees and the Boards as part of capital budgeting, planning and monitoring process. This measure is also implemented ahead at the takaful subsidiary company to ensure the takaful subsidiary company is RBC ready.

For the local insurance subsidiary, it is required to meet the minimum Capital Adequacy Ratio ("CAR") under the RBC Framework of 130% for each insurance entity. The local insurance subsidiary did not comply with the minimum CAR as at 31 December 2010 as disclosed in Note 2(a) under "Compliance with regulatory requirements" to the financial statements.

49 RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Group's risk governance structure and risk reporting requirement is incorporated in the Group Risk Management Framework. The Framework explains the underlying approach and defined an on-going and consistent process for identifying, analysing, evaluating, monitoring, reporting and managing significant risks faced by the business units in the Group. It also outlines the key aspects of the risks management process and identifies the main reporting procedures.

The Board through the Group Risk Management Committee is ultimately responsible for effective risk oversight and framework within the Group. The Group Risk Management Committee determines the remit, roles, resources and structure for risk management functions to operate effectively and efficiently. The core insurance and takaful subsidiary companies in the Group have their respective dedicated Risk Management teams to manage the risk management functions to comply with the applicable regulatory requirements. The Heads of Risk Management of the insurance subsidiary companies report directly to their respective Risk Management Committees, and indirectly to the Group Risk Management Committee.

The Group Risk Management Framework is premised with three lines of defence that serves as the guiding principles within the Group:

1. The Business Units acting as the "first line of defence" is primarily responsible for identifying, evaluating and managing risks within their Units. The Heads of Business Units are responsible to implement and execute appropriate risk mitigation action plan on a timely manner. The Business Units are responsible to ensure the execution of appropriate risk reduction action plans on a timely manner. The priority should be accorded to mitigate high and significant risks in order to ensure that their day-to-day business activities are carried out within acceptable risk level.

2. The Risk Management teams acting as the "second line of defence" conducts risk oversight and supports the risk policies and framework that is approved by the Group Risk Management Committee. The Risk Management teams facilitates in assessing the adequacy of the internal control systems.

3. The Audit Committee's key role, supported by the Internal Audit Department, as the "third line of defence" provides an independent assessment of the adequacy and reliability of the risk management processes and compliance among the Business Units with the risk policies, regulatory guidelines and Group's procedures.

The Group has established within its risk management framework a structured approach to enterprise-wide risk management with risk management process which encompasses risk identification, risk evaluation, risk treatment and risk monitoring.

The Group has also established management committees in the subsidiary companies where applicable to act as platform for two-way communication between the Management and the Board. The Committees are Investment Committee, Risk Based Capital Committee, IT Steering Committee, Credit Control Committee, Human Resource Committee, Syariah Committee and Executive Committee. These committee are responsible for overseeing the development and assessing the effectiveness of risk management policies, reviewing risk exposure and portfolio composition and ensuring that infrastructure, resources and systems are put in place for effective risk management activities.

50 INSURANCE RISK

The risk underlying any insurance contract is the likelihood of the insured event occurring and the uncertainty in the amount of the resulting claims. This risk is random and therefore unpredictable.

For a portfolio of insurance contracts, the principal risk that the Group faces is that claims and benefit payments exceed the amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits will vary from year to year from the level established using statistical estimation techniques.

(I) Life Insurance and Family Takaful Contracts

Life insurance contracts offered by the Group include whole life, term assurance, endowments, annuity contracts, investment-link contracts and medical and health riders. Family takaful contracts offered by the Group include health, group family, mortgage and investment-linked. The Group currently does not offer any investment contracts with DPF.

The main risks that the Group is exposed to are the following:

- Mortality risk – risk of loss arising due to policyholder's death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder's health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitants' living longer than expected
- Investment return/Interest rate risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Lapse risk – risk of loss arising due to policyholder surrender experience being different than expected

These risks vary in relation to the location of the risk insured by the Group, type of risk insured or by industry.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is broadly achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that product pricing reflects policyholders' health conditions and family medical history, regular review of actual claims experience, as well as detailed claims procedures.

50 INSURANCE RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Life Insurance Contracts

The table below shows the concentration of life insurance contract liabilities by type of contract for the local insurance subsidiary companies:

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2010							
Life Contracts							
Whole life	1,711,461	101,870	1,813,331	(1,947)	(723)	(2,670)	1,810,661
Endowment	469,230	603,585	1,072,815	(495)	(1,250)	(1,745)	1,071,070
Term – Mortgage	522	133,763	134,285	-	(8,219)	(8,219)	126,066
Term – Others	439,664	51,754	491,418	(580)	(4,971)	(5,551)	485,867
Term – Medical & Health	-	22,460	22,460	-	-	-	22,460
Term – Other plans	-	494	494	-	(11)	(11)	483
Annuity Contracts							
Immediate annuities	525	-	525	-	-	-	525
Deferred annuities	1,029,553	-	1,029,553	-	-	-	1,029,553
Total life insurance contract liabilities	3,650,955	913,926	4,564,881	(3,022)	(15,174)	(18,196)	4,546,685
31 December 2009							
Life Contracts							
Whole life	1,642,879	100,246	1,743,125	(2,519)	(848)	(3,367)	1,739,758
Endowment	461,979	775,849	1,237,828	(643)	(1,397)	(2,040)	1,235,788
Term – Mortgage	547	139,345	139,892	-	(7,785)	(7,785)	132,107
Term – Others	438,870	25,319	464,189	(794)	(5,600)	(6,394)	457,795
Term – Medical & Health	-	19,970	19,970	-	-	-	19,970
Term – Other plans	-	719	719	-	(10)	(10)	709
Annuity Contracts							
Immediate annuities	524	-	524	-	-	-	524
Deferred annuities	1,246,254	-	1,246,254	-	-	-	1,246,254
Total life insurance contract liabilities	3,791,053	1,061,448	4,852,501	(3,956)	(15,640)	(19,596)	4,832,905

As all of the business above is derived from Malaysia, the entire life liabilities are in Malaysia.

50 INSURANCE RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Life Insurance Contracts (continued)

The table below shows the concentration of life insurance contract liabilities by type of product for the overseas subsidiary company:

	Gross Without DPF	
	31.12.2010	31.12.2009
	RM'000	RM'000
Life Contracts		
Whole life and endowment	8,585	8,643
Term – Mortgage	1,279	2,006
Term – Other plans	9,367	5,495
Term – Medical & Health	809	286
Total life insurance contract liabilities	20,040	16,430

As all business is derived from Indonesia, the entire life liabilities are in Indonesia.

The above is shown gross-of-reinsurance basis as it assumed that reinsurance is neutral with respect to cash flows.

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The table below shows the key underlying assumptions used for valuation of life insurance contract liabilities:-

Assumptions	Description
Valuation Method	Gross Premium Valuation For Participating Fund, the method that produces the higher reserves of: (i) Fund based yield for total benefits (i.e. guaranteed and non-guaranteed cash flows), and (ii) For guaranteed cash flows, weighted average of Malaysia Government Bond zero coupon spot yields (as outlined below). For Ordinary Life Non Participating business, only (ii) is applicable.

50 INSURANCE RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Life Insurance Contracts (continued)

Key assumptions (continued)

Assumptions	Description
Interest Rate	a) Local insurance subsidiary company Weighted average of Malaysia Government bond yields determined based on the following: (i) For cash flows with duration less than 15 years, weighted average of Malaysia Government Bond zero coupon spot yields of matching duration. (ii) For cash flows with duration 15 years or more, weighted average of Malaysia Government Bond zero coupon spot yields of 15 years to maturity. The weighting is based on 30% weights for yields at date of valuation and 70% weights of the simple average of yields in the preceding seven quarters prior to the date of valuation. Following the recent update of Regulation, spot yields would no longer be weighted effective from 1 January 2011. (Data source: Weighted average of Malaysia Government Bond zero coupon spot yield from Bondweb, a bond pricing agency.) b) Overseas insurance subsidiary company Net-of tax expected return based on typical asset mix and expected rate of return in each major type of assets; also reflects last 5 years average return of the company.
Mortality, Disability, Dread disease, Expense, Lapse and Surrenders	a) Local insurance subsidiary company Participating Fund, the method that produces the higher reserves of: (i) Best estimates for total benefits (i.e. guaranteed and non-guaranteed cash flows), and (ii) Best estimates plus provision for risk of adverse deviation (PRADs) for guaranteed cash flows only. Non-Participating and unit reserves of Investment Linked Fund: Best estimates plus PRADs. b) Overseas insurance subsidiary company Best estimates based on the company's experience, industry statistics and typical pricing assumption in the market. (Data source: Internal experience studies)

50 INSURANCE RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Life Insurance Contracts (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

(a) Local insurance subsidiary companies

Discontinued operations

	Change in assumptions	Impact on life insurance liabilities	
		Gross	Net
	%	RM'000	RM'000
31 December 2010			
Mortality/morbidity	+10	58,408	58,150
Longevity	-10	(59,211)	(58,949)
Expenses	+10	31,572	31,432
Lapse and surrender rates	+10	(76,555)	(76,217)
Investment return	+1	(278,704)	(277,472)
Investment return	-1	340,687	339,181
Discount rate	+1	(83,915)	(83,544)
Discount rate	-1	121,676	121,138
31 December 2009			
Mortality/morbidity	+10	56,575	56,321
Longevity	-10	(57,125)	(56,868)
Expenses	+10	32,881	32,734
Lapse and surrender rates	+10	(84,679)	(84,299)
Investment return	+1	(313,629)	(312,221)
Investment return	-1	376,170	374,481
Discount rate	+1	(72,581)	(72,255)
Discount rate	-1	94,176	93,753

Continuing operations

	Change in assumptions	Impact on life insurance liabilities
		Gross/Net
	%	RM'000
31 December 2010		
Discount rate	+1	(6,620)
Discount rate	-1	8,862
Mortality/morbidity	+10	1,725
Longevity	-10	(1,736)
Lapse and surrender rates	+10	(385)
31 December 2009		
Discount rate	+1	(6,652)
Discount rate	-1	9,258
Mortality/morbidity	+10	1,854
Longevity	-10	(1,855)
Lapse and surrender rates	+10	(445)

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period.

50 INSURANCE RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Life Insurance Contracts (continued)

Sensitivities (continued)

(b) Overseas insurance subsidiary company

	Change in assumption	Impact on life insurance liabilities Gross/Net
	%	RM'000
31 December 2010		
Mortality & morbidity rates	-10	(643)
Mortality & morbidity rates	+10%	379
Expenses	-10	(752)
Expenses	+10%	622
Lapse rates	-10	(343)
Lapse rates	+10%	741
Investment rates	-1%	308
Investment rates	+1%	(331)
Discount rates	-1%	528
Discount rates	+1%	(459)
31 December 2009		
Mortality & morbidity rates	-10	(313)
Mortality & morbidity rates	+10%	303
Expenses	-10	(526)
Expenses	+10%	652
Lapse rates	-10	(295)
Lapse rates	+10%	520
Investment rates	-1%	349
Investment rates	+1%	(377)
Discount rates	-1%	327
Discount rates	+1%	(319)

The above is shown gross-of-reinsurance as it assumed that reinsurance is neutral with respect to cash flows.

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period.

50 INSURANCE RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Family Takaful Contracts

The table below shows the concentration of Family takaful contract liabilities, excluding available-for-sale reserve, by type of contract:

	Gross RM'000	Retakaful RM'000	Net RM'000
31 December 2010			
Family takaful contract liabilities			
Whole life	13	-	13
Endowment	153,108	-	153,108
Term	38,761	(17,198)	21,563
Total Family takaful contract liabilities	191,882	(17,198)	174,684
31 December 2009			
Family takaful contract liabilities			
Whole life	-	-	-
Endowment	88,704	-	88,704
Term	22,456	(1,389)	21,067
Total Family takaful contract liabilities	111,160	(1,389)	109,771

As all of the business is derived from Malaysia, the entire life liabilities are in Malaysia.

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

a) Mortality Rates
Assumption is based on industry standard table – M8388

b) Morbidity Rates
Assumption is mainly based on reinsurer rates

c) Investment Return
8.4% p.a. for Participant Investment Account (PIA) and 4% p.a for Participant Risk Investment Account (PRIA)

d) Expenses
Assumption is based on RM80 per policy

50 INSURANCE RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Family Takaful Contracts (continued)

Key assumptions (continued)

e) Lapse and Surrender Rates
2% p.a. for Single Contribution policies

For regular contribution policies, lapse rate varies by Certificate Year as follows:

Certificate year	Lapse %
1	25.0
2	20.0
3	10.0
4+	3.5

f) Discount Rate
MGS Spot rate as at 31st December 2010.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Impact on Family takaful contract liabilities			
	Change in assumptions	**Gross**	**Net**	**Profit before tax**
	%	**RM'000**	**RM'000**	**RM'000**
31 December 2010				
Mortality/morbidity	+10	5,396	5,301	5,301
Lapse and surrender rates	+10	-	174	174
Discount rate	+1	(13)	(13)	(13)
31 December 2009				
Mortality/morbidity	+10	2,765	2,802	2,802
Lapse and surrender rates	+10	-	(30)	(30)
Discount rate	+1	(9)	(280)	(280)

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period. There is minimal impact on the Family takaful contract liabilities in relation to changes made to longevity, expenses and investment return.

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts

Risks under general insurance and general takaful contracts usually cover a twelve-month duration. The risks inherent in general insurance and general takaful contracts are reflected in the insurance and takaful contract liabilities which include the premiums/contributions and claims liabilities, as set out under Notes 17(b) and 17(d) of the financial statements. Premiums/contributions liabilities comprise reserves for unexpired risks, while the claims liabilities comprise loss reserves which include provision for both outstanding claims notified and outstanding claims incurred but not reported.

The Group manages its insurance risks for general insurance and general takaful contracts by having a clearly defined framework as follow:

- Writing a balanced mix and spread of business, geographically and between classes of business;
- Underwriting strategies focused on profitable lines of business are clearly articulated to stakeholders;
- Underwriting authority limits for capacity are in place according to individual's capacity in the underwriting process;
- Mitigating insurance risks through purchase of both proportional and non-proportional reinsurance and retakaful treaties; and
- Regular monitoring of claim experience and comparing actual experience against that implied in pricing.

General Insurance Contracts

The concentration of the general insurance contracts in relation to the type of insurance contracts accepted by the Group is as summarised below:

(a) Local insurance subsidiary companies

			31.12.2010			31.12.2009
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fire	49,235	(36,848)	12,387	53,690	(43,898)	9,792
Motor Vehicle	294,808	(40,856)	253,952	257,455	(43,209)	214,246
Motor Cycle	90,401	(13,592)	76,809	82,111	(15,235)	66,876
Marine Cargo, Aviation Cargo & Transit	27,412	(20,587)	6,825	26,561	(20,666)	5,895
Miscellaneous	96,898	(54,278)	42,620	98,072	(56,632)	41,440
	558,754	(166,161)	392,593	517,889	(179,640)	338,249

(b) Overseas insurance subsidiary company

			31.12.2010			31.12.2009
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000R	M'000
Fire	15,906	(9,352)	6,554	20,282	(13,020)	7,262
Motor Vehicle	2,351	(30)	2,321	1,922	3	1,925
Marine Cargo, Aviation Cargo & Transit	13,359	(10,291)	3,068	9,140	(6,941)	2,199
Miscellaneous	12,601	(5,578)	7,023	21,027	(9,899)	11,128
	44,217	(25,251)	18,966	52,371	(29,857)	22,514
Currency translation differences	(1,124)	874	(250)	2,071	(1,859)	212
	43,093	(24,377)	18,716	54,442	(31,716)	22,726

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Key assumptions

The risk inherent in general insurance contracts are reflected in the insurance contract liabilities which include the premium and claims liabilities, as set out under Note 17(b) of the financial statements. Premium liabilities comprise reserves for unexpired risks, whilst claims liabilities comprise loss reserves which include provisions for both outstanding claims notified and outstanding claims incurred but not reported.

Outstanding claims provisions are usually established by skilled claims personnel based upon their experience and knowledge, and known facts of individual claims at hand. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson (BF) methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses based upon past development patterns including the implicit underlying trends. The BF methods which tend to be more stable and the more preferred methods also require the input of initial expected loss ratios ("IELRs") which usually are based upon past claims experience.

Thus, General insurance contract liabilities are normally determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislation changes, judicial decisions, economic conditions and claims handling procedure.

However, additional qualitative judgments are also used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties and the actual future premium and claims liabilities may not develop exactly as projected and could vary significantly from initial estimates. To increase the probability that the estimates would ultimately be adequate, provisions for adverse deviations are also included in the estimates.

The Group further reduced its risk exposure through strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims. In addition, the Group enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

Sensitivities

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

Motor Third Party Bodily Injury ("TPBI") claims are one of the main components contributing to the Group's general insurance claims liabilities for disposal group classified as discontinued operations. TPBI has a longer risk exposure compared to other classes which will result in volatile impact to the change in key assumptions.

The analysis below is performed on the Group's TPBI portfolio for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net liabilities, Profit before Tax and Equity. The correlation among assumptions could have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

For the Group's continuing operations, the initial expected loss ratio is an important assumption in the BF estimation techniques.

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Sensitivities (continued)

(a) Local insurance subsidiary companies

Discontinued operations

	Impact on Change in assumptions	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Profit before Tax RM'000	Impact on Equity RM'000
31 December 2010					
Average claim cost	+10%	9,707	9,319	(494)	(372)
Average number of claims	+10%	11,373	10,918	(2,094)	(1,572)
Average claim settlement period	24 months to 18 months	8,118	7,794	1,031	776
31 December 2009					
Average claim cost	+10%	8,276	7,945	(421)	(317)
Average number of claims	+10%	8,435	8,098	(575)	(433)
Average claim settlement period	24 months to 18 months	6,921	6,645	879	661

Continuing operations

	Impact on Change in assumptions	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Profit before Tax RM'000	Impact on Equity RM'000
31 December 2010					
Initial expected loss ratios	+10%	1,474	1,327	(1,327)	(1,327)*
31 December 2009					
Initial expected loss ratios	+10%	1,278	1,213	(1,213)	(1,213)

* The continuing operations operate in Labuan, Malaysia, is subject to preferential tax regulations.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

(b) Overseas insurance subsidiary company

Increasing the IELRs by 10% yields the following impact:

	Impact on Change in assumptions	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Profit before Tax RM'000	Impact on Equity RM'000
31 December 2010					
Initial expected loss ratios	+10%	9,649	7,960	(2,799)	(2,099)
31 December 2009					
Initial expected loss ratios	+10%	8,972	4,997	(1,698)	(1,222)

The method used in deriving sensitivity information and significant assumptions did not change from the previous period.

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each statement of financial position date, together with cumulative payments to-date.

In setting provisions for claims, the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

(a) Local insurance subsidiary companies

Gross General Insurance Contract Liabilities for 2010

Discontinued operations

	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year									
At end of accident year	266,123	244,493	236,775	257,019	273,029	234,016	358,517	346,182	
One year later	274,404	244,253	237,631	261,888	267,676	256,206	296,855	-	
Two years later	277,792	240,751	243,177	263,908	284,567	240,947	-	-	
Three years later	283,354	245,556	246,593	275,929	275,610	-	-	-	
Four years later	289,293	248,780	249,302	262,578	-	-	-	-	
Five years later	292,275	251,580	242,524	-	-	-	-	-	
Six years later	289,486	249,342	-	-	-	-	-	-	
Seven years later	312,051	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	312,051	249,342	242,524	262,578	275,610	240,947	296,855	346,182	
At end of accident year	(102,092)	(99,405)	(89,022)	(94,155)	(111,328)	(72,173)	(103,716)	(96,008)	
One year later	(194,335)	(172,982)	(168,590)	(184,335)	(191,449)	(165,041)	(191,071)	-	
Two years later	(225,481)	(194,941)	(188,137)	(209,285)	(218,928)	(190,511)	-	-	
Three years later	(246,709)	(211,412)	(199,765)	(226,481)	(235,000)	-	-	-	
Four years later	(262,584)	(220,291)	(220,015)	(240,628)	-	-	-	-	
Five years later	(271,948)	(229,046)	(229,512)	-	-	-	-	-	
Six years later	(278,483)	(236,485)	-	-	-	-	-	-	
Seven years later	(291,001)	-	-	-	-	-	-	-	
Cumulative payments to-date	(291,001)	(236,485)	(229,512)	(240,628)	(235,000)	(190,511)	(191,071)	(96,008)	
Gross General insurance contract liabilities per liabilities classified as held for sale	21,050	12,857	13,012	21,950	40,610	50,436	105,784	250,174	515,873

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

(a) Local insurance subsidiary companies (continued)

Gross General Insurance Contract Liabilities for 2010 (continued)

Continuing operations

	Before 2004	2004	2005	2006	2007	2008	2009	2010	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Underwriting year									
At end of underwriting year	28,037	8,119	7,007	8,249	7,900	8,117	5,426	4,458	
One year later	83,740	17,095	17,660	19,614	16,390	16,568	26,084	-	
Two years later	93,262	16,675	18,981	23,141	20,104	24,815	-	-	
Three years later	95,697	17,139	19,844	24,968	24,082	-	-	-	
Four years later	97,558	17,826	20,251	28,671	-	-	-	-	
Five years later	100,685	18,378	21,825	-	-	-	-	-	
Six years later	102,843	19,256	-	-	-	-	-	-	
Seven years later	105,410	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	105,410	19,256	21,825	28,671	24,082	24,815	26,084	4,458	
At end of underwriting year	(8,519)	(2,272)	(2,927)	(3,174)	(2,076)	(2,413)	(386)	(22)	
One year later	(51,679)	(10,785)	(12,374)	(13,687)	(10,830)	(10,567)	(10,439)	-	
Two years later	(71,019)	(13,957)	(15,557)	(19,758)	(17,025)	(17,240)	-	-	
Three years later	(80,602)	(15,158)	(17,140)	(22,892)	(19,025)	-	-	-	
Four years later	(87,643)	(16,105)	(18,349)	(24,940)	-	-	-	-	
Five years later	(93,254)	(17,223)	(19,460)	-	-	-	-	-	
Six years later	(97,570)	(18,007)	-	-	-	-	-	-	
Seven years later	(102,587)	-	-	-	-	-	-	-	
Cumulative payments to-date	(102,587)	(18,007)	(19,460)	(24,940)	(19,025)	(17,240)	(10,439)	(22)	
Gross General insurance contract liabilities	2,823	1,249	2,365	3,731	5,057	7,575	15,645	4,436	42,881

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

(a) Local insurance subsidiary companies (continued)

Net General Insurance Contract Liabilities for 2010

Discontinued operations

	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year									
At end of accident year	215,004	190,111	176,998	203,769	191,473	174,407	269,392	258,314	
One year later	214,795	182,123	173,523	196,601	183,003	188,067	213,495	-	
Two years later	217,745	182,576	177,273	196,984	198,617	169,068	-	-	
Three years later	222,018	186,360	180,423	205,200	187,615	-	-	-	
Four years later	226,128	188,018	185,333	190,182	-	-	-	-	
Five years later	228,352	191,410	176,289	-	-	-	-	-	
Six years later	225,754	188,181	-	-	-	-	-	-	
Seven years later	236,313	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	236,313	188,181	176,289	190,182	187,615	169,068	213,495	258,314	
At end of accident year	(78,453)	(75,349)	(71,213)	(75,635)	(68,300)	(57,092)	(80,659)	(75,253)	
One year later	(151,335)	(131,133)	(127,463)	(137,375)	(126,332)	(115,754)	(138,503)	-	
Two years later	(176,126)	(148,187)	(141,975)	(154,955)	(146,512)	(134,074)	-	-	
Three years later	(192,422)	(161,752)	(151,621)	(166,712)	(159,394)	-	-	-	
Four years later	(204,927)	(168,812)	(160,870)	(174,024)	-	-	-	-	
Five years later	(212,153)	(176,154)	(168,133)	-	-	-	-	-	
Six years later	(217,033)	(182,413)	-	-	-	-	-	-	
Seven years later	(226,307)	-	-	-	-	-	-	-	
Cumulative payments to-date	(226,307)	(182,413)	(168,133)	(174,024)	(159,394)	(134,074)	(138,503)	(75,253)	
Net General insurance contract liabilities per liabilities classified as held for sale	10,006	5,768	8,156	16,158	28,221	34,994	74,992	183,061	361,356

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

(a) Local insurance subsidiary companies (continued)

Net General Insurance Contract Liabilities for 2010 (continued)

Continuing operations

	Before 2004	2004	2005	2006	2007	2008	2009	2010	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Underwriting year									
At end of underwriting year	26,530	6,701	6,845	8,149	6,119	4,497	4,790	-	
One year later	79,147	14,471	17,025	18,578	13,939	10,827	22,071	-	
Two years later	88,393	15,536	18,287	22,049	17,812	17,621	-	-	
Three years later	91,739	16,253	19,185	23,875	20,856	-	-	-	
Four years later	93,884	16,938	19,592	26,867	-	-	-	-	
Five years later	97,126	17,491	20,779	-	-	-	-	-	
Six years later	99,284	17,990	-	-	-	-	-	-	
Seven years later	101,207	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	101,207	17,990	20,779	26,867	20,856	17,621	22,071	-	
At end of underwriting year	(7,803)	(2,258)	(2,876)	(3,138)	(1,590)	(211)	(237)	-	
One year later	(50,289)	(10,154)	(11,996)	(12,667)	(8,709)	(6,302)	(8,051)	-	
Two years later	(68,916)	(13,007)	(15,106)	(18,666)	(14,733)	(12,088)	-	-	
Three years later	(77,635)	(14,345)	(16,640)	(21,800)	(16,722)	-	-	-	
Four years later	(84,537)	(15,290)	(17,848)	(23,848)	-	-	-	-	
Five years later	(90,107)	(16,335)	(18,950)	-	-	-	-	-	
Six years later	(94,402)	(17,119)	-	-	-	-	-	-	
Seven years later	(99,376)	-	-	-	-	-	-	-	
Cumulative payments to-date	(99,376)	(17,119)	(18,950)	(23,848)	(16,722)	(12,088)	(8,051)	-	
Net General insurance contract liabilities	1,831	871	1,829	3,019	4,134	5,533	14,020	-	31,237

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

(b) Overseas insurance subsidiary company

Gross General Insurance Contract Liabilities for 2010

	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year									
At end of accident year	-	-	4,731	3,277	735	2,062	17,540	29,547	
One year later	-	4,710	17,506	19,168	9,244	24,250	24,220	-	
Two years later	746	5,881	28,599	34,477	17,409	31,733	-	-	
Three years later	1,465	9,185	28,933	37,138	18,606	-	-	-	
Four years later	1,489	9,345	29,070	36,799	-	-	-	-	
Five years later	1,503	10,052	28,976	-	-	-	-	-	
Six years later	1,503	10,012	-	-	-	-	-	-	
Seven years later	1,503	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	1,503	10,012	28,976	36,799	18,606	31,733	24,220	29,547	
At end of accident year	-	-	(4,731)	(3,277)	(195)	(703)	-	(5,875)	
One year later	-	(4,710)	(17,506)	(17,911)	(8,014)	(22,783)	(8,430)	-	
Two years later	(746)	(5,881)	(27,801)	(32,534)	(13,264)	(29,073)	-	-	
Three years later	(1,465)	(9,079)	(28,758)	(36,424)	(18,440)	-	-	-	
Four years later	(1,489)	(9,151)	(28,974)	(36,782)	-	-	-	-	
Five years later	(1,503)	(10,012)	(28,976)	-	-	-	-	-	
Six years later	(1,503)	(10,012)	-	-	-	-	-	-	
Seven years later	(1,503)	-	-	-	-	-	-	-	
Cumulative payments to-date	(1,503)	(10,012)	(28,976)	(36,782)	(18,440)	(29,073)	(8,430)	(5,875)	
Gross General insurance contract liabilities	-	-	-	17	166	2,660	15,790	23,672	42,305
Currency translation differences									788
Gross General insurance contract liabilities									43,093

The Group used an annual average exchange rate to translate the foreign currency Indonesia Rupiah to Ringgit Malaysia.

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

(b) Overseas insurance subsidiary company (continued)

Net General Insurance Contract Liabilities for 2010

	Before 2004	2004	2005	2006	2007	2008	2009	2010	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year									
At end of accident year	-	-	2,652	1,643	2,914	2,720	5,529	14,076	
One year later	-	3,030	5,932	7,559	7,968	7,781	15,634	-	
Two years later	436	4,128	6,797	9,495	9,394	13,609	-	-	
Three years later	823	4,339	6,965	10,419	9,440	-	-	-	
Four years later	838	4,361	7,124	10,877	-	-	-	-	
Five years later	848	4,342	7,087	-	-	-	-	-	
Six years later	848	4,336	-	-	-	-	-	-	
Seven years later	848	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	848	4,336	7,087	10,877	9,440	13,609	15,634	14,076	
At end of accident year	-	-	(2,652)	(1,643)	-	(660)	-	(3,353)	
One year later	-	(3,030)	(5,932)	(7,375)	(4,830)	(5,023)	(6,625)	-	
Two years later	(436)	(4,128)	(6,980)	(8,910)	(6,213)	(15,569)	-	-	
Three years later	(823)	(4,324)	(7,115)	(9,984)	(8,410)	-	-	-	
Four years later	(838)	(4,343)	(7,294)	(10,845)	-	-	-	-	
Five years later	(848)	(4,334)	(7,300)	-	-	-	-	-	
Six years later	(848)	(4,336)	-	-	-	-	-	-	
Seven years later	(848)	-	-	-	-	-	-	-	
Cumulative payments to-date	(848)	(4,336)	(7,300)	(10,845)	(8,410)	(15,569)	(6,625)	(3,353)	
Net General insurance contract liabilities	-	-	(213)	32	1,030	(1,960)	9,009	10,723	18,621
Currency translation differences									94
Net General insurance contract liabilities									18,715

The Group used an annual average exchange rate to translate the foreign currency Indonesia Rupiah to Ringgit Malaysia.

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts

The concentration of the general takaful contracts in relation to claims liabilities by the type of takaful contracts accepted is as summarised below:

			2010			**2009**
	Gross	**Re-Takaful**	**Net**	**Gross**	**Re-Takaful**	**Net**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Fire	17,763	(14,221)	3,542	2,111	(1,693)	418
Motor	14,283	(2,871)	11,412	2,824	(1,295)	1,529
Marine Cargo, Aviation Cargo & Transit	6,829	(6,258)	571	3,669	(3,423)	246
Miscellaneous	23,336	(13,892)	9,444	17,226	(13,913)	3,313
	62,211	(37,242)	24,969	25,830	(20,324)	5,506

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of development of claims paid, development of claims reported amount and a seed loss ratio (for Bornhuetter-Ferguson method) for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include delays in settlement, claims handling cost and policy management cost.

Sensitivities

The General takaful claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net liabilities and Profit before Tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Sensitivities (continued)

	Impact on General takaful claims liabilities			
	Change in assumptions	**Gross**	**Net**	**Profit before tax**
	%	**RM'000**	**RM'000**	**RM'000**
31 December 2010				
Average open claims	+10	6,221	2,497	2,497
Number of claims open	+10	6,221	2,497	2,497
Loss ratio	+10	9,952	4,034	4,034
Provision for liability adequacy	+1	446	180	180
31 December 2009				
Average open claims	+10	2,583	549	549
Number of claims open	+10	2,583	549	549
Loss ratio	+10	5,726	887	887
Provision for liability adequacy	+1	176	38	38

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each statement of financial position date, together with cumulative payments to-date.

In setting provisions for claims, the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Claims development table (continued)

Gross general takaful contract liabilities for 2010

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year					
At end of accident year	96	6,816	24,168	54,138	
One year later	78	4,592	20,219	-	
Two years later	50	3,714	-	-	
Three years later	42	-	-	-	
Four years later	-	-	-	-	
Five years later	-	-	-	-	
Six years later	-	-	-	-	
Seven years later	-	-	-	-	
Current estimate of cumulative claims incurred	42	3,714	20,219	54,138	
At end of accident year	-	1,100	4,021	10,114	
One year later	39	2,807	9,177	-	
Two years later	39	3,035	-	-	
Three years later	39	-	-	-	
Four years later	-	-	-	-	
Five years later	-	-	-	-	
Six years later	-	-	-	-	
Seven years later	-	-	-	-	
Cumulative payments to-date	39	3,035	9,177	10,114	
Gross General takaful contract liabilities (Note 17(d))	3	679	11,042	44,024	55,748
Provision for liability adequacy					6,463
Gross General takaful contract liabilities					62,211

50 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Claims development table (continued)

Net General Takaful contract liabilities for 2010

	2007	2008	2009	2010	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year					
At end of accident year	39	1,640	5,655	25,190	
One year later	48	1,642	6,165	-	
Two years later	32	1,370	-	-	
Three years later	26	-	-	-	
Four years later	-	-	-	-	
Five years later	-	-	-	-	
Six years later	-	-	-	-	
Seven years later	-	-	-	-	
Current estimate of cumulative claims incurred	26	1,370	6,165	25,190	
At end of accident year	-	339	1,548	5,284	
One year later	23	1,032	3,831	-	
Two years later	23	1,169	-	-	
Three years later	23	-	-	-	
Four years later	-	-	-	-	
Five years later	-	-	-	-	
Six years later	-	-	-	-	
Seven years later	-	-	-	-	
Cumulative payments to-date	23	1,169	3,831	5,284	
Net General takaful contract liabilities (Note 17(d))	3	201	2,334	19,906	22,444
Provision for liability adequacy					2,525
Net General takaful contract liabilities					24,969

51 FINANCIAL RISK

The Group is exposed to a range of financial risks through its assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that in the long term the investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk, market risk which comprise currency risk, interest rate/profit yield risk and price risk.

The Group manages these positions within an Asset Liability Management ("ALM") framework that has been developed for the insurance subsidiary companies to achieve long term investment returns in excess its obligations under insurance contracts. The key principle of the framework is to match assets to the liabilities by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained and monitored. The Group has not changed the processes used to manage its risks from previous periods.

The Group's ALM is integrated with the management of the financial risks associated with the Group's other classes of financial assets and liabilities not directly associated with insurance liabilities. The note below explain how financial risks are managed using the categories in the Group's ALM framework. In particular, the ALM framework requires the management of interest rate risk, equity price risk and liquidity risk at the portfolio level. Credit risk is managed on a group-wide basis. The following notes are in relation to the Group's management disclosure with respect to credit risk, liquidity risk, interest rate risk, and price risk.

Credit Risk

The Group has exposure in credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risk through (i) investment in cash and private debt securities, (ii) corporate and mortgage lending activities and (iii) exposure to counterparty's reinsurance contracts. For investments in private debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss. Qardhul Hassan is not financial instrument and hence is not exposed to credit risk.

Minimum credit quality only applies to investments in private debt securities/bonds with a minimum rating of BBB-/BBB3 (at date of investment) provided by Malaysian Credit Rating Corporation ("MARC") and Rating Agency of Malaysia ("RAM"), respectively. The Group however intends to maintain a minimum rating of A/A2 in the overall bond portfolio under current returns objectives. The Group does not solely depend on the rating report provided but as in all credit assessments/reviews are based on publicly available issuer information together with in-house analysis based on information provided by the borrower/issuer, peer group comparisons, industry comparisons and other quantitative tools.

Reinsurance/retakaful is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a participants reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholders/participants. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group issues unit-linked investment contracts. In the unit-linked business, the holders of these contract bear the investment risks on the assets held in the unit-linked funds as the contract benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation. Allowance of doubtful debts/specific provision is made on those securities/loans (or part of remaining amount) where the level of security has been impaired.

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the Statement of Financial Position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

51 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure (continued)

	Insurance and Shareholders' Funds			Investment-linked			
	Continuing Operations RM'000	Discontinued Operations RM'000	Total RM'000	Continuing Operations RM'000	Discontinued Operations RM'000	Total RM'000	Total RM'000
GROUP							
31 December 2010							
Available-for-sale financial assets:							
Corporate debt securities	41,681	3,551,424	3,593,105	-	-	-	3,593,105
Islamic debt securities	142,638	-	142,638	-	-	-	142,638
Financial assets held at fair value through income:							
Corporate debt securities	-	21,802	21,802	4,814	145,363	150,177	171,979
Islamic debt securities	-	-	-	21,995	-	21,995	21,995
Loans and receivables:							
Loans	28,587	650,254	678,841	-	-	-	678,841
Fixed and call deposits	8,009	199,424	207,433	-	50,200	50,200	257,633
Reinsurance assets	123,897	222,343	346,240	-	-	-	346,240
Insurance receivables	68,807	77,151	145,958	-	-	-	145,958
Cash and bank balances	183,723	480,188	663,911	68,856	139,087	207,943	871,854
	597,342	5,202,586	5,799,928	95,665	334,650	430,315	6,230,243
31 December 2009							
Available-for-sale financial assets:							
Corporate debt securities	3,243,740	236,420	3,480,160	-	-	-	3,480,160
Islamic debt securities	67,248	-	67,248	-	-	-	67,248
Financial assets held at fair value through income:							
Corporate debt securities	25,400	-	25,400	120,357	-	120,357	145,757
Islamic debt securities	-	-	-	13,332	-	13,332	13,332
Loans and receivables:							
Loans	774,049	1,065	775,114	-	-	-	775,114
Fixed and call deposits	171,135	57,380	228,515	53,838	-	53,838	282,353
Reinsurance assets	120,679	229,069	349,748	-	-	-	349,748
Insurance receivables	116,201	48,083	164,284	-	-	-	164,284
Cash and bank balances	510,076	96,874	606,950	163,333	-	163,333	770,283
	5,028,528	668,891	5,697,419	350,860	-	350,860	6,048,279

COMPANY

	31.12.2010 RM'000	31.12.2009 RM'000
Loans and receivables:		
Loans	192	255
Fixed and call deposits	5,016	4,533
Cash and bank balances	47,934	42,589
	53,142	47,377

51 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

	Neither past-due nor impaired							
	Government Guaranteed	Investment grade (AAA to BBB)	Non-investment grade (BB to C)	Not Rated	Investment-linked	Past due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP								
31 December 2010								
Available-for-sale financial assets:								
Corporate debt securities	676,075	2,882,536	694	490	-	-	33,310	3,593,105
Islamic debt securities	6,731	135,907	-	-	-	-	-	142,638
Financial assets at fair value to profit or loss:								
Corporate debt securities	-	21,802	-	-	150,177	-	-	171,979
Islamic debt securities	-	-	-	-	21,995	-	-	21,995
Loans and receivables:								
Loans	-	-	-	373,875	-	4,529	300,437	678,841
Fixed and call deposits	-	207,433	-	-	50,200	-	-	257,633
Reinsurance assets	-	112,602	1,013	232,625	-	-	-	346,240
Insurance receivables	-	14,998	-	88,399	-	42,561	-	145,958
Cash and bank balances	-	663,911	-	-	207,943	-	-	871,854
	682,806	4,039,189	1,707	695,389	430,315	47,090	333,747	6,230,243
31 December 2009								
Available-for-sale financial assets:								
Corporate debt securities	643,064	2,798,654	533	503	-	-	37,406	3,480,160
Islamic debt securities	-	67,248	-	-	-	-	-	67,248
Financial assets at fair value to profit or loss:								
Corporate debt securities	-	25,400	-	-	120,357	-	-	145,757
Islamic debt securities	-	-	-	-	13,332	-	-	13,332
Loans and receivables:								
Loans	-	-	-	342,349	-	131,284	301,481	775,114
Fixed and call deposits	-	228,515	-	-	53,838	-	-	282,353
Reinsurance assets	-	124,165	376	225,207	-	-	-	349,748
Insurance receivables	-	18,046	-	98,328	-	47,910	-	164,284
Cash and bank balances	-	606,950	-	-	163,333	-	-	770,283
	643,064	3,868,978	909	666,387	350,860	179,194	338,887	6,048,279

51 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	Government Guaranteed	AAA to AA	A1 to A3	BBB1 to BBB3	BB & below	Not Rated	Investment -linked	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP									
31 December 2010									
Available-for-sale financial assets:									
Corporate debt securities	676,075	2,332,384	550,152	-	694	490	-	33,310	3,593,105
Islamic debt securities	6,731	131,795	4,112	-	-	-	-	-	142,638
Financial assets fair value to profit or loss:									
Corporate debt securities	-	-	21,802	-	-	-	150,177	-	171,979
Islamic debt securities	-	-	-	-	-	-	21,995	-	21,995
Loans and receivables:									
Loans	-	-	-	-	-	378,404	-	300,437	678,841
Fixed and call deposits	-	207,433	-	-	-	-	50,200	-	257,633
Reinsurance assets	-	99,355	8,248	4,999	1,013	232,625	-	-	346,240
Insurance receivables	-	2,369	879	12,753	-	129,957	-	-	145,958
Cash and bank balances	-	663,911	-	-	-	-	207,943	-	871,854
	682,806	3,437,247	585,193	17,752	1,707	741,476	430,315	333,747	6,230,243
31 December 2009									
Available-for-sale financial assets:									
Corporate debt securities	643,064	2,279,489	487,049	32,116	533	503	-	37,406	3,480,160
Islamic debt securities	-	67,248	-	-	-	-	-	-	67,248
Financial assets fair value to profit or loss:									
Corporate debt securities	-	-	25,400	-	-	-	120,357	-	145,757
Islamic debt securities	-	-	-	-	-	-	13,332	-	13,332
Loans and receivables:									
Loans	-	-	-	-	-	473,633	-	301,481	775,114
Fixed and call deposits	-	228,515	-	-	-	-	53,838	-	282,353
Reinsurance assets	-	107,108	6,717	10,340	376	225,207	-	-	349,748
Insurance receivables	-	180	17	17,867	-	146,220	-	-	164,284
Cash and bank balances	-	606,950	-	-	-	-	163,333	-	770,283
	643,064	3,289,490	519,183	60,323	909	845,563	350,860	338,887	6,048,279

51 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

	31.12.2010			31.12.2009		
	Investment grade (AAA to AA) RM'000	Not rated RM'000	Total RM'000	Investment grade (AAA to AA) RM'000	Not rated RM'000	Total RM'000
COMPANY						
Loan and receivables						
- Loans	-	192	192	-	255	255
- Fixed and call deposits	5,016	-	5,016	4,533	-	4,533
Cash and bank balances	47,934	-	47,934	42,589	-	42,589
	52,950	192	53,142	47,122	255	47,377

The credit risk analysis for the unit-linked business was not provided as the Group has no direct exposure to any credit risk in those assets.

The ratings shown for fixed and call deposits are based on the rating assigned to the respective financial institution issuing the financial instruments.

During the financial year, the Group made additional allowance for one defaulted corporate debt security due to shortfall in the fair value of collaterals. The allowances were offset with a write-back of allowance of a defaulted corporate debt security which was fully recovered during the financial year.

In total, there are seven remaining occurrence of rating default events to date since financial year 2005. During the financial year, no credit default was encountered by the Group and one (1) of the defaulted corporate debt securities was fully recovered. The Group received court judgement sum of approximately RM10.7 million for this defaulted corporate debt security of which the Group has made full impairment charge. However, as there is an open appeal by the parties concerned, this amount has not been recognised as a reversal of prior impairment charges in the financial statements for the year ended 31 December 2010. As for the other six (6) defaulted corporate debts securities, the Group and the other bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers.

During the financial year, no credit exposure limits were exceeded.

The Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

Age Analysis of Financial Assets Past-Due But Not Impaired

	Up to 3 Months RM'000	3 Months to 6 Months RM'000	7 Months to 12 Months RM'000	> 12 Months RM'000	Total RM'000
GROUP					
31 December 2010					
Loans and receivables	-	736	41	3,752	4,529
Insurance receivables	24,884	13,995	3,682	-	42,561
	24,884	14,731	3,723	3,752	47,090
31 December 2009					
Loans and receivables	-	43	5,511	125,730	131,284
Insurance receivables	30,718	17,190	-	2	47,910
	30,718	17,233	5,511	125,732	179,194

51 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impaired Financial Assets

At 31 December 2010, based on an individual assessment of receivables, there are impaired insurance receivables of RM11,666,000 (2009: RM24,315,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than six (6) months for loans, and more than 90 days for insurance receivables. In addition, full impairment was made on outstanding debts exceeding twelve months, outstanding debts with terminated status, closed accounts, commuted, winding-up under legal action, accounts written-off or those served with letter of demand. This applies similarly to reinsurance assets, particularly reinsurance recoverable on outstanding claims. No collateral is held as security for any past due or impaired assets. The Group records impairment allowance for loans and receivables and insurance receivables in a separate Allowance for impairment accounts.

A reconciliation of the allowance for impairment losses for insurance receivables and loans are as follow:

	GROUP	
	31.12. 2010	31.12.2009
Insurance receivables	RM'000	RM'000
At 1 January	24,315	25,312
Write back of allowance for impairment	(12,649)	(997)
At 31 December	11,666	24,315
Loans		
At 1 January	253,063	248,280
Balance offset against gross outstanding	(46,660)	-
Allowance made during the financial year	12,542	25,822
Amounts written back in respect of recoveries	(19,906)	(7,286)
Amounts written back in respect of restructuring of loans	-	(7,830)
Bad debts written off	(726)	(5,923)
At 31 December	198,313	253,063

The outstanding loans before allowance for impairment analysed by economic purpose are as follows:

	GROUP	
	31.12.2010	31.12.2009
	RM'000	RM'000
Policy loans	352,559	351,524
Constructions	94,906	101,372
Purchase of landed properties/securities	301,560	360,890
Purchase of property, plant and equipment other than land and buildings	13,219	13,063
Personal use	4,312	5,017
Working capital	94,343	177,900
Others	16,255	18,411
	877,154	1,028,177

51 FINANCIAL RISK (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. This situation arises when the Group is unable to convert its financial assets into cash when needed. Demands for funds can usually be met through ongoing normal operations, premiums/contributions received, sale of assets or borrowings through committed credit facilities from bankers. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and an adequate cushion in the form of cash and very liquid investments are maintained at all times. The projected cash flow from the in-force insurance/takaful contract liabilities consist of renewal premiums/contributions, commissions, claims, maturities and surrenders. Renewal premiums/contributions, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existing of surrender penalty in life insurance/family takaful contracts also protects the Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

In addition, for general insurance/general takaful contracts, the Group's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate drawdown of funds to meet claims payments should claims events exceed a certain amount.

Maturity Profile

The table below summarises the maturity profile of the Group's financial liabilities based on outstanding terms to maturity still remaining.

The insurance contract liabilities below are gross of reinsurance (no reinsurance credit is taken into account). Unit-linked liabilities are repayable or transferrable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately. Products which have no maturity benefits such as term assurance and yearly renewable plans are excluded as there carry no maturity values. Products with no maturity dates are annuity and whole life plans.

Unearned premiums/contributions and the reinsurers' share of unearned premiums/contributions have been excluded from the analysis as they are not contractual obligations.

51 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP								
31 December 2010								
Insurance contract liabilities:								
With DPF	3,231,177	19,546	31,851	43,440	368,618	17,920	2,749,802	3,231,177
Without DPF	1,401,609	1,101,150	59,691	26,422	28,201	123,577	62,568	1,401,609
Insurance contract liabilities (Takaful)	295,876	246,827	11,367	1,480	998	33,079	2,125	295,876
Provision for agents' retirement	2,703	478	508	666	948	103	-	2,703
Financial liabilities	216,205	83,261	140,000	-	-	-	-	223,261
Insurance payables	904,447	904,447	-	-	-	-	-	904,447
Other liabilities	336,912	311,771	23,510	1,590	41	-	-	336,912
	6,388,929	2,667,480	266,927	73,598	398,806	174,679	2,814,495	6,395,985
31 December 2009								
Insurance contract liabilities:								
With DPF	3,385,068	37,424	30,209	38,235	354,121	16,684	2,908,395	3,385,068
Without DPF	1,464,940	1,100,920	147,136	20,394	31,591	103,241	61,658	1,464,940
Insurance contract liabilities (Takaful)	167,180	156,793	2,703	430	452	6,347	455	167,180
Provision for agents' retirement	2,780	895	672	644	522	47	-	2,780
Financial liabilities	221,419	59,077	176,444	-	-	-	-	235,521
Insurance payables	816,489	816,489	-	-	-	-	-	816,489
Other liabilities	276,867	263,426	13,197	216	28	-	-	276,867
	6,334,743	2,435,024	370,361	59,919	386,714	126,319	2,970,508	6,348,845
COMPANY								
31 December 2010								
Financial liabilities	206,300	73,350	140,000	-	-	-	-	213,356
Other liabilities	3,814	3,814	-	-	-	-	-	3,814
	210,114	77,170	140,000	-	-	-	-	217,170
31 December 2009								
Financial liabilities	211,976	47,658	176,444	-	-	-	-	224,102
Other liabilities	4,668	4,576	92	-	-	-	-	4,668
	216,644	52,234	176,536	-	-	-	-	228,770

51 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

The table below summarises the current/non-current classification of assets:

	Current*	Non-current	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000
GROUP				
31 December 2010				
Property, plant and equipment	-	291,117	-	291,117
Investment properties	-	523,888	-	523,888
Intangible assets	-	12,866	-	12,866
Investments				
Financial assets at fair value through profit or loss	570,299	-	684,760	1,255,059
Available-for-sale financial assets	304,557	3,710,691	-	4,015,248
Loans and receivables	851,981	34,293	50,200	936,474
Associated companies	49,404	-	-	49,404
Reinsurance assets	346,240	-	-	346,240
Insurance receivables	145,958	-	-	145,958
Trade and other receivables	100,524	-	7,601	108,125
Tax recoverable	29,688	-	1,802	31,490
Deferred tax assets	12,249	-	-	12,249
Cash and bank balances	663,911	-	207,943	871,854
	3,074,811	4,572,855	952,306	8,599,972
31 December 2009				
Property, plant and equipment	-	316,550	-	316,550
Investment properties	-	570,165	-	570,165
Intangible assets	-	14,041	-	14,041
Investments				
Financial assets at fair value through profit or loss	449,254	-	571,663	1,020,917
Available-for-sale financial assets	202,579	3,642,486	-	3,845,065
Loans and receivables	923,491	80,138	53,838	1,057,467
Associated companies	56,862	-	-	56,862
Reinsurance assets	349,748	-	-	349,748
Insurance receivables	164,284	-	-	164,284
Trade and other receivables	94,765	-	2,246	97,011
Tax recoverable	34,157	-	4,067	38,224
Deferred tax assets	23,548	-	160	23,708
Cash and bank balances	606,950	-	163,333	770,283
	2,905,638	4,623,380	795,307	8,324,325

* Expected recovery or settlement within 12 months from the statement of financial position date.

51 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

	Current*	Non-current	Total
	RM'000	RM'000	RM'000
COMPANY			
31 December 2010			
Property, plant and equipment	-	1,784	1,784
Intangible assets	-	57	57
Investments			
Available-for-sale financial assets	4,658	-	4,658
Loans and receivables	5,069	139	5,208
Subsidiary companies	244,834	-	244,834
Associated companies	100	-	100
Trade and other receivables	64,568	-	64,568
Tax recoverable	2,841	-	2,841
Cash and bank balances	47,934	-	47,934
Assets classified as held for sale	150,000	-	150,000
	520,004	1,980	521,984
31 December 2009			
Property, plant and equipment	-	2,233	2,233
Intangible assets	-	103	103
Investments			
Available-for-sale financial assets	-	-	-
Loans and receivables	4,598	190	4,788
Subsidiary companies	396,855	-	396,855
Associated companies	8,814	-	8,814
Trade and other receivables	91,392	-	91,392
Tax recoverable	2,667	-	2,667
Cash and bank balances	42,589	-	42,589
	546,915	2,526	549,441

Market Risk

Market risk is the risk of loss in the valuation of the Group's investments due to adverse changes or volatility of prices in economic and financial markets. Market risk comprises three (3) types of risk i.e. currency risk, market interest rates/profit yields and price risk.

The Group manages market risks through setting of investment policy and asset allocation, approving portfolio limit structure and risk management methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

The Group also issues unit-linked investment policies in a number of its products. In unit-linked business, the policyholders bear the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Group's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

51 FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has overseas subsidiary and associated companies that operate in Indonesia, Philippines and Australia whose revenue and expenses are denominated in Indonesian Rupiah, United States Dollar, Peso 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's exposure to transactional foreign exchange risk are monitored on an ongoing basis through regular stress testing. The Group does not hedge its foreign currency risk.

The Group's financial assets are also primarily denominated in the same currency as its insurance/takaful contract liabilities as required under the applicable regulatory requirements. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance/takaful contract liabilities are expected to be settled.

The Group's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. The impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group has no significant concentration of foreign currency risk.

Interest Rate/Profit Yield Risk

Interest rate risk is part of market risk as any adverse movements in interest rates may affect the Group's investment fair valuation and reinvestment issues. The Group's Investment Committees of the insurance subsidiary companies actively monitor such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch given the long duration of policy liabilities and the uncertainty of cash flows, it is not possible to hold assets that will perfectly match the policy liabilities.

The Group has no significant concentration of interest rate/profit yield risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Equity (that reflects adjustments to Profit before Tax and re-valuing fixed rate/yield AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed in an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on Equity*	
	31.12.2010	31.12.2009
	RM'000	RM'000
GROUP		
Interest Rate		
+ 100 basis points	(30,514)	(18,861)
- 100 basis points	31,969	20,300

* Impact on Equity reflects adjustments for tax, when applicable.

The above excluded the potential impacts from overseas subsidiary companies which are deemed insignificant as the said subsidiary companies' AFS financial assets are not material.

The method used for deriving sensitivity information and significant variables did not change from previous year.

51 FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

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. In addition, the Group monitors and manages the equity exposure against policies set and agreed by the Investment Committees of the insurance subsidiary companies. These policies include monitoring the equity exposure against benchmark set and also single security exposure of the portfolio against the limits set. 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 gains and losses that could occur over a period of time, given a certain index level.

The Group uses derivative financial instruments (index future 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 risk associated with the use of derivative financial instruments, price risk is controlled through the settling of exposure limits, which are subjected to detailed monitoring and review.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit before Tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in Income Statement) and Equity (that reflects adjustments to Profit before Tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on Profit before Tax		Impact on Equity*	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
GROUP				
Change in variables				
FTSE Bursa Malaysia				
- FBM KLCI +15% - gain	9,097	5,350	6,823	4,012
- FBM KLCI -15% - loss	(9,097)	(5,350)	(6,823)	(4,012)

The potential impacts arising from other market indices and overseas subsidiary companies are deemed insignificant as the Group's holdings in equity securities listed in other bourses are not material.

* Impact on Equity reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from previous year.

Price risk is deemed insignificant to the Company as its holdings in quoted equity securities is not material.

52 OPERATIONS RISK

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdown in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, landslide or flood.

The Group has developed comprehensive operating policies and procedures manuals to enable all business units to implement, measure, monitor and control the risks in order to avoid or reduce future losses. Further the Group has established Risk Management Department and Internal Audit Department which are assigned to facilitate business units to review and check the current procedures adhere to all rules and regulations and the procedures manuals.

53 COMPLIANCE RISK

Compliance risk is the risk arising from violations of, or non conformance with business principles, internal policies and procedures, related laws, rules and regulations governing the Group's products and activities.

Consequently, the exposure to this risk can damage the Group's reputation, lead to legal or regulatory sanctions and /or financial loss.

The Group has established a Compliance and Governance Department to look into all compliance aspects in observing the regulatory requirements. In this respect, it has developed internal policies and procedures to ensure compliance with all applicable law and guidelines issued by the regulatory authorities.

54 INSURANCE FUNDS

Statement of Financial Position by Funds
As at 31 December 2010

	Shareholders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property, plant and equipment	7,426	480	481	-	-	8,387
Investment properties	6,496	5,105	-	-	-	11,601
Intangible assets	8,271	-	-	-	-	8,271
Investments	158,442	6,456	105,779	33,268	111,339	415,284
Financial assets held at fair value through profit of loss	7,057	2,477	62,631	-	82,188	154,353
Available-for-sale financial asset	118,045	1,602	42,269	33,268	29,151	224,335
Loans and receivables	33,340	2,377	879	-	-	36,596
Associated companies	49,404	-	-	-	-	49,404
Reinsurance assets	-	44,517	-	62,182	17,198	123,897
Insurance receivables	-	30,791	790	37,226	-	68,807
Trade and other receivables	43,971	7,395	4,690	325	1,806	58,187
Tax recoverable	4,292	262	-	-	-	4,554
Deferred tax assets	775	827	-	-	-	1,602
Cash and cash equivalents	110,515	14,094	45,390	11,094	71,486	252,579
Assets classified as held for sale	231,757	935,510	6,430,132	-	-	7,597,399
Total assets	621,349	1,045,437	6,587,262	144,095	201,829	8,599,972

54 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds (continued)
As at 31 December 2010

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance contract liabilities	-	110,251	108,560	104,929	193,610	517,350
Investment contract liabilities	-	-	40,538	-	-	40,538
Financial liabilities						
Borrowings						
- Medium Term Notes (unsecured)	170,000	-	-	-	-	170,000
- Revolving credit (secured)	36,300	-	-	-	-	36,300
- Bank overdrafts (unsecured)	9,905	-	-	-	-	9,905
Insurance payables	-	8,579	103	41,612	8,605	58,899
Trade and other payables	51,447	6,302	12,586	5,380	4,114	79,829
Current tax liabilities	168	77	38	-	348	631
Deferred tax liabilities	2,234	-	-	312	776	3,322
Liabilities classified as held for sale	(2,428)	935,510	6,430,132	-	-	7,363,214
Total liabilities	267,626	1,060,719	6,591,957	152,233	207,453	8,279,988
Equity						
Share capital	304,354	-	-	-	-	304,354
Accumulated losses	(16,728)	-	-	-	-	(16,728)
Reserves	(981)	-	-	-	-	(981)
Total equity attributable to the owners of the Company	286,465	-	-	-	-	286,645
Minority interest	33,339	-	-	-	-	33,339
Total equity	319,984	-	-	-	-	319,984
Total equity, policyholders' funds and liabilities	587,610	1,060,719	6,591,957	152,233	207,453	8,599,972
Inter-fund balances	33,739	(15,282)	(4,695)	(8,138)	(5,624)	-

54 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds
As at 31 December 2009

	Shareholders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property, plant and equipment	12,271	64,287	236,033	-	-	312,591
Investment properties	4,031	30,779	535,355	-	-	570,165
Intangible assets	8,696	1	3,822	-	-	12,519
Investments	220,892	97,203	5,155,625	4,973	42,542	5,521,235
Financial assets held at fair value through profit of loss	16,756	8,376	929,569	-	37,524	992,225
Available-for-sale financial assets	159,713	64,604	3,295,680	4,973	5,018	3,529,988
Loans and receivables	44,423	24,223	930,376	-	-	999,022
Associated companies	56,862	-	-	-	-	56,862
Reinsurance assets	-	57,731	24,886	36,673	1,389	120,679
Insurance receivables	-	40,672	39,124	36,405	-	116,201
Trade and other receivables	38,600	8,185	45,635	(1,391)	1,258	92,287
Tax recoverable	21,976	2,763	13,421	-	64	38,224
Deferred tax assets	8,535	1,511	15,826	7	39	25,918
Cash and cash equivalents	162,481	17,610	418,130	6,071	69,117	673,409
Assets classified as held for sale	1,455	784,990	-	-	-	786,445
Total assets	535,799	1,105,732	6,487,857	82,738	114,409	8,326,535
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance contract liabilities	-	137,773	5,628,862	56,000	111,173	5,933,808
Investment contract liabilities	-	-	53,584	-	-	53,584
Financial liabilities						
Borrowings						
- Medium Term Notes (unsecured)	200,000	-	-	-	-	200,000
- Term loan (unsecured)	10,000	-	-	-	-	10,000
- Bank overdrafts (unsecured)	11,419	-	-	-	-	11,419
Insurance payables	-	21,373	686,694	28,184	2,785	739,036
Trade and other payables	71,301	4,408	122,211	1,321	1,517	200,758
Provision for life agents' retirement benefits	-	-	2,780	-	-	2,780
Current tax liabilities	10,827	1,222	13,970	-	51	26,070
Deferred tax liabilities	6,773	-	3,269	-	5	10,047
Liabilities classified as held for sale	3	846,998	-	-	-	847,001
Total liabilities	310,323	1,011,774	6,511,370	85,505	115,531	8,034,503

54 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds (continued)
As at 31 December 2009

	Shareholders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Equity						
Share capital	304,354	-	-	-	-	304,354
Accumulated losses	(44,193)	-	-	-	-	(44,193)
Reserves	(4,778)	5,843	-	-	-	1,065
Total equity attributable to the owners of the Company	255,383	5,843	-	-	-	261,226
Minority interest	30,806	-	-	-	-	30,806
Total equity	286,189	5,843	-	-	-	292,032
Total equity, policyholders' funds and liabilities	596,512	1,017,617	6,511,370	85,505	115,531	8,326,535
Inter-fund balances	(60,713)	88,115	(23,513)	(2,767)	(1,122)	-

54 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2010

Continuing operations

	Shareholders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	65,629	87,179	28,924	100,762	161,243	-	443,737
Gross earned premium	-	86,591	21,061	99,521	157,434	-	364,607
Premium ceded to reinsurers	-	(53,251)	(1,195)	(65,698)	(5,332)	-	(125,476)
Net earned premiums	-	33,340	19,866	33,823	152,102	-	239,131
Investment income	6,086	588	7,863	1,241	3,809	-	19,587
Realised gains and losses	2,659	-	428	-	3,178	-	6,265
Fair value gains and losses	(7,186)	544	1,674	-	8,262	-	3,294
Fee and commission income	-	8,176	-	15,187	773	-	24,136
Other operating revenue from non-insurance businesses	59,543	-	-	-	-	-	59,543
Wakalah fee from takaful business	79,809	-	-	-	-	(79,809)	-
Other revenue	140,911	9,308	9,965	16,428	16,022	(79,809)	112,825
Gross benefits and claims paid	-	(83,591)	(27,710)	(15,498)	(49,484)	-	(176,283)
Claims ceded to reinsurers	-	74,508	12,355	7,794	5,057	-	99,714
Gross change to contract liabilities	-	20,066	(8,363)	(37,257)	-	-	(25,554)
Change in contract liabilities ceded to reinsurers	-	(16,398)	-	17,795	-	-	1,397
Net claims	-	(5,415)	(23,718)	(27,166)	(44,427)	-	(100,726)
Fee and commission expense	(57,815)	(14,239)	(4,022)	-	-	-	(76,076)
Management expenses	(100,007)	(8,991)	(9,664)	(109)	-	-	(118,771)
Other operating income/ (expenses) - net	(6,724)	386	789	-	(5,636)	-	(11,185)
Wakalah fee payable to Shareholders' fund	-	-	-	(28,821)	(50,988)	79,809	-
Finance cost	(11,861)	-	-	-	-	-	(11,861)
Other expenses	(176,407)	(22,844)	(12,897)	(28,930)	(56,624)	79,809	(217,893)
Share of loss of associate companies, net of tax	(380)	-	-	-	-	-	(380)
Profit/(loss) before taxation	(35,876)	14,389	(6,784)	(5,845)	67,073	-	32,957
Taxation of life insurance/ family takaful fund	-	-	(58)	-	(1,122)	-	(1,180)
	(35,876)	14,389	(6,842)	(5,845)	65,951	-	31,777
(Surplus)/deficit retained in life insurance/family takaful fund	-	-	(251)	5,845	(62,551)	-	(56,957)
Profit/(loss) before taxation	(35,876)	14,389	(7,093)	-	3,400	-	(25,180)
Taxation	7,642	(39)	-	-	-	-	7,603
Zakat	(180)	-	-	-	-	-	(180)
Profit/(loss) for the financial year	(28,414)	14,350	(7,093)	-	3,400	-	(17,757)

54 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2009

Continuing operations

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Inter-fund elimination RM'000	Total RM'000
Operating revenue	66,825	70,920	34,444	60,072	86,053	-	318,314
Gross earned premium	-	69,938	26,831	59,877	84,714	-	241,360
Premium ceded to reinsurers	-	(57,813)	(331)	(50,091)	(2,277)	-	(110,512)
Net earned premiums	-	12,125	26,500	9,786	82,437	-	130,848
Investment income	5,926	982	7,613	195	1,339	-	16,055
Realised gains and losses	1,178	77	342	-	(273)	-	1,324
Fair value gains and losses	1,358	906	1,194	-	6,369	-	9,827
Fee and commission income	-	12,352	-	12,406	274	-	25,032
Other operating revenue from non-insurance businesses	60,899	-	-	-	-	-	60,899
Wakalah fee from takaful business	53,703	-	-	-	-	(53,703)	-
Other revenue	123,064	14,317	9,149	12,601	7,709	(53,703)	113,137
Gross benefits and claims paid	-	(64,451)	(22,783)	(5,728)	(21,545)	-	(114,507)
Claims ceded to reinsurers	-	58,033	11,246	3,487	1,920	-	74,686
Gross change to contract liabilities	-	(19,765)	(23,443)	(19,473)	-	-	(62,681)
Change in contract liabilities ceded to reinsurers	-	17,313	-	15,509	-	-	32,822
Net claims	-	(8,870)	(34,980)	(6,205)	(19,625)	-	(69,680)
Fee and commission expense	(38,905)	(14,707)	(2,730)	-	-	-	(56,342)
Management expenses	(89,735)	(7,822)	(7,496)	361	-	-	(104,692)
Other operating income/(expenses) - net	35,587	996	1,051	-	(2,964)	-	34,670
Wakalah fee payable to Shareholders' fund	-	-	-	(17,823)	(35,880)	53,703	-
Finance cost	(13,970)	-	-	-	-	-	(13,970)
Other expenses	(107,023)	(21,533)	(9,175)	(17,462)	(38,844)	53,703	(140,334)
Share of loss of associate companies, net of tax	3,788	-	-	-	-	-	3,788
Profit/(loss) before taxation	19,829	(3,961)	(8,506)	(1,280)	31,677	-	37,759
Taxation of life insurance/ family takaful fund	-	-	19	-	(575)	-	(556)
	19,829	(3,961)	(8,487)	(1,280)	31,102	-	37,203
(Surplus)/deficit retained in life insurance/family takaful fund	-	-	10,628	1,280	(29,452)	-	(17,544)
Profit/(loss) before taxation	19,829	(3,961)	2,141	-	1,650	-	19,659
Taxation	(423)	-	-	-	-	-	(423)
Zakat	(77)	-	-	-	-	-	(77)
Profit/(loss) for the financial year	19,329	(3,961)	2,141	-	1,650	-	19,159

54 **INSURANCE FUNDS** (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2010

Discontinued operations

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	Total RM'000
Operating revenue	8,053	547,633	1,264,641	1,820,327
Gross earned premium	-	521,732	995,851	1,517,583
Premium ceded to reinsurers	-	(108,520)	(18,974)	(127,494)
Net earned premiums	-	413,212	976,877	1,390,089
Investment income	8,053	25,901	268,790	302,744
Realised gains and losses	717	1,895	39,787	42,399
Fair value gains and losses	928	8,751	164,069	173,748
Fee and commission income	-	20,008	13,003	33,011
Other revenue	9,698	56,555	485,649	551,902
Gross benefits and claims paid	-	(268,504)	(1,360,483)	(1,628,987)
Claims ceded to reinsurers	-	52,974	(2,268)	50,706
Gross change to contract liabilities	-	(39,272)	182,278	143,006
Change in contract liabilities ceded to reinsurers	-	(14,978)	4,034	(10,944)
Net claims	-	(269,780)	(1,176,439)	(1,446,219)
Fee and commission expense	-	(71,991)	(98,108)	(170,099)
Management expenses	(1,970)	(77,637)	(84,314)	(163,921)
Other operating income/(expenses) - net	(1,159)	5,141	(5,354)	(1,372)
Other expenses	(3,129)	(144,487)	(187,776)	(335,392)
Surplus/profit before taxation	6,569	55,500	98,311	160,380
Taxation of life insurance fund	-	-	(36,185)	(36,185)
Surplus after taxation/profit before taxation	6,569	55,500	62,126	124,195
Surplus retained in life insurance fund	-	-	(62,126)	(62,126)
Profit before taxation	6,569	55,500	-	62,069
Taxation	(990)	(13,305)	-	(14,295)
Profit for the financial year	5,579	42,195	-	47,774

54 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2009

Discontinued operations

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	Total RM'000
Operating revenue	2,586	438,941	1,322,102	1,763,629
Gross earned premium	-	416,554	1,053,193	1,469,747
Premium ceded to reinsurers	-	(102,441)	(14,647)	(117,088)
Net earned premiums	-	314,113	1,038,546	1,352,659
Investment income	2,586	22,387	268,909	293,882
Realised gains and losses	29	4,539	11,573	16,141
Fair value gains and losses	-	18,255	128,115	146,370
Fee and commission income	-	22,881	8,916	31,797
Other revenue	2,615	68,062	417,513	488,190
Gross benefits and claims paid	-	(273,385)	(1,071,475)	(1,344,860)
Claims ceded to reinsurers	-	65,763	4,580	70,343
Gross change to contract liabilities	-	(14,629)	7,944	(6,685)
Change in contract liabilities ceded to reinsurers	-	7,810	5,106	12,916
Net claims	-	(214,441)	(1,053,845)	(1,268,286)
Fee and commission expense	-	(63,796)	(101,067)	(164,863)
Management expenses	(284)	(66,675)	(82,942)	(149,901)
Other operating income - net	567	273	1,744	2,584
Other income/(expenses)	283	(130,198)	(182,265)	(312,180)
Surplus/profit before taxation	2,898	37,536	219,949	260,383
Taxation of life insurance fund	-	-	(31,949)	(31,949)
Surplus after taxation/profit before taxation	2,898	37,536	188,000	228,434
Surplus retained in life insurance fund	-	-	(188,000)	(188,000)
Profit before taxation	2,898	37,536	-	40,434
Taxation	1,114	(8,331)	-	(7,217)
Profit for the financial year	4,012	29,205	-	33,217

54 **INSURANCE FUNDS** (CONTINUED)

Investment-linked Fund

Statement of Financial Position
As at 31 December 2010

	31.12.2010 RM'000	31.12.2009 RM'000
Assets		
Investments	120,489	625,501
Financial assets held at fair value through profit or loss	120,489	571,663
Loans and receivables	-	53,838
Trade and other receivables	3,222	2,246
Tax recoverable	-	4,067
Deferred tax assets	-	160
Cash and bank balances	68,856	163,333
Assets classified as held for sale (a)	759,739	-
Total assets	952,306	795,307
Liabilities		
Insurance contract liabilities	147,889	739,705
Investment contract liabilities	40,538	53,584
Trade and other payables	5,269	2,989
Current tax liabilities	348	421
Deferred tax liabilities	625	3,269
Liabilities classified as held for sale (a)	759,739	-
Total liabilities	954,408	799,968
Inter-fund balances	(2,102)	(4,661)
Net assets value of funds	952,306	795,307

Income Statement
For the financial year ended 31 December 2010

	2010 RM'000	2009 RM'000
Continued operations		
Investment income	5,414	3,668
Realised gains and losses	3,421	(273)
Fair value gains and losses	7,378	6,369
	16,213	9,764
Other operating expenses - net	(2,563)	(1,715)
Profit before taxation	13,650	8,049
Taxation	(1,122)	575
Net profit for the financial year from continuing operations	12,528	7,474
Discontinued operations		
Profit before taxation	118,521	131,427
Taxation	(9,640)	(10,077)
Net profit for the financial year from discontinued operations	108,881	121,350
Net profit for the financial year	121,409	128,824

54 INSURANCE FUNDS (CONTINUED)

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

Investment-linked Fund

Statement of Financial Position
As at 31 December 2010

	31.12.2010 RM'000	31.12.2009 RM'000
Assets		
Investments	614,471	-
Financial assets held at fair value through profit or loss	564,271	-
Loans and receivables	50,200	-
Trade and other receivables	4,379	-
Tax recoverable	1,802	-
Cash and bank balances	139,087	-
Total assets	759,739	-
Liabilities		
Insurance contract liabilities	747,175	-
Trade and other payables	8,638	-
Current tax liabilities	4,974	-
Deferred tax liabilities	1,681	-
Total liabilities	762,468	-
Inter-fund balances	(2,729)	-
Net assets value of funds	759,739	-

(b) DISCONTINUED OPERATIONS

Income Statement
For the financial year ended 31 December 2010

	2010 RM'000	2009 RM'000
Investment income	25,169	21,582
Realised gains and losses	1,391	3,395
Fair value gains and losses	98,288	114,465
	124,848	139,442
Fees and commission expenses	(9,060)	(7,881)
Management expenses	(30)	(37)
Other operating income/(expenses) - net	2,763	(97)
Profit before taxation	118,521	131,427
Taxation	(9,640)	(10,077)
Net profit for the financial year	108,881	121,350

54 INSURANCE FUNDS (CONTINUED)

Information on Cash Flow by Funds
As at 31 December 2010

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
31 December 2010						
Cash flows from:						
Operating activities	56,292	(54,864)	107,156	2,369	5,023	115,975
Investing activities	(67,240)	62,455	(4,406)	-	-	(9,190)
Financing activities	(3,700)	-	-	-	-	(3,700)
Net increase/(decrease) in cash and cash equivalents	(14,648)	7,591	102,750	2,369	5,023	103,085
Cash and cash equivalents at beginning of financial year	151,115	114,431	418,130	69,117	6,071	758,864
Cash and cash equivalents at end of financial year	136,467	122,022	520,880	71,486	11,094	861,949
31 December 2009						
Cash flows from:						
Operating activities	(22,061)	7,764	(79,857)	(247)	2,360	(92,041)
Investing activities	(12)	(938)	3,169	-	-	2,219
Financing activities	(40,000)	-	-	-	-	(40,000)
Net increase/(decrease) in cash and cash equivalents	(62,073)	6,826	(76,688)	(247)	2,360	(129,822)
Cash and cash equivalents at beginning of financial year	213,188	107,605	494,818	69,364	3,711	888,686
Cash and cash equivalents at end of financial year	151,115	114,431	418,130	69,117	6,071	758,864

55 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END

(a) On 6 January 2010, the Company announced that Bank Negara Malaysia ("BNM") had via its letter dated 5 January 2010 granted approval for the proposed disposal of the General Insurance Business of Malaysian Assurance Alliance Berhad ("MAA"), a wholly owned subsidiary company, to AMG Insurance Berhad ("AMG") at the revised indicative headline price of RM180 million (subject to adjustments) pursuant to Section 130 of the Insurance Act, 1996. On 12 February 2010, the Company further announced that the Securities Commission ("SC") had approved the Proposed Disposal via its letter dated 10 February 2010.

On 30 July 2010, the Company announced that the SC has via its letter dated 27 July 2010, granted the Company an extension of time of eight (8) months from 20 July 2010 till 19 March 2011 to complete the Proposed Disposal.

On 16 December 2010, the Company announced that both parties had mutually agreed to discontinue discussion on the Proposed Disposal.

(b) The Board of Directors of the Company announced on 29 April 2010 that MAA had received approval from BNM vide its letter dated 11 March 2010 for MAA to undertake the necessary measures to meet the minimum supervisory target level of capital adequacy ratio that is required to be maintained by all insurers under the Risk-Based Capital Framework ("the Capital Plan"), as further explained in Note 2(a) to the financial statements.

(c) On 16 December 2010, the Company announced the entering into an agreement with Zurich Insurance Company Ltd ("Zurich") pursuant to which, the parties will evaluate and negotiate a possible transaction involving the acquisition of an interest in MAA.

On 10 February 2011, an application was submitted by MAA to BNM to seek extension of time of 12 months until March 2012 to complete the negotiation with Zurich to meet the Capital Plan.

On 11 April 2011, the Company announced that it had submitted an application to BNM to seek approval of the Minister of Finance pursuant to Section 67 of the Insurance Act 1996 to enter into an agreement with Zurich for the Proposed Disposal of MAA and certain subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd for the Company's entire equity interests held therein to Zurich.

On 28 April 2011, the Company announced that BNM has vide its letter dated 27 April 2011 granted extension of time in relation to MAA's Capital Plan including the proposed disposal of MAA until 31 July 2011.

56 DISCLOSURE OF REALISED AND UNREALISED PROFITS

Bursa Malaysia Securities Berhad ("Bursa Securities") had on 25 March 2010 and 20 December 2010, issued directives to all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

The determination of realised and unrealised profits/losses is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Disclosure of realised and unrealised profits/losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

The breakdown of the retained earnings/(accumulated losses) of the Group and the Company as at 31 December 2010, into realised and unrealised profits or losses are as follows:

	GROUP	COMPANY
	RM'000	RM'000
Total retained earnings/(accumulated losses):		
- Realised	(19,313)	(1,029)
- Unrealised	13,463	-
	(5,850)	(1,029)
Total share of accumulated losses from associated companies:		
- Realised	(3,692)	-
- Unrealised	3,014	(19)
	(678)	(19)
	(6,528)	(1,048)
Less: Consolidation adjustments	(10,200)	-
Total accumulated losses as per statement of financial position	(16,728)	(1,048)

LIST OF SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' SHAREHOLDINGS AS AT 29 APRIL 2011

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Held	% of Issued Capital
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY")		
Indirect Interest	105,777,084	34.75#
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY")		
Indirect Interest	105,777,084	34.75*
Khyra Legacy Berhad ("Khyra")		
Indirect Interest	105,777,084	34.75#

DIRECTORS' SHAREHOLDINGS

	Number of Shares Held			
Name	Direct	%	Indirect	%
TY	-	-	105,777,084	34.75#
TYY	-	-	105,777,084	34.75*
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.*

** *1,575,000 shares are registered in the name of CIMSEC Nominees (Tempatan) Sdn Bhd and the balance of 480,000 shares are regisered in the name of Tan Sri Ahmad bin Mohd Don.*

LIST OF TOP TEN MATERIAL PROPERTIES AS AT 31 DECEMBER 2010

No.	LOCATION OF PROPERTIES	TENURE	BUILT-UP AREA (sm)	LAND (sm)	DESCRIPTION/ EXISTING USE	APPROX. AGE OF BUILDING (YEAR)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION(A)/ REVALUATION (R)
1	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	11	205,857	24.12.2007(R)
2	Mukim of Ulu Kelang, District of Gombak, State of Selangor	Freehold		249,449	2 Plots of vacant land		160,000	11.10.2010(R)
3	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	8	120,000	01.12.2009(R)
4	Prima Klang Avenue Office Block (Block A) Jalan Kota/KS1, Klang, Selangor Darul Ehsan	Leasehold for 99 years expiring on 17.08.2103	12,614		A 7-storey office block		50,168	26.01.2006 (A)
5	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	11	26,000	03.05.2010(R)
6	Menara MAA, Lot 5318, Jalan Lintang,70200 Seremban, Negeri Sembilan Darul Khusus	Freehold	20,082		22-storey office building for rental	5.3	23,486	20.10.2009(R)
7	Mile 10, Jalan Apas Tawau, Sabah	Leasehold for 99 years expiring on 10.04.2060		1,235,545	1 Plot of vacant land		17,772	03.11.2009(R)
8	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 :		13,742	01.12.2009(R)
					Renovated single storey building	121		
					Detached house	81		
					2 Plots of vacant land			
9	Lot No. 5930, Kamunting Industrial Estate, 34600 Kamunting, Taiping, Perak	Leasehold for 99 years expiring on 29.01.2072	54,469		A single-storey factory, double storey office block and ancillary buildings for rental	33	13,600	19.10.2009(R)
10	Casa Rachado,Tanjung Biru, Batu 10, Jalan Pantai, 71250 Si. Rusa Port Dickson, Negeri Sembilan Darul Khusus	Leasehold for 99 years expiring on 09.03.2104	7,131		A training resort for staff and agents' training use	15	12,000	06.01.2010(R)
		Leasehold for 99 years expiring on 09.03.2104		6,220	A piece of vacant land			
							642,625	

STATISTICS OF SHAREHOLDINGS AS AT 29 APRIL 2011

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	9,485

Breakdown of shareholdings

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1-99	219	2.31	8,797	0.00
100 – 1,000	1,114	11.74	914,004	0.30
1,001 – 10,000	5,672	59.80	28,181,627	9.26
10,001 – 100,000	2,201	23.21	69,398,384	22.80
100,001 and below 5%	276	2.91	109,334,900	35.92
5% and above	3	0.03	96,516,040	31.71
	9,485	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 *Beneficiary: Pledged Securities Account - AmBank (M) Berhad for Melewar Equities Sdn Bhd*	38,013,030	12.49
2.	OSK Nominees (Tempatan) Sdn Berhad *Beneficiary: Pledged Securities Account for Melewar Khyra Sdn Bhd*	31,565,066	10.37
3.	Melewar Equities (BVI) Ltd	26,937,944	8.85
4.	OSK Nominees (Tempatan) Sdn Berhad *Beneficiary: Pledged Securities Account for Melewar Khyra Sdn Bhd*	8,761,044	2.88
5.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Ooi Chin Hock (8058312)*	3,724,300	1.22
6.	Public Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Lim Chou Bu (E-KPG)*	3,145,000	1.03
7.	CitiGroup Nominees (Asing) Sdn Bhd *Beneficiary: Nom HK for Kegani Pacific Ltc Fund L.P.*	2,608,400	0.86
8.	Lee Kek Ming	2,208,000	0.73
9.	HSBC Nominees (Asing) Sdn Bhd *Beneficiary: Exempt an for Credit Suisse (SG BR-TST-ASING)*	2,170,000	0.71
10.	HSBC Nominees (Asing) Sdn Bhd *Beneficiary: Exempt an for the Hong Kong and Shanghai Banking Corporation Limited (HBFS-B CLT 500)*	2,105,000	0.69
11.	Tan Boon Har	1,987,100	0.65
12.	Teh Bee Gaik	1,907,700	0.63
13.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Ching Swee Meng (8059477)*	1,730,500	0.57
14.	CIMSEC Nominees (Tempatan) Sdn Bhd *Beneficiary: CIMB for Ahmad bin Mohd Don (PB)*	1,575,000	0.52

	Name	No. of Shares Held	% of Issued Capital
15.	Ooi Chin Hock	1,573,900	0.52
16.	Teh Chor Tik	1,500,000	0.49
17.	Juliana Koh Suat Lay	1,300,000	0.43
18.	AMSEC Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Lee Boon Siong*	1,200,000	0.39
19.	RHB Capital Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Lim Chai Beng (CEB)*	1,200,000	0.39
20.	Nirmala Navinchandra Shah	1,154,600	0.38
21.	EB Nominees (Tempatan) Sendirian Berhad *Beneficiary: Pledged Securities Account for Ooi Chin Hock*	1,049,800	0.34
22.	Wilfred Koh Seng Han	1,022,800	0.34
23.	CitiGroup Nominees (Asing) Sdn Bhd *Beneficiary: Exempt an for OCBC Securities Private Limited (Client A/C-NR)*	1,021,650	0.34
24.	G.T.Y. Holdings Sdn Bhd	1,000,000	0.33
25.	Lee King Hong	910,900	0.30
26.	Ong Chin Yew	900,000	0.30
27.	Fong Hun @ Foong Yen Chong	870,800	0.29
28.	Daniel Koh Seng Yong	800,000	0.26
29.	CitiGroup Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Lim Chou Bu (472036)*	730,000	0.24
30.	Dennis Koh Seng Huat	719,600	0.24
	TOTAL	**145,392,134**	**47.77**

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NOTICE
There will be no distribution of door gifts

FORM OF PROXY

(please refer to the notes below)

No. of ordinary shares held

MAA HOLDINGS BERHAD

(471403-A)
Incorporated in Malaysia

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 Thirteenth 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 Tuesday, 28 June 2011 at 10.00 a.m.** and at any adjournment thereof on the following resolutions referred to in the Notice of 13th 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 financial year ending 31 December 2011 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' Sri Iskandar Michael bin Abdullah				
Resolution 3	(ii) General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)				
Resolution 4	(iii) Dr Zaha Rina Zahari				
	To re-elect the following Directors who are retiring pursuant to Section 129(6) of the Companies Act, 1965:-				
Resolution 5	(i) Major General Datuk Lai Chung Wah (Rtd)				
Resolution 6	(ii) Datuk Razman 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 Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.				
Resolution 9	To approve the Proposed Amendments to the Articles of Association of the Company.				

(Please indicate with a "✓" or "**X**" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

Dated this____________ day of ____________________2011

____
Signature/Common Seal of Member(s)

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 not more than two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company, and the provision of the Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.*
4. *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.*
5. *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.*
6. *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.*
7. *Any alteration in the form of proxy must be initialed.*
8. *Form of Proxy sent through facsimile transmission shall not be accepted.*
9. *For the purpose of determining a member who shall be entitled to attend this 13th 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 22 June 2011. Only a depositor whose name appears on the Record of Depositors as at 22 June 2011 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*
10. *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 Section 3 of Part A of the Circular dated 6 June 2011 which is despatched together with the Company's 2010 Annual Report.

    (b) ***Proposed Amendments to Articles of Association of the Company***

    The Proposed Resolution 9, if passed, will give authority for the Company to amend its Articles of Association in order to align with the amendments of the Main Market Listing Requirements of Bursa Securities pursuant to the directive from Bursa Securities on the implementation of payment of electronic cash dividend.

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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
There will be no distribution of door gifts

MAA HOLDINGS BERHAD
(471403-A)
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