Savings

Retirement

Education

Investment

Protection

Security

Family

MAA GROUP BERHAD

(471403-A)

ANNUAL REPORT

2012

The cover of this year's Annual Report mirrors MAA Group Berhad's assurance; ensuring all aspects of your family institution are fully protected and completely secured. The 'MAA' name in itself is a strong, identifiable Malaysian brand that has stood the test of time. For over 45 years, we have been protecting all Malaysians. "Syarikat Warga Malaysia, Untuk Rakyat Malaysia".

CONTENTS

MISSION STATEMENT

MAA Group's Mission is to be the Number One Private Sector Financial Services Company in Malaysia.
This means, Giving our Best to what is Right and Noble, Using Wisdom in all that we Undertake, and Achieving Supremacy in Everything we Manage. MAA is "Mulia Arif Agung" - "Honour Wisdom Strength".

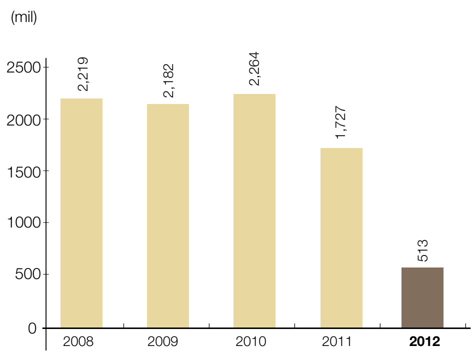
FINANCIAL HIGHLIGHTS

FIVE YEARS GROUP FINANCIAL HIGHLIGHTS

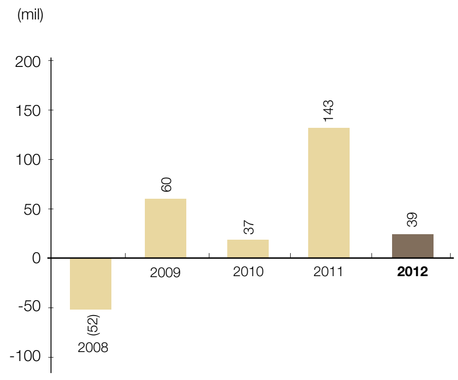
Year Ended 31 December	2012	(Restated) 2011	(Restated) 2010	2009	2008
Income Statements (RM' million)					
Operating Revenue	**513**	1,726[1]	2,264	2,182	2,219
Profit/(loss) Before Taxation	**39**	143[1]	37	60	(52)
Statement of Financial Position (RM' million)					
Total Assets	**1,259**	1,130[1]	8,584	8,327	7,843
Total Borrowings	**4**	9	216	221	231
Shareholders' Equity	**427**	380	265	277	212
Financial Ratios (%)					
Return on Capital Employed	**8.9%**	36.8%	9.7%	14.8%	-7.3%
Return on Total Assets	**3.1%**	12.7%	0.6%	0.9%	-0.4%
Earnings per Share (sen)	**14.0**	37.8	9.0	17.3	(22.8)
Net Asset per Share (RM)	**1.4**	1.3	0.9	0.9	0.7
Other Information (RM' million)					
Net Asset Value of Unit Trust Funds Under Management - Malaysian Unit Trust Division	**2,184**	1,864	1,811	1,570	1,090

[1] Following the completion of the sale of Malaysian Assurance Alliance Berhad, Malaysian Alliance Property Services Sdn Bhd, Maagnet Systems Sdn Bhd, Maagnet SSMS Sdn Bhd and Multioto Services Sdn Bhd to Zurich Insurance Company Ltd on 30 September 2011, only nine (9) months results of these companies were included in the financial year ended 31 December 2011.

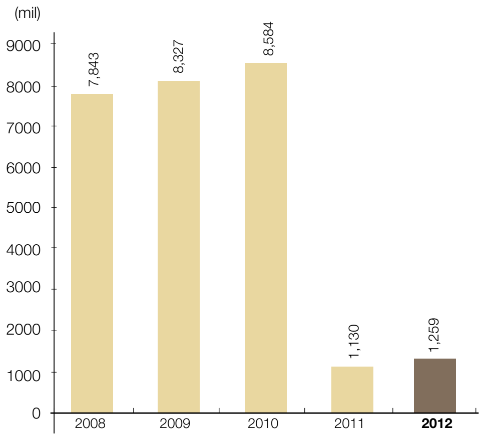
Operating Revenue (RM mil)



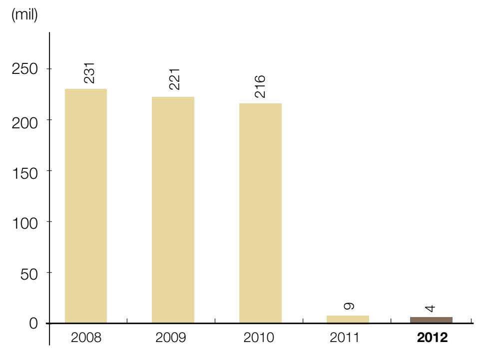
Profit/(Loss) Before Taxation (RM mil)



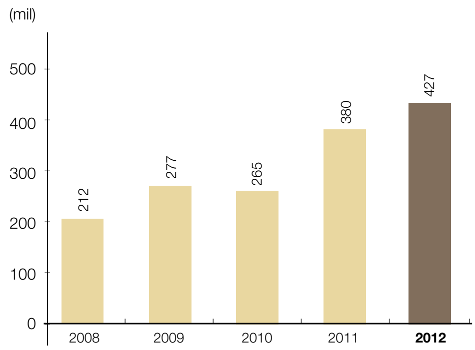
Total Assets (RM mil)



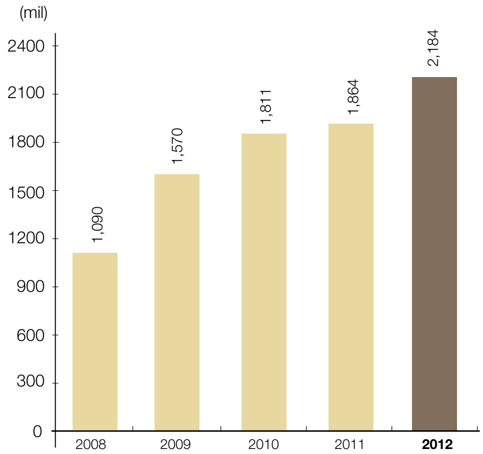
Total Borrowings (RM mil)



Shareholders' Equity (RM mil)



Net Asset Value Of Unit Trust Funds
Under Management
- Malaysian Unit Trust Division (RM mil)



Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Executive Chairman

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, aged 52, 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 (now known as Zurich Insurance Malaysia Berhad) in 1987 until October 2006.

Currently, Tunku Dato' Ya'acob is a Board Member of MIG, MSB, Melewar Group Berhad, Khyra Legacy Berhad, MAAKL Mutual Bhd 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 223 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 Executive Board of Federation of Public Listed Companies Berhad (FPLC) as Vice 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 conviction for any offences within the past 10 years.

Muhamad Umar Swift
Chief Executive Officer/Group Managing Director

Encik Muhamad Umar Swift, aged 48, is a permanent resident, was appointed as Chief Executive Officer/Group Managing Director ("CEO/Group MD") of MAA Group Berhad on 7 September 2006.

Encik Umar started his career with Price Waterhouse as a Chartered Accountant in January 1986. He has more than 22 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 bank 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 was appointed as Acting Chief Executive Officer of Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) in August 2007 and appointed as Chief Executive Officer of MAA in August 2008. He ceased to be the Chief Executive Officer of MAA when MAA was sold to Zurich Insurance Company Ltd on 30 September 2011, and remained as CEO/Group MD of MAA Group Berhad.

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 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 MAAKL Mutual Bhd, MAA Takaful Berhad, Columbus Capital Pty Ltd and Federation of Investment Managers Malaysia. He also sits on the Board of a private limited company, namely MAA Cards Sdn Bhd.

Encik Umar is also a Member of the Board of Trustees for MAA-Medicare Kidney Charity Fund as well as the Member of the Board of Trustees for The Budimas Charitable Foundation.

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

Yeo Took Keat

Group Chief Operating Officer
Executive Director

Mr Yeo Took Keat, aged 55, 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 Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in 1986 and has held several positions, the last of which was as Senior Vice President – Finance & Administration before his transfer to MAA Group Berhad in May 2002 as the Group Chief Operating Officer.

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

Presently, Mr Yeo holds several directorships in other public companies, namely, MAA Bancwell Trustee Berhad, MAAKL Mutual Bhd and MAA Credit Berhad. He also serves on the Boards of several private limited companies in the 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 the Company and he has had no conviction for any offences within the past 10 years. His shareholdings in the Company is disclosed on page 223 of the Annual Report.

Datuk Seri Razman Md Hashim

Senior Independent Non-Executive Director
Member of Audit Committee
Chairman of Nomination and Remuneration Committee

Datuk Seri Razman, aged 74, a Malaysian, was appointed to the Board on 1 July 2006.

Datuk Seri 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 Seri Razman joined Standard Chartered Bank Malaysia Berhad ("SCB") as an Officer Trainee in 1967. Throughout his 34 years of banking experience in SCB, he served with the bank's offices in London, Europe, Hong Kong and Singapore. In 1994, he was appointed as the Executive Director/Deputy Chief Executive of SCB until his retirement in June 1999.

In the same month in 1999, Datuk Seri 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. He was appointed as Independent Non-Executive Director of Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) on 1 July 2006 until 30 September 2011 when MAA was sold to Zurich Insurance Company Ltd.

Datuk Seri 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, SILK Holdings Berhad, Berjaya Land Berhad, Sunway Berhad, MAA Takaful Berhad and Mycron Steel Berhad.

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

Datuk Seri Razman does not have any family relationship with any Director and/or major shareholders of the Company and he has had no conviction for any offences within the past 10 years. His shareholdings in the Company is disclosed on page 223 of the Annual Report.

Tan Sri Ahmad bin Mohd Don

Independent Non-Executive Director
Member of Risk Management Committee
Member of Audit Committee

Y. Bhg. Tan Sri Ahmad Mohd Don, aged 65, 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 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. Tan Sri Ahmad was the Governor of Bank Negara Malaysia from May 1994 to August 1998. He currently serves on the Boards of KAF Investment Bank Berhad, J.P. Morgan Chase Bank Berhad, United Malacca Berhad and Hap Seng Plantations Holdings Berhad. Tan Sri Ahmad is currently the Independent Non-Executive Chairman of MAA Takaful Berhad and Zurich Insurance Malaysia Berhad. He also sits on the Board of one other subsidiary of the group, namely MAA Cards Sdn Bhd.

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 the Company and he has had no conviction for any offences within the past 10 years. His shareholdings in the Company is disclosed on page 223 of the Annual Report.

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Non-Independent Executive Director

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah, aged 51, a Malaysian, was appointed to the Board on 10 January 2007. He was re-designated as Non-Independent Executive Director of the Company on 1 December 2011 by virtue of his appointment as Head of E-Commerce (Vice President) of MAA Corporation Sdn Bhd, the wholly-owned subsidiary of MAA Group Berhad.

Tunku Yahaya is the brother to Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Executive Chairman of the Company. Therefore, he is deemed a substantial shareholder by virtue of his relationship with Tunku Dato' Ya'acob who is the founder and ultimate beneficial owner of Khyra Legacy Berhad, the ultimate substantial shareholder of the Company. His shareholdings in the Company is disclosed on page 223 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. Upon completion, he joined Peat Marwick Mitchell & Co. in London that same year. 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 Melewar Industrial Group Berhad, 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.

Dato' Jaffar Indot

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

Dato' Jaffar Indot, aged 78, a Malaysian, was appointed to the Board on 5 September 2012 as an Independent Non-Executive Director. He currently sits on the Boards of SYCAL Ventures Berhad, Prestariang Berhad, F3 Strategies Berhad, Malaysian Alliance of Corporate Directors, Cygal Berhad, Mycron Steel Berhad, MAA International Assurance Ltd and several other private limited companies.

Dato' Jaffar attended the Harvard Business School International Senior Managers' Programme, Vevey, Switzerland in 1983. After serving three (3) years with the Rural Industrial Development Authority, he joined Shell in 1956 and retired in 1989 after 33 years of service.

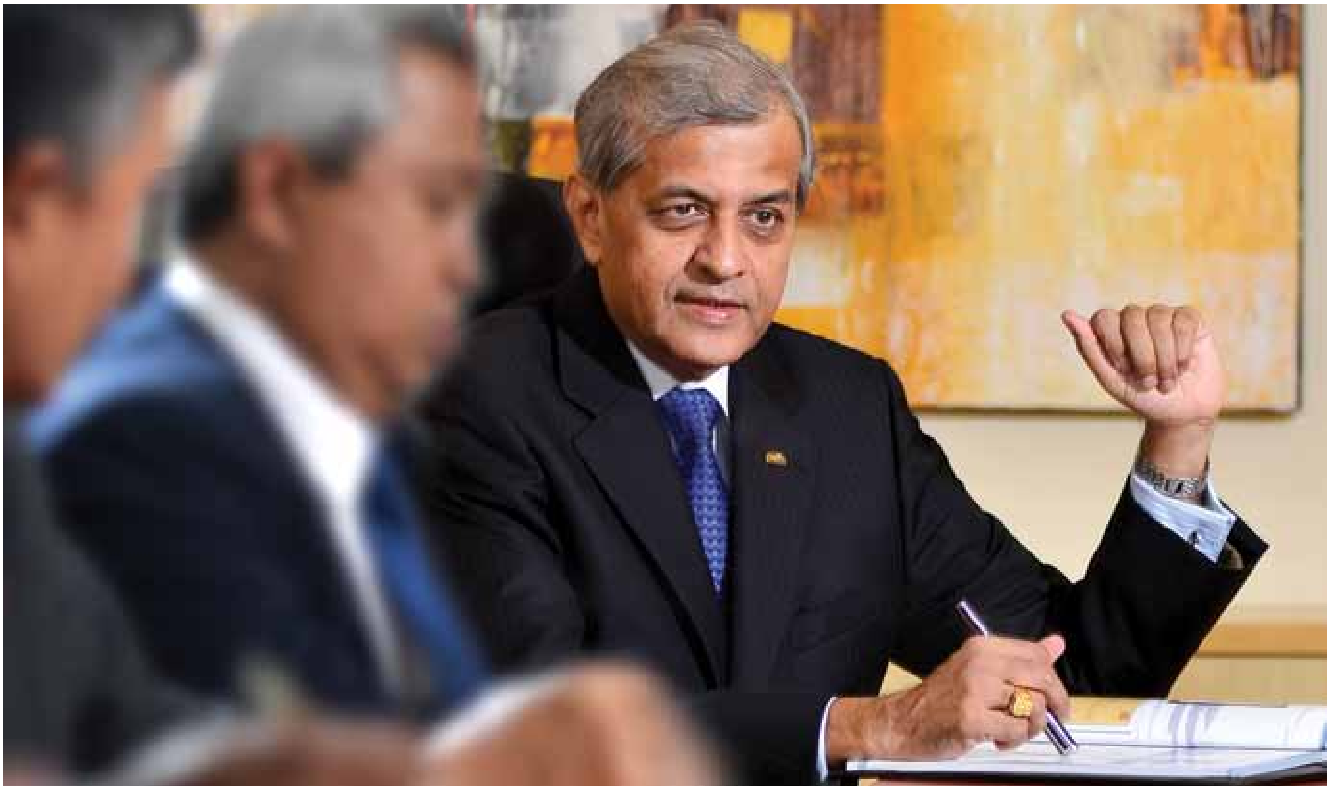
During this time, he worked for Shell in Japan and London, where he served in various capacities in international oil trading, business development and public affairs. In 1980, he returned to Malaysia as the Executive Director and Director of Public Affairs for Shell Malaysia and in 1983 was appointed Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd. He was the Chairman of Shell Timur Sdn Bhd from August 1989 to December 1997. He continued to serve Shell in Malaysia as an Independent Non-Executive Director in Shell Refining Company (FoM) Berhad for 21 years until his retirement from the Board in May 2010.

Dato' Jaffar is active in Foundation work being Chairman of PROTON Foundation as well as Chairman of Family Health Foundation Malaysia. He is the President of the Federation of Family Health Associations Malaysia, Chairman of Malaysian Dutch Business Council and Member of the Institute and International Strategic Studies, Malaysia (ISIS).

Dato' Jaffar has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

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

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



Dato' Narendrakumar Jasani A/L Chunilal Rugnath

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

Dato' Narendrakumar Jasani A/L Chunilal Rugnath, aged 63, a Malaysian, was appointed to the Board on 5 September 2012 as an Independent Non-Executive Director. He is a member of all the Board Committees of the Company.

Dato' Jasani is currently the Managing Partner of SJ Grant Thornton, a firm of public accountants. He qualified as a Chartered Accountant in England in 1974. He gained experience with Grant Thornton in the United Kingdom and locally with Ernst & Young. Whilst with the two firms, he was involved in rendering professional services for large financial institutions and a number of other international and public listed companies.

Dato' Jasani has been involved in all aspects of professional practice including auditing, consulting and investigative assignments, corporate restructuring and privatisation. He is the Secretary for the National Insurance Association of Malaysia. Dato' Jasani contributes towards the professional development of the accounting standards and practice via his involvement as an elected Council Member and Chairman of the Public Practice Committee of the Malaysian Institute of Accountants. He was also the Founding Chairman of the Institute of Chartered Accountants in England and Wales (ICAEW) Malaysian chapter for four (4) years and now serves as the Adviser.

Dato' Jasani has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

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

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

Onn Kien Hoe

Independent Non-Executive Director
Chairman of Audit Committee

Mr Onn Kien Hoe, aged 48, a Malaysian, was appointed as an Independent Non-Executive Director and Chairman of the Audit Committee of the Company on 5 September 2012. He currently sits on the Boards of Nova MSC Berhad, Kian Joo Can Factory Berhad, MAA Takaful Berhad, MAA International Assurance Ltd and several other private limited companies.

Mr Onn completed his professional qualification with the Chartered Association of Certified Accountants in 1988 and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr Onn is a partner with Crowe Horwath, an internationally affiliated accounting firm which is the 5th largest in Malaysia. His role includes acting as the Co-Head of the corporate advisory division of Crowe Horwath. Mr Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants and as a member of the Interpretation Committee of the Malaysian Accounting Standards Board.

Mr Onn has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

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

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

BOARD OF DIRECTORS

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Encik Muhamad Umar Swift
Mr Yeo Took Keat
Datuk Seri Razman Md Hashim
Tan Sri Ahmad bin Mohd Don
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Dato' Jaffar Indot
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Mr Onn Kien Hoe

AUDIT COMMITTEE

Mr Onn Kien Hoe *(Chairman)*
Tan Sri Ahmad bin Mohd Don
Dato' Jaffar Indot
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Datuk Seri Razman Md Hashim

RISK MANAGEMENT COMMITTEE

Dato' Jaffar Indot *(Chairman)*
Tan Sri Ahmad bin Mohd Don
Dato' Narendrakumar Jasani A/L Chunilal Rugnath

NOMINATION AND REMUNERATION COMMITTEE

Datuk Seri Razman Md Hashim *(Chairman)*
Dato' Jaffar Indot
Dato' Narendrakumar Jasani A/L Chunilal Rugnath

SECRETARIES

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

AUDITORS

Messrs PricewaterhouseCoopers
Chartered Accountants

PRINCIPAL PLACE OF BUSINESS

13th Floor, No. 566, Jalan Ipoh,
51200 Kuala Lumpur.
Telephone No.: 03-6256 8000
Facsimile No.: 03-6251 0373

REGISTERED OFFICE

Suite 12.03, 12th Floor,
No. 566, Jalan Ipoh,
51200 Kuala Lumpur.
Telephone No.: 03-6252 8880
Facsimile No.: 03-6252 8080

SHARE REGISTRAR

TRACE MANAGEMENT SERVICES SDN BHD
Suite 12.03, 12th Floor,
No. 566, Jalan Ipoh,
51200 Kuala Lumpur.
Telephone No.: 03-6252 8880
Facsimile No.: 03-6252 8080

PANEL OF REINSURERS

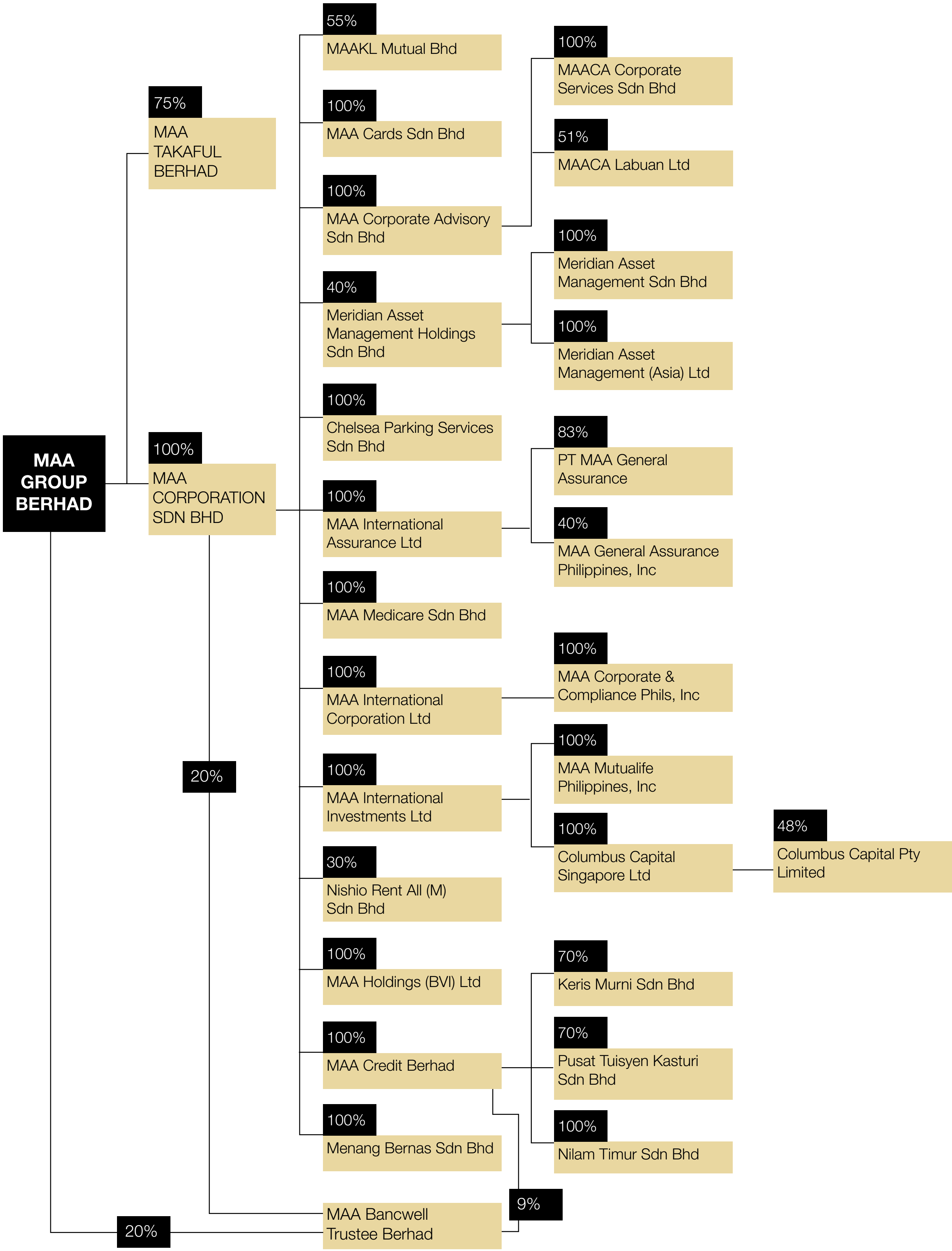
Family Takaful

	Rating
MNRB Retakaful Berhad 9th Floor, Bangunan Malaysia Re 17 Lorong Dungun Damansara Heights 50490 Kuala Lumpur	BBB+ (Fitch)
Hannover Rückversicherung AG Malaysian Branch Suite 31-1, 31st Floor Wisma UOA II No. 21 Jalan Pinang 50450 Kuala Lumpur	AA- (S&P)
Hannover ReTakaful B.S.C. © 17th Floor Al Zamil Tower Government Avenue P.O Box 75180 Manama Kingdom of Bahrain	A (S&P)
Malaysian Life Reinsurance Group Berhad (MLRe) Unit 39-A-6 Level 39 Tower A Menara UOA Bangsar No. 5 Jalan Bangsar Utama 1 59000 Kuala Lumpur	AA- (S&P)
RGA Global Reinsurance Company Ltd., Labuan Branch Lot 3, 2nd Floor Lazenda Phase 3 Shophouse Off Jalan OKK Abdullah P.O. Box 82300 87032 Labuan	AA- (S&P)
BEST RE Family (L) Limited Suite 3B-15-6, Level 15, Block 3B Plaza Sentral, Jalan Stesen Sentral 5 50470 Kuala Lumpur, Malaysia	A- (S&P)

General Takaful

	Rating
MNRB Retakaful Berhad 9th Floor, Bangunan Malaysian Re No. 17, Lorong Dungun, Damansara Heights 50490 Kuala Lumpur	BBB+ (Fitch)
ACR Retakaful Berhad Unit A-12A-10, Level 12A, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur	A- (AM Best)
Labuan Reinsurance (L) Limited 8th Floor, Bangunan Malaysian Re No. 17, Lorong Dungun, Damansara Heights 50490 Kuala Lumpur	A- (AM Best)
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)
Scor Reinsurance Asia-Pacific Pte Ltd., Labuan Branch Suite 47.02, Level 47, Letter Box No. 110 Menara AmBank Jalan Yap Kwan Seng, 50450 Kuala Lumpur	
Best Re (L) Ltd. Suite 3A, Level 8, Block 3A, Plaza Sentral Jalan Stesen Sentral 5, Kuala Lumpur Sentral 50470 Kuala Lumpur	A- (S&P)
Kuwait Reinsurance Co. Far East Regional Office, Labuan Branch A-27-8, Level 27, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur	A- (AM Best)
Takaful Re Limited, Labuan Branch c/o Brighton Management Limited Brighton Place, Ground Floor, No. U0215 Jalan Bahasa, P.O. Box 80431 87014 W.P. Labuan	BBB (S&P)
General Insurance Corporation of India, Labuan Branch A-23A-1, Level 23A, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur	A- (AM Best)
Hannover ReTakaful B.S.C. (C). Al Zamil Tower, 17th Floor, Government Avenue P.O. Box 75180, Manama, Kingdom of Bahrain	A (S&P)

GROUP STRUCTURE



MAA REGIONAL NETWORK

NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

MAA GROUP BERHAD
(471403-A)
Incorporated in Malaysia

NOTICE IS HEREBY GIVEN that the **15TH ANNUAL GENERAL MEETING** of the Company will be held at Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Thursday, 20 June 2013 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 2012 together with the Reports of the Directors and the Auditors thereon.	**Please refer to Explanatory Note A**
(2) To approve the payment of Directors' fees amounting to RM225,000.00 for the period from 1 July 2013 to 30 June 2014 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) Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	**2**
(ii) Mr Yeo Took Keat	**3**
(4) To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:-	
(i) Dato' Narendrakumar Jasani A/L Chunilal Rugnath	**4**
(ii) Mr Onn Kien Hoe	**5**
(5) To re-elect Datuk Seri Razman Md Hashim who is retiring pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting.	**6**
(6) To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.	**7**

AS SPECIAL BUSINESS

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

(a) Proposed Re-election of Director pursuant to Section 129(6) of the Companies Act, 1965 ("the Act")

"THAT the appointment of Dato' Jaffar Indot who is over 70 years of age as Independent Non-Executive Director of the Company pursuant to Section 129(6) of the Act be confirmed and ratified and that he be re-elected and to hold office until the conclusion of the next Annual General Meeting ("AGM") to be held in 2014. **8**

(b) Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") **9**

"THAT the mandate granted by the shareholders of the Company on 20 June 2012 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, authorising the Company and its subsidiaries ("the MAAG Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the MAAG Group's day-to-day operations as set out in Section 3.3(A) of the Circular to Shareholders dated 29 May 2013 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the new recurrent related party transactions of a revenue or trading nature as set out in Section 3.3(B) of the Circular with the related parties mentioned therein, provided that:-

(a) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders of the Company;

(b) 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.

Resolution

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 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."

(c) Proposed Renewal of Share Buy-Back Authority **10**

"THAT subject to compliance with Section 67A of the Companies Act, 1965, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorised to purchase and hold such number of ordinary shares of RM1.00 each in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time-to-time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company and that an amount not exceeding the Company's total audited retained profits of RM79,756,000.00 as at 31 December 2012 would be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

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

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

BY ORDER OF THE BOARD

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

Kuala Lumpur
Dated : 29 May 2013

NOTES: -

1. *Applicable to shares held through a nominee account.*
2. *A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak 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. *Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
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 12.03, 12th Floor, No.566, Jalan Ipoh, 51200 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 initialled.*
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 15th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 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 14 June 2013. Only a depositor whose name appears on the Record of Depositors as at 14 June 2013 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.*
10. *(i) Explanatory Note to Ordinary Business of the Agenda 1 (Explanatory Note A): -*

    This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965, does not require a formal approval of the shareholders and hence, is not put forward for voting.

    (ii) Explanatory Notes to Special Business of the Agenda 7:

    (a) Proposed Re-election of Director pursuant to Section 129(6) of the Act

    The re-appointment of Dato' Jaffar Indot, who is over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the Proposed Resolution 8 has been passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at a general meeting.

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

    The Proposed Resolution 9, 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.

    (c) Proposed Renewal of Share Buy-Back Authority

    The Proposed Resolution 10, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The detailed information on Special Business of Agenda 7 except for Agenda 7(a) as mentioned above is set out in the Circular to Shareholders of the Company dated 29 May 2013 which is despatched together with the Company's 2012 Annual Report.

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, 4, 5, and 7(a) of the Notice of 15th Annual General Meeting of the Company are set out in the Directors' Profile on pages 4, 6, 7, 10, 11 and 12 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 223 of this Annual Report.

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Akaun Kumpulan bagi tahun berakhir 31 Disember 2012.

PERSEKITARAN OPERASI

Ekonomi Malaysia mencatatkan prestasi lebih baik daripada yang dijangka pada 2012 dan kekal kukuh walaupun negara maju terus mengalami kelemahan struktur dan fiskal. Dalam persekitaran luar yang lemah dan kurang stabil, ekonomi Malaysia mencatatkan pertumbuhan Keluaran Dalam Negara Kasar 5.6% pada 2012 (2011: 5.1%), yang diterajui terutamanya oleh permintaan domestik.

Pada 2012, Industri Insurans dan Takaful mencatatkan peningkatan kukuh dengan perkembangan perniagaan baru yang berterusan, pengalaman tuntutan lebih baik dan pulangan pelaburan yang lebih menggalakkan. Sektor Takaful Hayat dan Keluarga melaporkan pemulihan kukuh dalam Lebihan Pendapatan Atas Perbelanjaan, yang meningkat 38.2% kepada RM17.6 bilion (2012: RM12.7 bilion), disokong oleh Premium Insurans dan Sumbangan Takaful bersih lebih tinggi sebanyak 11.2% dan peningkatan ketara kira-kira 200% dalam Keuntungan Modal Bersih. Keuntungan Operasi Sektor Insurans Am dan Takaful Am melonjak sebanyak 72.6% kepada RM2.9 bilion (2011: RM1.7 bilion), berikutan Nisbah Tuntutan Tergabung lebih rendah pada 57.3% (2011: 66.7%) dan Premium Insurans dan Sumbangan Takaful Diraih yang meningkat sebanyak 11.1%.

Sementara itu, Industri Takaful Keluarga pula melaporkan prestasi kukuh dengan Jumlah Sumbangan Bersih meningkat sebanyak 23.3% kepada RM4.6 bilion (2011: RM3.7 bilion) dan Jumlah Lebihan Pendapatan Atas Perbelanjaan meningkat sebanyak 51.9% kepada RM2.4 bilion (2011: RM1.6 bilion). Industri Takaful Am juga mencatatkan prestasi yang memberangsangkan dengan Jumlah Pendapatan Sumbangan Diraih meningkat 17.5% kepada RM1.3 bilion (2011: RM1.1 bilion) dan Jumlah Keuntungan Operasi naik 26.5% kepada RM299.2 juta (2011: RM236.5 juta).

ULASAN PRESTASI

Seperti yang didedahkan pada bahagian yang berikut, Maklumat Terkini Tentang Cadangan Korporat Terbaru, Kumpulan telah menyempurnakan pelupusan anak syarikatnya, Malaysian Assurance Alliance Berhad ("MAA Assurance") dan anak syarikat lain yang dikenal pasti (secara kolektif "Anak Syarikat Yang Dilupuskan") kepada Zurich Insurance Company Limited ("Zurich") pada 30 September 2011. Anak Syarikat Yang Dilupuskan telah diklasifikasikan di bawah operasi dihentikan pada penyata kewangan tahun sebelumnya berikutan pelaksanaan piawaian perakaunan yang diluluskan. Disebabkan oleh pelupusan tersebut, keputusan kewangan Anak Syarikat Yang Dilupuskan tidak dimasukkan dalam keputusan Kumpulan selepas 30 September 2011.

Pada tahun yang dilaporkan, operasi dihentikan memaparkan keputusan anak syarikat insurans hayat luar negara dan anak syarikat bukan insurans tempatan yang dilupuskan pada 2012.

Hasil Operasi

Bagi tahun yang dilaporkan, Jumlah Hasil Operasi Kumpulan menyusut sebanyak 70.3% kepada RM513.0 juta (2011: RM1,726.5 juta), dengan operasi berterusan mencatatkan peningkatan 17.1% kepada RM497.7 juta (2011: RM425.2 juta) manakala operasi dihentikan mencatatkan pengurangan 98.8% kepada RM15.3 juta (2011: RM1,301.3 juta).

Di bawah Sektor Insurans Konvensional, Bahagian Insurans Hayat mencatatkan Jumlah Premium Diraih Kasar sebanyak RM3.5 juta (2011: RM697.2 juta), yang diperolehi sepenuhnya daripada operasi luar negara yang dihentikan. Bahagian Insurans Am mencatatkan Jumlah Premium Diraih Kasar sebanyak RM69.4 juta secara sepenuhnya daripada operasi luar negara berterusan, berbanding RM420.8 juta pada 2011 (operasi berterusan: RM73.9 juta dan operasi dihentikan: RM346.9 juta).

Di bawah Sektor Takaful, Bahagian Takaful Keluarga dan juga Bahagian Takaful Am terus berkembang, dengan momentum kukuh, untuk mencatatkan Sumbangan Diraih Kasar sebanyak RM209.1 juta (2011: RM163.8 juta) dan RM152.9 juta (2011: RM124.5 juta) masing-masing.

Bahagian Pengurusan Dana Unit Amanah Kumpulan mengalami sedikit kemerosotan iaitu 2.7% dalam hasil operasi kepada RM39.0 juta (2011: RM40.1 juta) terutamanya kerana pendapatan yuran perkhidmatan awal dan pengurusan lebih rendah berjumlah RM38.0 juta (2011: RM39.1 juta).

Dana Pemegang Saham Kumpulan (tidak termasuk Bahagian Pengurusan Unit Amanah) mencatatkan pengurangan 32.7% dalam jumlah hasil operasi kepada RM25.9 juta (2011: RM38.5 juta), dengan operasi berterusan mencatatkan peningkatan 32.7% kepada RM14.6 juta (2011: RM11.0 juta) manakala operasi dihentikan mencatatkan penyusutan 58.9% kepada RM11.3 juta (2011: RM27.5 juta).

Untung / Rugi Sebelum Cukai

Kumpulan mencatatkan Untung Sebelum Cukai ("USC") lebih rendah berjumlah RM39.2 juta bagi tahun semasa yang dilaporkan (2011 USC: RM142.6 juta), dengan operasi berterusan mengalami Rugi Sebelum Cukai ("RSC") berjumlah RM25.1 juta (2011 USC: RM7.5 juta) manakala operasi dihentikan meraih USC lebih rendah sebanyak RM64.3 juta (2011 USC: RM135.1 juta).

Di bawah Sektor Insurans Konvensional, Bahagian Insurans Am mengalami RSC berjumlah RM12.3 juta, yang dicatatkan sepenuhnya oleh operasi berterusan berbanding USC 2011 berjumlah RM41.6 juta (RSC operasi berterusan 2011: RM19.2 juta, dan USC operasi dihentikan 2011: RM60.8 juta). Pada tahun semasa yang dilaporkan, dana Insurans Am bagi anak syarikat Insurans Luar Pesisir Labuan meraih pendapatan daripada pemansuhan hutang berjumlah RM14.9 juta di bawah perjanjian pengurangan Persetiaan Insurans Semula Am. Namun begitu, pendapatan ini diimbangi oleh manfaat dan tuntutan insurans bersih lebih tinggi dan tuntutan dan perbelanjaan komisen ejen lebih tinggi berjumlah RM6.5 juta, yang ditanggung oleh anak syarikat insurans luar negara di Indonesia. Kerugian operasi berterusan sebanyak RM19.2 juta pada tahun sebelumnya disebabkan terutamanya oleh pelarasan tahun terdahulu berjumlah RM20.0 juta yang didedahkan dalam nota 43 kepada penyata kewangan berkanun 2012.

Bahagian Insurans Hayat mencatatkan USC lebih kecil berjumlah RM0.1 juta secara sepenuhnya daripada operasi berterusan, berbanding USC 2011 sebanyak RM43.0 juta (USC operasi berterusan: RM49.8 juta, dan RSC operasi dihentikan: RM6.8 juta). Untung operasi berterusan pada tahun sebelumnya timbul daripada pelepasan penuh liabiliti kontrak insurans RM48.3 juta yang dicatatkan oleh anak syarikat Insurans Luar Pesisir Labuan, berikutan pengurangan Persetiaan Insurans Hayat 2011.

Di bawah Sektor Takaful, Bahagian Takaful Keluarga dan juga Bahagian Takaful Am mencatatkan prestasi lebih baik dengan USC RM9.8 juta (2011 USC: RM8.1 juta) dan RM6.8 juta (2011 PBT: RM6.1 juta) masing-masing.

Bahagian Pengurusan Dana Unit Amanah Kumpulan mencatatkan USC RM2.5 juta (2011 USC: RM2.5 juta).

Dana Pemegang Saham Kumpulan (tidak termasuk Bahagian Pengurusan Dana Unit Amanah) meraih USC lebih rendah berjumlah RM35.6 juta (2011 USC: RM41.5 juta), dengan USC daripada operasi berterusan merosot kepada RM31.9 juta (2011 RSC: RM39.7 juta) manakala operasi dihentikan juga mencatatkan USC lebih rendah berjumlah RM67.5 juta (2011 USC: RM81.2 juta). Keuntungan ini termasuk RM50.7 juta yang diiktiraf selepas menerima jumlah tertahan daripada hasil jualan MAA Assurance, selepas memenuhi syarat tertentu yang ditetapkan di dalam Perjanjian Jual Beli, dan juga termasuk keuntungan RM5.3 juta yang diraih daripada pelarasan pertimbangan jualan MAA Assurance disebabkan oleh liabiliti dana Hayat yang terlebih nyata dalam akaun draf lengkap yang disediakan oleh Zurich. Bagaimanapun, keuntungan tersebut diimbangi oleh peruntukan yang dibuat bagi satu jumlah dituntut, termasuk faedah berjumlah RM14.4 juta, yang perlu dibayar di bawah saman undang-undang berasaskan keputusan Mahkamah terhadap bekas anak syarikat. Keuntungan pada tahun kewangan lepas termasuk keuntungan atas pelupusan berjumlah RM83.2 juta, selepas ditolak perbelanjaan jualan (“Keuntungan Pelupusan”) daripada penjualan Anak Syarikat Yang Dilupuskan. Keuntungan Pelupusan termasuk pertambahan RM86.0 juta yang dilaraskan daripada pertimbangan jualan awal berjumlah RM344.0 juta. Perkara ini diterangkan pada bahagian seterusnya laporan ini.

Pada 31 Disember 2012, Jumlah Aset Kumpulan telah mencecah RM1.3 bilion, lebih tinggi daripada RM1.1 bilion pada 2011, dengan Pendapatan Sesaham (“EPS”) sebanyak 14.8 sen (2011: 12.0 sen).

TINJAUAN OPERASI PERNIAGAAN

Untuk tahun yang dilaporkan, segmen operasi Kumpulan terdiri daripada:

- Insurans Takaful Malaysia;
- Pengurusan Unit Amanah Malaysia;
- Insurans Antarabangsa; dan
- Pembiayaan Gadai Janji Australia.

Maklumat lanjut tentang prestasi segmen operasi dibincangkan secara berasingan pada halaman yang dilampirkan.

DIVIDEN

Bagi tahun berakhir 31 Disember 2012, Lembaga Pengarah tidak mencadangkan pembayaran sebarang dividen. Ini kerana syarikat perlu mengekalkan modal sambil menantikan syarat baru daripada Bank Negara Malaysia (“BNM”) yang mewajibkan syarikat pegangan Institusi Kewangan untuk mematuhi piawaian Nisbah Kecukupan Modal minimum di bawah Akta Perkhidmatan Kewangan 2013 dan Akta Perkhidmatan Kewangan Islam 2013 yang digubal baru-baru ini tetapi butirannya belum diumumkan lagi.

MAKLUMAT TERKINI TENTANG CADANGAN KORPORAT TERBARU

Kumpulan dengan sukacitanya membentangkan perkembangan terkini berikut:

(a) Pada 30 September 2011, Kumpulan telah menyempurnakan pelupusan seluruh 100% kepentingan ekuitinya dalam Malaysian Assurance Alliance Berhad (“MAA Assurance” kini dikenali sebagai Zurich Insurance Malaysia Berhad) dan anak syarikat lain yang dikenal pasti, iaitu Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd dan Maagnet-SSMS Sdn Bhd (“Anak Syarikat Yang Dilupuskan”) kepada Zurich Insurance Company Ltd (“Zurich”) untuk pertimbangan tunai berjumlah RM344.0 juta (“Pelupusan”).

Di bawah terma Perjanjian Jual Beli Bersyarat ("SPA") dengan Zurich berkaitan dengan Pelupusan tersebut, terdapat pelarasan kepada pertimbangan jualan RM344.0 juta yang bersamaan dengan perbezaan antara nilai aset agregat Anak Syarikat Yang Dilupuskan pada 30 September 2010 dan nilai aset bersih agregat akhir pada 30 September 2011 ("Pelarasan kepada Pertimbangan"). Pelarasan kepada Pertimbangan ini akan dimuktamadkan dalam masa seratus dua puluh (120) hari selepas penyempurnaan jualan Anak Syarikat Yang Dilupuskan, melainkan timbul pertikaian, yang akan diselesaikan menurut terma dan syarat berkaitan yang dinyatakan dalam SPA.

Pada 30 Disember 2011, berasaskan draf akaun lengkap dan penyata nilai aset bersih agregat Anak Syarikat Yang Dilupuskan, yang disediakan dan diterima daripada Zurich, terdapat pertambahan sebanyak RM86.0 juta kepada pertimbangan jualan berjumlah RM344.0 juta. Pertambahan RM86.0 juta ini adalah bersamaan dengan perbezaan antara nilai aset bersih agregat Anak Syarikat Yang Dilupuskan pada 30 September 2010 dan nilai aset bersih agregat akhir pada 30 September 2011.

Pada 17 Februari 2012 dan 12 April 2012, Syarikat mengemukakan pemberitahuan pertikaian ("Pemberitahuan Pertikaian") kepada Zurich, untuk tidak bersetuju dengan pengurangan tertentu yang dibuat kepada akaun draf lengkap dan penyata nilai aset bersih Anak Syarikat Yang Dilupuskan.

Pada 28 Jun 2012, Syarikat menerima RM30.1 juta dalam akaun eskrow daripada Zurich, yang merupakan jumlah tertahan selepas menyempurnakan syarat tertentu di bawah SPA berhubung dengan hartanah di Prima Avenue Klang, salah satu daripada hartanah yang dimiliki oleh MAA Assurance.

Pada 16 Julai 2012, Syarikat menerima surat bertarikh 13 Julai 2012 daripada Zurich yang mengesahkan jumlah terlebih nyata RM5.3 juta bagi liabiliti dana Hayat MAA Assurance dalam draf akaun lengkap.

Pada 27 Julai 2012, Syarikat menerima RM20.6 juta dalam akaun eskrow daripada Zurich, sebagai jumlah yang ditahan sehingga syarat tertentu di dalam SPA dipenuhi berkaitan dengan saham pinjaman bercagar boleh tukar boleh tebus ("RSCLS") 8 tahun 3% Mithril.

Pada 2 November 2012, Syarikat memfailkan dan memberikan notis timbangtara terhadap Zurich dengan Pusat Penimbangtaraan Antarabangsa Singapura yang antara lain, meminta perisytiharan untuk merujuk pertikaian mengenai pengiraan Rizab Insurans Am MAA Assurance dan perkara lain yang dipertikaikan dalam draf akaun lengkap yang disediakan oleh Zurich kepada Akauntan Pakar, bersama terma dan syarat SPA, untuk menentukan harga jualan akhir Anak Syarikat Yang Dilupuskan, dan juga perisytiharan lanjut untuk melayakkannya menerima bayaran wang eskrow menurut Perjanjian Eskrow bertarikh 28 September 2011 selepas memenuhi syarat SPA dan Surat Sampingan bertarikh 17 Ogos 2011 berkaitan dengan hartanah Prima Avenue Klang, bersama pampasan, faedah dan kos.

(b) Pada 30 September 2011, Syarikat telah dimasukkan dalam kategori penerbit saham tersenarai yang terjejas, berasaskan Nota Amalan 17 ("PN17") Keperluan Penyenaraian, di mana penerbit saham telah menggantung atau menamatkan perniagaan utamanya, iaitu dalam kes ini, pelupusan MAA Assurance.

Namun begitu, Syarikat tidak memenuhi sebarang kriteria lain di bawah Nota Amalan 17 Keperluan Penyenaraian (iaitu ekuiti pemegang saham disatukan jatuh di bawah 25% daripada modal terbitan dan berbayar, kegagalan Kumpulan membuat pembayaran, pendapat buruk atau penafian oleh juruaudit terhadap akaun teraudit, dll.).

Sebagai penerbit saham tersenarai yang terjejas, menurut perenggan 4.1 PN17 Keperluan Penyenaraian, Syarikat perlu mengumumkan butir-butir rancangan penyusunan semula.

Pada 28 September 2012, Syarikat telah mengemukakan permohonan kepada Bursa Malaysia Securities Berhad ("Bursa Securities") untuk pengecualian daripada keperluan mematuhi Perenggan 8.04(2) Keperluan Penyenaraian dan pengecualian daripada keperluan mengemukakan pelan penyusunan semula kepada Bursa Securities menurut Perenggan 8.04(3) Keperluan Penyenaraian ("Permohonan Pengecualian").

Pada 1 Oktober 2012, Bursa Securities merujuk kepada suratnya telah memaklumkan Syarikat bahawa tindakan menggantung jual beli saham Syarikat dan mengeluarkan Syarikat daripada senarai menurut Perenggan 8.04 Keperluan Penyenaraian akan ditangguhkan sambil menunggu keputusan Permohonan Pengecualian.

Pada 30 November 2012, Syarikat telah mengemukakan permohonan kepada Bursa Securities untuk lanjutan masa bagi mematuhi Perenggan 8.04(3) dan PN17 Keperluan Penyenaraian ("Permohonan Bagi Lanjutan Masa").

Seterusnya, Permohonan Pengecualian dan Permohonan bagi Lanjutan Masa akan dirujuk secara kolektif sebagai "Permohonan".

Pada 20 Disember 2012, Bursa Securities merujuk kepada suratnya telah menolak Permohonan Pengecualian Syarikat daripada keperluan mematuhi Perenggan 8.04(3) dan PN17 Keperluan Penyenaraian dan telah memberikan lanjutan masa sehingga 18 Jun 2013 untuk Syarikat mengemukakan rancangan penyusunan semula, antara lain, dengan mengambil kira perkara berikut:

(i) Kedudukan kewangan disatukan Kumpulan pada 30 September 2012 termasuk ekuiti pemegang saham disatukan dan aset bersih kira-kira RM451.9 juta, tunai dan kesetaraan tunai kira-kira RM154.6 juta dan juga kedudukan hutang rendah Kumpulan;

(ii) Penerimaan baki hasil tunai masa depan daripada penjualan Anak Syarikat Yang Dilupuskan, yang dijangka diserahkan kepada Syarikat daripada akaun eskrow pada 2013;

(iii) Langkah yang diambil untuk menyusun semula kedudukan kewangan Syarikat setakat ini, dan secara khususnya pelupusan aset yang tidak mencatatkan prestasi baik atau yang mengalami kerugian (seperti Wira Security Services Sdn Bhd dan PT MAA Life Assurance yang didedahkan dalam nota (c) dan (d) di bawah dan pengambilalihan Origin Mortgage Management Services oleh Columbus Capital Pty Ltd dalam nota (f) di bawah); dan

(iv) Rancangan syarikat untuk mengembalikan, mengekalkan dan mengembangkan keuntungan Kumpulan.

Lanjutan masa yang dinyatakan di atas tidak menjejaskan hak Bursa Securities untuk menggantung jual beli saham Syarikat dan mengeluarkan Syarikat daripada senarai sekiranya:

(i) Syarikat gagal mengemukakan pelan pemulihan pada atau sebelum 18 Jun 2013;

(ii) Syarikat gagal untuk mendapatkan kelulusan daripada pihak berkuasa kawal selia yang diperlukan bagi pelaksanaan rancangan penyusunan semula, atau

(iii) Syarikat gagal untuk melaksanakan rancangan penyusunan semula dalam tempoh masa atau tempoh masa lanjutan yang dinyatakan oleh Bursa Securities.

Jika berlaku mana-mana kejadian yang dinyatakan dalam (i) hingga (iii) di atas, Bursa Securities akan menggantung dagangan sekuriti tersenarai Syarikat selepas tamat tempoh lima (5) hari pasaran dari tarikh Syarikat dimaklumkan mengenainya oleh Bursa Securities dan mengeluarkan Syarikat daripada senarai, tertakluk kepada hak Syarikat untuk membuat rayuan bagi mengelakkannya daripada dikeluarkan daripada senarai.

Berasaskan keputusan Bursa Securities, Lembaga Pengarah akan merangka rancangan penyusunan semula dan mengemukakannya kepada Bursa Securities untuk diluluskan.

(c) Pada 28 Jun 2012, MAA Corporation Sdn Bhd ("MAA Corp"), sebuah anak syarikat milik penuh, telah menyempurnakan pelupusan 100% kepentingan ekuitinya dalam Wira Security Services Sdn Bhd ("Wira") untuk pertimbangan tunai berjumlah RM7.0 juta, yang ditentukan atas dasar 'persetujuan antara pembeli dan penjual'.

(d) Pada 16 Ogos 2012, MAA International Assurance Ltd ("MAAIA"), anak syarikat milik penuh MAA Corp, telah menyempurnakan pelupusan kepentingan ekuitinya sebanyak 95% dalam PT MAA Life Assurance ("PT MAAL"), untuk pertimbangan jualan akhir IDR23.56 bilion (bersamaan kira-kira RM7.79 juta) kepada Tokio Marine Holdings Inc.

(e) Pada 5 September 2012, Syarikat melupuskan kepentingan ekuitinya sebanyak 45% dalam syarikat bersekutu, Maybach Logistics Sdn Bhd, kepada Crest Corporate Services Sdn Bhd untuk pertimbangan tunai berjumlah RM14,000.

(f) Pada 21 September 2012, syarikat bersekutu Kumpulan di Australia, Columbus Capital Pty Ltd ("CCAU"), telah membuat SPA bersyarat dengan Australia and New Zealand Banking Group Limited ("ANZ") untuk mengambil alih perniagaan pengedaran gadai janji borong ANZ, Origin Mortgage Management Services, yang menguruskan portfolio gadai janji perumahan bernilai kira-kira AUD2.2 bilion.

Pada 28 September 2012, CCAU telah menyempurnakan pengambilalihan perniagaan pengedaran gadai janji borong ANZ, Origin Mortgage Management Services.

(g) Pada 2 Oktober 2012, MAA Credit Berhad ("MAA Credit"), anak syarikat milik penuh MAA Corp, dalam menguatkuasakan surat kuasa wakil menurut memorandum deposit saham Keris Murni Sdn Bhd ("KMSB") dan Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") ("Saham Sekuriti") bertarikh 1 Oktober 2009 yang ditandatangani dengan Famous Vertex Sdn Bhd ("FVSB"), telah memindahkan semua Saham Sekuriti kepada MAA Credit. Ini merupakan sebahagian daripada langkah kutipan hutang yang dilaksanakan untuk menguatkuasakan Saham Sekuriti selepas FVSB gagal membayar balik pinjaman (wang pokok dan juga faedah) yang perlu dibayar kepada MAA Credit.

Seterusnya, KMSB dan PTKSB telah menjadi anak syarikat milik 70% MAA Credit pada 2 Oktober 2012.

(h) Pada 26 November 2012, MAA Credit telah memeterai Perjanjian Jualan Saham untuk memperoleh 290,002 saham biasa RM1.00 sesaham, yang mewakili 100% kepentingan ekuiti dalam Nilam Timur Sdn Bhd ("Nilam Timur") untuk pertimbangan tunai berjumlah RM10.00, yang dipersetujui atas dasar 'persetujuan antara pembeli dan penjual'. Ini membentuk sebahagian daripada langkah kutipan hutang yang diambil oleh MAA Credit bagi hutang yang perlu dibayar oleh Nilam Timur. MAA Credit berhasrat menjual Nilam Timur, yang mempunyai sub-pajakan atas tanah, untuk mengutip hutang pinjaman.

(i) Pada 5 Disember 2012, MAA Corp dan NTY Enterprise Sdn Bhd memeterai Perjanjian Jualan Saham, untuk melupuskan 385,000 saham biasa yang mewakili 11% daripada saham biasa terbitan dan berbayar penuh, dan 153 saham keutamaan boleh tebus, mewakili 100% daripada modal saham keutamaan boleh tebus terbitan dan berbayar penuh dalam Meridian Asset Management Holdings Sdn Bhd ("MAM"), untuk pertimbangan tunai berjumlah RM10.00 sahaja, yang dicapai atas dasar 'persetujuan antara pembeli dan penjual'. Selepas pelupusan, MAM tidak lagi menjadi anak syarikat MAA Corp dan diiktiraf sebagai syarikat bersekutu Kumpulan.

(j) Pada 23 April 2013, Lembaga Pengarah Syarikat ("Lembaga Pengarah") berbincang dan pada asasnya meluluskan cadangan pelupusan seluruh kepentingan MAAIA dalam PT MAA General Assurance ("PT MAAG"), anak syarikat milik 83% di Indonesia. Syarikat telah berunding dengan pihak yang berminat terhadap cadangan pelupusan; bagaimanapun terma dan syarat bagi perjanjian jual beli yang diteliti belum dimuktamadkan. Lembaga Pengarah berpendapat bahawa adalah lebih menguntungkan Syarikat jika PT MAAG dilupuskan memandangkan keadaan kewangannya dan dengan itu mengurangkan kerugian operasi di Indonesia.

TANGGUNGJAWAB SOSIAL KORPORAT

Kumpulan tetap komited terhadap usaha menjadi warga korporat yang prihatin dan bertanggungjawab.

Kumpulan memberikan sokongan padu dan menguruskan Dana Kebajikan Buah Pinggang MAA Medicare ("MAA Medicare") dan Yayasan Kebajikan Budimas ("Budimas").

MAA Medicare ialah pembekal perkhidmatan dialisis kedua terbesar di Malaysia, dengan 12 pusat dialisis buah pinggang, 200 mesin hemodialisis, dan membantu 810 pesakit yang memerlukan dan kurang mampu untuk meneruskan kehidupan.

Budimas menampung keperluan kewangan kanak-kanak kurang bernasib baik di Malaysia. Budimas kini menyokong 12 rumah kebajikan, yang menempatkan lebih daripada 600 kanak-kanak kurang bernasib baik dan memberi sarapan kepada 2,028 kanak-kanak kurang mampu di 36 sekolah luar bandar di serata Malaysia.

Untuk tujuan ini, Kumpulan akan terus memperuntukkan sumber bagi mencapai objektif aktiviti kebajikan ini pada tahun-tahun akan datang demi memenuhi tanggungjawab sosial korporatnya.

Maklumat lanjut mengenai Tanggungjawab Sosial Korporat dibincangkan secara berasingan pada halaman yang dilampirkan.

PEMBANGUNAN INDUSTRI

Bagi Industri Takaful, Bank Negara Malaysia ("BNM") mengeluarkan Rangka Kerja Modal Berasaskan Risiko bagi pengendali Takaful dengan matlamat untuk mengukuhkan asas modal pengendali Takaful agar setaraf dengan piawaian yang berkuat kuasa ke atas Industri Insurans. Pematuhan penuh kepada Rangka Kerja Modal Berasaskan Risiko akan berkuat kuasa pada 1 Januari 2014.

Menyedari hakikat bahawa Rangka Kerja Modal Berasaskan Risiko akan dilaksanakan akhirnya dan perlu dipatuhi pengendali Takaful, anak syarikat milik 75%, MAA Takaful Berhad ("MAA Takaful") sejak awal lagi telah menjajarkan produk dan strategi pelaburannya, termasuk mengguna pakai prosedur pengurusan risiko secara berhemat untuk mengukuhkan dasar pengurusan risiko bagi memenuhi keperluan modal peraturan apabila dilaksanakan.

Dengan penggubalan Akta Perkhidmatan Kewangan 2013 ("FSA") dan Akta Perkhidmatan Kewangan Islam 2013 ("IFSA") yang baru, BNM telah mengumumkan bahawa dua Akta itu akan dikuatkuasakan pada 2013, dengan matlamat mengukuhkan asas bagi rangka kerja peraturan dan pengawalseliaan untuk memastikan ia berkesan, telus dan menyumbang kepada sistem kewangan yang cekap yang dapat menangani tekanan pada masa depan. Di bawah FSA dan IFSA, BNM akan diberikan kuasa pemantauan yang sewajarnya, termasuk menetapkan piawaian teliti, melaksanakan pemantauan berterusan secara bersepadu dan mengambil tindakan pembetulan untuk mengenal pasti risiko ke atas syarikat pegangan kewangan untuk memastikan aktiviti kumpulan kewangan tidak mewujudkan risiko yang terlalu tinggi kepada keselamatan dan kemantapan institusi kewangan. Perubahan peraturan ini, apabila dilaksanakan kelak, akan mengubah dan menentukan cara pengendali Insurans dan Takaful, dan syarikat pegangan masing-masing, menjalankan perniagaan.

PROSPEK

Pada 2013, ekonomi Malaysia dijangka kekal kukuh dengan pertumbuhan mantap dan perkembangan pada kadar 5% hingga 6% berasaskan unjuran BNM, disokong oleh permintaan domestik yang berterusan dan berbekalkan peningkatan beransur-ansur dalam sektor luar dengan eksport lebih tinggi diunjurkan. Namun begitu, Malaysia akan terus menghadapi tekanan inflasi yang semakin meningkat, risiko berulangnya ketidakstabilan di Zon Euro, dan pertumbuhan lebih perlahan di kalangan rakan perdagangan utamanya.

Kumpulan akan terus menghadapi persaingan sengit dalam operasinya memandangkan liberalisasi berterusan industri dan penguatkuasaan FSA dan IFSA yang bakal dilaksanakan, seperti yang diumumkan oleh BNM. Perkembangan ini akan merombak struktur dan persekitaran operasi sektor perkhidmatan kewangan pada masa depan, termasuk industri Insurans dan Takaful.

Untuk tujuan ini, Kumpulan akan membentuk jawatankuasa kerja untuk menjalankan kajian terperinci dan merangka rancangan strategik MAA Takaful untuk mematuhi IFSA dalam tempoh 5 tahun yang ditetapkan oleh BNM, dan bagi Kumpulan mengemukakan permohonan kepada BNM untuk menjadi syarikat pegangan kewangan diluluskan dalam tempoh 1 tahun yang ditetapkan oleh BNM.

Pada 2013, BNM akan melaksanakan dasarnya yang baru bagi Industri Takaful untuk mewajibkan taja jamin saksama portfolio kenderaan di bawah Gemblengan Insurans Motor Malaysia (“MMIP”) yang mengalami kerugian. Perkongsian saksama akan memberi kesan buruk kepada Industri Takaful Am, termasuk operasi Insurans Takaful Malaysia Kumpulan. Rayuan telah dibuat agar perkongsian kerugian daripada MMIP dibahagikan berasaskan jumlah perniagaan motor yang dikendalikan oleh pengendali Insurans dan Takaful Am tidak dilayan oleh BNM. Memandangkan hal ini, MAA Takaful akan menjajarkan semula strategi perniagaannya termasuk meningkatkan pertumbuhan perniagaan dalam sektor tertentu, untuk menampung kesan perkongsian kerugian, sambil memastikan Syarikat terus meraih untung dan memenuhi komitmen terhadap pelanggannya.

Dalam perkembangan berasingan mengenai operasi Insurans Am Kumpulan di Indonesia, Kumpulan akan menilai daya maju perniagaan selepas mengambil kira kerugian berterusan yang dialami selama ini.

Selepas penjualan Anak Syarikat Yang Dilupuskan, Kumpulan telah dan akan meneruskan usaha untuk memberi tumpuan terhadap pembangunan perniagaan teras, khususnya operasi Takaful dan Unit Amanah.

Mengenai status PN17 Syarikat, memang menjadi hasrat Lembaga Pengarah untuk mengekalkan status penyenaraian Syarikat. Untuk tujuan ini, Syarikat akan berusaha merumuskan rancangan penyusunan semula untuk dikemukakan dan diluluskan oleh Bursa Securities dalam tempoh lanjutan yang diberikan sehingga 18 Jun 2013.

PENGIKTIRAFAN DAN PENGHARGAAN

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

Saya juga ingin mengambil kesempatan ini untuk merakamkan setinggi-tinggi penghargaan kepada pelanggan yang dihargai, ejen, sekutu perniagaan dan pemegang saham kerana sokongan berterusan, keyakinan dan kepercayaan mereka selama ini terhadap kami.

Akhir sekali, saya ingin mengucapkan terima kasih kepada rakan seperjuangan dalamLembaga Pengarah kerana panduan dan sumbangan mereka kepada Kumpulan.

TUNKU DATO’ YA’ACOB BIN TUNKU TAN SRI ABDULLAH
Pengerusi

ULASAN TAKAFUL MALAYSIA

Pada 2012, Bahagian Takaful Keluarga Malaysia mencatatkan peningkatan 27.7% dalam Sumbangan Diraih Kasar kepada RM209.1 juta (2011: RM163.8 juta), manakala Bahagian Takaful Am pula mencatatkan peningkatan Sumbangan Diraih Kasar sebanyak 22.8% kepada RM152.9 juta (2011: RM124.5 juta).

Dana Pemegang Saham MAA Takaful mencatatkan peningkatan kecil dalam Untung Sebelum Cukai ("USC") yang berjumlah RM16.3 juta (2011 USC: RM15.3 juta), selepas mengambil kira lebihan RM9.8 juta (2011: RM8.1 juta) yang dipindahkan daripada Dana Takaful Keluarga dan RM6.8 juta (2011: RM6.1 juta) yang dipindahkan daripada Dana Takaful Am.

Dana Takaful Am MAA Takaful pula mencatatkan peningkatan yang memberangsangkan sebanyak 48.3% dalam Lebihan Sebelum Cukai ("LSC") kepada RM10.1 juta (2011 LSC: RM6.8 juta) dalam tempoh yang dilaporkan. Peningkatan tersebut dicapai berbekalkan nisbah tuntutan menyusut daripada 54.2% pada 2011 kepada 40.6%, terutamanya daripada kategori perniagaan kebakaran, kenderaan dan rampaian.

Dana Takaful Keluarga MAA Takaful juga mencatatkan LSC lebih tinggi berjumlah RM19.0 juta (2011 LSC: RM14.3 juta) sebelum pemindahan lebihan RM9.8 juta (2011: RM8.1 juta) kepada Dana Pemegang Saham. Seperti yang ditetapkan dalam Seksyen 16(3) Akta Takaful 1984, lembaga pengarah MAA Takaful telah meluluskan pengagihan lebihan Dana Takaful Keluarga berjumlah RM19.6 juta (2011: RM16.2 juta) seperti yang disyorkan oleh pakar aktuari yang dilantik oleh syarikat. Pengagihan ini akan dikongsi bersama oleh syarikat (sebagai pengendali) dan peserta Takaful berasaskan dasar pengagihan lebihan MAA Takaful.

Saya sekali lagi berbangga untuk mengumumkan bahawa selepas meraih tiga kemenangan sebelum ini bagi "Produk Takaful Paling Cemerlang" yang dikuasainya, MAA Takaful telah memenangi anugerah "Produk Runcit Islam Paling Cemerlang" bagi produk Takafulink, di Majlis Anugerah Kewangan Islam Kuala Lumpur Ke-9 yang diadakan pada 2012.

MAA Takaful yang memasuki tahun keenam operasi telah meneruskan usaha untuk mencapai proses dan sistem dalaman yang optimum, meluaskan produk yang ditawarkan, dan membuka cawangan baru, untuk memastikan bahawa pelanggan mendapat manfaat dari segi perkhidmatan yang cekap dan produk yang unggul. Pada akhir Disember 2012, rangkaian MAA Takaful disokong sejumlah 8 cawangan.

MAA Takaful meramalkan bahawa persekitaran operasi Sektor Takaful kekal positif, walaupun terdapat kebimbangan besar terhadap perubahan yang bakal berlaku di bawah IFSA, dan perkongsian kerugian mandatori menerusi Gemblengan Insurans Motor Malaysia, seperti yang ditetapkan oleh BNM. Namun begitu, MAA Takaful akan meneruskan usaha untuk melancarkan produk inovatif baru, meluaskan asas pelanggan, menarik tenaga agensi yang bermutu tinggi dan produktif dan membuka cawangan dan saluran pengedaran baru untuk memastikan kejayaan jangka panjang bahagian ini.

ULASAN UNIT AMANAH MALAYSIA

Pada 2012, Industri Unit Amanah Malaysia telah berkembang maju, dengan Nilai Aset Bersih ("NAB") dana di bawah pengurusan meningkat sebanyak 18.2% kepada RM294.9 bilion (2011: RM249.5 bilion), mengatasi kenaikan 10.3% Indeks Komposit Kuala Lumpur FTSE Bursa Malaysia.

Pada akhir Disember 2012, jumlah dana yang diuruskan oleh MAAKL Mutual Bhd ("MAAKL") meningkat kepada 27 dengan pelancaran satu dana baru dalam tahun yang dilaporkan, iaitu Dana MAAKL-HW Shariah Flexi. Pada tahun yang dilaporkan, jumlah NAB dana Unit Amanah yang diuruskan oleh MAAKL meningkat sebanyak 17.2% daripada RM1.86 bilion pada akhir Disember 2011 kepada RM2.18 bilion menjelang akhir Disember 2012. Pada akhir Disember 2012, MAAKL menduduki tempat ke-9 dari segi bahagian pasaran di kalangan 41 Syarikat Pengurusan Unit Amanah di negara ini.

Menjelang akhir Disember 2012, MAAKL mempunyai tenaga agensi seramai 1,538 ejen (2011: 1,495 ejen).

Pada tahun yang dilaporkan, MAAKL terus memberikan sumbangan positif kepada keputusan Kumpulan dengan USC RM2.5 juta (2011 USC: RM 2.5 juta), tetapi dengan pendapatan yuran perkhidmatan awal dan pengurusan lebih rendah berjumlah RM38.0 juta (2011: 39.1 juta).

Dana MAAKL mencatatkan prestasi yang baik pada tahun yang dilaporkan, apabila menerima 2 anugerah di The Edge-Lipper Malaysia Fund Awards 2012, iaitu dalam kategori "Kumpulan Dana Aset Bercampur Terbaik" dan "Dana Fleksibel MYR Aset Bercampur Terbaik" buat tahun kedua berturut-turut.

ULASAN INSURANS ANTARABANGSA

MAA International Assurance Ltd ("MAAIA"), bahagian Insurans dan Pelaburan Luar Pesisir Kumpulan yang berpangkalan Labuan, mencatatkan USC RM10.2 juta (2011 USC: RM12.9 juta), terutamanya menerima pendapatan dana Insurans Am akibat pelepasan hutang RM14.9 juta di bawah perjanjian pengurangan Persetiaan Insurans Semula Am yang dibuat dengan MAA Assurance pada 2011.

Bahagian Insurans Hayat MAAIA mencatatkan Rugi Sebelum Cukai ("RSC") yang kecil berjumlah RM128,000 (2011 USC: RM50.6 million). Untung tahun sebelumnya diperolehi daripada pelepasan penuh liabiliti kontrak insurans berjumlah RM48.3 juta selepas pengurangan Persetiaan Insurans Hayat dengan MAA Assurance pada 2011. Pengurangan kedua-dua Persetiaan Insurans Hayat dan Am dilaksanakan berikutan jualan MAA Assurance kepada Zurich.

Buat tahun kelapan berturut-turut, perniagaan Insurans Am di Filipina memberikan sumbangan positif kepada keputusan Kumpulan dengan USC RM3.0 juta (2011 USC: RM5.9 juta). Untung sebelum cukai lebih rendah pada 2012 disebabkan terutamanya oleh nisbah tuntutan lebih tinggi pada kadar 52.1% (2011: 48.0%) terutamanya daripada kelas perniagaan motor dan kenderaan, yang timbul daripada taufan besar yang melanda Filipina pada tahun yang dilaporkan.

Bagi perniagaan insurans di Indonesia, MAAIA telah melupuskan perniagaan Insurans Hayat yang dipegang di bawah PT MAA Life Assurance ("PTMAAL") pada 16 Ogos 2012 untuk pertimbangan tunai berjumlah RM7.8 juta dengan keuntungan atas pelupusan sebanyak RM10.8 juta bagi Kumpulan. Untuk tempoh semasa sehingga selesai jualan, PTMAAL mencatatkan RSC berjumlah RM3.2 juta.

Perniagaan Insurans Am di Indonesia mencatatkan keputusan negatif bagi Kumpulan dengan RSC berjumlah RM27.1 juta (2011 RSC: RM24.5 juta) yang berlaku kerana kekurangan rizab ketara dari segi tuntutan, premium penyambungan dan perbelanjaan komisen ejen yang lebih tinggi. Untuk tujuan ini, penilaian terperinci telah dimulakan terhadap operasi perniagaan Insurans Am di Indonesia untuk menentukan daya maju perniagaannya.

ULASAN PEMBIAYAAN GADAI JANJI AUSTRALIA

Syarikat sekutu milik 49% Kumpulan di Australia, Columbus Capital Pty Ltd ("CCAU") telah memulakan operasi pada 2006 untuk menjalankan perniagaan pinjaman gadai janji runcit dan pensekuritian hutang. Walaupun selama ini menghadapi situasi pasaran yang mencabar bagi institusi kewangan bukan bank di Australia, Columbus terus menguruskan portfolio gadai janji secara aktif dan pada masa yang sama meneroka peluang pengambilalihan untuk mengembangkan operasi. Berkat usaha gigihnya, Columbus telah berjaya menyempurnakan pemerolehan perniagaan pengedaran gadai janji borong, Origin Mortgage Management Services, yang menguruskan portfolio kira-kira AUD2.2 bilion dalam gadai janji perumahan ("Portfolio Origin") pada 28 September 2012.

Pada tahun yang dilaporkan, Columbus mencatatkan Rugi Selepas Cukai berjumlah RM6.4 juta (2011: RM6.4 juta). Kerugian timbul terutamanya daripada hasil faedah lebih rendah akibat penyusutan portfolio gadai janji, kerana portfolio tertentu telah matang pada tahun yang dilaporkan. Pengambilalihan Portfolio Origin hanya disempurnakan pada akhir September 2012 dan dijangka memberi sumbangan kepada keuntungan Kumpulan pada tahun-tahun yang akan datang.

On behalf of the Board of Directors, I am pleased to present the Annual Report and Accounts of the Group for the year ended 31 December 2012.

OPERATING ENVIRONMENT

The Malaysian economy performed better than expected in 2012 and has remained resilient notwithstanding the continued structural and fiscal weaknesses in the advanced external economies. Amidst the weak and unstable external environment, the Malaysian economy recorded a strong Gross Domestic Product growth of 5.6% in 2012 (2011: 5.1%) driven principally by domestic demand.

In 2012, the Insurance and Takaful Industry recorded strong improvements with continued expansion in new business, better claims experience and improved investment returns. The Life and Family Takaful Sector reported a strong rebound in Excess of Income Over Outgo which increased by 38.2% to RM17.6 billion (2012: RM12.7 billion), supported by higher net Insurance Premiums and Takaful Contributions of 11.2% and a significant increase of about 200% in Net Capital Gains. The Operating Profits of the General Insurance and General Takaful Sector increased by 72.6% to RM2.9 billion (2011: RM1.7 billion), following a lower Combined Claims Ratio of 57.3% (2011: 66.7%) and higher Earned Insurance Premiums and Takaful Contributions that grew by 11.1%.

Separately, the Family Takaful Industry reported a strong performance with Total Net Contributions increasing by 23.3% to RM4.6 billion (2011: RM3.7 billion) and Total Excess of Income Over Outgo increasing by 51.9% to RM2.4 billion (2011: RM1.6 billion). The General Takaful Industry also recorded improved performance with Total Earned Contribution Income increasing by 17.5% to RM1.3 billion (2011: RM1.1 billion) and Total Operating Profit increasing by 26.5% to RM299.2 million (2011: RM236.5 million).

PERFORMANCE REVIEW

As disclosed in the ensuing section, Update on Recent Corporate Proposals, the Group had completed the disposal of its subsidiary, Malaysian Assurance Alliance Berhad ("MAA Assurance") and other identified subsidiaries (collectively the "Disposed Subsidiaries") to Zurich Insurance Company Limited ("Zurich") on 30 September 2011. The Disposed Subsidiaries had been classified under discontinued operations in the preceding year's financial statements following the applicable approved accounting standards. Arising from the said disposal, no financial results of the Disposed Subsidiaries are included in the Group's results subsequent to 30 September 2011.

For the year under review, the discontinued operations represent an overseas life insurance subsidiary company and a local non-insurance subsidiary company which were disposed during 2012.

Operating Revenue

For the year under review, the Group's Total Operating Revenue decreased by 70.3% to RM513.0 million (2011: RM1,726.5 million), of which the continuing operations recorded an increase of 17.1% to RM497.7 million (2011: RM425.2 million) and the discontinued operations recorded a decrease of 98.8% to RM15.3 million (2011: RM1,301.3 million).

Under the Conventional Insurance Sector, the Life Insurance Division recorded Total Gross Earned Premiums of RM3.5 million (2011: RM697.2 million), wholly from the discontinued overseas operations. The General Insurance Division recorded Total Gross Earned Premiums of RM69.4 million wholly from the continuing overseas operations, compared to 2011 of RM420.8 million (continuing operations: RM73.9 million and discontinued operations: RM346.9 million).

Under the Takaful Sector, both the Family Takaful Division and General Takaful Division continued to grow, with a strong momentum, to register higher Gross Earned Contributions, of RM209.1 million (2011: RM163.8 million) and RM152.9 million (2011: RM124.5 million) respectively.

The Group's Unit Trust Fund Management Division recorded a marginal 2.7% decrease in operating revenue to RM39.0 million (2011: RM40.1 million) mainly due to lower initial service and management fee income of RM38.0 million (2011: RM39.1 million).

The Group's Shareholder Fund (excluding the Unit Trust Management Division) recorded a 32.7% decrease in total operating revenue to RM25.9 million (2011: RM38.5 million), of which the continuing operations recorded an increase of 32.7% to RM14.6 million (2011: RM11.0 million) and the discontinued operations recorded a decrease of 58.9% to RM11.3 million (2011: RM27.5 million).

Profit / Loss Before Taxation

The Group recorded a lower Profit Before Taxation ("PBT") of RM39.2 million for the current year under review (2011 PBT: RM142.6 million), of which the continuing operations recorded a Loss Before Taxation ("LBT") of RM25.1 million (2011 PBT: RM7.5 million) and the discontinued operations recorded a lower PBT of RM64.3 million (2011 PBT: RM135.1 million).

Under the Conventional Insurance Sector, the General Insurance Division recorded a LBT of RM12.3 million wholly from the continuing operations, compared to 2011 PBT of RM41.6 million (continuing operations 2011 LBT: RM19.2 million, and discontinued operations 2011 PBT: RM60.8 million). During the current year under review, the General Insurance fund of the Labuan Offshore Insurance subsidiary company recorded an income from a waiver of debt of RM14.9 million under a General Reinsurance Treaty commutation agreement, however this income is offset by higher net insurance benefits and claims and agents' commission expenses totalling RM6.5 million incurred by the overseas insurance subsidiary company in Indonesia. The continuing operations' loss of RM19.2 million in previous year was due mainly to prior year adjustments made totalling RM20.0 million as disclosed in note 43 of 2012 statutory financial statements.

The Life Insurance Division registered a small LBT of RM0.1 million wholly from the continuing operations, compared to 2011 PBT of RM43.0 million (continuing operations PBT: RM49.8 million, and discontinued operations LBT: RM6.8 million). The continuing operations' profit in the preceding year arose from a full release of the insurance contract liabilities of RM48.3 million recorded by the Labuan Offshore Insurance subsidiary company subsequent to the commutation of its Life Insurance Treaties in 2011.

Under the Takaful Sector, both the Family Takaful Division and General Takaful Division recorded improved performance with PBT of RM9.8 million (2011 PBT: RM8.1 million) and RM6.8 million (2011 PBT: RM6.1 million) respectively.

The Group's Unit Trust Fund Management Division recorded a PBT of RM2.5 million (2011 PBT: RM2.5 million).

The Group's Shareholder Fund (excluding the Unit Trust Fund Management Division) recorded a lower PBT of RM35.6 million (2011 PBT: RM41.5 million), of which the continuing operations recorded a lower LBT of RM31.9 million (2011 LBT: RM39.7 million) and the discontinued operations recorded a lower PBT of RM67.5 million (2011 PBT: RM81.2 million). This profit included a gain of RM50.7 million recognised from the receipt of held back sum from the sale consideration of MAA Assurance after satisfaction of certain condition precedents as stipulated in the Sale and Purchase Agreement and a gain of RM5.3 million arising from a subsequent upward adjustment to the sale consideration of MAA Assurance due to overstatement of Life fund liabilities in the draft completion accounts prepared by Zurich. However, this profit was offset partially by a provision made for claim sum including interest totalling RM14.4 million under a legal suit allowed by the Court against a former subsidiary company. The profit in the previous financial year included a gain on disposal of RM83.2 million net of selling expenses ("Disposal Gain") from the sale of the Disposed Subsidiaries. This Disposal Gain included a subsequent upward adjustment of RM86.0 million to the initial sale consideration of RM344.0 million as explained in the ensuing sections of this report.

As at 31 December 2012, the Group's Total Assets stood at RM1.3 billion, higher than RM1.1 billion in 2011, with Earnings Per Share ("EPS") of 14.8 sen (2011: 12.0 sen).

BUSINESS OPERATIONS REVIEW

For the year under review, the Group's operational segments are:

- Malaysian Takaful Insurance;
- Malaysian Unit Trust Management;
- International Insurance; and
- Australian Mortgage Financing.

Details of their performance are separately discussed in the attached pages.

DIVIDENDS

For the year ended 31 December 2012, the Board of Directors do not recommend the payment of dividends, in view of the need to preserve capital, in anticipation of Bank Negara Malaysia's ("BNM") new requirement for holding companies of Financial Institutions, to comply with minimum Capital Adequacy Ratio standards, details of which have yet to be announced, following the recent enactment of the Financial Services Act 2013 and the Islamic Financial Services Act 2013.

UPDATES ON RECENT CORPORATE PROPOSALS

The Group is pleased to provide the following updates:

(a) On 30 September 2011, the Group completed the disposal of its entire 100% equity interest in Malaysian Assurance Alliance Berhad ("MAA Assurance", now known as Zurich Insurance Malaysia Berhad) and other identified subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd ("Disposed Subsidiaries") to Zurich Insurance Company Ltd ("Zurich") for a total cash consideration of RM344.0 million ("the Disposal").

Under the terms of the Conditional Sale and Purchase Agreement ("SPA") with Zurich in relation to the Disposal, there is an adjustment to the sale consideration of RM344.0 million equal to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 ("Adjustment to Consideration"). The Adjustment to Consideration shall be finalised within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless dispute arises which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA.

On 30 December 2011, based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries prepared by and received from Zurich, there is an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equals to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011.

On 17 February 2012 and 12 April 2012, the Company submitted notifications of disputes ("Dispute Notifications") to Zurich to disagree certain downward adjustments made to the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries.

On 28 June 2012, the Company received RM30.1 million in the escrow account from Zurich being the net held back sum upon satisfaction of certain condition precedent in the SPA in relation to Prima Avenue Klang property, one of the real properties owned by MAA Assurance.

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich confirming an overstatement of RM5.3 million in the Life fund liabilities of MAA Assurance in the draft completion accounts.

On 27 July 2012, the Company received RM20.6 million in the escrow account from Zurich being the held back sum upon satisfaction of certain condition precedent in the SPA in relation to Mithril's 3% 8-year redeemable convertible secured loan stocks ("RCSLS").

On 2 November 2012, the Company filed and served a notice of arbitration against Zurich with the Singapore International Arbitration Centre seeking, inter alia, declarations to refer disputes on the calculation of General Insurance Reserves of MAA Assurance and other disputed matters in the draft completion accounts prepared by Zurich to an Expert Accountant in accordance with terms of the SPA in order to determine the final selling price of the Disposed Subsidiaries, as well as further declarations to be entitled to receive payment of escrow monies in accordance with the Escrow Agreement dated 28 September 2011, having satisfied the requirements under the SPA and the Side Letter dated 17 August 2011 in respect of the Prima Avenue Klang property, together with damages, interests and costs.

(b) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Listing Requirements whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of MAA Assurance.

Nonetheless, the Company did not trigger any of the other prescribed criteria under PN17 of the Listing Requirements (i.e. consolidated shareholders' equity falling below 25% of the issued and paid up share capital, default in payment by the Group, auditors expressing adverse or disclaimer opinion on the audited accounts, etc.).

As an affected listed issuer, the Company is required, pursuant to paragraph 4.1 of the PN17 of the Listing Requirements, to announce details of the regularisation plan.

The Company has on 28 September 2012 submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for a waiver from having to comply with Paragraph 8.04(2) of the Listing Requirements and a waiver from submitting a regularisation plan to Bursa Securities pursuant to Paragraph 8.04(3) of the Listing Requirements ("Application for Waiver").

On 1 October 2012, Bursa Securities had vide its letter informed the Company that the suspension on the trading of the Company's securities and delisting of the Company in accordance with Paragraph 8.04 of the Listing Requirements shall be deferred pending the decision on the Application for Waiver.

On 30 November 2012, the Company submitted an application to Bursa Securities for an extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("Application for Extension of Time").

Henceforth, the Application for Waiver and the Application for Extension of Time shall collectively be referred to as "Applications".

On 20 December 2012, Bursa Securities had vide its letter rejected the Company's Application for Waiver from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements and had granted an extension of time of up to 18 June 2013 for the Company to submit a regularisation plan taking into consideration amongst others the following:

(i) The consolidated financial position of the Group as at 30 September 2012 including its consolidated shareholders' equity and net assets of approximately RM451.9 million, cash and cash equivalent of approximately RM154.6 million as well as the Group's low gearing position;

(ii) The future receipts of balance of cash proceeds from the disposal of the Disposed Subsidiaries which is scheduled to be released to the Company from the escrow account in 2013;

(iii) The steps taken to regularise the Company's financial position to date and in particular the disposals of non-performing or loss making assets (such as Wira Security Services Sdn Bhd and PT MAA Life Assurance as disclosed in note (c) and (d) below and the acquisition of Origin Mortgage Management Services by Columbus Capital Pty Ltd in note (f) below); and

(iv) The Company's plan to revert, sustain and grow the profitability of the Group.

The aforesaid extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the securities of the Company and to delist the Company in the event:

(i) The Company fails to submit the regularisation plans on or before 18 June 2013;

(ii) The Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan, or

(iii) The Company fails to implement its regularisation plan within the time frame or extended time frames stipulated by Bursa Securities.

Upon the occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of the Company upon the expiry of five (5) market days from the date the Company is notified by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting.

Based on the decision by Bursa Securities, the Board will formularise a regularisation plan and will submit it to Bursa Securities for approval.

(c) On 28 June 2012, MAA Corporation Sdn Bhd ("MAA Corp"), a wholly owned subsidiary company had completed the disposal of its 100% equity interest in Wira Security Services Sdn Bhd ("Wira") for a total cash consideration of RM7.0 million, arrived at on a 'willing buyer-willing seller' basis.

(d) On 16 August 2012, MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary company of MAA Corp had completed the disposal of its 99.5% equity interest in PT MAA Life Assurance ("PT MAAL"), for a final sale consideration of IDR23.56 billion (equivalent to approximately RM7.79 million) to Tokio Marine Holdings Inc.

(e) On 5 September 2012, the Company disposed its 45% equity interest in an associated company, Maybach Logistics Sdn Bhd to Crest Corporate Services Sdn Bhd for a total cash consideration of RM14,000.

(f) On 21 September 2012, the Group's Australian associated company, Columbus Capital Pty Ltd ("CCAU"), had entered into a conditional SPA with Australia and New Zealand Banking Group Limited ("ANZ") to acquire ANZ's wholesale mortgage distribution business, Origin Mortgage Management Services, which manages a portfolio of approximately AUD2.2 billion in residential mortgages.

On 28 September 2012, CCAU had completed the acquisition of ANZ's wholesale mortgage distribution business, Origin Mortgage Management Services.

(g) On 2 October 2012, MAA Credit Berhad ("MAA Credit"), a wholly owned subsidiary of MAA Corp had in exercise of its power of attorney pursuant to memorandum of deposit shares in Keris Murni Sdn Bhd ("KMSB") and Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") ("the Security Shares") dated 1 October 2009 signed with Famous Vertex Sdn Bhd ("FVSB"), transferred all the Security Shares to itself. This forms part of debt recovery action taken to enforce the Security Shares after FVSB had defaulted the loan (both principal and interest) due to MAA Credit.

Consequently, KMSB and PTKSB became 70% owned subsidiary companies of MAA Credit on 2 October 2012.

(h) On 26 November 2012, MAA Credit had entered into a Share Sale Agreement to acquire 290,002 ordinary shares of RM1.00 each representing 100% equity interest in Nilam Timur Sdn Bhd ("Nilam Timur") for a total cash consideration of RM10.00, arrived at on a 'willing seller-willing buyer' basis. This forms part of debt recovery action taken by MAA Credit for a loan due by Nilam Timur. MAA Credit intends to sell Nilam Timur which has the sub-lease on lands to recover the loan.

(i) On 5 December 2012, MAA Corp and NTY Enterprise Sdn Bhd entered into a Share Sale Agreement, for the disposal of 385,000 ordinary shares representing 11% of the issued and fully paid up ordinary shares, and the 153 redeemable preference shares representing 100% of the issued and fully paid up redeemable preference shares in Meridian Asset Management Holdings Sdn Bhd ("MAM"), for a total cash consideration of RM10.00 only, arrived at on a 'willing seller-willing buyer' basis. Upon completion of the disposal, MAM has ceased to be a subsidiary company of MAA Corp and has been accounted for as an associate company of the Group.

(j) On 23 April 2013, Board of Directors of the Company ("Board") discussed and approved in principle the proposed disposal of MAAIA's entire interest in PT MAA General Assurance ("PT MAAG"), an 83% owned subsidiary company in Indonesia. The Company has been in discussions with an interested party for the proposed disposal; however the terms and conditions of the contemplated sale and purchase agreement have yet to be finalised. The Board is of the opinion that it will be in the best interest of the Company to divest PT MAAG based on its financial condition and to therefore mitigate the loss from this operations in Indonesia.

CORPORATE SOCIAL RESPONSIBILITY

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

The Group actively supports and manages MAA Medicare Kidney Charity Fund ("MAA Medicare") and The Budimas Charitable Foundation ("Budimas").

MAA Medicare is the second largest dialysis provider in Malaysia, with 12 kidney dialysis centres, 200 hemodialysis machines, and helping 810 needy and underprivileged patients stay alive.

Budimas provides financial welfare for underprivileged children in Malaysia. Budimas currently supports 12 homes, with more than 600 underprivileged children, and provides breakfast to 2028 underprivileged children in 36 rural schools, across Malaysia.

Towards this end, 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 Corporate Social Responsibility are separately discussed in the attached pages.

INDUSTRY DEVELOPMENT

For the Takaful Industry, Bank Negara Malaysia ("BNM") issued the final Risk-Based Capital Framework for Takaful operators with the aim to strengthen the capital base of Takaful operators to be on par with the standards applicable to the Insurance Industry. Full compliance with the Risk-Based Capital Framework will take effect from 1 January 2014.

Taking cognition that the Risk-Based Capital Framework will eventually be implemented on Takaful operators, the Group's 75% subsidiary, MAA Takaful Berhad ("MAA Takaful") has well ahead aligned its product and investment strategies, including adopting prudent financial risk procedures to enhance its risk management policies, to meet the regulatory capital requirements when implemented.

With the enactment of the new Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA"), BNM has announced that it will implement the Acts in 2013, aiming to strengthen the foundations for a regulatory and supervisory framework that is effective, transparent and which contributes to an efficient financial system that is resilient to future stresses. Under the FSA and IFSA, BNM will also be given an appropriate level of oversight, including setting prudential standards, conducting ongoing supervision on a consolidation basis and requiring corrective actions to address identified risks, over the financial holding companies to ensure that the activities of financial groups do not pose undue risks to the safety and soundness of financial institutions. These regulatory changes once implemented will change and shape the way, Insurance and Takaful operators, and their holding companies, conduct their businesses.

PROSPECTS

For 2013, the Malaysian economy is expected to remain on a steady growth path with an expansion rate of between 5% to 6% as projected by BNM, premised on the continued resilience domestic demand and supported by a gradual improvement in the external sector with projected higher exports. Nevertheless, Malaysia will continue to face rising inflationary pressures and risks of potential re-emergence of instability in the Euro Zone, and slower growth in its major trading partners.

The Group will continue to face strong competition in its operating environment in view of the continuous industry liberalisation and the impending enactment of the new FSA and IFSA, as announced by BNM, which will transform the future structure and operating landscape of the financial services sector, including the Insurance and Takaful Industry.

Towards this end, the Group will form working committees, to carry out a detailed study to outline the strategic plans for MAA Takaful to comply with the IFSA, within the 5 year period given by BNM, and for the Group to submit an application to BNM, to formally become an approved financial holding company, within the 1 year period given by BNM.

For 2013, BNM will implement its new policy for the Takaful Industry to mandatorily underwrite an equal share of the loss-making motor portfolio under the Malaysian Motor Insurance Pool ("MMIP"). The equal sharing of losses will adversely impact the General Takaful Industry, including the Group's Malaysian Takaful Insurance operations. An appeal for the sharing of the losses from the MMIP, to be divided based on the volume of motor business written by respective General Insurance and Takaful operators, has not been entertained by BNM. In light of this, MAA Takaful will realign its business strategies including accelerating business growth in certain sectors, to cushion the loss sharing impact, while ensuring it remains profitable and continue to fulfill its commitments to customers.

Separately, on the Group's General Insurance operations in Indonesia, the Group will assess the business viability taking into cognizant the continuing losses suffered over the years.

Subsequent to the sale of the Disposed Subsidiaries, the Group has and will continue its efforts to focus on the development of its remaining core businesses, in particular, its Takaful and Unit Trust Management operations.

On the PN17 status of the Company, it is the Board's intention to maintain the listing status of the Company. To this end, the Company will work towards formulating a regularisation plan for submission to Bursa Securities for approval within the granted extension of time up to 18 June 2013.

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
Chairman

MALAYSIAN TAKAFUL REVIEW

In 2012, the Malaysian Family Takaful Division registered a 27.7% increase in total Gross Earned Contributions to RM209.1 million (2011: RM163.8 million), whilst the General Takaful Division recorded a 22.8% increase in total Gross Earned Contributions to RM152.9 million (2011: RM124.5 million).

The Shareholders' Fund of MAA Takaful recorded a marginal increase in Profit Before Taxation ("PBT") of RM16.3 million (2011 PBT: RM15.3 million), after taking into account a surplus of RM9.8 million (2011: RM8.1 million) transferred from the Family Takaful Fund and RM6.8 million (2011: RM6.1 million) transferred from General Takaful Fund.

The General Takaful Fund of MAA Takaful registered an impressive 48.3% increase in Surplus Before Taxation ("SBT") to RM10.1 million (2011 SBT: RM6.8 million) during the year under review. The improvement was contributed by improved claims ratio from 54.2% in 2011 to 40.6%, mainly from fire, motor and miscellaneous classes of business.

The Family Takaful Fund of MAA Takaful also recorded a higher SBT of RM19.0 million (2011 SBT: RM14.3 million) before the surplus transfer of RM9.8 million (2011: RM8.1 million) to the Shareholders' Fund. As provided in Section 16(3) of Takaful Act 1984, the board of directors of MAA Takaful has approved the distribution of surplus on the Family Takaful Fund amounting to RM19.6 million (2011: RM16.2 million) as recommended by the appointed actuary of the company. This distribution will be shared equally by the company (being the operator) and the Takaful participants in accordance with MAA Takaful's surplus distribution policy.

Once again, I am proud to announce that with three previous wins for the "Most Outstanding Takaful Product" under its belt, MAA Takaful was awarded with the "Most Outstanding Islamic Retail Product" for its Takafulink product, at the 9th Kuala Lumpur Islamic Finance Awards Ceremony held in 2012.

Moving into its sixth year of operations, MAA Takaful has continued with its measures to achieve optimised internal processes and systems, expanding its product offerings, and opening new branches, to ensure that customers benefit in terms of efficient services and superior products. As at end December 2012, MAA Takaful's network has grown, with a total of 8 branches.

MAA Takaful expects the operating environment in the Takaful Sector to remain positive, although there are major concerns over the imminent changes under the IFSA, and the mandatory sharing of losses of the Malaysian Motor Insurance Pool, as dictated by BNM. Nevertheless, MAA Takaful will continue with its efforts to roll out new innovative products, expand its customer base, recruit quality and productive agency force, and establish new branches and distribution channels, to ensure the long-term success of the division.

MALAYSIAN UNIT TRUST REVIEW

In 2012, the Malaysian Unit Trust Industry registered an expansion, with total Net Asset Value ("NAV") of funds under management increasing by 18.2% to RM294.9 billion (2011: RM249.5 billion), outperforming the FTSE Bursa Malaysia Kuala Lumpur Composite Index which advanced by 10.3%.

As at end of December 2012, the total number of funds under management by MAAKL Mutual Bhd ("MAAKL") grew to 27 with the launch of one new fund during the year under review, namely the MAAKL-HW Shariah Flexi Fund. During the year under review, the total NAV of Unit Trust funds managed by MAAKL increased by 17.2% from RM1.86 billion as at end December 2011 to RM2.18 billion as at end December 2012. As at end December 2012 MAAKL's market ranking in terms of market share stood at number 9 among a total of 41 Unit Trust Management Companies in the country.

As at end December 2012, the agency force of MAAKL stood at 1,538 agents (2011: 1,495 agents).

During the year, MAAKL continued to contribute positively to the results of the Group with a PBT of RM2.5 million (2011 PBT: RM 2.5 million), albeit with a lower initial service and management fee income of RM38.0 million (2011: 39.1 million).

MAAKL's funds performed well during the year, with the receipt of 2 awards at The Edge-Lipper Malaysia Fund Awards 2012, namely "Best Mixed Assets Fund Group" and "Best Mixed Asset MYR Flexible Fund, 3 Year Award" for the second consecutive year.

INTERNATIONAL INSURANCE REVIEW

MAA International Assurance Ltd ("MAAIA"), the Labuan based Offshore Insurance and investment arm of the Group, recorded a PBT of RM10.2 million (2011 PBT: RM12.9 million), mainly from the General Insurance fund income from a waiver of debt of RM14.9 million under a General Reinsurance Treaty commutation agreement entered into with MAA Assurance in 2011.

MAAIA's Life Insurance Division registered a small Loss Before Taxation ("LBT") of RM128,000 (2011 PBT: RM50.6 million). The profit in the preceding year arose from a full release of the insurance contract liabilities of RM48.3 million subsequent to the commutation of its Life Insurance Treaty with MAA Assurance in 2011. The commutation of both Life and General Insurance Treaties was effected following the sale of MAA Assurance to Zurich.

For the eighth consecutive year, the General Insurance business in Philippines contributed positively to the results of the Group with PBT of RM3.0 million (2011 PBT: RM5.9 million). The lower profit in 2012 was due mainly to higher claims ratio of 52.1% (2011: 48.0%) particularly from the motor and fire class of businesses, arising from catastrophic typhoons which hit Philippines during the year.

For the insurance business in Indonesia, MAAIA had disposed the Life Insurance business held under PT MAA Life Assurance ("PTMAAL") on 16 August 2012 for a total cash consideration of RM7.8 million with a gain on disposal of RM10.8 million for the Group. For the current period up to the completion of the sale, PTMAAL recorded a LBT of RM3.2 million.

The General Insurance business in Indonesia posted negatively to the results of the Group with a LBT of RM27.1 million (2011 LBT: RM24.5 million) resulted from substantial under reserve in claims, reinstatement premiums and higher agents' commission expenses. Towards this end, a detailed review has commenced over the General Insurance business operations in Indonesia to determine its business viability.

AUSTRALIAN MORTGAGE FINANCING REVIEW

The Group's 49% associated company in Australia, Columbus Capital Pty Ltd ("CCAU") commenced operations in 2006 to carry out the business of retail mortgage lending and loan securitisation. Over the years, despite the challenging market conditions faced by non-bank financial institutions in Australia, Columbus has continued to actively managed its existing mortgage portfolios and at the same time source acquisition opportunities to grow the operations. With fruitful efforts, Columbus has successfully completed the acquisition of the wholesale mortgage distribution business, Origin Mortgage Management Services which manages a portfolio of approximately AUD2.2 billion in residential mortgages ("Origin Portfolio") on 28 September 2012.

During the year, Columbus recorded a Loss After Taxation ("LAT") of RM6.4 million (2011 LAT: RM6.4 million). The loss arose mainly from lower interest revenue arising from reduction in its mortgage portfolio, as a result of certain portfolios maturity during the year. The acquisition of the Origin Portfolio, was only completed at the end of September 2012, is expected to contribute profits for the Group, in the following years.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of the Company is pleased to present this statement on the Company's corporate governance practices and particularly, in relation to the Company's application of the principles and compliance with the recommendations under the Malaysian Code on Corporate Governance 2012 ("Code") for its financial year ended 31 December 2012.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Company is led by the Board of Directors ("Board") which has the overall responsibility to provide strategic guidance and effective oversight of management of the Company as well as effectively achieving good governance and protecting shareholders' interest.

1.1 Clear Functions of the Board and Management

To ensure the effective discharge of its function and responsibilities, the Board had established a Board Charter which clearly sets out the relevant matters reserved for the Board's approval, as well as those that is delegated to the Board Committees and Chief Executive Officer.

Key matters reserved for the Board's decision include, inter alia, the following:

- Acquisition and disposal of assets of the Company or of its subsidiaries that are material in nature;
- Investment in new business;
- Divestment / sale of existing business;
- Related-party transactions of a material nature;
- Authority levels for core functions;
- Outsourcing of core business functions; and
- Corporate proposal on fund raising.

The Board Committees are authorised by the Board to undertake the duties and responsibilities in accordance with their respective Terms of Reference. The Chairman of the respective Board Committees reports its recommendation to the Board on matters deliberated in the Board Committee meetings.

1.2 Roles and Responsibilities of the Board

The role of the Board is to effectively represent and promote the interests of the shareholders with a view to adding long-term value to the Company's shares. The Board will also direct and supervise the management in relation to the business and affairs of the Company.

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 ensuring 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.

Throughout the financial year 2012, the Board has been continuously evaluating new business propositions and strategic options to expand the existing business and regularise its conditions pursuant to Practice Note 17 of the Main Market Listing Requirements.

1.3 Code of Conduct

The Board continues to adhere to the Company's Code of Conduct which sets out standards of business and ethical conduct based on general principles including, amongst others, integrity, honesty, fair dealing and confidentiality as guidance to all directors and employees in the conduct of their business and that of the Company, in order to enhance the standard of corporate governance and behaviour.

1.4 Strategies Promoting Sustainability

The Board regularly reviews the strategic direction of the Company taking into account business strategy that drives longer term corporate growth and shareholder value by embedding and managing economic, environmental and social developments/issues into the business model. Detailed information on the sustainability activities are set out in the Business Sustainability statement of this Annual Report.

1.5 Access to Information and Independent Professional Advice

The Board is given unrestricted access to the advice and services of the Company Secretary and the Senior Management staff in the Group.

Directors are also allowed to obtain independent professional advice at the Company's expense in furtherance of their duties. However, there was no such advice sought by any Director during the year.

1.6 Qualified and Competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its duties. The Company Secretary advises the Board in relation to the Company's policies and procedures and compliance with the relevant regulatory and listing requirements.

1.7 Board Charter

The Board Charter provides guidance to the Board in the fulfilment of its roles and responsibilities which are in line with the principles of good corporate governance. The Board Charter is subject to review periodically in order to ensure it is updated to reflect the changes to the Company's policies, procedures and processes as well as the latest relevant legislations and regulations. The Board Charter has been recently reviewed by the Board in April 2013.

2. STRENGTHEN COMPOSITION

2.1 Nomination and Remuneration Committee

The Board of Directors had agreed on 27 February 2013 to combine both the Nomination Committee and Remuneration Committee into one committee to be named as "Nomination and Remuneration Committee". The Nomination and Remuneration Committee comprises wholly of Independent Non-Executive Directors. The members of the Nomination and Remuneration Committee as at the date of this Annual Report are as follows:

Chairman :	Datuk Seri Razman Md Hashim - Independent Non-Executive Director
Members :	Dato' Jaffar Indot - Independent Non-Executive Director
	Dato' Narendrakumar Jasani A/L Chunilal Rugnath - Independent Non-Executive Director

The duties and responsibilities of the Nomination and Remuneration Committee are to assist the Board in reviewing and recommending the appropriate remuneration policies applicable to Directors, Chief Executive Officer/Managing Director (CEO/MD) and Senior Management and the appointment and evaluation of the performance of Directors.

The principal Terms of Reference of the Nomination and Remuneration Committee are as follows:

- To review and determine the mix of skills, experience and other qualities (including core competencies of Non-Executive Directors)
- on an annual basis;
- To assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director on an annual basis;
- To recommend a framework of remuneration for Directors, CEO and key senior officers of the Company and its subsidiary companies; and
- To recommend specific remuneration packages for Directors, CEO and key senior officers of the Company and its subsidiary companies.

The Nomination Committee met three (3) times during the financial year ended 2012 to assess and recommend to the Board suitable candidates for appointment to the Board and the Board Committees as well as reviews training programmes for the Board.

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

2.2.1 Assessment and Recruitment

In selecting suitable candidates, the Nomination and Remuneration Committee is guided by the Procedure for the Appointment and Removal of Directors, which takes into account the following criteria:

- Number of directorships already held by the candidate;
- Candidate's other commitments, resources and time available for input to the Board;
- Relationship of the candidate with another Director or major shareholder of the Company;
- Interest of the Company's stakeholders;
- Diverse background of the candidates;
- Education qualification and/or working experience of the candidates;
- Candidates with strategic thinking and leadership skills who are dynamic and responsive to the business environment;
- Ability of the candidates to ensure the effective management of internal and external risks of the Company;
- Ability of the candidates to interact effectively with the Board and the Management, to resolve contentious issues/ problems arising in connection with the Company's business activities; and
- Whether the candidates have directed sufficient attention and resources towards the continuous growth and development of the Company.

The final decision on the appointment of a candidate recommended by the Nomination and Remuneration Committee rests with the whole Board. The assessment of the effectiveness of the Board is an ongoing responsibility of the Nomination and Remuneration Committee.

As part of the assessment process for financial year ended 2012, the Board also conducted a self-assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board during the year.

2.2.2 Gender Diversity

The Company sees the participation of women as being fundamental to the achievement of equal opportunity in the workplace. The relatively large number of female employees (60%) in the Group is proof that the gender diversity approach has long been in practice in the Group.

The Company further believes, by virtue of being the apex body overseeing key issues as strategy execution, management of risks and governance, that Board diversity translates into a more effective Board.

In terms of the gender composition of the Board, the Company had a female Director as recently as June 2012. Dr Zaha Rina Zahari had been on the Board since 1 November 2007 and hence, bears testimony to the Group's long held gender neutral stance on Board membership. She stepped down on 1 July 2012 due to her other commitments and responsibilities.

The size of the Board was scaled down in 2012 to reflect the reduced scope of the Group's businesses following divestments and other closures of some of its companies. Three (3) out of the current nine (9) Board members are recent appointees, hence, it will not be feasible to appoint any additional member in the immediate future. However, should a vacancy arise for any reason, the Group will proactively consider nominating a qualified female to fill the said vacancy.

The Board is of the view that membership of the Board should be dependent on each candidate's skills, experience, core competencies and other qualities regardless of gender. The Board has also taken note of recommendation 2.2 of the Code in respect of formalising the gender diversity policy. Steps have been taken to review and revise the Procedure for the Appointment and Removal of Directors taking into consideration the requirement on gender diversity, and to formalise a gender diversity policy.

2.3 Remuneration Policies

Remuneration Committee met two (2) times during the financial year ended 2012 to review, assess and recommend to the Board the remuneration packages.

The Board is aware that fair remuneration is critical to attract, retain and motivate directors. The Remuneration Committee in discharging its responsibilities in the review of the remuneration considers various factors including the following:

- Directors' skills and experiences;
- Market rate for Executive Director's salary having regard to the nature of the Company's business;
- Evaluation conducted by the Nomination Committee with respect to the effectiveness and contribution of the Director concerned;
- Non-Executive Directors' time devoted to the Company's affairs; and
- Directors' experience and responsibilities undertaken.

The Remuneration of the Directors for the financial year ended 31 December 2012 is set out below:

	Executive Directors (RM)	**Non-Executive Directors (RM)**
Fees	-	241,315
Salaries and allowances	4,296,400	98,250
Bonus	1,970,000	-
Other Benefits	93,100	-
Total	**6,359,500**	**339,565**

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

Range of Remuneration	**Executive Directors**	**Non-Executive Directors**
RM30,001 to RM50,000	-	7
RM50,001 to RM100,000	-	2
RM1,000,001 to RM1,500,000	1	-
RM2,000,001 to RM2,500,000	1	-
RM2,500,001 to RM3,000,000	1	-

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board conducts an annual self-assessment on the effectiveness of the Board and the Board Committees. The self-assessment covers topics that include independence of the independent directors, the effectiveness of the roles and responsibilities, Board structure, conduct of Board and Board Committees meetings and decision making. The results of the self-assessment are evaluated and assessed at the Nomination and Remuneration Committee meeting. Thereafter, the Chairman of the Nomination and Remuneration Committee would report its recommendations to the Board for the decision of the Board.

The Board values the independent and objective judgment brought by the Independent Directors to the Board, and recognises that the independence of the Independent Directors is crucial to provide an unbiased and independent view, advice and judgment to take into account the interest, of not only the Group but also of shareholders, employees and communities in which the Company conducts business.

There have been changes to the Board composition and the Independent Directors of the Company for the financial year ended 2012 pursuant to the new recommendations under the Code.

Based on the assessment conducted on 23 April 2013, the Board is satisfied with the level of independence demonstrated by the present Independent Directors and their ability to act in the best interest of the Company.

3.2 Tenure of Independent Directors

The Board complies with the recommendation on the tenure of an Independent Director for a cumulative term of nine (9) years. Independent Directors who have exceeded the tenure or were about to reach the cumulative term of nine (9) years have resigned in 2012 and new Independent Directors have been appointed to replace the resigned Independent Directors.

3.3 Shareholders' Approval for the Re-appointment of Non-Executive Directors

Currently, the Company does not have any Independent Non-Executive Director who has exceeded the nine (9) years tenure.

3.4 Positions of the Chairman and the Chief Executive Officer

The roles of Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah as the Executive Chairman and Muhamad Umar Swift as the Chief Executive Officer/Group Managing Director ("CEO/Group MD") are distinct and separate, each has a clearly accepted division of responsibilities to ensure accountability.

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
- The main spokesperson for the Group.

The CEO/Group MD is responsible to ensure the execution of strategic goals, implementation of all decisions of the Board and the strategy adopted by the Board and assumes full accountability to the Board for all aspects of the Company's day-to-day operations and overall performance of the Group. The CEO/Group MD further ensures accurate and timely preparation of information for the Board on matters pertaining to the Group and sets the Board agenda for the approval of the Executive Chairman.

Based on the review and recommendation made by the Nomination Committee, the Board is of the view that Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah has been able to perform his role and responsibilities as the Executive Chairman without any impairment of objectivity and always in consideration of the best interests of the shareholders.

3.5 Composition of the Board

The Board is a balanced board with a complementary blend of expertise, with professional and business experiences relevant to the Group's business. These can be seen in the Board of Directors' profile section which illustrates the Directors' background and experiences.

The Board comprises nine (9) members as at the date of this Annual Report, of whom five (5) are Independent Non-Executive Directors. The present composition is in compliance with recommendation 3.5 of the Code and Chapter 15.02 of the Bursa Securities Listing Requirements.

4. FOSTER COMMITMENT

4.1 Time Commitment

The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for the financial year ended 31 December 2012.

The Board has met seven (7) times during the financial year ended 31 December 2012. The details of the attendance by each of the Directors for the financial year ended 31 December 2012 are as follows:

Members of the Board	Attendance	Percentage
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah (Chairman)	6/7	86%
Muhamad Umar Swift	7/7	100%
Yeo Took Keat	7/7	100%
Datuk Seri Razman Md Hashim	7/7	100%
Tan Sri Ahmad bin Mohd Don	7/7	100%
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	7/7	100%
Dato' Jaffar Indot *(appointed on 5 September 2012)*	2/2	100%
Dato' Narendrakumar Jasani A/L Chunilal Rugnath *(appointed on 5 September 2012)*	2/2	100%
Onn Kien Hoe *(appointed on 5 September 2012)*	2/2	100%
Major General Datuk Lai Chung Wah (Rtd) *(resigned on 5 September 2012)*	5/5	100%
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(resigned on 5 September 2012)*	5/5	100%
Dato' Sri Iskandar Michael bin Abdullah *(resigned on 16 July 2012)*	4/4	100%
Dr Zaha Rina Zahari *(resigned on 1 July 2012)*	4/4	100%

An annual meeting calendar is prepared by the Company Secretary and circulated to all Directors before the beginning of every year which sets out the scheduled dates for meetings of the Board and Board Committees, in order to facilitate and foster the Directors' time planning and commitment to the Company.

The Nomination Committee is guided by the Company's Procedure for the Appointment and Removal of Director and will take into consideration various criteria in assessing new appointment of directorships to the Company including the number of directorships already held by the candidate and candidate's time availability and other commitments.

4.2 Training

All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. The Nomination Committee regularly evaluates the training needs of the Directors and recommends trainings to each Director to enable the Directors to discharge his/her duties effectively and proficiently, taking into account the individual needs of each of the Directors.

During the financial year ended 31 December 2012, 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 programmes or forums attended by the Directors include, inter alia, the following:-

Members of the Board	Programmes / Forum
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	• In-House Directors' Training: Economic and Capital Market Review • MAA Takaful National Sales Congress 2012
Muhamad Umar Swift	• In-House Directors' Training: Economic and Capital Market Review • MAA Takaful National Sales Congress 2012 • Briefing on Risk Based Capital for Takaful (RBCT) Framework • FIMM, 2013 UTC Annual Convention • Induction Briefing of MAA Group Berhad • Internal Audit and Risk Management Briefing • The MIA Conference 2012

Members of the Board	Programmes / Forum
Yeo Took Keat	• Advocacy Session on Disclosure for CEOs and CFOs conducted by Bursa Malaysia Securities Berhad • In-House Directors' Training: Economic and Capital Market Review • MAA Takaful National Sales Congress 2012 • Induction Briefing of MAA Group Berhad • Internal Audit and Risk Management Briefing • The MIA Conference 2012
Datuk Seri Razman Md Hashim	• Briefing on Risk Based Capital for Takaful (RBCT) Framework • In-House Directors' Training: Economic and Capital Market Review • Sunway Managers Conference
Tan Sri Ahmad bin Mohd Don	• FIDE Elective Programme: The Director's Legal Tool-Kit • MAA National Sales Congress 2012 • MAA Takaful National Sales Congress 2012 • In-House Directors' Training: Economic and Capital Market Review • Briefing on Risk Based Capital for Takaful (RBCT) Framework • Induction Briefing of MAA Group Berhad • Internal Audit and Risk Management Briefing
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	• In-House Directors' Training: Economic and Capital Market Review
Dato' Jaffar Indot *(appointed on 5 September 2012)*	• 2nd Professionalism in Directorship Programme • Breakfast Talk on "Nurturing Engagement for Board Effectiveness Principles" by Ernie Turner • Presentation on "Women on Board" at Women Leadership Forum in Asia 2012 • Breakfast Talk on "Scenario Planning & Sustainability" by Anthonie Versluis • 3rd Professionalism in Directorship Programme • Panelist "Boards in the Driver's Seat: Minda-Asli Directors Summit 2012" • 1st Malaysian Code of Corporate Governance 2012 • 4th Professionalism in Directorship Programme • 5th Professionalism in Directorship Programme • Induction Briefing of MAA Group Berhad • Internal Audit and Risk Management Briefing • 2nd Malaysian Code of Corporate Governance 2012
Dato' Narendrakumar Jasani A/L Chunilal Rugnath *(appointed on 5 September 2012)*	• CTIM: Workshop on Tax Deductible Expenses • MIA: Public Practitioners Seminar 2012 – Facing the Changing Practice Landscape • MIA: IFAC SMP • MASB: 6th IFRS Regional Forum • CTIM: Workshop on Reinvestment Allowance Industrial Building Allowance • Bursa Malaysia: Invest Malaysia 2012 • Mastering the new MFRS Seminar • Audit Liquidator Licensing Interview Seminar • The Transfer Pricing Seminar 2012 • Seminar Percukaian Kebangsaan 2012 by LHDN • Budget 2013, Transfer Pricing & Tax Incentives Seminar • Induction Briefing of MAA Group Berhad • MFRS Financial Statements Half-Day Seminar • Internal Audit and Risk Management Briefing • MIA Conference 2012

Members of the Board	Programmes / Forum
Mr Onn Kien Hoe *(appointed on 5 September 2012)*	• Audit Strategy • Detective Credit Accounting and Fraud • IFRS 13: Fair Value Measurement • Revenue and Construction Contracts – MFRS 118 & 111 • National Tax Conference 2012 • In-House Directors' Training: Fundamentals of Shariah & Shariah Governance Framework • Briefing on Risk Based Capital for Takaful (RBCT) Framework • Induction Briefing of MAA Group Berhad • Professional Development Programme on ISQC1 • Internal Audit and Risk Management Briefing • As Speaker for Seminar Topic Titled "Grouping and Restructuring for IPO"
Major General Datuk Lai Chung Wah (Rtd) *(resigned on 5 September 2012)*	• Bursa Malaysia's Half Day Governance Programme: Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012 • In-House Directors' Training: Economic and Capital Market Review • MAA Takaful National Sales Congress 2012
Dato' Sri Iskandar Michael bin Abdullah *(resigned on 16 July 2012)*	• Malaysian Code of Corporate Governance 2012 Seminar • In-House Directors' Training: Economic and Capital Market Review
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(resigned on 5 September 2012)*	• In-House Directors' Training: Economic and Capital Market Review
Dr Zaha Rina Zahari *(resigned on 1 July 2012)*	• FIDE Elective Program: Risk Management in Takaful • FIDE Elective Program: Nomination and Remuneration Committee Program • MAA National Sales Congress 2012 • Optimising IFRS/MFRS Convergence • Bursa Malaysia's Half Day Governance Programme • MAA Takaful National Sales Congress 2012 • FIDE Elective Program: Media Skills Program • Islamic Finance briefing on Developing Islamic Hedging Products

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Financial Reporting Standards

The Company's annual financial statements and quarterly financial results are reviewed by the Audit Committee in consultation with the external auditors to ensure the reliability of the Company's financial statements in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965, before recommending for the Board's approval and submission to Bursa Securities for announcement.

5.2 Relationship with External Auditors

The Audit Committee reviews the appointment, performance and remuneration of the external auditors, before recommending them to the shareholders for re-appointment in the Annual General Meeting.

The Audit Committee convenes meetings with the external auditors without the presence of the Executive Directors and Management of the Group whenever it deems necessary.

During the financial year ended 2012, the Audit Committee had conducted two (2) meetings with the external auditors without the presence of the Internal Auditors and Management to discuss their audit plan, audit findings, financial statements and other matters that require the Board's attention.

During the year, the Audit Committee had assessed Messrs PricewaterhouseCoopers ("PwC") and is satisfied with the suitability and independence of PwC as external auditors of the Company.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound Framework

The Risk Management Committee comprises of three (3) Directors, all of whom are Independent Non-Executive Directors. The Risk Management Committee is responsible in identifying the principal risks affecting the Company and the Group and ensures the implementation of a sound risk management framework and appropriate systems to manage these risks.

The features of the Company's risk management framework are as set out in the Risk Management Statement in this Annual Report.

6.2 Internal Audit Function

The internal audit department of the Company reports directly to the Audit Committee. The head of internal audit of the Company has the relevant qualifications and is responsible in providing assurance to the Board via its periodical audit reports on the effectiveness of the internal controls. The Statement of Internal Control on the state of internal control of the Group for the financial year ended 2012 is as set out in this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies and Procedures

The Company has in place a Corporate Disclosure Policies and Procedures which sets out clear procedures on corporate disclosure, designated corporate disclosure officer and appointed spokespersons for the Company to ensure that material information disclosed by the Company is accurate, timely and complete. Clear roles and responsibilities of Directors, Management and employees are provided together with levels of authority provided to designated persons in handling and disclosing material information.

7.2 Leverage of Information Technology for Effective Dissemination of Information

Shareholders and investors can access the Company's website at www.maa.my for the latest corporate information of the Group. The Company's website provides all relevant information about the Company and is accessible by the public. It includes, amongst others, announcements by the Company, annual reports, the corporate governance structure and Code of Conduct of the Company.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Shareholders Participation at General Meetings

The Board notes the recommendation 8.1 of the Code to take reasonable steps to encourage shareholders participation at the AGM. The Company will use best endeavours to serve the notice of the AGM meeting to shareholders earlier than the minimum notice period of at least twenty one (21) days before the date of the meeting in order to allow the shareholders to make necessary arrangements to attend and participate either in person or by proxy.

The Company also took note of the recommendation on e-voting and will explore the suitability and feasibility of employing electronic means for poll voting in future.

8.2 Poll Voting

In line with recommendation 8.2 of the Code on poll voting, the Company has made the necessary preparation for poll voting for resolution in respect of related party transactions in this coming AGM.

8.3 Effective Communication and Proactive Engagement

The forthcoming Annual General Meeting ("AGM") will be a good opportunity for proactive engagement and communication between the Board, shareholders and investors.

The Chairman and the Board members will be present to address all queries from shareholders on issues related to the Company. The shareholders will have direct access to the Board and are encouraged to participate in the question and answer session.

COMPLIANCE WITH CODE

The Board is satisfied that the Company has implemented the principles and recommendations under the Code and believes that all material aspects have been complied with reasonably and in the manner most suited and appropriate for the Company in the best interest of all stakeholders.

RISK MANAGEMENT STATEMENT

The Board recognises that effective risk management entails a systematic process and thorough approach to its implementation. As an integral part of the business operations of the Company and its subsidiary companies ("Group"), managing risks effectively will enhance the achievement of the Group's business objectives. The Group risk management strategy is to ensure that all risks undertaken by the Company and its subsidiary companies in relation to its earnings and capital position are within the risk appetite and limits set by the Group.

As such MAA Group Risk Management Framework (Version 3) incorporates Enterprise Risk Management (ERM) and globally-accepted Risk Management Standard (ISO 31000:2009), which can be applied throughout the Group and its subsidiaries, and to a wide range of activities, including strategies and decisions; operations; processes; functions; projects; products; services; and assets.

FRAMEWORK

Risk management in the Group begins with the establishment of a Board that consists of adequate number of competent Independent Executive/ Non-Executive Directors. The Board plays a risk oversight role and sets the business directions and risk strategies through its active participation in the process of approving the Group's key business strategies and risk policies.

The Board is assisted by the Risk Management Committee whose main responsibility is to review the effectiveness of the process and report key risks and recommend appropriate risk management strategies, policies, risk tolerance and mitigation plans for the Board's approval.

RISK MANAGEMENT COMMITTEE

The Committee had met four (4) times during the financial year. The Risk Management Committee consists of the following members:

- Risk Management Committee Meetings for the period from 01/01/2012 to 31/12/2012

Name of Committee Members	Total Meetings attended
Dato' Jaffar Indot *(Chairman, Independent Non-Executive Director)* *Appointed on 5.9.2012*	1/1
Dato' Narendrakumar Jasani A/L Chunilal Rugnath *(Member, Independent Non-Executive Director)* *Appointed on 5.9.2012*	1/1
Tan Sri Ahmad bin Mohd Don *(Member, Independent Non-Executive Director)*	4/4
General Dato' Sri Hj. Suleiman bin Mahmud (Rtd) *(Chairman, Independent Non-Executive Director)* *Resigned on 5.9.2012*	3/3
Major General Datuk Lai Chung Wah (Rtd) *(Chairman, Independent Non-Executive Director)* *Resigned on 5.9.2012*	3/3
Dato' Sri Iskandar Michael bin Abdullah *(Member, Independent Non-Executive Director)* *Resigned on 16.7.2012*	2/2

GROUP RISK MANAGEMENT DEPARTMENT ("GRMD")

The day-to-day responsibility for risk management is primarily supported by the GRMD, which is charged with the responsibility of overseeing the ERM activities. GRMD is responsible for setting the ERM framework and developing tools and methodologies to govern the conduct of the business. This includes facilitating in assessing the adequacy of the internal control systems.

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, MAA Takaful Berhad ("MAAT") as the core subsidiary company has a dedicated Risk Management team in managing the risk management function. The Head of Risk Management of MAAT reports to their respective Risk Management Committee.

BUSINESS UNIT

Business Units are responsible for the day-to-day management of inherent business risks, 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 and are responsible for 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 the acceptable risk level.

- **Appointment of Risk Champion**

  The Board of the Risk Management Committee at its 37th (4/FY2012) meeting on 26th November 2012 has agreed to GRMD's recommendation on the appointment of a Risk Champion in each department, business unit and subsidiary. The appointment of a Risk Champion in the respective entities will help the Group to strengthen and improve its Risk Management in giving assurance to the Board.

  The Risk Champion is responsible to assist Business Unit Risk Owners in ensuring the risks of each business entity is managed and monitored effectively and adequately.

INTERNAL AUDIT

Group Internal Audit Department ("GIAD") is an independent department which reports directly to the Audit Committee. It provides an independent assessment of the adequacy and reliability of the risk management process and compliance among the Business Units with the risk policies, regulatory guidelines and Company's procedures.

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

Risks have been classified into nine (9) categories as follows:-

a)	**Strategic**	Associated with the unsuccessful performance or strategy failure due to potential threats, actions, or events that adversely affect the organisation's ability to achieve its objectives.
b)	**Human Resources**	Associated with employees that do not possess the requisite knowledge, skills and experience needed.
c)	**Compliance / Regulatory**	Associate with the breaching of relevant rules, regulation, guidelines, standards of laws issued by regulatory bodies.
d)	**Reputation**	Associated with loss of brand image that the Company may lose customers, key employees or its ability to compete.
e)	**Operational**	Associated with problems in the performance of business functions or processes. Exposure to this risk can result from deficiencies or breakdowns in internal controls or processes, technology failures and human errors, or from external events.
f)	**Financial**	Associated with financial loss that may be incurred or circumstances under which the opportunity or potential financial gain may be lost. **Credit risk:** Arises from inability or unwillingness to fully meet its on-balance sheet and/or off-balance sheet contractual obligations. It also includes the ability to secure financing for its operations and expansion. **Market risk:** Arises from changes in market rates or prices. Exposure to this risk can result from market-trading, dealing, and position-taking activities in markets such as interest rate, foreign exchange, equity, commodity and real estate **Liquidity risk:** Arises from inability to purchase or otherwise obtain the necessary funds, either by increasing liabilities or converting assets, to meet its on and off balance sheet obligations as they come due, without incurring unacceptable losses.
g)	**External**	Associated with the threat or opportunity arisen from current or future external environment factor, where the company has no or little influence on it.
h)	**Customers**	Associated with the persons who purchase or utilise the products or services.
i)	**Integrity**	Associated with the attitude and behavioural aspects of employees with respect to fraudulent activities, illegal, unethical, and unauthorised acts.

2. Risk Evaluation

In this stage, the identified risks 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, minimised, transferred or terminated. Risks are accepted if they are within the risk tolerance limit and the controls are sufficient to mitigate the risks. Risks will be minimised if they are within the risk tolerance limit and controls can be implemented in order to reduce the risk implication. In the case where the risks are not within the tolerance limit but the function is important to the business operations, the risks will be transferred to a third party, i.e., outsourcing. Where the risks are not within the tolerance limit 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 Risks Management Action Plan. The appointed Risk Champion in each business entity is responsible to ensure risk management activities are carried out and reported timely. The progress on the implementation of risk policies and action plans are reported to the Board of Risk Management Committee from time to time. GIAD plays a crucial role in monitoring compliance with the agreed risk management policies and action plans.

RISK MANAGEMENT INITIATIVES AND ACTIVITIES

GRMD has undertaken several initiatives to ensure that the risk management process is continuously dynamic, tailored and responsive with the Group's business objectives. For year 2012, the following activities were undertaken:

(a) Carrying out a survey on Business Continuity Plan of the company to ascertain the availability of Business Continuity Plan in the business units, departments and subsidiaries, and to ascertain the adequacy of the Business Continuity Plan documentation.

(b) Conducted a Business Impact Analysis to all departments under MAA Group Berhad and subsidiaries including MAA Credit Berhad, MAA Bancwell Trustee Berhad and MAA International Assurance Ltd.

(c) Conducted risk assessment and review focusing on identifying related investment risk in MAA General Assurance Philippines. The process of identifying risk is based on the approved ERM framework.

(d) Conducted risk assessment on the operations of MAA Cards Sdn Bhd as a new business entity in the Group which currently offers MAA VISA Prepaid Card as a cashless convenience with worldwide recognition. The purpose of this assessment was to identify the risks associated to its business operations such as strategic, operational and financial risks.

(e) Conducted a preliminary stress test programme on MAAKL Mutual Bhd ("MAAKL Mutual") based on the available information and discussion as part of the annual plan. This exercise aims to provide value to stakeholders and facilitate continual improvement in a wide range of business operations to achieve their objectives and expectations.

CHALLENGES

Throughout the financial year ended 31 December 2012, continuous risk identification exercises have been carried out by the Company and its subsidiary companies. Some of the significant business challenges and risks identified were as follows:

- **Changes in Regulatory Requirements**

  Evolving and changing regulatory environment remains as one of the top challenges for the Group. Any changes in regulatory requirements may have an effect on the ability of the Group's compliance and effort to distribute its products and services.

  Despite uncertain environment, the Group is focused and keeps its pace with changes and planning for compliance with upcoming regulations.

- **Competitive Business Environment**

  The Group faces intense competition from its competitors in the respective fields in which the Group offers its products and services.

  Despite strong competitive challenges, the Group continues to grow the core businesses of MAAT and MAAKL Mutual. The Group continually emphasises in developing and delivering products and services which meets consumer needs.

- **Reputation and Branding**

  As a financial services Group, the ability to generate business and retain customers would require good reputation and strong branding. In this respect, maintaining good reputation and strong branding is one of the Group's top priority and key aspects.

  The Group would continue to make its presence visible through advertising and promotional campaigns. Any major changes in the Group's business operations would be communicated and disseminated to the media.

- **Weakness Internal Control and Operational**

  During Financial Year 2012, the Group faced issues on lapses in internal controls of PT MAA General Assurance ("PTMAAG") in its business operations, accounting and reporting functions to the Company affecting the Group's financial results. The Company has made the necessary adjustments to the 3rd and 4th quarter financial results based on the findings of GIAD and in consultation with its external auditors, Messrs PricewaterhouseCoopers. Remedial actions have been taken to address these lapses in the internal controls of PTMAAG in its business operations, accounting and reporting functions. These include instructing the Financial Controller of PTMAAG to report directly to the head office and payments above specified thresholds require approval by Head Office. The Company will continue to review and monitor the adequacy and effectiveness of internal controls to ensure mitigation of risks.

CONCLUSION

Following up on earlier risk management initiatives, control in the areas of strategic business planning, project management, business contingency and information security were further enhanced. As such, establishment of proper documentation of policies and procedures will govern the conduct of the business. Continuous risk management activities are carried out by conducting self-assessment to ensure that principal risks are identified, measured and managed with appropriate level of risk mitigating controls. The Board will continuously review the system for improvement and enhancement to ensure the risk management implementation is aligned with the Group's business objectives. In addition, GRMD assures to continue to play central roles in promoting and creating risk management awareness as well as overseeing the implementation of the risk management framework within the Group.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION

1. Utilisation of Proceeds Raised from Corporate Proposal

During the financial year ended 31 December 2012, 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 2012 and the preceding financial year.

3. Options, Warrants or Convertible Securities

During the financial year ended 31 December 2012, 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 2012.

5. Sanctions and/or Penalties

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 2012.

6. Non-Audit Fees

During the financial year ended 31 December 2012, the following non-audit fees were paid to external auditors:

(i) Ringgit Malaysia One Hundred Eighty Thousand (RM180,000.00) being fee for professional services rendered in connection with the review of the prospective financial information of the Company for an application to Bursa Malaysia Securities Berhad from submitting a regularization plan to Bursa Securities pursuant to Paragraph 8.04(3) of the Listing Requirements;

(ii) Ringgit Malaysia Twenty Five Thousand (RM25,000.00) being fee for audit procedures performed on the post purchase adjustments on the draft completion accounts and statement of aggregate net assets value of Malaysian Assurance Alliance Berhad as at 30 September 2011 prepared by Zurich Insurance Company Ltd.

7. Variation in Results

The Company did not make or announce any profit forecast or projection during the financial year ended 31 December 2012. There was also no variation of 10% or more between the audited results and the unaudited results which were announced for the financial year ended 31 December 2011.

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 2012 or entered into since the end of the previous financial year.

10. Revaluation Policy

For the financial year ended 31 December 2012, 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 20 June 2012, the Company sought approval for a shareholders' mandate for MAAG Group to enter into Recurrent Transactions (as defined In the Circular to Shareholders dated 29 May 2012) 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 2012 are:

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2012 - 31/12/2012 RM '000
MAAG Group	Corporate secretarial and related services fees paid and payable	Trace Management Services Sdn Bhd ("Trace")	A company in which TY* and TYY* have deemed interest by virtue of their substantial interest in The Melewar Corporation Berhad, who in turn is the substantial shareholder of Trace.	297
MAAG	Management fee income	MAAKL Mutual Bhd ("MAAKL Mutual")	A 55% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, whose ultimate holding company is Khyra Legacy Berhad ("Khyra"). TY is the founder and ultimate beneficial owner of Khyra.	48
		MAA Bancwell Trustee Berhad ("MAA Bancwell)	An associated company and a company in which TY and TYY have deemed interest by virtue of their substantial shareholdings in Melewar Group Berhad ("MGB"), a shareholder of MAA Bancwell.	336
Wira Security Services Sdn Bhd (1)	Provision of security services	Melewar Industrial Group Berhad ("MIG") Group	A company in which TY and TYY are directors. TY is deemed interested in MIG by virtue of his indirect substantial interest in Melewar Equities Sdn Bhd ("MESB"), who in turn is the major shareholder of MIG. TYY is deemed interested in MIG by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	157
MAA Takaful Berhad ("MAAT")	Provision of information technology services	MAAKL Mutual	A 55% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, whose ultimate holding company is Khyra. TY is the founder and ultimate beneficial owner of Khyra.	289
		MAA Bancwell	An associated company and a company in which TY and TYY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell.	11
MAAG	Human resource system licence fee income	MAAKL Mutual	A 55% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, whose ultimate holding company is Khyra. TY is the founder and ultimate beneficial owner of Khyra.	10
		MAA Bancwell	An associated company and a company in which TY and TYY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell.	1

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2012 - 31/12/2012 RM '000
MAA Corporation Sdn Bhd ("MAA Corp")	Office service charge income	MAAKL Mutual	A 55% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, whose ultimate holding company is Khyra. TY is the founder and ultimate beneficial owner of Khyra.	59
		MAA Bancwell	An associated company and a company in which TY and TYY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell.	1
		MESB	A company in which TY is deemed interested as MESB is a subsidiary of Khyra. TY is the founder and ultimate beneficial owner of Khyra. TYY is deemed interested in MESB by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	7
		MIG Group	TY and TYY are directors of MIG. TY is deemed interested in MIG by virtue of his indirect substantial interest in MESB, who in turn is the major shareholder of MIG. TYY is deemed interested in MIG by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	11
MAA Corp	Office rental income	MESB	A company in which TY is deemed interested as MESB is a subsidiary of Khyra. TY is the founder and ultimate beneficial owner of Khyra. TYY is deemed interested in MIG by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	47
		MIG	TY and TYY are directors of MIG. TY is deemed interested in MIG by virtue of his indirect substantial interest in MESB, who in turn is the major shareholder of MIG. TYY is deemed interested in MIG by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	73

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

(1) Wira Security Services Sdn Bhd had ceased to be a subsidiary of MAAG Group on 28 June 2012.

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 Malaysian Code on Corporate Governance (2012) requires all listed companies to establish and maintain a sound risk management framework and internal control system to safeguard shareholders' investment and the company's assets.

Accordingly, the Board is pleased to present the Statement of Internal Control that was prepared in accordance with the "Statement on Risk Management & Internal Control – Guidelines for Directors of Public Listed Issuers" issued by Bursa Malaysia Securities Berhad which provides guidance on the processes to be adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group.

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 ongoing process for identifying, evaluating, monitoring and mitigating significant risks that may adversely affect the Group, except for joint ventures and associate companies which are not under the control of 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 requirements.

KEY INTERNAL CONTROL PROCESSES

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

Board and Management Committees

The Board has set up Board Committees to fulfil its roles and responsibilities in accordance with good corporate governance.

The Chief Executive Officer/Group Managing Director is assisted by the Management Committees. The Management Committees play an important role in directing, monitoring and ensuring that the plans and operations are in accordance with the Group's policies and Board approvals.

The Board and Management Committees are:

Board Committees	Management Committees
Audit Committee	Executive Committee
Risk Management Committee	Business Committee
Remuneration Committee	Family Takaful Management Committee
Nomination Committee	General Takaful Management Committee
	Information Technology Committee
	Investment Committee

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 ("RMC"), whose authority and responsibility is clearly defined in the terms of reference. The RMC assists the Board to review and oversee the effectiveness of the risk management of the Group. The RMC reviews and assess the adequacy of risk management policies and ensures that infrastructure, resources and systems are emplaced for risk management. The Group Risk Management monitors and evaluates the system on an ongoing basis and reports to the RMC on a quarterly basis. The Chief Risk Officer has communicated the requirements of the framework and trained the respective Risk Champion appointed at various business and support units to update risk profiles continuously.

Policies and Procedures

The Management has established written policies and procedures which have been approved in accordance with the approval processes 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.

Annual Business Plan and Performance Review

Respective business units submit their business plan and budgets to the Board for approval before commencement of a financial year. Actual performances would be reviewed against the budgets by the Management Committee on a monthly basis thereafter the management action plan would be timely carried out. The Board also reviews the business performance reports and compliance report from the Management on a 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 conducts operational, financial and information system control audit on branches and subsidiaries within the Group in accordance with the annual audit plan approved by the Audit Committee. The internal auditors adopt a risk-based approach and employs systematic audit methodologies to provide an objective and independent audit assessment on the adequacy and effectiveness of internal controls. The audit also encompasses reviews on effectiveness of Compliance and Risk Management function within the Group. Internal audit recommendations to mitigate associated risks would be provided for each internal control issues highlighted and follow-up audit would be carried out to ensure that the auditee has implemented the recommendations within the agreed timeline. The Chief Audit Executive presents internal audit reports to the Audit Committee for review on a quarterly basis.

Audit Committee

The Audit Committee was set up by the Board within its terms of reference to assist in reviewing the 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 a 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 operations and conducted Disaster Recovery Test for major subsidiaries twice a year in accordance with the regulatory requirements. The tests have been satisfactorily carried out during the year and results have been reported to Bank Negara Malaysia.

Compliance Department

The group compliance function is driven by the Group Legal and Compliance Department, whereby its main function is to facilitate, advise and monitor the business units to comply with laws, regulations and guidelines issued by the authorities. The Group Legal and Compliance presents its report to the Board at the Board meetings.

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 clear Human Resource Policies and Procedures encompassing a wide spectrum of human resource management activities from recruitment, training, appraisals and promotions to resignations, termination, industrial relations, remuneration and benefits. Policies and procedures are reviewed periodically to ensure its effectiveness and changes are communicated via emails and memorandums in a timely manner. Policies are also, made available via the company's Public Folder for easy access. Job descriptions are issued to all staff to ensure duties and responsibilities are effectively and efficiently managed at every level within the organisation.

Control Self-Assessment

The Management has embarked on Control Self-Assessment ("CSA") on branches of the takaful business division during the year. As the assessment employs a 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.

REVIEW OF INTERNAL CONTROL FOR FINANCIAL YEAR 2012

During Financial Year 2012, the Company detected lapses in the internal control of one of its subsidiaries, PT MAA General Assurance ("PTMAAG"). The audit conducted by Group Internal Audit Department ("GIAD") initially revealed that there were differences in the ledgers. Subsequent further reviews detected errors in the statement of financial position and the income statement of PTMAAG and these findings were reported to the Audit Committee and Board on 27 November 2012. In compliance with Bursa requirements, MAAG made immediate adjustment for the errors found to the financial 3rd quarter results which were announced on 30 November 2012, whilst GIAD continued with its investigations. Remedial actions were also taken to address these lapses in the internal controls of PTMAAG in its business operations, accounting and reporting functions. These include instructing the Financial Controller of PTMAAG to report directly to the Head Office and payments above specified thresholds require approval by Head Office.

Following the 3rd quarter adjustments and upon completion of the investigation and identification of errors relating to prior periods by GIAD, the Prior Year Adjustments were made in the unaudited consolidated Financial Statements of the Group for the 4th Quarter of 2012 as announced on 31 December 2012.

After due and careful inquiry, the Board is satisfied that appropriate actions and enhancements in control systems have been taken to address the weaknesses detected. For areas requiring attention, continuous review of its internal control system will be undertaken to ensure adequacy and effectiveness of internal control in safeguarding shareholders' investment and Group's assets.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF ANNUAL AUDITED ACCOUNTS

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 2012.

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.

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 2012 are as follows:

Name of Committee	No. of Meetings Attended
Onn Kien Hoe *(Chairman, Independent Non-Executive Director)* *Appointed on 5.9.2012*	2/2
Datuk Seri Razman Md Hashim *(Member, Independent Non-Executive Director)* *Resigned on 5.9.2012 and re-appointed on 15.10.2012*	4/5
Tan Sri Ahmad bin Mohd Don *(Member, Independent Non-Executive Director)* *Appointed on 5.9.2012*	2/2
Dato' Jaffar Indot *(Member, Independent Non-Executive Director)* *Appointed on 5.9.2012*	2/2
Dato' Narendrakumar Jasani A/L Chunilal Rugnath *(Member, Independent Non-Executive Director)* *Appointed on 5.9.2012*	1/2
Major General Datuk Lai Chung Wah (Rtd) *(Chairman, Independent Non-Executive Director)* *Resigned on 5.9.2012*	3/3
Dato' Sri Iskandar Michael bin Abdullah *(Member, Independent Non-Executive Director)* *Resigned on 16.7.2012*	2/2
General Dato' Sri Hj Suleiman bin Mahmud (Rtd) *(Member, Independent Non-Executive Director)* *Resigned on 5.9.2012*	3/3

The Company has fulfilled the requirements of Section 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with regard 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.

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").

Where the Chairman is unable to attend the meeting, the members shall elect a person among themselves as Chairman. No alternate director shall be appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the Company must fill the vacancy within three (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 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;
- 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
- Where an Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the requirements, the Audit Commitee must promptly report such matter to the Bursa Malaysia Securities Berhad.

In discharge of the above functions, the Group Internal Audit has been empowered by the Board to have:

- Necessary resources which are required to perform its duties; and
- Full and unrestricted access to any information and documents relevant to its activities.

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; and

  iii. To review the Internal Audit reports and to ensure that appropriate and prompt remedial action is taken by Management on lapse in controls or procedures that are identified by Internal Audit.

- **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 qualification, expertise, resources and effectiveness of the External Auditors;

  iii. To monitor the effectiveness of the External Auditors' performance and their independence and objectives;

iv. To discuss with the External Auditor the audit plan, evaluation of the system of internal control and the External Audit Report as well as to review the External Auditor Management letter and Management's response;

v. To review major audit findings raised by the External Auditors and Management's response, including the status of previous audit recommendations;

vi. To review the assistance given by the Group's officers to the External Auditors and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information; and

vii. To review or approve non-audit services provided by the 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; and

  iii. Compliance with applicable accounting standards and other legal and regulatory requirements.

- **Related Party Transaction**

  To review related party transactions and conflict of interest situations that may arise within the Group including any transactions, procedures or course of conducts that may raise questions on Management's integrity.

- **Investigation**

  Instruct an investigation on any activities or matters within its terms of reference.

- **Other Matters**

  Act on other matters as the Committee considers appropriate or as authorised by the Board of Directors.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2012, the Audit Committee has carried out its duties as set out in the terms 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's 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;
- Evaluated the performance and effectiveness of the External Auditors and make recommendations to the Board on their appointment and audit fee; and
- Reviewed major audit findings raised by the External Auditors and Management's response, including the status of previous audit recommendations.

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 MAA Takaful Berhad which is supported by their own Internal Audit Department.

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, risk 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 a quarterly basis to highlight major audit internal control issues with significant risk exposure and effectiveness of the existing mitigating internal controls. An audit follow-up 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;
- Ascertained the extent of compliance with established policies and procedures and statutory requirements;
- GIAD also conducted audit on Information Systems of the Group;
- Carried out ad hoc audit assignments and special reviews as requested by Senior Management and Audit Committee;
- Carried out investigation into activities or matters as instructed by the Audit Committee and Senior Management;
- Recommended improvements to existing internal control system and work processes; and
- Preparation of Audit Committee Report and Statement on Internal Control for inclusion into Annual Report for financial year ended 31 December 2012.

CORPORATE SOCIAL RESPONSIBILITY

Introduction

MAA Group Berhad ("MAAG" or the "Company") takes pride in its CSR initiatives. MAAG develops policies that integrate responsible practices into its daily business operations.

A business plan, embedded into one's work culture, reflecting the organisational values and objectives through strategic CSR application, builds a sustainable and profitable future in the marketplace, the environment, the workplace and the community.

CSR in the Marketplace

MAAG is a strong believer in ethics and integrity. We encourage transparency and ethical procurement practices that safeguard the interests of our stakeholders. We believe in acting responsibly through delivering quality products that are of value for money and meeting the demands of customers. By embedding CSR practices into our business strategies, we have the opportunity to continually affect change, increase profitability and provide new options for business investment while minimising the impact on the environment.

CSR and the Environment

Whilst the day-to-day business operations at MAAG are not industrial in nature, the Company has always adopted a green policy which reduces overall waste. MAAG is committed to carrying out business processes that minimise the use of resources.

CSR within the Workplace

MAAG places high commitment towards the well-being and future of our employees who are regarded as the greatest asset of the Company.

We have developed a safe, healthy and hospitable working environment which nurtures the personal growth of our employees.

Our initiatives include;

1. Health, Safety and Employee Welfare

   Our Occupational Safety & Health (OSH) team looks into all aspects of office safety and health, and organises activities compliant with the Department of Occupational, Safety and Health (DOSH) regulation standards. We believe it is important to provide our employees with access to crucial information for precise decision-making with regards to their health and safety. In 2012, MAAG conducted a special in-house workshop, "City Survival Training for Ladies" to equip female employees with the right knowledge and techniques to defend themselves in the event of a crime. A total of 51 female employees attended this workshop.

2. Staff Training

   Training and development is an essential tool in any organisation. A highly motivated, skilled and qualified workforce is the key to success. At MAAG, staff training is designed to suit each level within the organisation; from clerical to senior management staff.

   The various types of employee training modules that cover specific topics include;
   - Leadership and management skills
   - Information Technology
   - Industrial and industry training
   - Technical training









3. Agent and Advisor Training

Training is also extended to our Consultants and Unit Trust Advisors, who we believe, form a vital part of our company. The training conducted is crucial in enhancing their professionalism; ensuring they remain industry-competitive. Working hand-in-hand with our Advisors, we develop practical signature courses that are educational to enhance their individual potential and growth.

Seminars, conferences and training programmes focusing on product knowledge, sales, selling skills, compliance, underwriting and claims procedures, leadership development and agency management are either conducted in-house or through a professional trainer for our Consultants. We are also, in continuous collaboration with LIMRA International and Centre for Research and Training (CERT) in developing all our training modules and materials in order to ensure the quality of our training programmes.

4. Staff Benefits

Rewarding our staff through incentives, company benefits and career advancement opportunities have always been the Company's priority. In 2012, a total of RM583,182.63 was spent on staff retirement gratuity and training.

5. Long Service Awards

The Long Service Awards ceremony is held biannually to recognise and express appreciation to employees who have completed five or more years of service with MAAG and its subsidiaries. For the year 2012, 29 participants who had completed five to ten years of service and 59 participants who had completed 15 to 30 years of service were awarded with the Long Service Awards. Awards in the form of cash incentives and mementos were distributed.

CSR within our Community

MAAG plays a positive role in society through various programmes that benefit the local community. The following are our corporate responsibility initiatives;

1. MAA Medicare Kidney Charity Fund ("MAA Medicare")

From its humble beginnings 18 years ago at a shop lot in Jalan Ipoh, equipped with just 7 machines and caring for 20 patients, MAA Medicare has grown by leaps and bounds to become the second largest dialysis provider in Malaysia, caring for 810 patients in 12 centres across the country. The nerve centre of MAA Medicare is the Secretariat Office, located at the 2nd Floor, Wisma MAA Medicare in Jalan Ipoh, Kuala Lumpur.

To date, all patients are taken care of with the assistance of 12 visiting nephrologists, 105 nursing staff and a management team of 20; providing highly subsidised dialysis treatment and medical expertise to patients. Patients have access to a total of approximately 200 dialysis machines which they depend upon three times a week, for up to 4 hours per session.

Some of the recent activities and fundraising events of MAA Medicare are;

- "Celebrate Life" Charity Climb – Patients, staff and volunteers scaled Broga hill to celebrate life and raised RM11,000.00
- Malaysia Fundraising Awards Gala Dinner 2012 – MAA Medicare was the First Runner-up for the Malaysian NGO Awards
- SP Setia Foundation donated a 12-seater Pergio van worth RM78,500.00 to MAA Medicare's Centre in Jalan Bangi
- MAA Medicare donated T-shirts and school supplies to 260 children of patients
- MAA Medicare established two new medically-equipped dialysis centres in Kajang and Kota Bharu
- Received a donation of 19 dialysis machines from caring Malaysians

2. The Budimas Charitable Foundation ("Budimas")

Budimas was incorporated in 1952 with the sole purpose of providing guidance and funding in support of the welfare and well-being of orphans and underprivileged children in Malaysia. The Foundation supports more than 600 orphaned and underprivileged children in 12 charitable homes nationwide, including Sabah and Sarawak. Budimas also manages two homes of its own; Orion I and II in Petaling Jaya.

In 2012, some of the charitable events were;

- Budimas 8th Annual Charity Raffle raised RM475,000.00
- The co-branding of Budimas and MBF Cards raised RM271,000.00
- Budimas' Direct Debit Donor Programme raised RM8,725,000.00
- Budimas' Direct Mail Appeal raised RM174,000.00
- OCBC Cycle Malaysia selected Budimas as one of its three charity participants and raised RM25,000.00 for the foundation
- Majlis Berbuka Puasa where 'Duit Raya' and gifts were distributed to the children
- Hosted a Christmas Party at The Budimas Orion Home and presented goodie bags
- The Budimas Orion children were treated to a day of fun at Pusat Sains Negara

3. Seribu Kenangan

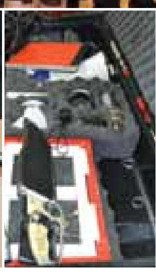
Since 2009, MAA Takaful has joined forces with MAA Medicare to organise the "Seribu Kenangan bersama MAA Takaful". This is an initiative which involve the children of patients at MAA Medicare. The children drew festive greeting cards which were later distributed to friends, agents and policy holders at MAA Takaful.

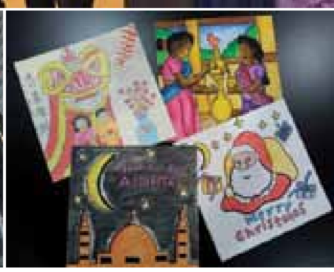
The colourful cards that were specially designed for festive occasions such as Hari Raya, Chinese New Year, Deepavali and Christmas captured the hearts of everyone. In recognition of these young talents, MAA Takaful turned Seribu Kenangan into a drawing contest and children whose drawings were shortlisted received cash vouchers and gifts.

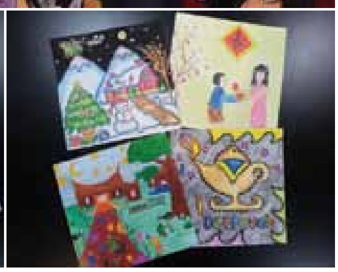
4. Donations for Charitable Causes

MAAG believes in aiding other charitable causes which will benefit the local and international community. In 2012, RM71,970.00 was extended as donations and sponsorships for the following causes;

- Paediatric Department of University Malaya Medical Centre – RM25,000.00
- Malaysian Paediatric Foundation – RM10,000.00
- Islamic Fashion Festival (IFF) London 2012 – RM24,445.00
- Kejohanan Golf Amal Pendidikan Anak-Anak Yatim – RM1,000.00
- Cycling Expedition in aid of MAA Medicare Kidney Charity Fund (MAAKL) – RM5,000.00
- T-Shirts for participants of The 29th Kiwanis Treasure Hunt 2012 – RM6,525.00







BUSINESS SUSTAINABILITY

Business sustainability refers to the pursuit of a business strategy that drives longer term corporate growth and shareholder value by embedding and managing economic, environmental and social developments / issues into the business model. In many instances, this orientation has been interpreted to mean stakeholders' concerns effectively revolve around the 3Ps-Profit, People and Planet or the Triple Bottom Line.

Given its relatively long corporate citizenship, the MAA Group has strived to meet the expectations of stakeholders in the three aforesaid constituencies.

For the Group, the financial component of the equation is characterised by such initiatives as the disposal of non-core assets, cost rationalisation measures, capital management, establishment of strategic business partnerships, enhancement of distribution channels and measures to enhance operational efficiency. The nature of the initiatives inevitably change over the course of time to reflect developments in the external operating environment as well as internal priorities. The Group utilises the occasion of the annual budget exercise to outline the specific areas of immediate concern, set performance targets and to roll-out identified business / operational strategies. The 5 Year Strategic Plans of the respective operating entities sets out in broad terms, the longer term direction / expectations of each company. A consistent theme in these endeavors is the requirement for the companies to be a credible player in their respective sectors by continuously strengthening revenue streams, being profitable, maintaining a low cost operating structure and being compliant with regulatory provisions.

With regard to the social perspective, the Group has over the years, contributed substantial financial and non-financial resources to the medical and child welfare cause that it supports through MAA Medicare Sdn Bhd and The Budimas Charitable Foundation respectively. As these activities are explained in greater detail in the section on Corporate Social Responsibility (Page 63), it would suffice to say that, by virtue of being flagship causes, the Group is committed to the geographic expansion of both programmes so that a larger number of beneficiaries will have access to the educational, social and economic benefits that they confer.

The Takaful arm of the Group has agreed in principle with its Bancatakaful partner, to contribute to Perbadanan Wakaf Selangor whose funds are currently managed by the latter. The said contributions will be sourced from the profits of the bancatakaful business and will be used by Perbadanan Wakaf Selangor to extent educational scholarships and to meet the health care needs of the needy as well as for investment purposes in order to develop a sustainable income stream.

The Group has also instituted a number of measures aimed at empowering its employees and improving the work environment. Amongst others these include, the introduction of a Whistle-blowing policy, subsidised workshops on self protection techniques for female personnel, flexible working hours, health insurance benefits for the entire Group staff and, access to the in-house gym with its range of sponsored tailored exercise regimes to encourage better work-life balance. However, the most critical component in this package is the yearly budgetary allocation for human capital development. For example in 2012, MAA Takaful incurred a total of RM2.7 million in training expenses. This translated into 19% of its annual wage bill and was well above the regulatory requirement of 3.5%.

With insurance and fund management being principal activities of the Group where the provision of financial advice is a key aspect of the selling process, the Group also has emplaced effective mechanisms to mitigate instances of deceptive marketing in order to protect customer rights. This includes a formalised grievance resolution channel and enforcement of remedial actions against erring parties. MAAKL Mutual's proprietary business ethics code known as "MAAKL 7 Principles of Ethics" is one example of this emphasis.

On the environmental front, the Group has implemented a number of measures that have in no small measure helped to eliminate wastage, minimise demand on resources and reduce the carbon footprint. Leveraging IT capabilities to undertake process automation has been the principal enabling factor in this regard. MAA Takaful's award-winning Innovative Consultant Management System (iCMS) and MAAKL Mutual's Adviser Management System (AMS) stand out. Other notable initiatives include emplacement of a more intelligent workflow processes (iCERT), e-Payment facilities, customer e-Portal (MyAccount) and e-Statements.

Collectively, these measures have streamlined work processes thereby reducing headcount demand, facilitated customer interaction and in the process eliminated the need to be physically present to make enquiries or to resolve issues, extended the geographical reach of the business franchise without having to incur the costs associated with establishing a brick and mortar presence and reduced printing costs. A conservative estimate suggests that these measures have contributed in excess of RM1 million to the Group's bottom line on a recurring basis.

Financial Statements 2012

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2012.

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 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, other than the significant events disclosed in Note 54 to the financial statements.

FINANCIAL RESULTS

The results of the operations of the Group and the Company for the financial year were as follows:

	GROUP RM'000	COMPANY RM'000
Profit for the financial year attributable to:		
- Owner of the Company	42,477	43,264
- Non-controlling interests	(7,352)	-
	35,125	43,264

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 disclosed 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	
Datuk Seri Razman Md Hashim bin Che Din Md Hashim	
Tan Sri Ahmad bin Mohd Don	
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	
Dato' Jaffar Indot	(Appointed on 5 September 2012)
Dato' Narendrakumar Jasani A/L Chunilal Rugnath	(Appointed on 5 September 2012)
Onn Kien Hoe	(Appointed on 5 September 2012)
Major General Datuk Lai Chung Wah (Rtd)	(Resigned on 5 September 2012)
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	(Resigned on 5 September 2012)
Dato' Sri Iskandar Michael bin Abdullah	(Resigned on 16 July 2012)
Dr Zaha Rina Zahari	(Resigned on 1 July 2012)

In accordance with Section 129(6) of the Companies Act, 1965, Datuk Seri Razman Md Hashim bin Che Din Md Hashim and Dato' Jaffar Indot retire and being eligible, offer themselves for re-election.

In accordance with Article 73 of the Company's Articles of Association, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah and Yeo Took Keat retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 79 of the Company's Articles of Association, Dato' Narendrakumar Jasani A/L Chunilal Rugnath and Onn Kien Hoe 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 RM1.00 each			
Company	At 1.1.2012	Acquired	Disposed	At 31.12.2012
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY") - Indirect #	105,777,084	-	-	105,777,084
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY") - Indirect *	105,777,084	-	-	105,777,084
Tan Sri Ahmad bin Mohd Don	2,055,000	-	-	2,055,000
Datuk Seri Razman Md Hashim bin Che Din Md Hashim	150,000	-	-	150,000
Yeo Took Keat	80,000	-	-	80,000

Deemed interested by virtue of TY being the founder and ultimate beneficial owner of Khyra Legacy Berhad, the holding company of Iternum Melewar Sdn Bhd which is in turn a substantial shareholder of Melewar Equities Sdn Bhd. Melewar Equities Sdn Bhd is the holding company of Melewar Equities (BVI) Ltd, which is a substantial shareholder of the Company.

* Under Section 6A(4) of the Companies Act, 1965, TYY is deemed interested in Khyra Legacy Berhad's deemed interest in the Company by virtue of his family relationship with TY.

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 34 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

(b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the gain on disposal of subsidiaries as disclosed in the "Significant Events During The Financial Year and Subsequent to the Financial Year End" in this report and in Note 54 to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made, other than as disclosed in the "Significant Events During The Financial Year and Subsequent to the Financial Year End" in this report and in Note 54 to the financial statements.

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

(a) On 30 September 2011, the Company completed the disposal of its entire 100% equity interest in Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) and other identified subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd (hereinafter collectively known as the ("Disposed Subsidiaries") to Zurich Insurance Company Ltd ("Zurich") for a total cash consideration of RM344.0 million ("Disposal")).

Under the terms of the Conditional Sale and Purchase Agreement ("SPA") with Zurich in relation to the Disposal, there is an adjustment to the sale consideration of RM344.0 million equal to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 ("Adjustment to Consideration"). The Adjustment to Consideration shall be finalised within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless disputes arise which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA.

On 30 December 2011, based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries prepared by and received from Zurich, there is an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equals to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011.

On 17 February 2012 and 12 April 2012, the Company submitted notifications of disputes ("Dispute Notifications") to Zurich to disagree certain downward adjustments made to the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries.

On 28 June 2012, the Company received RM30.1 million in the escrow account from Zurich being the net held back sum upon satisfaction of certain conditions precedent in the SPA in relation to Prima Avenue Klang property, one of the real properties owned by MAA.

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich confirming an overstatement of RM5.3 million in the Life fund liabilities of MAA in the draft completion accounts.

On 27 July 2012, the Company received RM20.6 million in the escrow account from Zurich being the held back sum upon satisfaction of certain condition precedent in the SPA in relation to Mithril's 3% 8-year redeemable convertible secured loan stocks ("RCSLS").

On 2 November 2012, the Company filed and served a notice of arbitration against Zurich with the Singapore International Arbitration Centre seeking, inter alia, declarations to refer disputes on the calculation of General Insurance Reserves and other dispute matters in the draft completion accounts prepared by Zurich to an Expert Accountant in accordance with terms of the SPA in order to determine the final selling price of the Disposed subsidiaries, as well as further declarations to be entitled to receive payment of escrow monies in accordance with the Escrow Agreement dated 28 September 2011, having satisfied the requirements under the SPA and the Side Letter dated 17 August 2011 in respect of the Prima Avenue Klang property, together with damages, interests and costs.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (CONTINUED)

(b) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Listing Requirements whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of MAA.

Nonetheless, the Company did not trigger any of the other prescribed criteria under PN17 of the Listing Requirements, such as consolidated shareholders' equity of 25% or less of the issued and paid up share capital, a default in payment by the Group, the auditors having expressed an adverse or disclaimer opinion on the Company's latest audited accounts, etc.

As an affected listed issuer, the Company is required pursuant to paragraph 4.1 of the PN 17 of the Listing Requirements to announce details of its regularisation plan.

On 28 September 2012, the Company submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for a waiver from having to comply with Paragraph 8.04(2) of the Listing Requirements and a waiver from submitting a regularisation plan to Bursa Securities pursuant to Paragraph 8.04(3) of the Listing Requirements ("Application for Waiver").

On 1 October 2012, Bursa Securities had vide its letter informed that the suspension on the trading of the Company's securities and delisting of the Company in accordance with Paragraph 8.04 of the Listing Requirements shall be deferred pending the decision on the Application for Waiver.

On 30 November 2012, the Company submitted an application to Bursa Securities for an extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("Application for Extension of time").

On 20 December 2012, Bursa Securities had vide its letter rejected the Company's Application for Waiver from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements and has granted an extension of time of up to 18 June 2013 for the Company to submit a regularisation plan taking into consideration amongst others the following:

(i) The consolidated financial position of the Group as at 30 September 2012 including its consolidated shareholders' equity and net assets of approximately RM451.9 million, cash and cash equivalents of approximately RM154.6 million as well as the Group's low gearing position;

(ii) The future receipts of balance of cash proceeds from the disposal of the Disposed Subsidiaries which is scheduled to be released to the Company from the escrow account in 2013;

(iii) The steps taken to regularise the Company's financial position to date and in particular the disposals of non-performing or loss making assets (such as Wira Security Services Sdn Bhd and PT MAA Life Assurance as disclosed in note (c) and (d) below) and the acquisition of Origin Mortgage Management Services by Columbus Capital Pty Ltd in note (f) below; and

(iv) The Company's plan to revert, sustain and grow the profitability of the Group.

(c) On 28 June 2012, the Company's wholly owned subsidiary company, MAA Corporation Sdn Bhd ("MAA Corp"), completed the disposal of its 100% equity interest in Wira Security Services Sdn Bhd ("Wira") for a total cash consideration of RM7.0 million, arrived at on a 'willing buyer-willing seller' basis.

(d) On 16 August 2012, MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary company of MAA Corp, completed the disposal of its 99.5% equity interest in PT MAA Life Assurance ("PT MAAL") for a final sale consideration of IDR23.56 billion (equivalent to approximately RM7.79 million) to Tokio Marine Holdings, Inc.

(e) On 5 September 2012, the Company disposed its 45% equity interest in an associated company, Maybach Logistics Sdn Bhd to Crest Corporate Services Sdn Bhd for a total cash consideration of RM14,000.

(f) On 21 September 2012, Columbus Capital Pty Ltd ("CCAU") , an associated company of Columbus Capital Singapore Ltd ("CCS") which is in turn a wholly owned subsidiary company of MAA International Investments Ltd ("MAAII"), also a wholly owned subsidiary company of MAA Corp, entered into a conditional sale and purchase agreement with Australia and New Zealand Banking Group Limited ("ANZ") to acquire ANZ's wholesale mortgage distribution business, Origin Mortgage Management Services, which manages a portfolio of approximately AUD 2.2 billion in residential mortgages.

The acquisition was financed by funds raised from issuance of Preference Shares B to shareholders' CCS and Consortia Group Holdings Pty Limited ("Consortia").

A Share Subscription Deed to subscribe for 2.0 million Preference Shares B at AUD1.00 per share, representing 4.68% of the enlarged equity interest in CCAU, for a total cash consideration of AUD2.0 million or RM6.7 million equivalent (based on the prevailing exchange rate of AUD1.00: RM3.35) was executed by CCS on 11 September 2012. Consortia subscribed for 1.25 million Preference Share B at an issue price of AUD1.00 per share which represented 2.92% of the enlarged equity interest in CCAU. The subscription increased CCS' equity interest in CCAU from 46.84% to 47.95% whilst correspondingly decreased Consortia's overall interest from 53.16% to 52.05%.

On 28 September 2012, CCAU completed the acquisition of ANZ's wholesale mortgage distribution business, Origin Mortgage Management Services.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (CONTINUED)

(g) On 2 October 2012, MAA Credit Berhad ("MAA Credit"), a wholly owned subsidiary of MAA Corp, had in exercise of its power of attorney pursuant to memorandum of deposit shares in Keris Murni Sdn Bhd ("KMSB") and Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") ("the Security Shares") dated 1 October 2009 signed with Famous Vertex Sdn Bhd ("FVSB"), transferred all the Security Shares to itself. This forms part of debt recovery action taken to enforce the Security Shares after FVSB had defaulted the loan (both principal and interest) due to MAA Credit.

Consequently, KMSB and PTKSB become 70% owned subsidiary companies of MAA Credit on 2 October 2012.

(h) On 26 November 2012, MAA Credit entered into a Shares Sale Agreement with Ahmad Nor Shaffuddin bin Ahmad Baharuddin and Rozeeta binti Ahmad Baharuddin (collectively referred to as "Vendors") on the same date to acquire from the Vendors 290,002 ordinary shares of RM1.00 each representing 100% equity interest in Nilam Timur Sdn Bhd ("Nilam Timur") for a total cash consideration of RM10.00, arrived at on a 'willing seller-willing buyer' basis. This forms part of debt recovery action taken by MAA Credit for a loan due by Nilam Timur. MAA Credit intends to sell Nilam Timur which has the sub-lease on lands to any interested party to recover the loan.

(i) On 5 December 2012, MAA Corp and NTY Enterprise Sdn Bhd, entered into a Share Sale Agreement, for the disposal of 385,000 ordinary shares representing 11% of the issued and fully paid up ordinary shares and the 153 redeemable preference shares representing 100% of the issued and fully paid up redeemable preference shares in Meridian Asset Management Holdings Sdn Bhd ("MAM") respectively for a total cash consideration of Ringgit Malaysia Ten (RM10) only, arrived at on a 'willing seller-willing buyer' basis. Upon completion of the disposal, MAM has ceased to be a subsidiary company of MAA Corp/the Company and has been accounted for as an associated company of the Group.

(j) On 23 April 2013, Board of Directors of the Company ("Board") discussed and approved in principle the proposed disposal of MAAIA's entire interest in PT MAA General Assurance ("PT MAAG"), an 83% owned subsidiary company in Indonesia. The Company has been in discussions with an interested party for the proposed disposal; however the terms and conditions of the contemplated sale and purchase agreement have yet to be finalised. The Board is of the opinion that it will be in the best interest of the Company to divest PT MAAG based on its financial condition and to therefore mitigate the loss from this operations in Indonesia.

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 24 April 2013.

MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
DIRECTOR

Kuala Lumpur
24 April 2013

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 Group Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 76 to 222 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2012 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965, in Malaysia.

The supplementary information set out in Note 55 have been prepared in accordance with the Guidance of 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.

Signed on behalf of the Board of Directors in accordance with their resolution dated 24 April 2013.

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 Group Berhad do solemnly and sincerely declare that the financial statements set out on pages 76 to 222 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 24 April 2013, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAA GROUP BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MAA Group Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows 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 pages 76 to 222.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and for such internal controls as the Directors determine is 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 about 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 entity's preparation of 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 entity'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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of matter

Without qualifying our opinion above, we draw attention to Note 2.1 to the financial statements. PT MAA General Assurance, an 83% owned subsidiary company, reported a shareholders' deficit of RM55.7 million as at 31 December 2012, and has not complied with the capital and solvency regulatory requirements under the Ministry of Finance of Indonesia. Note 2.1 outlines the action plans the Directors of the Company are undertaking to address these issues. These matters indicate the existence of a material uncertainty that may cast significant doubt on the subsidiary company's ability to continue as a going concern.

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.

(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 55 on page 222 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

1. As stated in Note 2 to the financial statements, MAA Group Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

2. 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. 2656/05/14 (J))
Chartered Accountant

Kuala Lumpur
24 April 2013

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	Restated 31.12.2011 RM'000	Restated 1.1.2011 RM'000
Assets				
Property, plant and equipment	4	23,886	10,373	8,387
Investment properties	5	11,632	11,175	11,601
Intangible assets	6	7,859	8,461	8,271
Investments	7	473,621	426,995	417,161
Financial assets at fair value through profit or loss		201,800	171,333	154,353
Available-for-sale financial assets		216,335	201,091	224,335
Loans and receivables	8	55,486	54,571	38,473
Associated companies	10	56,314	50,522	49,404
Reinsurance/retakaful assets	11	212,743	147,928	123,897
Insurance/takaful receivables	12	68,804	81,556	68,575
Trade and other receivables	13	257,590	209,833	39,666
Tax recoverable		3,617	3,563	4,712
Deferred tax assets	14	558	784	2,133
Cash and cash equivalents	15	141,717	177,252	252,579
Assets classified as held for sale	16	1,015	1,589	7,597,399
Total assets		1,259,356	1,130,031	8,583,785
Equity, policyholders' fund and liabilities				
Liabilities				
Insurance/takaful contract liabilities	17	600,929	508,490	522,410
Investment contract liabilities	18	11,289	17,756	40,538
Borrowings				
- Medium Term Notes (secured)	19	-	-	170,000
- Revolving credit (secured)	20	-	-	36,300
- Bank overdrafts (unsecured)	21	4,335	9,232	9,905
Insurance/takaful payables	22	101,543	96,092	65,388
Trade and other payables	23	74,659	81,921	79,829
Current tax liabilities		6,373	3,418	631
Deferred tax liabilities	14	6,110	5,155	3,322
Liabilities directly associated with assets classified as held for sale	16	-	-	7,363,214
Total liabilities		805,238	722,064	8,291,537
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital	24	304,354	304,354	304,354
Retained earnings/(accumulated losses)	25	118,734	76,257	(38,460)
Reserves	25	4,316	(616)	(981)
Total equity attributable to owners of the Company		427,404	379,995	264,913
Non-controlling interests		26,714	27,972	27,335
Total equity		454,118	407,967	292,248
Total equity, policyholders' fund and liabilities		1,259,356	1,130,031	8,583,785

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

COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets				
Property, plant and equipment	4	2,316	1,176	1,784
Intangible assets	6	181	176	57
Investments	7	1,760	1,168	9,866
Available-for-sale financial assets		1,664	-	4,658
Loans and receivables	8	96	1,168	5,208
Subsidiary companies	9	126,972	134,727	283,853
Associated companies	10	100	100	100
Trade and other receivables	13	251,029	199,715	64,568
Tax recoverable		1,933	1,932	2,841
Cash and cash equivalents	15	6,141	6,946	47,934
Assets classified as held for sale	16	-	-	110,981
Total assets		390,432	345,940	521,984
Equity and liabilities				
Liabilities				
Borrowings				
- Medium Term Notes (secured)	19	-	-	170,000
- Revolving credit (secured)	20	-	-	36,300
Trade and other payables	23	4,527	5,083	11,361
Deferred tax liabilities	14	131	11	19
Total liabilities		4,658	5,094	217,680
Equity				
Share capital	24	304,354	304,354	304,354
Retained earnings/(accumulated losses)	25	79,756	36,492	(1,048)
Reserves	25	1,664	-	998
Total equity		385,774	340,846	304,304
Total equity and liabilities		390,432	345,940	521,984

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

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	GROUP 31.12.2012 RM'000	GROUP Restated 31.12.2011 RM'000	COMPANY 31.12.2012 RM'000	COMPANY 31.12.2011 RM'000
CONTINUING OPERATIONS					
Gross earned premiums/contributions	27(a)	431,418	362,203	-	-
Premiums/contributions ceded to reinsurers/retakaful	27(b)	(188,697)	(151,085)	-	-
Net earned premiums/contributions		242,721	211,118	-	-
Investment income	28	22,416	19,471	5,249	3,360
Realised gains and losses	29	15,166	10,579	1	-
Fair value gains and losses - net	30	12,220	(17,850)	176	(3,836)
Fee and commission income	31	37,365	32,318	-	-
Other operating revenue from non-insurance businesses	32	43,908	43,497	1,866	4,325
Other revenue		131,075	88,015	7,292	3,849
Gross benefits and claims paid	33(a)	(184,744)	(133,311)	-	-
Claims ceded to reinsurers/retakaful	33(b)	81,893	67,477	-	-
Gross change to contract liabilities	33(c)	(113,656)	(27,430)	-	-
Change in contract liabilities ceded to reinsurers/retakaful	33(d)	66,590	17,440	-	-
Net insurance/takaful benefits and claims		(149,917)	(75,824)	-	-
Fee and commission expense		(95,662)	(86,076)	-	-
Management expenses	34	(121,892)	(89,837)	(19,594)	(17,582)
Other operating expenses - net	35	(15,389)	(15,317)	(88)	(171,736)
Finance costs	36	(420)	(14,428)	(2)	(13,567)
Other expenses		(233,363)	(205,658)	(19,684)	(202,885)
Share of loss of associated companies, net of tax		(665)	(350)	-	-
Loss/(profit) before taxation		(10,149)	17,301	(12,392)	(199,036)
Taxation of life insurance, general takaful and family takaful businesses		(5,804)	(2,080)	-	-
Surplus after taxation/profit/(loss) before taxation		(15,953)	15,221	(12,392)	(199,036)
Surplus attributable to participants		(9,192)	(6,222)	-	-
Surplus retained in life insurance fund		-	(1,453)	-	-
(Loss)/profit before taxation		(25,145)	7,546	(12,392)	(199,036)
Taxation	37	(3,664)	(4,927)	(120)	8
Zakat		(226)	(188)	-	-
(Loss)/profit for the financial year from continuing operations		(29,035)	2,431	(12,512)	(199,028)

		GROUP		COMPANY	
	Note	31.12.2012 RM'000	Restated 31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
DISCONTINUED OPERATIONS					
Profit before taxation	38	64,313	135,133	55,776	236,568
Taxation	37	(153)	(23,424)	-	-
Profit for the financial year from discontinued operations	38	64,160	111,709	55,776	236,568
Profit for the financial year		35,125	114,140	43,264	37,540
Profit/(loss) for the financial year attributable to:					
- Owners of the Company		42,477	114,717	43,264	37,540
- Non-controlling interests		(7,352)	(577)	-	-
		35,125	114,140	43,264	37,540
Gross dividends per share (sen)	39	-	-	-	-
Basis earnings/(loss) per ordinary share attributable to Owners of the Company (sen):					
- Continuing operations	40	(7.12)	0.99		
- Discontinued operations	40	21.08	36.70		
		13.96	37.69		

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		GROUP		COMPANY	
	Note	31.12.2012 RM'000	Restated 31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Profit for the financial year		35,125	114,140	43,264	37,540
Other comprehensive income, net of tax:					
Foreign currency translation differences	25	3,950	216	-	-
Fair value gain/(loss) of available-for-sale financial assets, net of tax	25	767	149	1,664	(998)
Fair value gain on revaluation of leasehold lands	25	215	-	-	-
Other comprehensive income/(loss) for the financial year, net of tax		4,932	365	1,664	(998)
Total comprehensive income for the financial year		40,057	114,505	44,928	36,542
Total comprehensive income for the financial year attributable to:					
- Owners of the Company		47,409	115,082	44,928	36,542
- Non-controlling interests		(7,352)	(577)	-	-
		40,057	114,505	44,928	36,542
Total comprehensive income for the financial year attributable to owners of the Company:					
- Continuing operations		(16,751)	3,373	44,928	36,542
- Discontinued operations		64,160	111,709	-	-
		47,409	115,082	44,928	36,542

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Attributable to owners of the Company					
	Note	Share capital RM'000	(Accumulated losses)/ retained earnings RM'000	Reserves RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2011							
- as previously stated		304,354	(16,728)	(981)	286,645	33,339	319,984
- prior year adjustments	43	-	(21,732)	-	(21,732)	(6,004)	(27,736)
		304,354	(38,460)	(981)	264,913	27,335	292,248
Profit for the financial year							
- as previously stated		-	125,769	-	125,769	974	126,743
- prior year adjustments	43	-	(11,052)		(11,052)	(1,551)	(12,603)
		-	114,717	-	114,717	(577)	114,140
Other comprehensive income for the financial year	25	-	-	365	365	-	365
Total comprehensive income for the financial year		-	114,717	365	115,082	(577)	114,505
Transactions with non-controlling interests		-	-	-	-	1,214	1,214
At 31 December 2011		304,354	76,257	(616)	379,995	27,972	407,967
At 1 January 2012							
- as previously stated		304,354	109,041	(616)	412,779	35,527	448,306
- prior year adjustments	43	-	(32,784)	-	(32,784)	(7,555)	(40,339)
		304,354	76,257	(616)	379,995	27,972	407,967
Profit for the financial year		-	42,477	-	42,477	(7,352)	35,125
Other comprehensive income for the financial year	25	-	-	4,932	4,932	-	4,932
Total comprehensive income for the financial year		-	42,477	4,932	47,409	(7,352)	40,057
Transactions with non-controlling interests		-	-	-	-	6,094	6,094
At 31 December 2012		304,354	118,734	4,316	427,404	26,714	454,118

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

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

			Non-distributable	Distributable	
	Note	**Share capital RM'000**	**Reserves RM'000**	**(Accumulated losses)/ retained earnings RM'000**	**Total equity RM'000**
At 1 January 2011		304,354	998	(1,048)	304,304
Profit for the financial year		-	-	37,540	37,540
Other comprehensive loss for the financial year	25	-	(998)	-	(998)
Total comprehensive income for the financial year		-	(998)	37,540	36,542
At 31 December 2011		304,354	-	36,492	340,846
At 1 January 2012		304,354	-	36,492	340,846
Profit for the financial year		-	-	43,264	43,264
Other comprehensive income for the financial year	25	-	1,664	-	1,664
Total comprehensive income for the financial year		-	1,664	43,264	44,928
At 31 December 2012		304,354	1,664	79,756	385,774

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

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000
(Loss)/profit for the financial year from continuing operations		(29,035)	2,431
General takaful and Family takaful fund surplus after taxation		16,608	20,433
Investment income		(22,416)	(19,471)
Realised gains and losses		(15,166)	(10,579)
Fair value gains and losses		(12,220)	17,850
Finance costs		420	14,428
Proceeds from disposal of investment properties		-	450
Purchases of financial assets		(185,655)	(313,866)
Proceeds from disposal of financial assets		133,955	310,077
Decrease in loans and receivables		(2,469)	(16,098)
Non-cash items:			
Depreciation of property, plant and equipment		3,654	1,622
Amortisation of leases		2	-
Amortisation of intangible assets		1,996	1,915
Allowance for/(write-back of) impairment on insurance receivables		1,546	(1,562)
Allowance for impairment loss on trade and other receivables		41	176
Bad debts written off		166	6
Amortisation of capitalised MTNs issues expenses		-	1,949
Tax expense		9,468	7,007
Changes in working capital:			
Increase in reinsurance assets		(64,815)	(24,031)
Decrease/(increase) in insurance receivables		10,440	(11,419)
(Increase)/decrease in trade and other receivables		(52,896)	8,306
Increase/(decrease) in insurance contract liabilities		101,091	(34,353)
Decrease in investment contract liabilities		(6,467)	(22,782)
Increase in insurance payables		5,600	30,704
Increase in trade and other payable		2,719	3,656
Cash utilised in operating activities		(103,433)	(33,151)
Investment income received		17,129	20,059
Finance cost paid		(420)	(14,291)
Income tax paid		(3,302)	(227)
Net cash outflow from operating activities (continuing operations)		(90,026)	(27,610)
Net cash inflow from operating activities (discontinued operations)		68,471	110,016
Investing activities:			
Proceeds from disposal of property plant and equipment		172	623
Purchase of property plant and equipment		(17,409)	(6,910)
Purchase of intangible assets		(1,395)	(2,361)
Net cash inflow/(outflow) from disposal of discontinued operations, net of transaction costs, deferred consideration and cash disposed	41	10,984	(557,851)
Net cash outflow from investing activities (continuing operations)		(7,648)	(566,499)
Net cash outflow from investing activities (discontinued operations)		(1,435)	(3,536)
Financing activities:			
Repayment of medium-term notes		-	(170,000)
Repayment of from revolving credit		-	(36,300)
Net cash outflow from financing activities (continuing operations)		-	(206,300)
Net cash outflow from financing activities (discontinued operations)		-	-
Net decrease in cash and cash equivalents (continuing operations)		(97,674)	(800,409)
Net increase in cash and cash equivalents (discontinued operations)		67,036	106,480
Cash and cash equivalents at beginning of financial year		168,020	861,949
Cash and cash equivalents at end of financial year	15	137,382	168,020

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

COMPANY STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000
Profit for the financial year		43,264	37,540
Investment income		(5,249)	(3,360)
Realised gains and losses		(55,777)	(236,568)
Fair value gains and losses		(176)	3,836
Allowance for impairment loss on investments in subsidiary companies		2,350	126,106
(Write-back of)/allowance for impairment loss on amounts due from subsidiary companies		(2,245)	46,541
Finance costs		2	13,567
Decrease in loans and receivables		1,072	4,040
Non-cash items:			
Depreciation of property, plant and equipment		410	317
Property, plant and equipments written off		179	3
Amortisation of intangible assets		64	88
Amortisation of capitalised MTNs issues expenses		-	1,949
Tax expenses/(income)		120	(8)
Changes in working capital:			
Decrease in trade and other receivables		11,628	5,052
Decrease in amounts due from subsidiary and associated companies		5,414	16,469
Decrease in trade and other payable		(556)	(6,414)
Cash generated from operating activities		500	9,158
Interest income received		319	456
Finance cost paid		(2)	(13,431)
Income tax (paid)/refund		(1)	909
Net cash inflow/(outflow) from operating activities		816	(2,908)
Investing activities:			
Proceeds from disposal of property, plant and equipment		126	156
Proceeds from disposal of intangible assets		1	-
Proceeds from disposal of subsidiary company, net of transaction costs and deferred consideration	41(a)	-	168,315
Proceeds from disposal of an associated company		14	-
Purchase of property, plant and equipment		(1,692)	(44)
Purchase of intangible assets		(70)	(207)
Net cash (outflow)/inflow from investing activities		(1,621)	168,220
Financing activities:			
Repayment of medium-term notes		-	(170,000)
Repayment of revolving credit		-	(36,300)
Net cash outflow from financing activities		-	(206,300)
Net decrease in cash and cash equivalents		(805)	(40,988)
Cash and cash equivalents at beginning of financial year		6,946	47,934
Cash and cash equivalents at end of financial year	15	6,141	6,946

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 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, other than the significant events disclosed in Note 54 to the financial statements.

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

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

Registered office

12th Floor, No.566
Jalan Ipoh
51200 Kuala Lumpur

Principal place of business

13th Floor, No.566
Jalan Ipoh
51200 Kuala Lumpur

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 April 2013.

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.

2.1 Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and comply with the requirements of the Companies Act,1965 in Malaysia.

The financial statements of the Group and Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, 'First-time Adoption of MFRS'. Subject to certain transition adjustments as disclosed in Note 43 to the financial statements, the Group and Company have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2011 (transition date) and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Note 43 to the financial statements discloses the impact of the transition to MFRS on the Group and Company's reported financial position, financial performance and cash flows. The comparative statements of financial position as at 31 December 2011, comparative statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended have been audited under the previous financial reporting framework, Financial Reporting Standards ("FRS") in Malaysia.

The financial statements of the Group and Company have been prepared under the historical cost convention, as modified by the valuation of investment properties at fair value, remeasurement at fair value of available-for-sale financial assets, and financial assets held at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Going concern of a subsidiary company

In preparing the financial statements of the Group for the financial year ended 31 December 2012, the Directors of the Company have taken into consideration the financial position of PT MAA General Assurance ("PT MAAG"), an 83% owned subsidiary company in Indonesia.

As at 31 December 2012, PT MAAG reported a shareholders' deficit position of RM55.7 million. In addition, PT MAAG received a letter from the Ministry of Finance of Indonesia ("MOF") on 28 December 2012 requiring it to comply with the minimum solvency margin using the Risk Based Capital basis of at least 120% for risk of loss that might arise from the deviation of assets and liabilities management. PT MAAG also received a sanction from the MOF to restrict it from writing new business until the shortfall in the capital from the minimum requirement of Indonesia Rupiah 70 million (equivalent of RM22 million) is addressed. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of PT MAAG to continue as a going concern.

On 23 April 2013, the Directors of the Company discussed and approved in principle the proposed disposal of its entire interest in PT MAAG. The Company has been in discussions with an interested party; however, the terms and conditions of the contemplated sales and purchase agreement have yet to be finalised. In view of the plans to address the going concern status of PT MAAG via the disposal and the ongoing discussions with the third party, the Directors of the Company are of the view that it is appropriate to prepare the financial statements of PT MAAG and the Group on a going concern basis.

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

The Group and Company will apply the new standards, amendments to standards and interpretations in the following periods:

(i) Financial years beginning on/after 1 January 2013

- MFRS 10, 'Consolidated Financial Statements' (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power in the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127, 'Consolidated and Separate Financial Statements' and IC Interpretation 112, 'Consolidation – Special Purpose Entities'.

- MFRS 12, 'Disclosures of Interests in Other Entities' (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128, 'Investments in Associates'. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13, 'Fair Value Measurement' (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127, 'Consolidated and Separate Financial Statements' (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS10.

- The revised MFRS 128, 'Investment in Associates and Joint Ventures' (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

- Amendment to MFRS 101, 'Presentation of Items of Other Comprehensive Income' (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ('OCI') in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- Amendment to MFRS 119, 'Employee Benefits' (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

- Amendment to MFRS 7, 'Financial Instruments: Disclosures' (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Group and Company will apply the new standards, amendments to standards and interpretations in the following periods: (continued)

(ii) Financial years beginning on/after 1 January 2014

- Amendment to MFRS 132, 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(iii) Financial years beginning on/after 1 January 2015

- MFRS 9, 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities' (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ('FVTPL'). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The Group and Company are presently assessing the implication of adopting the above standards, amendments to published standards and interpretations to existing standards onto the prevailing accounting policies.

2.2 Basis of consolidation

(a) Subsidiary companies

Subsidiary companies are all entities over which the Group and Company has the power to govern the financial and operating policies 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the successive acquisition dates at each stage, and the changes in fair value is taken through the income statement.

Profit or loss and each component of other comprehensive income of the subsidiaries are attributed to the parent and the non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

(a) Subsidiary companies (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in income statements.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiary companies are changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiary companies

When the Group ceases to have control over a subsidiary company, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statements.

(d) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss (see accounting policy in Note 2.9 on impairment of non-financial assets).

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associated companies are recognised in the income statement.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associated company' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies are changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Investments in subsidiary and associated companies

In the Company's separate financial statements, investments in subsidiary companies and associated companies are carried at cost less accumulated impairment losses. On disposal of investments in subsidiary and associated companies, the difference between disposal proceeds and the carrying amounts of the investments is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee that makes strategic decisions.

2.5 Foreign currencies

(a) 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 environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

For translation differences on financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets, refer to Note 2.11(c).

(c) 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 statement of comprehensive income or separate income statement presented 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 other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to the income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in income statements. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment ("PPE")

(a) Cost

PPE are initially stated at cost. Land are subsequently shown at fair value, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. 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 PPE are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of PPE initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.19 on borrowing costs).

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

(b) Depreciation and residual value

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 PPE are depreciated on a straight line basis to allocate 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
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, and adjusted if appropriate, at the end of each reporting date.

(c) Impairment

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 in Note 2.9 on impairment of non-financial assets).

(d) Gains and losses on disposals

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are credited or charged to the income statements.

(e) Revaluation reserves

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as a revaluation surplus reserve, except that for the life insurance business, such revaluation surplus are reported as a separate component of insurance contract liabilities. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in income statement. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset, 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. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statements, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

The revaluation surplus included in equity is transferred directly to retained earnings when the asset is retired or disposed of.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

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.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Management rights

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

(c) Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. 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 the straight line method over their estimated useful lives, ranging between 5 to 10 years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of 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.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.10 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 when their carrying amounts are to be recoverable principally through a sale transaction and the sale is considered highly probable. They are stated at the lower of carrying amounts and fair values less costs to sell.

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.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: financial assets 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 financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

The Group classifies financial assets 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. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

In addition, certain financial assets are designated at initial recognition at fair value through profit or loss when one of the designation criteria is met:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- The item is a hybrid contract that contains one or more embedded derivatives.

Assets in this category are classified as current assets.

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.

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. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, they are classified as non-current assets.

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. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair values plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair values, and the transaction costs are expensed in the income statement.

(c) Subsequent measurement – Gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair values. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in the income statement in the period in which the changes arise.

Changes in the fair values of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.11(d)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the income statement, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change. However, for general takaful business and family takaful business, such fair value gains or losses are reported as a separate component of insurance contract liabilities until the investment is derecognised.

Interest and dividend income on available-for-sale financial assets are recognised separately in the income statement. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the income statement. Dividend income on available-for-sale equity instruments are recognised in the income statement when the Group's/Company's right to receive payments is established.

(d) Subsequent measurement – Impairment of financial assets

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/Company first assesses at each reporting date whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group/Company 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/Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 asset's carrying amount 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.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(d) Subsequent measurement – Impairment of financial assets (continued)

Available-for-sale financial assets

The Group/Company assesses at the end of the 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 is also considered as an indicator that the financial assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised in equity is transferred from equity through the statement of comprehensive income or from insurance contract liabilities to the income statement. The amount of cumulative loss that is reclassified to the income statement is 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 classified as available-for-sale are not subsequently reversed through the income statement.

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.

(e) Derecognition

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

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the income statement.

2.12 Financial instruments

Description

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

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

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

Recognition method

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.13 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.

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, correlation, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Fair value of financial instruments (continued)

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.

2.14 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 the net realisable value for 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.

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.

2.15 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.

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 2.11(d) on subsequent measurement for impairment of financial assets.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.11(e) on derecognition of financial assets have been met.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Operating leases

Leases of assets where a significant portion of the risks and rewards of ownerships 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 lease period.

2.18 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount (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.

2.20 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities 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.

2.21 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/Company 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.

2.22 Contingent liabilities and contingent assets

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

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

2.23 Provisions

Provisions are recognised when the Group/Company 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.

2.24 Employee benefits

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

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period 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.

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

2.25 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Share capital

(a) Classification

The Company has issued ordinary shares that are classified as equity.

(b) Share issue expenses

Incremental external costs that are directly attributed to the issue of these shares are recognised in equity, net of tax.

(c) Dividend distribution

Dividends on ordinary shares are recognised as liabilities 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.

2.27 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/takaful contracts are those contracts that transfer significant insurance risk. An insurance/takaful 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/takaful contract, it remains an insurance/takaful 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/takaful contracts after inception if insurance risk becomes significant.

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:
  - performance of a specified pool of contracts or a special type of contract
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - 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.

Life insurance/family takaful contract 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 respective subsidiary company's actual experience.

For financial options and guarantees which are not closely related to the host insurance/takaful 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/takaful contract and/or investment contract with DPF, or if the host insurance/takaful contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance/takaful 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.

Insurance risk is considered to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance/takaful contract in force.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Reinsurance/Retakaful

The Group cedes insurance risk in the normal course of business for most of its businesses. Reinsurance/retakaful assets represent balances due from reinsurance/retakaful 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/retakaful contracts.

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

Reinsurance/retakaful 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/retakaful 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/retakaful are recognised in the income statement immediately at the date of purchase and are not amortised.

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

2.29 Insurance contracts - Life insurance business

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

Reinsurance/retakaful 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.

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.

<u>Gross premiums</u>

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.

<u>Reinsurance premiums</u>

Gross reinsurance premiums are recognised as expenses when payable or on the date on which the policies are effective.

<u>Benefits, claims and expenses</u>

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Insurance contracts - Life insurance business (continued)

Benefits, claims and expenses (continued)

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

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premiums 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.

2.30 Insurance contracts - General insurance business

The general insurance underwriting results are determined for each class of business after taking into account reinsurance premiums, 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

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 expenses 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.

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; and

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Insurance contracts - General insurance business (continued)

Claims and expenses

A liability for outstanding claim 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.

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.

2.31 Takaful contracts - 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 surpluses 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 contributions, wakalah fee, unearned contributions reserves and claims incurred.

Any deficit in the General takaful fund 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.

Provision for outstanding claims

A liability for outstanding claim is recognised in respect of both direct takaful and inward retakaful. 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 and incurred but not reported ("IBNR") at the reporting date based on an actuarial valuation by an independent qualified actuary.

Commission and agency expenses

Commission and agency expenses which are costs directly incurred in securing contributions on takaful certificates, net of commission income derived from retakaful in the course of ceding of contributions, are charged to the income statement of the General takaful business as part of Wakalah fees payable to the Shareholders' fund in the financial year in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Takaful 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 surpluses 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.

<u>Gross contributions</u>

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 payments to increase the amount of those contracts. Net creation of units is recognised on a receipt basis.

<u>Retakaful contributions</u>

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

<u>Provision for outstanding claims</u>

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;

(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.

2.33 Insurance/takaful 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 benefit liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of participating insurance contracts 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Insurance/takaful contract liabilities (continued)

(i) Life actuarial liabilities (continued)

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.

The Group also performs a liability adequacy test assessment in accordance with MFRS 4 Insurance Contracts.

(ii) Surpluses in insurance contracts

Surpluses in DPF insurance contracts are distributable to policyholders and shareholders in accordance with the relevant terms and upon advice and the recommendation of the respective insurance subsidiary company's appointed actuary. The insurance subsidiary companies, however, have the discretion over the amount and timing of these surpluses to policyholders and shareholders. Surpluses on non-DPF insurance contracts are attributable wholly to the shareholders, and the amount and timing of the distribution to the shareholders is subject to the advice of the appointed actuaries.

(iii) Family takaful contract liabilities

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

Liability adequacy test is performed at 75th percentile sufficiency level, in line with BNM's new valuation guidelines on Family takaful business and the requirements of MFRS 4 Insurance Contracts. 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 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 derecognised 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 claim 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 are recognised. The liabilities are derecognised when the contract expires, are discharged or are 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)

2.33 Insurance/takaful 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 engages independent external actuaries to perform the claim liabilities estimation. A number of methods are employed initially in the estimation of ultimate claim 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 are 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 is also incorporated into the ultimate claim estimates. The provision for adverse deviation is set at 75 per cent confidence level Group-wide.

2.34 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 accounting policy in Note 2.11 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.

2.35 Management expenses, commission expenses and wakalah fees

Acquisition costs, commissions and management expenses (collectively known as "wakalah fees") 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.

2.36 Qardhul Hassan

Qardhul Hassan is stated at cost in the Shareholders' fund of the takaful subsidiary company. At each date of the statement of financial position, the Shareholders' fund assesses whether there is any indication of impairment. If such indication exists, 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, as set out in Note 2.9 to the financial statements.

Takaful payable balances reported by the takaful funds are stated at cost.

2.37 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 loan and 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)

2.37 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 service 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 sale proceeds and the carrying value at date of disposal 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.

2.38 Current and deferred income tax

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in the income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity respectively.

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 in the countries where the Group's subsidiary and associated companies operate and generate taxable income, and any adjustments to tax payable in respects of prior financial years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations and makes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities using an expected value (weighted average probability) approach.

Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates (tax laws) that have been enacted or substantively enacted at the end of the reporting date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.38 Current and deferred income tax (continued)

Deferred tax (continued)

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.

2.39 Zakat

Zakat represents tithes payable by the takaful subsidiary company 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 takaful subsidiary company for the financial year.

2.40 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 JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Critical accounting estimates and assumptions

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

(i) Valuation of general insurance and general takaful contract liabilities

The estimation of claims liabilities or equivalently, the ultimate claims liabilities arising from claims made under an insurance/takaful 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 at the statement of financial position.

The Group engages independent external actuaries to perform the claims liabilities estimation. A number of methods are 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 are 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 is also incorporated into the ultimate claims estimates.

Due to the fact that the ultimate claims liabilities are 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 liabilities. 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 JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(ii) Actuarial liabilities for Family takaful fund

For Family takaful plans, the actuarial liabilities are determined by the Appointed Actuary and are 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. Future deficits are reserved on a present value basis using the risk free spot rates of return and claims assumptions are determined at a 75% sufficiency level.

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.

A provision for certificates, currently under waiver of contributions, estimated at the present value of future gross contributions has also been made.

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

This fund consists of four products, Cancer Care, SmartMedic, Term 80 and Takafulife Series.

Cancer Care is a guaranteed renewable medical takaful product with an additional death benefit. The contribution reserve is calculated at 100% of unearned gross cancer tabarru' using 1/24th method. For the death benefit, the valuation reserve is calculated using M9903 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 for funeral expense, which is payable upon death due to all causes. The contribution reserve is calculated at 100% of unearned gross medical tabarru'. Reserve for funeral expense benefit is calculated at 100% of unearned gross funeral expense tabarru' using 1/24th method. An additional provision for 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 65% retained portion after retakaful arrangement.

Term 80 and Takafulife Series are ordinary whole life and term plan respectively. The Tabarru' rates are dripped from the Participant Investment Account ("PIA") to the risk fund on a monthly basis. The UCR is calculated by taking half of the 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. Future deficits were reserved on a present value basis using the risk free spot rates of return and claims assumptions were determined at a 75% sufficiency level. In addition, 4 months of average claims are set aside for IBNR.

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 is 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 GPV. The present value of future benefits is discounted at spot rates using M9903 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.

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

(a) Critical accounting estimates and assumptions (continued)

(iii) Estimation of gain on disposal of subsidiary companies

In the previous financial year ended 31 December 2011, the Group and Company recognised a gain on disposal of RM83.2 million and RM236.6 million respectively as disclosed in Note 41(a) to the financial statements from sale of the Disposed Subsidiaries as disclosed in Note 54(a) to the financial statements. The gain on disposal of the Disposed Subsidiaries was estimated after taking into consideration the following:

- Total cash consideration of RM344.0 million;
- The exclusion of an amount of RM69.7 million held back to address certain issues relating to the satisfaction and fulfillment of certain condition precedents in the SPA with Zurich; and
- An upward adjustment of RM86.0 million for the Group and RM85.1 million for the Company to the sale consideration of RM344.0 million, being the difference between the aggregate net asset value of the Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011, prepared by Zurich as provided under the terms of the SPA.

During the current financial year ended 31 December 2012, the Group and Company recognised an additional gain of RM56.0 million from the sale of the Disposed Subsidiaries, arising from receipt of a held back sum upon satisfaction of certain conditions precedent in the SPA in respect of Prima Avenue Klang property and Mithril's RCSLS totalling RM50.7 million, and an overstatement of RM5.3 million in the Life fund liabilities of MAA in the draft completion accounts as confirmed by Zurich.

As disclosed in Note 54(a) to the financial statements, the Company has submitted notifications of disputes to Zurich to disagree certain downward adjustments made to the draft completion accounts and the statement of aggregate net assets value of the Disposed Subsidiaries. Should there be positive adjustments to the draft completion accounts and statement of aggregate net assets of the Disposed Subsidiaries arising from the submitted dispute notifications, the final gain on disposal of the Disposal Subsidiaries may be higher than the amounts presently recognised.

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

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group and Company.

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

4 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold and leasehold land RM'000	Freehold and leasehold buildings RM'000	Plant and machinery RM'000	Furniture, fittings, and equipment RM'000	Motor vehicles RM'000	Reno-vation RM'000	Assets under con-struction RM'000	Total RM'000
Cost								
At January 2010	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 (Note 16(A), (B))	(62,812)	(251,589)	-	(72,688)	(4,671)	(56,541)	(5,625)	(453,926)
Transferred to investment properties (Note 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 / 1 January 2011	-	-	189	11,612	12,364	3,713	-	27,878
Additions	-	-	4	4,786	1,330	790	-	6,910
Arising from the disposed subsidiary companies	-	-	-	(2,211)	(1,432)	(354)	-	(3,997)
Disposals	-	-	(170)	(457)	(2,083)	(586)	-	(3,296)
Write-off	-	-	(23)	(53)	(299)	(10)	-	(385)
Currency translation differences	-	-	-	-	18	-	-	18
At 31 December 2011 / 1 January 2012	-	-	-	13,677	9,898	3,553	-	27,128
Additions	-	-	-	11,683	1,282	4,444	-	17,409
Arising from the acquired subsidiary companies	2,187	-	-	10,494	135	217	-	13,033
Arising from the disposed subsidiary companies	-	-	-	(3,544)	(5,593)	(1,371)	-	(10,508)
Revaluation surplus	213	-	-	-	-	-	-	213
Disposals	-	-	-	(68)	(402)	-	-	(470)
Write-off	-	-	-	(1,688)	-	(1,272)	-	(2,960)
Currency translation differences	-	-	-	-	(13)	-	-	(13)
At 31 December 2012	2,400	-	-	30,554	5,307	5,571	-	43,832

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP

	Freehold and leasehold land RM'000	Freehold and leasehold buildings RM'000	Plant and machinery RM'000	Furniture, fittings, 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 2010	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 (Note 16(A), (B))	(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 / 1 January 2011	-	-	145	8,882	8,030	2,314	-	19,371
Charge for the financial year	-	-	-	965	878	371	-	2,214
Arising from the disposed subsidiary companies	-	-	-	(1,766)	(993)	(177)	-	(2,936)
Disposals	-	-	(130)	(267)	(1,721)	(359)	-	(2,477)
Write-off	-	-	(15)	(44)	(67)	(6)	-	(132)
Currency translation differences	-	-	-	(16)	(1)	(7)	-	(24)
At 31 December 2011 / 1 January 2012	-	-	-	7,754	6,126	2,136	-	16,016
Charge for the financial year	-	-	-	2,289	750	615	-	3,654
Arising from the acquired subsidiary companies	-	-	-	10,299	135	209	-	10,643
Arising from the disposed subsidiary companies	-	-	-	(3,116)	(3,570)	(1,190)	-	(7,876)
Disposals	-	-	-	(10)	(277)	-	-	(287)
Write-off	-	-	-	(1,487)	-	(847)	-	(2,334)
Currency translation differences	-	-	-	47	18	-	-	65
At 31 December 2012	-	-	-	15,776	3,182	923	-	19,881

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP

	Freehold and leasehold land RM'000	Freehold and leasehold buildings RM'000	Plant and machinery RM'000	Furniture, fittings, and equipment RM'000	Motor vehicles RM'000	Reno-vation RM'000	Assets under con-struction RM'000	Total RM'000
Accumulated impairment loss								
At 1 January 2010	138	34,836	-	65	55	-	2,798	37,892
Allowance for the financial year	-	-	-	-	-	-	1,690	1,690
Transferred to assets classified as held for sale (Note 16(A), (B))	(138)	(30,105)	-	-	-	-	(1,690)	(31,933)
Disposals	-	(4,731)	-	-	-	-	-	(4,731)
Write-off	-	-	-	-	-	-	(2,798)	(2,798)
At 31 December 2010 / 1 January 2011	-	-	-	65	55	-	-	120
Allowance for the financial year	-	-	-	227	-	447	-	674
Disposals	-	-	-			(55)	-	(55)
At 31 December 2011 / 1 January 2012	-	-	-	292	-	447	-	739
Write-back during the financial year	-	-	-	(227)	-	(447)	-	(674)
At 31 December 2012	-	-	-	65	-	-	-	65
Net book value								
At 1 January 2011	-	-	44	2,665	4,279	1,399	-	8,387
At 31 December 2011	-	-	-	5,631	3,772	970	-	10,373
At 31 December 2012	2,400	-	-	14,713	2,125	4,648	-	23,886

As at 31 December 2012, the net book value of assets acquired under hire purchase agreements was Nil (31.12.2011: RM747,000, 1.1.2011: RM1,345,000).

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 2010	916	2,627	189	3,732
Additions	20	4	-	24
Disposals	(6)	(150)	-	(156)
Write-off	(20)	-	-	(20)
At 31 December 2010 / 1 January 2011	910	2,481	189	3,580
Additions	21	23	-	44
Disposals	(21)	(298)	(12)	(331)
Write-off	(39)	-	-	(39)
At 31 December 2011 / 1 January 2012	871	2,206	177	3,254
Additions	868	54	770	1,692
Disposals	-	(197)	-	(197)
Write-off	(543)	-	(177)	(720)
At 31 December 2012	1,196	2,063	770	4,029
Accumulated depreciation				
At 1 January 2010	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 / 1 January 2011	657	1,051	88	1,796
Charge for the financial year	75	224	18	317
Disposals	(18)	(146)	(11)	(175)
Write-off	(36)	-	-	(36)
At 31 December 2011 / 1 January 2012	678	1,129	95	1,902
Charge for the financial year	127	206	77	410
Disposals	-	(58)	-	(58)
Write-off	(446)	-	(95)	(541)
At 31 December 2012	359	1,277	77	1,713
Accumulated impairment loss				
At 31 December 2010 / 1 January 2011	-	-	-	-
Allowance for the financial year	94	-	82	176
At 31 December 2011 / 1 January 2012	94	-	82	176
Write-back during the financial year	(94)	-	(82)	(176)
At 31 December 2012	-	-	-	-
Net book value				
At 1 January 2011	253	1,430	101	1,784
At 31 December 2011	99	1,077	-	1,176
At 31 December 2012	837	786	693	2,316

As at 31 December 2012, the net book value of assets acquired under hire purchase agreements was Nil (31.12.2011: Nil, 1.1.2011: RM634,000).

5 INVESTMENT PROPERTIES

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At 1 January	11,175	11,601	570,165
Additions from acquisition	-	-	2,935
Additions from subsequent expenditure	-	-	2,158
Transferred from property, plant and equipment (Note 4)	-	-	16,500
Disposals	-	(425)	(45,289)
Fair value gain/(loss) – net (Note 30)	1,261	-	(22,043)
Currency translation differences	(804)	(1)	(538)
Transferred to assets classified as held for sale (Note 16(A))	-	-	(512,287)
At 31 December	11,632	11,175	11,601
Comprising:			
Leasehold land and buildings	11,632	11,175	11,601

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.

6 INTANGIBLE ASSETS

GROUP

	Management rights RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2010	7,000	17,908	24,908
Additions	-	3,397	3,397
Transferred from assets classified as held for sale	-	5,017	5,017
Transferred to assets classified as held for sale (Note 16(A))	-	(18,645)	(18,645)
At 31 December 2010 / 1 January 2011	7,000	7,677	14,677
Additions	-	2,361	2,361
Arising from the disposed subsidiary company	-	(320)	(320)
At 31 December 2011 / 1 January 2012	7,000	9,718	16,718
Additions	-	1,395	1,395
Disposals	-	(6)	(6)
At 31 December 2012	7,000	11,107	18,107

6 INTANGIBLE ASSETS (CONTINUED)

GROUP

	Management rights RM'000	Computer software RM'000	Total RM'000
Accumulated amortisation			
At 1 January 2010	2,199	10,190	12,389
Charge for the financial year	347	4,225	4,572
Transferred from assets classified as held for sale	-	3,495	3,495
Transferred to assets classified as held for sale (Note 16(A))	-	(14,050)	(14,050)
At 31 December 2010 / 1 January 2011	2,546	3,860	6,406
Charge for the financial year	347	1,568	1,915
Arising from the disposed subsidiary company	-	(64)	(64)
At 31 December 2011 / 1 January 2012	2,893	5,364	8,257
Charge for the financial year	347	1,649	1,996
Disposals	-	(5)	(5)
At 31 December 2012	3,240	7,008	10,248
Net carrying amount			
At 1 January 2011	4,454	3,817	8,271
At 31 December 2011	4,107	4,354	8,461
At 31 December 2012	3,760	4,099	7,859

COMPANY

	Computer Software		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cost			
At 1 January	438	231	231
Additions	70	207	-
Disposals	(6)	-	-
At 31 December	502	438	231
Accumulated amortisation			
At 1 January	262	174	128
Charge for the financial year	64	88	46
Disposals	(5)	-	-
At 31 December	321	262	174
Net carrying amount	181	176	57

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

6 INTANGIBLE ASSETS (CONTINUED)

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 generate economic benefits exceeding costs beyond one year.

Management rights

Management rights represent the acquired rights to manage unit trust funds ("the Rights"). Pursuant to the Sale of Business Agreement dated 5 August 2003 between MAAKL Mutual Bhd ("MAAKL"), a then 70% owned subsidiary company of MAA Corporation Sdn Bhd which is in turn a wholly owned subsidiary company of the Company, and MBf Unit Trust Management Berhad ("MUTMB"), MAAKL acquired the Rights from MUTMB to manage four unit trust funds ("the Funds") managed by MUTMB. The Funds are MAAKL Equity Index Fund, MAAKL Value Fund, MAAKL Mutual Balanced Fund and MAAKL Syariah Index Fund. The effective date of the transfer of the management of the Funds was on 1 December 2003.

The Rights are amortised over a straight line basis, over a period of 20 years (31.12.2011: 20 years, 1.1.2011: 20 years), the period over which the Group expects to recognise the related revenue. The remaining expected unamortised period at the date of the statement of financial position is 11 (31.12.2011: 12, 1.1.2011: 13) years.

7 INVESTMENTS

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Malaysian Government Guaranteed Financing	54,243	20,872	10,631	-	-	-
Corporate debt securities	4,432	14,007	46,495	-	-	-
Islamic debt securities	177,017	173,724	164,633	-	-	-
Equity securities	173,395	141,915	128,692	1,664	-	4,658
Unit trusts	9,048	13,660	20,520	-	-	-
Investment-linked units	-	8,246	7,717	-	-	-
Loans	9,199	10,407	30,464	96	139	192
Fixed and call deposits with licensed banks	46,287	44,164	8,009	-	1,029	5,016
	473,621	426,995	417,161	1,760	1,168	9,866

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

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Financial assets at fair value through profit or loss	201,800	171,333	154,353	-	-	-
Available-for-sale financial assets	216,335	201,091	224,335	1,664	-	4,658
Loans and receivables (Note 8)	55,486	54,571	38,473	96	1,168	5,208
	473,621	426,995	417,161	1,760	1,168	9,866

The following investments mature after 12 months:

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Financial assets at fair value through profit or loss	3,928	3,798	3,738	-	-	-
Available-for-sale financial assets	188,533	173,560	188,279	-	-	-
Loans and receivables (Note 8)	43,259	43,928	18,020	59	88	139
	235,720	221,286	210,037	59	88	139

7 INVESTMENTS (CONTINUED)

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(a) Financial assets at fair value through profit or loss						
Held-for-trading:						
Quoted:						
Equity securities	-	8,917	27,588	-	-	-
Unit trusts	1,965	2,283	4,737	-	-	-
Investment-linked units	-	8,246	5,240	-	-	-
Corporate debt securities	-	757	1,055	-	-	-
Unquoted:						
Investment-linked units	-	-	2,477	-	-	-
	1,965	20,203	41,097	-	-	-
Designated at fair value through profit or loss:						
Quoted:						
Equity securities	147,672	106,821	71,719	-	-	-
Corporate debt securities	3,928	3,798	3,759	-	-	-
Unquoted:						
Unit trusts	7,083	11,377	15,783	-	-	-
Unquoted:						
Islamic debt securities	41,152	29,134	21,995	-	-	-
	199,835	151,130	113,256	-	-	-
	201,800	171,333	154,353	-	-	-
(b) Available-for-sale financial assets						
Quoted:						
Equity securities	1,684	3,266	7,337	1,664	-	4,658
Corporate debt securities	-	6,831	40,321	-	-	-
Unquoted:						
Equity securities	24,039	22,911	22,048	-	-	-
Corporate debt securities	504	2,621	1,360	-	-	-
Unquoted:						
Islamic debt securities	135,865	144,590	142,638	-	-	-
Malaysian Government Guaranteed Financing	54,243	20,872	10,631	-	-	-
	216,335	201,091	224,335	1,664	-	4,658

7 INVESTMENTS (CONTINUED)

Carrying value of financial assets

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

GROUP

	Fair value through profit or loss RM'000	Available-for-sale RM'000	Total RM'000
At 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	-	3,660	3,660
Transferred from non-current assets held for sale	28,692	315,077	343,769
Dividend income capitalised	49	-	49
Fair value gain/(loss) recorded in:			
Income statement	200,362	-	200,362
Other comprehensive income	-	14,957	14,957
Insurance/takaful contract liabilities (Note 17)		128,166	128,166
Movement in impairment allowance	-	(3,803)	(3,803)
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(A))	(1,100,706)	(3,790,913)	(4,891,619)
At 31 December 2010 / 1 January 2011	154,353	224,335	378,688
Purchases	212,523	101,343	313,866
Disposals	(191,786)	(128,887)	(320,673)
Dividend income capitalised	52	-	52
Fair value gain/(loss) recorded in:			
Income statement (Note 30)	(2,342)	-	(2,342)
Other comprehensive income	-	416	416
Insurance/takaful contract liabilities (Note 17)	-	4,446	4,446
Movement in impairment allowance (Note 30)	-	(3,660)	(3,660)
Amortisation/interest adjustments	-	869	869
Currency translation differences	(1,467)	2,229	762
At 31 December 2011 / 1 January 2012	171,333	201,091	372,424
Purchases	102,466	83,189	185,655
Disposals	(76,406)	(67,327)	(143,733)
Fair value gain/(loss) recorded in:			
Income statement (Note 30)	4,408	-	4,408
Other comprehensive income	-	350	350
Insurance/takaful contract liabilities (Note 17)	-	(1,501)	(1,501)
Movement in impairment allowance (Note 30)	-	857	857
Amortisation/interest adjustments	-	105	105
Arising from disposed subsidiary company	(2)	-	(2)
Currency translation differences	1	(429)	(428)
At 31 December 2012	201,800	216,335	418,135

7 INVESTMENTS (CONTINUED)

Carrying value of financial assets (continued)

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

COMPANY

	Available-for-sale RM'000	Total RM'000
At 1 January 2010	-	-
Shares reclassified from associated company	3,660	3,660
Fair value loss recorded in other comprehensive income	998	998
At 31 December 2010 / 1 January 2011	4,658	4,658
Fair value loss recorded in other comprehensive income	(998)	(998)
Movement in impairment allowance (Note 30)	(3,660)	(3,660)
At 31 December 2011 / 1 January 2012	-	-
Fair value gain recorded in other comprehensive income	1,664	1,664
At 31 December 2012	1,664	1,664

Fair values of investments

The following tables show investments recorded at fair values 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 2012			
Quoted market price (Level 1)	165,330	1,684	167,014
Valuation techniques – market observable inputs (Level 2)	36,470	191,313	227,783
Valuation techniques – non-market observable inputs (Level 3)	-	23,338	23,338
	201,800	216,335	418,135
31 December 2011			
Quoted market price (Level 1)	130,569	12,214	142,783
Valuation techniques – market observable inputs (Level 2)	40,764	165,967	206,731
Valuation techniques – non-market observable inputs (Level 3)	-	22,910	22,910
	171,333	201,091	372,424
1 January 2011			
Quoted market price (Level 1)	113,834	48,529	162,363
Valuation techniques – market observable inputs (Level 2)	40,519	153,759	194,278
Valuation techniques – non-market observable inputs (Level 3)	-	22,047	22,047
	154,353	224,335	378,688

7 INVESTMENTS (CONTINUED)

Fair values of investments (continued)

The following tables show investments recorded at fair values analysed by the different basis of fair values: (continued)

COMPANY

	Available-for-sale RM'000	Total RM'000
Quoted market price (Level 1)		
31 December 2012	1,664	1,664
31 December 2011	-	-
1 January 2011	4,658	4,658

Included in the quoted market 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. These are considered as Level 1 investments.

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 the fair values of investments in structured products are obtained via investment bankers and/or fund managers are considered as Level 2 investments.

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, there 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. These are considered as Level 3 investments.

8 LOANS AND RECEIVABLES

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Loans arising from:						
Policy loans	-	709	710	-	-	-
Mortgage loans	96	139	187	96	139	187
Secured loans	4,406	4,101	1,878	-	-	-
Unsecured loans	3,371	365	640	-	-	5
	7,873	5,314	3,415	96	139	192
Loans from leasing, hire purchase and others	56,791	59,819	92,249	-	-	-
Less: Allowance for impairment	(55,465)	(54,726)	(65,200)	-	-	-
	1,326	5,093	27,049	-	-	-
Fixed and call deposits with licensed banks	46,287	44,164	8,009	-	1,029	5,016
	55,486	54,571	38,473	96	1,168	5,208

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.

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

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Receivables within 12 months:						
Net loans	8,846	9,008	12,444	37	51	53
Fixed and call deposits with licensed banks	3,381	1,635	8,009	-	1,029	5,016
	12,227	10,643	20,453	37	1,080	5,069
Receivables after 12 months:						
Net loans	353	1,399	18,020	59	88	139
Fixed and call deposits with licensed banks	42,906	42,529	-	-	-	-
	43,259	43,928	18,020	59	88	139
	55,486	54,571	38,473	96	1,168	5,208

The total loans portfolio net of allowance for impairment from leasing, hire purchase and others as at 31 December 2012 included non-performing loans ("NPL") amounting to approximately RM1,110,000 (31.12.2011: RM4,783,000, 1.1.2011: RM25,589,000). 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 2.14 to the financial statements and made additional allowance for impairment where appropriate.

The fair values of the collaterals held as at the statement of financial position date was RM4,367,000 (31.12.2011: RM24,843,000, 1.1.2011: RM28,201,000).

9 SUBSIDIARY COMPANIES

	COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Investment in subsidiary companies, at cost	255,428	255,428	255,428
Less: Accumulated impairment loss	(128,456)	(126,106)	-
	126,972	129,322	255,428
Amounts due from subsidiary companies	18,696	24,456	28,425
Less: Accumulated impairment loss	(18,696)	(19,051)	-
	-	5,405	28,425
	126,972	134,727	283,853

Amounts due from subsidiary companies of RM18,696,000 (31.12.2011: RM24,456,000, 1.1.2011: RM28,425,000) are akin to investments in subsidiary companies.

During the financial year, the Company recognised an additional impairment loss of RM1,995,000 (net of write-back of impairment loss of RM355,000) (31.12.2011: RM145,157,000, 1.1.2011: Nil). This impairment loss is included in Note 35 "Other Operating Income/(Expenses) - Net" to the financial statements, determined based on the Company's assessment of the fair value less cost to sell of those subsidiary companies under the Group's business rationalisation plans and the unexpected adverse cashflows from the subsidiary company engaged in investment holding, business of charge cards and other related cards and services. The fair value less cost to sell of those effected subsidiary companies was based on the proposed offer price and/or comparable market values of similar entities and operations.

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Group's effective interest 31.12.2012 %	Group's effective interest 31.12.2011 %	Principal activities
MAA Corporation Sdn Bhd ("MAA Corp")	Malaysia	100	100	Investment holding and property management
MAA Takaful Berhad	Malaysia	75	75	General takaful and Family takaful businesses
Subsidiary companies of MAA Corp				
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
MAA International Assurance Ltd	Labuan, Malaysia	100	100	Offshore insurance and reinsurance business
* MAAKL Mutual Bhd ("MAAKL")	Malaysia	55	55	Unit trust funds management
MAA Holdings (BVI) Ltd	British Virgin Islands	100	100	Providing insurance technical and financial consultancy services

9 SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest 31.12.2012 %	Group's effective interest 31.12.2011 %	Principal activities
Subsidiary companies of MAA Corp (continued)				
MAA Corporate Advisory Sdn Bhd	Malaysia	100	100	Providing corporate advisory and consultancy services
Wira Security Services Sdn Bhd (1)	Malaysia	-	100	Providing security services and trading in security equipment
# Meridian Asset Management Holdings Sdn Bhd (2)	Malaysia	-	51	Investment holding
MAA International Corporation Ltd	Malaysia	100	100	Investment holding
Chelsea Parking Services Sdn Bhd (3)	Malaysia	100	100	Operating, maintaining and managing car parks
MAA International Investments Ltd	Malaysia	100	100	Investment holding
Menang Bernas Sdn Bhd (4)	Malaysia	100	100	Restaurant operator
MAA Cards Sdn Bhd	Malaysia	100	100	Business of charge cards and other related cards and services
Subsidiary companies of MAA Corporate Advisory Sdn Bhd				
** MAACA Labuan Ltd ("MAACAL")	Labuan, Malaysia	51	51	Providing offshore corporate advisory and consultancy services
MAACA Corporate Services Sdn Bhd	Malaysia	100	100	Providing offshore corporate advisory and consultancy services
Subsidiary companies of Meridian Asset Management Holdings Sdn Bhd				
# Meridian Asset Management Sdn Bhd (2)	Malaysia	-	51	Fund management and investment and advisory services
# Meridian Asset Management (Asia) Ltd (2)	Malaysia	-	51	Fund management and investment and advisory services
Subsidiary companies of MAA International Assurance Ltd				
# P.T. MAA Life Assurance (1)	Indonesia	-	99.5	Life insurance business
# P.T. MAA General Assurance	Indonesia	83	83	General insurance business

9 SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest 31.12.2012 %	Group's effective interest 31.12.2011 %	Principal activities
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 companies of MAA International Corporation Ltd				
# MAA Corporate & Compliance Phils. Inc.	Philippines	100	100	Investment holding and providing management services
Subsidiary companies of MAA Credit Berhad				
# Pusat Tuisyen Kasturi Sdn Bhd (5)	Malaysia	70	-	Provision of education services and operations education tuition centres
# Keris Murni Sdn Bhd (5)	Malaysia	70	-	Provision of education services and operations education tuition centres
# Nilam Timur Sdn Bhd (5)	Malaysia	100	-	Dormant

* MAAKL is 55% owned by the Company, 20% owned by a company controlled by a Director of the Company and the balance 25% owned by certain Directors of MAAKL.

** MAACAL is 51% owned by the Company, 49% owned by a company controlled by a Director of the Company and a director of MAACAL and the immediate holding company, MAA Corporate Advisory Sdn Bhd.

Subsidiary companies not audited by PricewaterhouseCoopers.

(1) Subsidiary companies that were disposed during the financial year.

(2) Subsidiary companies that ceased to be subsidiaries and became associated companies during the financial year.

(3) Subsidiary company that ceased operations during the financial year.

(4) Subsidiary company that ceased operations in the previous financial year.

(5) Subsidiary companies that were acquired during the financial year.

10 ASSOCIATED COMPANIES

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost	72,027	64,589	63,121
Less: Accumulated impairment loss	(13,834)	(12,874)	(12,874)
	58,193	51,715	50,247
Dividend received	(186)	(165)	(165)
Share of post acquisition loss	(1,693)	(1,028)	(678)
	56,314	50,522	49,404

The Group's share of revenue, profit, assets and liabilities of associated companies are as follows:

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Revenue	194,760	50,955	59,017
Loss after taxation	(665)	(355)	(380)
Non-current assets	3,102,669	201,091	208,711
Current assets	293,797	156,412	229,253
Non-current liabilities	(3,145,392)	(201,518)	(211,401)
Current liabilities	(194,760)	(105,463)	(177,159)
Net assets	56,314	50,522	49,404

	COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost	100	100	100

The details of the associated companies are as follows:

Name of company	Country of incorporation	Group's effective interest 31.12.2012 %	Group's effective interest 31.12.2011 %	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
* Maybach Logistics Sdn Bhd (1)	Malaysia	-	45	Provision of transportation and logistics
Meridian Asset Management Holdings Sdn Bhd (2)	Malaysia	40	-	Investment holding
Associated company of MAA International Assurance Ltd				
MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business

10 ASSOCIATED COMPANIES (CONTINUED)

The details of the associated companies are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest 31.12.2012 %	Group's effective interest 31.12.2011 %	Principal activities
Associated company of Columbus Capital Singapore Pte Ltd				
Columbus Capital Pty Limited	Australia	48	46	Retail mortgage lending and loan securitisation
Subsidiary companies of Meridian Asset Management Holdings Sdn Bhd				
Meridian Asset Management Sdn Bhd (2)	Malaysia	40	-	Fund management and investment and advisory services
Meridian Asset Management (Asia) Ltd (2)	Malaysia	40	-	Fund management and investment and advisory services

* 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.

(1) Associated company that was disposed during the financial year.

(2) Held as subsidiary companies in the previous financial year.

11 REINSURANCE/RETAKAFUL ASSETS

	GROUP 31.12.2012 RM'000	GROUP 31.12.2011 RM'000	GROUP 1.1.2011 RM'000
Reinsurance/retakaful of insurance/takaful contracts (Note 17)	212,743	147,928	123,897

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

12 INSURANCE/TAKAFUL RECEIVABLES

	GROUP 31.12.2012 RM'000	GROUP 31.12.2011 RM'000	GROUP 1.1.2011 RM'000
Due premiums/contributions including agents, brokers and co-insurers/co-takaful balances	27,411	52,170	41,918
Due from reinsurers/retakaful and cedants	44,333	30,780	29,613
	71,744	82,950	71,531
Allowance for impairment	(2,940)	(1,394)	(2,956)
	68,804	81,556	68,575

13 TRADE AND OTHER RECEIVABLES

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Trade receivables of non-insurance subsidiary companies	2,346	7,649	5,980	-	-	-
Other receivables:						
Amounts due from subsidiary companies	-	-	-	23,323	18,695	59,945
Amounts due from associated companies	2,508	2,753	6,730	-	196	612
Investment income due and accrued	3,203	1,467	2,055	-	231	53
Manager's stocks	3,250	2,554	2,178	-	-	-
Outstanding proceeds from disposal of subsidiary companies	94,395	86,034	-	90,489	85,140	-
Proceeds from disposal of subsidiary companies deposited in escrow account	129,754	94,094	-	129,754	94,094	-
Other receivables, deposits and prepayments	22,134	15,282	22,723	7,463	1,359	3,958
	255,244	202,184	33,686	251,029	199,715	64,568
	257,590	209,833	39,666	251,029	199,715	64,568

Included in amounts due from subsidiary companies are interest-bearing advances to subsidiary companies amounting to RM23,323,000 (net of impairment of RM25,451,000) (31.12.2011: RM23,893,000, net of impairment of RM27,490,000. 1.1.2011: RM56,121,000, net of impairment of RM Nil). The interest-bearing advances bear interest rates ranging from 4.35% to 8.0% (31.12.2011: 4.35% to 8.0%, 1.1.2011: 4.35% to 8.0%) per annum and are repayable on demand. In the previous financial year ended 31 December 2011, the amounts were net of an amount due to a subsidiary company of RM5,538,000 (1.1.2011: RM Nil).

The outstanding proceeds from disposal of subsidiary companies of the Group and Company comprise of :

(i) an upward adjustment of RM91,383,000 (31.12.2011: RM86,034,000) and RM90,489,000 (31.12.2011: RM85,140,000) respectively to the sale consideration of RM344,000,000 as disclosed in Note 3(a)(iii) to the financial statements;

(ii) outstanding proceeds of RM3,012,000 from disposal of a subsidiary company as disclosed in Note 54(d) to the financial statements.

Under the terms and conditions of the SPA with Zurich, the proceeds from disposal of subsidiary companies deposited into an escrow account of the Group and the Company will remain in the escrow account for two (2) years from the date of completion of the disposal on 30 September 2011;

Included in other receivables, deposits and prepayments of the Group and Company was interest receivable of RM3,775,000 (31.12.2011: RM661,000) on the proceeds from disposal of subsidiary companies deposited in the escrow account. The deposit in the escrow account bears an interest rate at 2.75% (31.12.2011: 2.75%) per annum.

The fair value of the above approximates 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:

GROUP

						31.12.2012
	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Deferred tax assets	-	558	-	-	-	558
Deferred tax liabilities	(3,978)	-	-	(627)	(1,505)	(6,110)
	(3,978)	558	-	(627)	(1,505)	(5,552)
At 1 January 2012						
- as previously stated	(3,511)	419	195	(568)	(1,013)	(4,478)
- prior year adjustments (Note 43)	107	-	-	-	-	107
- as restated	(3,404)	419	195	(568)	(1,013)	(4,371)
(Charged)/credited to income statement (Note 37):						
- property, plant and equipment	(832)	5	-	-	-	(827)
- investments and loans	-	-	-	-	(475)	(475)
- receivables, deposits and prepayments	-	109	-	-	-	109
- Qardhul Hassan	(107)	-	-	-	-	(107)
- others	-	67	-	-	-	67
	(939)	181	-	-	(475)	(1,233)
Credited to other comprehensive income:						
- available-for-sale reserves	417	-	-	-	-	417
Charged to insurance contract liabilities:						
- available-for-sale reserves	-	-	-	(59)	(17)	(76)
Arising for acquired subsidiary companies	(39)	-	-	-	-	(39)
Arising from disposed subsidiary companies	(14)	-	(195)	-	-	(209)
Currency translation differences	1	(42)	-	-	-	(41)
At 31 December 2012	(3,978)	558	-	(627)	(1,505)	(5,552)
Subject to income tax:						
<u>Deferred tax assets (before offsetting)</u>						
Property, plant and equipment	-	18	-	-	-	18
Investments and loans	-	20	-	-	-	20
Receivable, deposits and prepayments	-	217	-	-	-	217
Others	-	303	-	-	-	303
	-	558	-	-	-	558
Offsetting	-	-	-	-	-	-
Deferred tax assets (after offsetting)	-	558	-	-	-	558
<u>Deferred tax liabilities (before offsetting)</u>						
Available-for-sale reserves	(1,385)	-	-	(627)	(241)	(2,253)
Property, plant and equipment	(2,593)	-	-	-	-	(2,593)
Investments and loans	-	-	-	-	(1,264)	(1,264)
	(3,978)	-	-	(627)	(1,505)	(6,110)
Offsetting	-	-	-	-	-	-
Deferred tax liabilities (after offsetting)	(3,978)	-	-	(627)	(1,505)	(6,110)

14 DEFERRED TAX (CONTINUED)

GROUP

31.12.2011	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Deferred tax assets	170	419	195	-	-	784
Deferred tax liabilities	(3,574)	-	-	(568)	(1,013)	(5,155)
	(3,404)	419	195	(568)	(1,013)	(4,371)
At 1 January 2011						
- as previously stated	(1,459)	827	-	(312)	(776)	(1,720)
- prior year adjustments (Note 43)	531	-	-	-	-	531
- as restated	(928)	827	-	(312)	(776)	(1,189)
(Charged)/credited to income statement (Note 37):						
- property, plant and equipment	(1,264)	9	-	-	-	(1,255)
- investments and loans	-	-	-	-	(124)	(124)
- unabsorbed tax losses	(676)	-	-	-	-	(676)
- unabsorbed capital allowances	(21)	-	-	-	-	(21)
- receivables, deposits and prepayments	22	(447)	-	-	-	(425)
- others	(18)	10	-	-	-	(8)
	(1,957)	(428)	-	-	(124)	(2,509)
- prior year adjustments (Note 43)	(424)	-	-	-	-	(424)
- as restated	(2,381)	(428)	-	-	(124)	(2,933)
Charged to other comprehensive income:						
- available-for-sale reserves	(268)	-	-	-	-	(268)
Charged to insurance contract liabilities:						
- available-for-sale reserves	-	-	-	(256)	(113)	(369)
Arising from disposed subsidiary companies	173	-	196	-	-	369
Currency translation differences	-	20	(1)	-	-	19
At 31 December 2011	(3,404)	419	195	(568)	(1,013)	(4,371)
Subject to income tax:						
Deferred tax assets (before offsetting)						
Property, plant and equipment	-	15	5	-	-	20
Investments and loans	-	23	-	-	-	23
Unabsorbed tax losses	33	-	-	-	-	33
Receivable, deposits and prepayments	-	121	-	-	-	121
Qardhul Hassan	107	-	-	-	-	107
Others	72	260	190	-	-	522
	212	419	195	-	-	826
Offsetting	(42)	-	-	-	-	(42)
Deferred tax assets (after offsetting)	170	419	195	-	-	784
Deferred tax liabilities (before offsetting)						
Available-for-sale reserves	(1,802)	-	-	(568)	(224)	(2,594)
Property, plant and equipment	(1,803)	-	-	-	-	(1,803)
Receivable, deposits and prepayments	(11)	-	-	-	-	(11)
Investments and loans	-	-	-	-	(789)	(789)
	(3,616)	-	-	(568)	(1,013)	(5,197)
Offsetting	42	-	-	-	-	42
Deferred tax liabilities (after offsetting)	(3,574)	-	-	(568)	(1,013)	(5,155)

14 DEFERRED TAX (CONTINUED)

GROUP

	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
						1.1.2011
Deferred tax assets	1,306	827	-	-	-	2,133
Deferred tax liabilities	(2,234)	-	-	(312)	(776)	(3,322)
	(928)	827	-	(312)	(776)	(1,189)
At 1 January 2010	3,959	661	11,210	7	34	15,871
(Charged)/credited to income statement:						
- property, plant and equipment	(358)	-	379	-	-	21
- investments and loans	7,243	(423)	(13,353)	-	(665)	(7,198)
- unabsorbed tax losses	-	-	1,029	-	-	1,029
- unabsorbed capital allowances	(12)	-	-	-	-	(12)
- receivables, deposits and prepayments	14	576	-	-	-	590
- others	(355)	68	(58)	-	-	(345)
	6,532	221	(12,003)	-	(665)	(5,915)
- prior year adjustments (Note 43)	531	-	-	-	-	531
- as restated	7,063	221	(12,003)	-	(665)	(5,384)
Charged to other comprehensive income:						
- available-for-sale reserves	(3,324)	-	-	-	-	(3,324)
(Charged)/credited to insurance contract liabilities:						
- available-for-sale reserves	-	-	(7,732)	(319)	(145)	(8,196)
- asset revaluation reserves	-	-	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	145	(55)	156	-	-	246
At 31 December 2010 / 1 January 2011	(928)	827	-	(312)	(776)	(1,189)
Subject to income tax:						
Deferred tax assets (before offsetting)						
Property, plant and equipment	-	6	-	-	-	6
Investments and loans	11	23	-	-	-	34
Unabsorbed tax losses	708	-	-	-	-	708
Unabsorbed capital allowances	19	-	-	-	-	19
Receivable, deposits and prepayments	-	554	-	-	-	554
Qardhul Hassan	531	-	-	-	-	531
Others	73	244	-	-	-	317
	1,342	827	-	-	-	2,169
Offsetting	(36)	-	-	-	-	(36)
Deferred tax assets (after offsetting)	1,306	827	-	-	-	2,133
Deferred tax liabilities (before offsetting)						
Available-for-sale reserves	(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)

	COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deferred tax liabilities	(131)	(11)	(19)
At 1 January	(11)	(19)	(104)
(Charged)/credited to income statement (Note 37):			
- property, plant and equipment	(120)	8	85
At 31 December	(131)	(11)	(19)
Subject to income tax:			
Deferred tax liabilities (before and after offsetting)			
Property, plant and equipment	(131)	(11)	(19)

The amounts of deductible temporary differences, unabsorbed tax losses and unabsorbed capital allowances (all of which have no expiry date) for which no deferred tax assets are recognised in the statement of financial position as it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised, are as follows:

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deductible temporary differences	12,716	11,934	13,124
Unabsorbed tax losses	17,566	23,984	19,942
Unabsorbed capital allowances	8,357	19,133	8,285
	38,639	55,051	41,351

15 CASH AND CASH EQUIVALENTS

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Fixed and call deposits with licences banks	129,828	166,527	192,329	1,807	6,420	11,615
Cash and bank balances	11,889	10,725	60,250	4,334	526	36,319
	141,717	177,252	252,579	6,141	6,946	47,934
Bank overdrafts (Note 21)	(4,335)	(9,232)	(9,905)	-	-	-
	137,382	168,020	242,674	6,141	6,946	47,934
Assets classified as held for sale (Note 16(A))	-	-	619,275	-	-	-
	137,382	168,020	861,949	6,141	6,946	47,934

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

On 16 December 2010, the Company entered into an agreement to negotiate a potential transaction involving the disposal of MAA to Zurich as disclosed in Note 54(a) to the financial statements.

Accordingly the related assets and liabilities of MAA identified for disposal were classified under assets and liabilities held for sale as at 31 December 2010/1 January 2011. The components of assets and liabilities held for sale and the related net cash flows attributable to the discontinued operations were as follows:

GROUP	Note	1.1.2011 RM'000
ASSETS CLASSIFIED AS HELD FOR SALE		
Property, plant and equipment	4	278,795
Investment properties	5	512,287
Intangible assets	6	4,595
Investments		5,791,497
Available-for-sale financial assets	7	3,790,913
Financial assets at fair value through profit or loss	7	1,100,706
Loans and receivables		899,878
Reinsurance assets		222,343
Insurance receivables		77,151
Other receivables		49,938
Tax recoverable		26,936
Deferred tax assets		10,647
Cash and cash equivalents	15	619,275
		7,593,464
LIABILITIES CLASSIFIED AS HELD FOR SALE		
Insurance contract liabilities		6,228,001
Insurance payables		845,548
Trade and other payables		230,248
Provision for life agents' retirement benefits		2,703
Current tax liabilities		34,140
Deferred tax liabilities		10,240
Available-for-sale reserves		12,334
		7,363,214
COMPANY		
Assets classified as held for sale		110,981

The above represents the Company's cost of investment in MAA which was classified as assets held for sale as at 31 December 2010/1 January 2011.

On 30 September 2011, the Company completed the disposal of MAA to Zurich. The details and the effects of the disposal are disclosed in Note 41(a) to the financial statements.

(B) OTHER ASSETS HELD FOR SALE

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Property, plant and equipment (Note 4) :			
Cost	5,625	5,625	5,625
Accumulated impairment loss	(4,525)	(4,036)	(1,690)
Currency translation differences	(85)	-	-
Net carrying amount	1,015	1,589	3,935

The above consists of a yacht owned by an insurance subsidiary company of the Group. The carrying amount of the yacht represents the fair value as at the statement of financial position date.

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES

GROUP

	Note	31.12.2012			31.12.2011			1.1.2011		
		Gross RM'000	Re-insurance/ retakaful RM'000	Net RM'000	Gross RM'000	Re-insurance/ retakaful RM'000	Net RM'000	Gross RM'000	Re-insurance/ retakaful RM'000	Net RM'000
Life insurance	(a)	-	-	-	31,212	-	31,212	108,560	-	108,560
General insurance	(b)	116,990	(66,812)	50,178	81,834	(30,187)	51,647	115,311	(44,517)	70,794
Family takaful	(c)	310,882	(13,792)	297,090	246,979	(10,049)	236,930	193,610	(17,198)	176,412
General takaful	(d)	173,057	(132,139)	40,918	148,465	(107,692)	40,773	104,929	(62,182)	42,747
		600,929	(212,743)	388,186	508,490	(147,928)	360,562	522,410	(123,897)	398,513

(a) Life insurance

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

GROUP

	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Actuarial liabilities:									
Liability for future policyholders' benefits	-	-	-	29,251	-	29,251	90,644	-	90,644
Net asset value attributable to unitholders	-	-	-	-	-	-	7,892	-	7,892
	-	-	-	29,251	-	29,251	98,536	-	98,536
Claim liabilities	-	-	-	-	-	-	757	-	757
	-	-	-	29,251	-	29,251	99,293	-	99,293
Unallocated surplus	-	-	-	-	-	-	7,312	-	7,312
Available-for-sale reserves	-	-	-	1,961	-	1,961	1,955	-	1,955
	-	-	-	31,212	-	31,212	108,560	-	108,560

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

	GROUP						
	Gross			Reinsurance			
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
Actuarial liabilities							
At 1 January 2010	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	(3,758,572)	(1,669,257)	(5,427,829)	3,956	15,640	19,596	(5,408,233)
Benefits and claims experience variation	2,646	6,958	9,604	-	-	-	9,604
Currency translation differences	-	691	691	-	-	-	691
At 31 December 2010 / 1 January 2011	35,127	63,409	98,536	-	-	-	98,536
Benefits and claims experience variation	2,282	1,724	4,006	-	-	-	4,006
Benefits and claims commuted during the financial year	(37,409)	(35,807)	(73,216)	-	-	-	(73,216)
Currency translation differences	-	(75)	(75)	-	-	-	(75)
At 31 December 2011 / 1 January 2012	-	29,251	29,251	-	-	-	29,251
Benefits and claims experience variation	-	(8,682)	(8,682)	-	-	-	(8,682)
Arising from disposed subsidiary company	-	(20,569)	(20,569)	-	-	-	(20,569)
At 31 December 2012	-	-	-	-	-	-	-
Claim liabilities							
At 1 January 2010	16,406	25,901	42,307	(2,687)	(2,603)	(5,290)	37,017
Transferred to assets/liabilities classified as held for sale	(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 / 1 January 2011	70	687	757	-	-	-	757
Movement in claim liabilities	(15)	(90)	(105)	-	-	-	(105)
Claims commuted during the financial year	(55)	(597)	(652)	-	-	-	(652)
At 31 December 2011 / 31 December 2012	-	-	-	-	-	-	-

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000
Unallocated surplus									
At 1 January	-	-	-	(2,492)	9,804	7,312	(335,821)	309,137	(26,684)
Transferred to assets/liabilities classified as held for sale	-	-	-	-	-	-	334,778	(301,033)	33,745
Premiums received	-	3,195	3,195	-	14,695	14,695	-	19,866	19,866
Payments due to death, surrenders, benefits and claims	-	(3,749)	(3,749)	106	(17,735)	(17,629)	-	(15,355)	(15,355)
Net investment income	(2,568)	(434)	(3,002)	(2,768)	5,033	2,265	2,522	7,537	10,059
Management expenses and commissions	(843)	(3,769)	(4,612)	(744)	(9,646)	(10,390)	(231)	(11,698)	(11,929)
Change in life fund actuarial liabilities	128	3,170	3,298	3,921	11,775	15,696	(3,744)	6,716	2,972
Change in claims liabilities	3,283	1,587	4,870	15	90	105	4	(5,308)	(5,304)
Tax expenses	-	-	-	-	196	196	-	(58)	(58)
Net surplus/(deficit) for the financial year	-	-	-	530	4,408	4,938	(1,449)	1,700	251
Surplus commuted during the financial year	-	-	-	1,962	(14,212)	(12,250)	-	-	-
At 31 December	-	-	-	-	-	-	(2,492)	9,804	7,312
Available-for-sale reserves									
At 1 January	-	1,961	1,961	957	998	1,955	74,340	20,871	95,211
Transferred to assets/liabilities classified as held for sale	-	-	-	-	-	-	(74,071)	(20,612)	(94,683)
Net movement in available-for-sale reserves	-	(1,688)	(1,688)	(957)	963	6	688	739	1,427
Arising from disposed subsidiary company	-	(273)	(273)	-	-	-	-	-	-
At 31 December	-	-	-	-	1,961	1,961	957	998	1,955

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General insurance

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

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Provision for claims	67,077	(44,007)	23,070	23,885	(5,812)	18,073	38,272	(13,348)	24,924
Provision for incurred but not reported claims ("IBNR")	28,997	(11,075)	17,922	29,456	(11,367)	18,089	52,762	(22,674)	30,088
Claim liabilities (i)	96,074	(55,082)	40,992	53,341	(17,179)	36,162	91,034	(36,022)	55,012
Premium liabilities (ii)	20,916	(11,730)	9,186	28,493	(13,008)	15,485	24,277	(8,495)	15,782
	116,990	(66,812)	50,178	81,834	(30,187)	51,647	115,311	(44,517)	70,794

(i) Claim liabilities

	31.12.2012 Gross RM'000	31.12.2012 Re-insurance RM'000	31.12.2012 Net RM'000	31.12.2011 Gross RM'000	31.12.2011 Re-insurance RM'000	31.12.2011 Net RM'000	1.1.2011 Gross RM'000	1.1.2011 Re-insurance RM'000	1.1.2011 Net RM'000
At 1 January									
- as previously stated	40,773	(17,179)	23,594	85,974	(36,022)	49,952	95,730	(41,861)	53,869
- prior year adjustments (Note 43)	12,568	-	12,568	5,060	-	5,060	1,566	-	1,566
- restated	53,341	(17,179)	36,162	91,034	(36,022)	55,012	97,296	(41,861)	55,435
Claims incurred in the current accident year	100,812	(72,246)	28,566	50,793	(28,931)	21,862	47,606	(52,242)	(4,636)
Other movements in claims incurred in prior accident years	-	-	-	-	-	-	26,224	(6,541)	19,683
Claims paid during the financial year (Note 33)	(51,055)	28,451	(22,604)	(46,032)	32,606	(13,426)	(83,591)	74,827	(8,764)
Claims commuted during the financial year	-	-	-	(35,061)	5,682	(29,379)	-	-	-
Movement in IBNR	(459)	292	(167)	(7,610)	9,606	1,996	4,514	(10,971)	(6,457)
	49,298	(43,503)	5,795	(37,910)	18,963	(18,947)	(5,247)	5,073	(174)
Currency translation differences	(6,565)	5,600	(965)	217	(120)	97	(1,015)	766	(249)
At 31 December	96,074	(55,082)	40,992	53,341	(17,179)	36,162	91,034	(36,022)	55,012

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General insurance (continued)

GROUP

	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
(ii) Premium liabilities									
At 1 January	28,493	(13,008)	15,485	24,277	(8,495)	15,782	42,043	(15,870)	26,173
Premiums written during the financial year (Note 27)	64,141	(48,572)	15,569	79,075	(51,290)	27,785	69,756	(46,286)	23,470
Premiums earned during the financial year	(69,412)	48,466	(20,946)	(73,975)	45,653	(28,322)	(86,591)	53,251	(33,340)
	(5,271)	(106)	(5,377)	5,100	(5,637)	(537)	(16,835)	6,965	(9,870)
Currency translation differences	(2,306)	1,384	(922)	(884)	1,124	240	(931)	410	(521)
At 31 December	20,916	(11,730)	9,186	28,493	(13,008)	15,485	24,277	(8,495)	15,782

(c) Family takaful

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

GROUP

	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Actuarial liabilities:									
Liability for future policyholders' benefits	58,636	(13,202)	45,434	47,108	(8,716)	38,392	43,721	(11,361)	32,360
Net asset value attributable to unitholders	246,482	-	246,482	191,558	-	191,558	139,997	-	139,997
	305,118	(13,202)	291,916	238,666	(8,716)	229,950	183,718	(11,361)	172,357
Claim liabilities	2,526	(590)	1,936	5,281	(1,333)	3,948	8,164	(5,837)	2,327
Available-for-sale reserves	3,238	-	3,238	3,032	-	3,032	1,728	-	1,728
	310,882	(13,792)	297,090	246,979	(10,049)	236,930	193,610	(17,198)	176,412

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Family takaful (continued)

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 January	246,979	(10,049)	236,930	193,610	(17,198)	176,412	111,173	(1,389)	109,784
Contributions received	209,099	(18,709)	190,390	163,751	(12,927)	150,824	157,434	(5,332)	152,102
Liabilities paid death, maturities, surrenders, benefits and claims	(84,879)	20,634	(64,245)	(51,362)	13,418	(37,944)	(49,484)	5,057	(44,427)
Movement in claim liabilities	2,755	(743)	2,012	2,883	(4,504)	(1,621)	(4,140)	4,965	825
Benefits and claims experience variation	24,237	(4,925)	19,312	7,740	9,225	16,965	37,682	(21,272)	16,410
Fees deducted	(77,685)	-	(77,685)	(62,852)	1,937	(60,915)	(55,245)	773	(54,472)
Surplus distributed to shareholders' fund	(9,400)	-	(9,400)	(6,400)	-	(6,400)	(3,400)	-	(3,400)
Repayment of Qardhul Hassan	(430)	-	(430)	(1,695)	-	(1,695)	(2,125)	-	(2,125)
Fair value movement arising from available-for-sale investments	206	-	206	1,304	-	1,304	1,715	-	1,715
At 31 December	310,882	(13,792)	297,090	246,979	(10,049)	236,930	193,610	(17,198)	176,412

(d) General takaful

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

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Provision for claims	72,521	(55,958)	16,563	62,268	(44,802)	17,466	41,040	(25,228)	15,812
Provision for incurred but not reported claims ("IBNR")	24,359	(18,672)	5,687	18,240	(11,698)	6,542	14,708	(8,076)	6,632
Provision for risk of adverse deviation ("PRAD")	11,721	(9,508)	2,213	12,745	(9,037)	3,708	6,463	(3,938)	2,525
Claim liabilities (i)	108,601	(84,138)	24,463	93,253	(65,537)	27,716	62,211	(37,242)	24,969
Unearned contribution reserves (ii)	62,574	(48,001)	14,573	53,508	(42,155)	11,353	41,782	(24,940)	16,842
Available-for-sale reserves (iii)	1,882	-	1,882	1,704	-	1,704	936	-	936
	173,057	(132,139)	40,918	148,465	(107,692)	40,773	104,929	(62,182)	42,747

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(d) General takaful (continued)

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

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net Net RM'000
(i) Claim liabilities									
At 1 January	93,253	(65,537)	27,716	62,211	(37,242)	24,969	25,830	(20,324)	5,506
Claims incurred in the current accident year	75,800	(58,139)	17,661	57,359	(39,870)	17,489	54,138	(28,948)	25,190
Other movements in claims incurred in prior accident years	(10,618)	7,201	(3,417)	(91)	(1,264)	(1,355)	(4,835)	5,068	233
Claims paid during the financial year (Note 33)	(48,810)	32,808	(16,002)	(32,508)	17,938	(14,570)	(15,498)	7,794	(7,704)
Movement in PRAD	(1,024)	(471)	(1,495)	6,282	(5,099)	1,183	2,576	(832)	1,744
	15,348	(18,601)	(3,253)	31,042	(28,295)	2,747	36,381	(16,918)	19,463
At 31 December	108,601	(84,138)	24,463	93,253	(65,537)	27,716	62,211	(37,242)	24,969
(ii) Unearned contribution reserves									
At 1 January	53,508	(42,155)	11,353	41,782	(24,940)	16,842	30,190	(16,349)	13,841
Contributions written during the financial year (Note 27)	161,973	(127,368)	34,605	136,197	(109,720)	26,477	111,113	(74,289)	36,824
Contributions earned during the financial year	(152,907)	121,522	(31,385)	(124,471)	92,505	(31,966)	(99,521)	65,698	(33,823)
	9,066	(5,846)	3,220	11,726	(17,215)	(5,489)	11,592	(8,591)	3,001
At 31 December	62,574	(48,001)	14,573	53,508	(42,155)	11,353	41,782	(24,940)	16,842

	GROUP		
	31.12.2012	31.12.2011	1.1.2011
	Gross/Net RM'000	Gross/Net RM'000	Gross/Net RM'000
(iii) Available-for-sale reserves			
At 1 January	1,704	936	(20)
Net gains arising from available-for-sale financial assets	237	1,024	1,275
Deferred tax effect	(59)	(256)	(319)
	178	768	956
	1,882	1,704	936

18 INVESTMENT CONTRACT LIABILITIES

	GROUP		
	31.12.2012	31.12.2011	1.1.2011
	Gross/Net RM'000	Gross/Net RM'000	Gross/Net RM'000
Without DPF	11,289	17,756	40,538
At 1 January	17,756	40,538	53,584
Deposits (creation of units)	-	38	9,282
Withdrawals	(2,449)	(13,238)	(17,848)
Fees deducted	(713)	(1,372)	(968)
Net investment income	177	740	545
Other operating income/(expenses)-net	83	(233)	243
Fair value adjustment – Investments	(2,828)	(5,599)	(884)
Changes in insurance liabilities and actuarial assumptions	1	(2,698)	(88)
Arising from disposal of subsidiary company	(620)	-	-
Currency translation differences	(118)	(420)	(3,328)
	11,289	17,756	40,538

Investment contract liabilities without DPF are stated at fair value.

Investment contract liabilities without DPF are further analysed as follows:

Unit-linked liabilities valued using valuation techniques with market observable inputs	11,289	17,756	40,538

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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
RM200 million Medium Term Notes	-	-	170,000
Analysis of the MTNs:			
Payable between 1 year to 2 years	-	-	170,000

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 ranged from 3 to 5 years from the date of issue and bore 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 were 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 bore 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 had further provided undertakings to DBS under the bank guarantee facility, which amongst others included 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 included amongst others an undertaking not to dispose of the business or assets of MAA except where such disposal was to an investor of good standing and acknowledged reputation in the insurance industry who had 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 had been obtained in accordance with the terms of the trust deed.

In the financial year ended 31 December 2010, the Company provided 100% of MAA shares as security to the bank guarantee and a standby letter of credit facility of RM36.3 million was obtained from DBS as disclosed in Note 20 to the financial statements. The bank guarantee had a first fixed charge over MAA shares.

In the previous financial year ended 31 December 2011, interest rates of MTNs charged were in the range of 4.48% to 4.51% (1.1.2011: 4.48% to 4.51%) per annum.

On 30 September 2011, the Company made an early redemption of the remaining outstanding MTNs of RM140 million before the scheduled due date on 6 January 2012 ("Early and Full Redemption"). The Early and Full Redemption was funded by partial sale proceeds received from the disposal of the entire interest held in the capital of the Disposal Subsidiaries to Zurich as disclosed in Note 54(a) to the financial statements.

20 REVOLVING CREDIT (SECURED)

	GROUP/COMPANY		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 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 RM36.3 million from a licensed bank. The RC facility was 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 was 6 months from the date of first drawdown, subject to availability of the SBLC. The RC bore an interest rate of 0.25% per annum above the licensed bank's cost of fund. The RC interest was payable monthly at the end of the interest period and was to be settled by a bullet repayment on 30 June 2011. During the previous financial year, the interest rates charged for the RC ranged from 3.40% to 4.02% (1.1.2011: 3.40%) per annum.

The SBLC bore an upfront commission of 3.5% flat on the facility amount and was 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 were 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.

The tenure of the SBLC was 6 months from the date of issue and expired on 30 June 2011. The RC facility was further extended for 2 months and expired on 2 September 2011.

On 30 September 2011, the Company fully settled the RC facility of RM36.3 million which was funded by partial sale proceeds received from the disposal of the entire interest held in the capital of the Disposed Subsidiaries to Zurich as disclosed in Note 54(a) to the financial statements.

21 BANK OVERDRAFTS (UNSECURED)

The unsecured bank overdraft facility of a subsidiary company has a limit of RM8.5 million (31.12.2011 and 1.1.2011: RM10 million) and bears an interest rate of 2.5% (31.12.2011 and 1.1.2011: 2.5%) per annum above the prevailing base lending rate. During the financial year, the interest rates charged ranged from 9.10% (31.12.2011: 8.05% to 9.30%, 1.1.2011: 8.05% to 8.8%) per annum.

The subsidiary company shall make progressive repayment of the bank overdraft facility over a period of five (5) years by a scheduled reduction of RM500,000 every half-yearly commencing end January 2012 until it is reduced to RM5 million as at end January 2016.

22 INSURANCE/TAKAFUL PAYABLES

	GROUP		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Due to agents, brokers and co-insurers/co-takaful	6,699	9,437	5,836
Due to reinsurers/retakaful companies and cedants	88,340	81,049	53,929
Reinsurers'/retakaful deposits withheld	456	3	1,968
Premium/contribution deposits	6,048	5,603	3,655
	101,543	96,092	65,388

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

All amounts are payable within one year.

23 TRADE AND OTHER PAYABLES

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Trade payables from non-insurance subsidiary companies	6,902	13,725	14,987	-	-	-
Other payables:						
Amounts due to associated company	500	-	-	500	-	-
Amounts due to a Director	1,909	1,950	1,893	-	-	-
Amounts due to related companies	140	134	129	-	-	-
Amounts due to a former related company	-	14,791	-	-	-	-
Defined contribution retirement plan payable	1,381	1,966	2,102	64	66	276
Accrual for unutilised staff leave	509	421	969	298	157	185
Accrual for MTN interest	-	-	3,722	-	-	3,722
Hire purchase creditors	-	718	636	-	-	92
Commissions payable	9,225	6,741	5,438	-	-	-
Accrual for sale incentive	781	692	464	-	-	-
Accrual for EPF services fee	1,295	1,092	898	-	-	-
Accrual for agency golden service awards	4,899	3,813	2,811	-	-	-
Service tax payable	13	581	229	-	-	-
Provision for staff costs	2,288	4,124	5,671	293	330	2,148
Accrual for office renovation	2,054	-	-	430	-	-
Accrual for fair value loss on interest rate swap transaction	-	2,818	3,682	-	2,818	3,682
Other payables and accruals	42,763	28,355	36,198	2,942	1,712	1,256
	67,757	68,196	64,842	4,527	5,083	11,361
	74,659	81,921	79,829	4,527	5,083	11,361

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

The hire purchase creditors can be analysed as follows:

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Payable within 1 year	-	168	287	-	-	92
Payable between 2 years to 5 years	-	550	349	-	-	-
	-	718	636	-	-	92

The hire purchase creditors of the Group bear interest rates ranging from 2.6% to 3.1% (31.12.2011: 2.6% to 3.1%, 1.1.2011: 2.3% to 3.9%) per annum. During the previous financial year, the Company had fully paid its hire purchase creditors and the interest rates charged ranged from 2.4% to 2.8% (1.1.2011: 2.4% to 2.8%) per annum.

24 SHARE CAPITAL

	GROUP/COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Authorised ordinary shares of RM1 each:			
At beginning and end of financial year	500,000	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:			
At beginning and end of financial year	304,354	304,354	304,354

25 RESERVES

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Retained earnings/(accumulated losses)	118,734	76,257	(38,460)
Reserves			
- Foreign exchange reserves	(2,464)	(6,414)	(6,630)
- Available-for-sale reserves	6,565	5,798	5,649
- Revaluation reserves	215	-	-
	4,316	(616)	(981)
	123,050	75,641	(39,441)
<u>Movement in retained earnings/(accumulated losses)</u>			
At 1 January			
- as previously stated	109,041	(16,728)	(44,193)
- prior year adjustments (Note 43)	(32,784)	(21,732)	(5,784)
	76,257	(38,460)	(49,977)
Profit for the financial year			
- as previously stated	42,477	125,769	27,465
- prior year adjustments (Note 43)	-	(11,052)	(15,948)
	42,477	114,717	11,517
At 31 December	118,734	76,257	(38,460)
<u>Movement in foreign exchange reserves</u>			
At 1 January	(6,414)	(6,630)	(5,927)
Currency translation differences arising during the financial year	3,950	216	(703)
At 31 December	(2,464)	(6,414)	(6,630)
<u>Movement in available-for-sale reserves</u>			
At 1 January	5,798	5,649	6,992
Movement in fair value of available-for-sale financial assets, net of tax	767	149	10,991
Transferred to assets/liabilities classified as held for sale	-	-	(12,334)
	767	149	(1,343)
At 31 December	6,565	5,798	5,649
<u>Movement in revaluation reserves</u>			
At 1 January	-	-	-
Movement in fair value of leasehold lands	215	-	-
At 31 December	215	-	-

25 RESERVES (CONTINUED)

	GROUP		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Retained earnings/(accumulated losses)	79,756	36,492	(1,048)
Reserves - Available-for-sale reserves	1,664	-	998
	81,420	36,492	(50)
<u>Movement in retained earnings/(accumulated losses)</u>			
At 1 January	36,492	(1,048)	21,997
Profit for the financial year	43,264	37,540	(23,045)
At 31 December	79,756	36,492	(1,048)
<u>Movement in available-for-sale reserves</u>			
At 1 January	-	998	-
Movement in fair value of available-for-sale financial assets, net of tax	1,664	(998)	998
At 31 December	1,664	-	998

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

The revaluation reserves represent the surplus arising from the revaluation of leasehold lands of a subsidiary company.

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 tax credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 tax credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 tax credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at 31 December 2012, subject to agreement with the tax authorities, the Company has:

(a) tax exempt income of approximately RM18,223,000 (31.12.2011: 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 (31.12.2011: RM89,090,000) and RM88,000 (31.12.2011: RM88,000) respectively.

26 OPERATING REVENUE

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Gross earned premiums/contributions (Note 27)	431,418	362,203	-	-
Investment income (Note 28)	22,416	19,471	5,249	3,360
Interest income from hire purchase, leasing and other credit facilities	3,116	485	-	-
Income from unit trust fund management, consultancy services and education services	40,422	41,227	-	-
Management fee income	370	1,785	1,866	4,325
	497,742	425,171	7,115	7,685

DISCONTINUED OPERATIONS

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Gross earned premiums (Note 27)	3,453	1,044,057
Investment income (Note 28)	563	237,112
Other operating revenue from non-insurance businesses (Note 32)	11,286	20,094
	15,302	1,301,263

27 NET EARNED PREMIUMS/CONTRIBUTIONS

	GROUP 31.12.2012 RM'000	GROUP 31.12.2011 RM'000
CONTINUING OPERATIONS		
(a) Gross earned premiums/contributions		
Insurance/takaful contracts:		
General fund (Note 17(b)(ii))	64,141	79,075
Life fund	-	6
General takaful fund (Note 17(d)(ii))	161,973	136,197
Family takaful fund	209,099	163,751
	435,213	379,029
Change in unearned premium/contribution reserves	(3,795)	(16,826)
	431,418	362,203
(b) Premiums/contributions ceded to reinsurers/retakaful		
Insurance/takaful contracts:		
General fund (Note 17(b)(ii))	(48,572)	(51,290)
Life fund	-	-
General takaful fund (Note 17(d)(ii))	(127,368)	(109,720)
Family takaful fund	(18,709)	(12,927)
	(194,649)	(173,937)
Change in unearned premium/contribution reserves	5,952	22,852
	(188,697)	(151,085)
Net earned premiums/contributions	242,721	211,118
DISCONTINUED OPERATIONS		
(a) Gross earned premiums (Note 38)		
Insurance contracts:		
General fund	-	382,616
Life fund	3,453	697,184
	3,453	1,079,800
Change in premium liabilities	-	(35,743)
	3,453	1,044,057
(b) Premiums ceded to reinsurers (Note 38)		
Insurance contracts:		
General fund	-	(61,969)
Life fund	(258)	(15,071)
	(258)	(77,040)
Change in premium liabilities	-	23,618
	(258)	(53,422)
	3,195	990,635

28 INVESTMENT INCOME

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Rental income from investment properties	77	264	-	-
Financial assets at fair value through profit or loss				
Interest/profit income				
- Islamic debt securities	1,854	1,471	-	-
Dividend income				
- Equity securities quoted in Malaysia	4,398	3,045	-	-
	6,252	4,516	-	-
Financial assets at available-for-sale				
Interest/profit income				
- Malaysian Government Guaranteed Financing	4,990	3,659	-	-
- Corporate debt securities	147	1,174	-	-
- Islamic debt securities unquoted in Malaysia	3,595	3,605	-	-
Dividend income				
- Equity securities quoted in Malaysia	149	61	-	-
Accretion of discounts/(amortisation of premiums)				
- Corporate debt securities	-	(4)	-	-
- Islamic debt securities unquoted in Malaysia	105	873	-	-
	8,986	9,368	-	-
Loans and receivables				
Interest/profit income				
- mortgage loans	7	10	7	10
- other secured and unsecured loans	232	66	-	-
- other receivables	-	-	2,047	2,293
	239	76	2,054	2,303
Fixed and call deposits interest/profit income	6,862	5,247	3,195	1,057
	22,416	19,471	5,249	3,360

28 INVESTMENT INCOME (CONTINUED)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Gross rental income from investment properties	-	22,686
Less: rates and maintenance for investment properties	-	(13,270)
	-	9,416
Financial assets at fair value through profit or loss		
Interest income		
- Malaysian Government Securities/ Government Investment Issues	-	355
- Corporate debt securities	144	5,787
Dividend income		
- Equity securities quoted in Malaysia	-	26,690
- Equity securities quoted outside Malaysia	11	7
	155	32,839
Financial assets at available-for-sale		
Interest income		
- Malaysian Government Securities/ Government Investment Issues	-	8,012
- Corporate debt securities	-	116,957
Dividend income		
- Equity securities	-	315
(Amortisation of premiums)/accretion of discounts		
- Malaysian Government Securities/ Government Investment Issues	-	(1,059)
- Corporate debt securities	-	29,596
	-	153,821
Loans and receivables		
Interest income		
- policy loans	19	18,028
- mortgage loans	-	3,259
- other secured and unsecured loans	-	3,237
	19	24,524
Fixed and call deposits interest income	389	16,512
	563	237,112

29 REALISED GAINS AND LOSSES

CONTINUING OPERATIONS

	GROUP 31.12.2012 RM'000	GROUP 31.12.2011 RM'000	COMPANY 31.12.2012 RM'000	COMPANY 31.12.2011 RM'000
Property, plant and equipment				
Realised gains	14	79	5	3
Realised losses	(25)	(372)	(18)	(3)
	(11)	(293)	(13)	-
Financial assets at fair value through profit or loss				
Realised gains:				
- Equity securities quoted in Malaysia	137	576	-	-
- Corporate debt securities	-	1,716	-	-
- Investment-linked units	-	7	-	-
Realised losses:				
- Equity securities quoted in Malaysia	-	(29)	-	-
	137	2,270	-	-
Available-for-sale financial assets				
Realised gains:				
- Equity securities quoted in Malaysia	6,993	5,633	-	-
- Islamic debt securities unquoted in Malaysia	6,973	2,944	-	-
	13,966	8,577	-	-
Investment properties				
Realised gains	-	25	-	-
Realised gain from disposal of associated company	14	-	14	-
Realised gain from partial disposal of shares in a former subsidiary company (Note 41(d))	1,060	-	-	-
	15,166	10,579	1	-

29 REALISED GAINS AND LOSSES (CONTINUED)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Property, plant and equipment		
Realised gains	65	147
Realised losses	-	(213)
	65	(66)
Investment properties		
Realised gains	-	1,661
Realised losses	-	(9)
	-	1,652
Financial assets at fair value through profit or loss		
Realised gains:		
- Equity securities quoted in Malaysia	-	37
- Equity securities quoted outside Malaysia	-	608
- Unit trust	1	366
- Corporate debt securities	5	140
Realised losses:		
- Equity securities quoted outside Malaysia	(224)	-
	(218)	1,151
Available-for-sale financial assets		
Realised gains:		
- Malaysian Government Securities/ Government Investment Issues	-	8
- Corporate debt securities	-	22,089
Realised losses:		
- Malaysian Government Securities/ Government Investment Issues	-	(1)
	-	22,096
Fixed and call deposits		
Realised gains	-	173
Realised gains from disposal of subsidiary companies (Note 41(a) ,(b), (c))	67,273	83,162
	67,120	108,168

30 FAIR VALUE GAINS AND LOSSES - NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Fair value gain on investment properties	1,261	-	-	-
Financial assets at fair value through profit or loss				
Net fair value gains/(losses):				
- Equity securities quoted in Malaysia	1,094	(2)	-	-
- Corporate debt securities	510	8	-	-
- Islamic debt securities unquoted in Malaysia	(46)	217	-	-
- Unit trusts	80	30	-	-
- Investment-linked units	-	(3,726)	-	-
- Structured deposits	2,770	1,026	-	-
	4,408	(2,447)	-	-
Write-back of/(allowance for) impairment loss on :				
- available-for-sale financial assets (Note 7)	857	(3,660)	-	(3,660)
- property, plant and equipment	674	(674)	176	(176)
- assets classified as held for sale (Note 16(B))	(489)	(2,346)	-	-
	1,042	(6,680)	176	(3,836)
Write-back of/(allowance for) impairment loss on :				
- loans from leasing, hire purchase and others – net	5,509	(8,723)	-	-
	12,220	(17,850)	176	(3,836)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Financial assets at fair value through profit or loss		
Net fair value gains/(losses):		
- Malaysian Government Securities/ Government Investment Issues	-	159
- Corporate debt securities	-	2,625
- Equity securities quoted in Malaysia	-	(73,397)
- Equity securities quoted outside Malaysia	(85)	(37)
- Unit trusts	(857)	6,211
(Amortisation of premiums)/accretion of discounts		
- Malaysian Government Securities/ Government Investment Issues	-	(15)
- Corporate debt securities	-	518
	(942)	(63,936)
Impairment loss on available-for-sale financial assets	-	(265)
Loans and receivables		
- write-back of impairment loss	-	12,450
- net fair value loss on deposits with financial institutions	-	(306)
	-	12,144
	(942)	(52,057)

31 FEE AND COMMISSION INCOME

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
CONTINUING OPERATIONS		
Reinsurance/retakaful commission income	37,365	32,318
DISCONTINUED OPERATIONS (Note 38)		
Administration and investment charges on policyholders	135	7,993
Surrender charges and other contract fees	-	757
Reinsurance commission income	-	15,264
	135	24,014

32 OTHER OPERATING REVENUE FROM NON-INSURANCE BUSINESSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Revenue from non-insurance businesses:				
- management fee income	370	1,785	1,866	4,325
- unit trust fund management fee income	26,074	23,666	-	-
- unit trust fund initial service fee	11,957	15,456	-	-
- interest income from hire purchase, leasing and other credit activities	3,116	485	-	-
- others	2,391	2,105	-	-
	43,908	43,497	1,866	4,325

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Revenue from non-insurance businesses:		
- security service charges	11,286	18,760
- others	-	1,334
	11,286	20,094

33 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS

CONTINUING OPERATIONS

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
(a) Gross benefits and claims paid		
Insurance/takaful contracts:		
General fund (Note 17(b)(i))	(51,055)	(46,032)
Life fund	-	(3,409)
General takaful fund (Note 17(d)(i))	(48,810)	(32,508)
Family takaful fund	(84,879)	(51,362)
	(184,744)	(133,311)
(b) Claims ceded to reinsurers/retakaful		
Insurance/takaful contracts:		
General fund (Note 17(b)(i))	28,451	32,606
Life fund	-	3,515
General takaful fund (Note 17(d)(i))	32,808	17,938
Family takaful fund	20,634	13,418
	81,893	67,477
(c) Gross change to contract liabilities		
Insurance/takaful contracts:		
General fund	(49,298)	(3,519)
Life fund	3,283	52,046
General takaful fund	(15,348)	(31,042)
Family takaful fund	(52,293)	(44,915)
	(113,656)	(27,430)
(d) Change in contract liabilities ceded to reinsurers/retakaful		
Insurance/takaful contracts:		
General fund	43,503	(8,210)
Life fund	-	-
General takaful fund	18,601	28,295
Family takaful fund	4,486	(2,645)
	66,590	17,440
	(149,917)	(75,824)

33 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS (CONTINUED)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	**31.12.2011 RM'000**
(a) Gross benefits and claims paid		
Insurance contracts:		
General fund	-	(215,776)
Life fund	(3,749)	(942,769)
	(3,749)	(1,158,545)
(b) Claims ceded to reinsurers		
Insurance contracts:		
General fund	-	82,277
Life fund	-	8,351
	-	90,628
(c) Gross change to contract liabilities		
Insurance contracts:		
General fund	-	(42,388)
Life fund	1,587	153,662
	1,587	111,274
(d) Change in contract liabilities ceded to reinsurers		
Insurance contracts:		
General fund	-	(6,563)
Life fund	-	688
	-	(5,875)
	(2,162)	(962,518)

34 MANAGEMENT EXPENSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Staff costs (including Executive Directors):				
- salaries and bonus	46,420	40,413	10,441	8,541
- defined contribution retirement benefits	5,106	3,526	616	916
	51,526	43,939	11,057	9,457
Depreciation of property, plant and equipment	3,257	1,622	410	317
Amortisation of intangible assets	1,996	1,915	64	88
Amortisation of leases	2	-	-	-
Auditors' remuneration				
- statutory audit	551	482	99	90
- under provision in prior financial year	20	29	-	20
Auditors' remuneration payable/paid to other audit firms	40	22	-	-
Fees paid to a company in which certain Directors have an interest	296	337	171	206
Write-back of doubtful debts on trade and other receivables	41	176	-	-
Allowance for/(write-back of) impairment loss on insurance receivables	1,546	(1,562)	-	-
Bad debts written off	166	6	-	-
Office rental	3,954	1,436	555	688
Rental of office equipment	139	133	52	91
Agency and staff training expenses	2,967	1,878	31	64
Repairs and maintenance	1,357	771	90	-
EDP expenses	2,997	2,174	75	34
Advertising, promotional and entertainment expenses	6,611	4,100	622	783
Motor vehicle, accommodation and travelling expenses	3,348	2,579	1,142	861
Printing and stationery	2,553	2,143	57	53
Postage, telephone and fax	1,943	1,724	39	249
Professional fees	8,605	2,354	1,112	369
Amortisation of capitalised MTNs issue expenses	-	1,949	-	1,949
Realised foreign exchange loss/(gain)	494	434	(5)	-
Unrealised foreign exchange loss	968	664	-	-
Staff amenities	752	795	257	353
Office expenses	222	163	114	43
Electricity and water	245	350	50	62
Visa fees, outsourcing fees and other direct costs payable for debit cards operations	1,084	-	-	-
Credit card charges	1,133	736	-	-
Manage care organisation fees	1,703	952	-	-
Retirement benefit fund contributed to MAAKER	856	749	828	730
Others	20,520	16,787	2,774	1,075
	121,892	89,837	19,594	17,582

34 MANAGEMENT EXPENSES (CONTINUED)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Staff costs (including Executive Directors):		
- salaries and bonus	9,845	75,085
- defined contribution retirement benefits	571	10,192
	10,416	85,277
Depreciation of property, plant and equipment	397	9,051
Amortisation of intangible assets	-	1,378
Auditors' remuneration		
- statutory audit	30	357
Fees paid to a company in which certain Directors have an interest	1	153
Write-back of impairment loss on insurance receivables	-	(2,504)
Bad debts written off	1	-
Office rental	430	11,207
Rental of office equipment	-	991
Training expenses	80	1,580
Repairs and maintenance	50	5,851
EDP expenses	26	4,924
Advertising, promotional and entertainment expenses	53	7,514
Motor club expenses	-	2,078
Motor vehicle and travelling expenses	707	3,418
Printing and stationery	69	5,105
Postage, telephone and fax	124	3,193
Management fees	-	1,200
Others	1,934	18,576
	14,318	159,349

34 MANAGEMENT EXPENSES (CONTINUED)

Emoluments received by Directors of the Group during the financial year were:

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Executive Directors:				
- salaries	4,985	4,588	3,480	3,252
- bonus	2,468	2,220	1,970	1,796
- defined contribution retirement benefits	1,111	1,171	817	910
Non-executive Directors:				
- fees	914	868	241	311
- other emoluments	221	248	98	120
	9,699	9,095	6,606	6,389

DISCONTINUED OPERATIONS

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Executive Directors:		
- salaries	44	475
- bonus	14	193
- defined contribution retirement benefits	6	89
- other emoluments	1	1
Non-executive Directors:		
- fees	65	277
- other emoluments	-	54
	130	1,089

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 RM178,100 (2011: RM197,000) and RM93,100 (2011: RM102,300) 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	
Datuk Seri Razman Md Hashim bin Che Din Md Hashim	
Tan Sri Ahmad bin Mohd Don	
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	
Dato' Jaffar Indot	(Appointed on 5 September 2012)
Dato' Narendrakumar Jasani A/L Chunilal Rugnath	(Appointed on 5 September 2012)
Onn Kien Hoe	(Appointed on 5 September 2012)
Major General Datuk Lai Chung Wah (Rtd)	(Resigned on 5 September 2012)
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	(Resigned on 5 September 2012)
Dato' Sri Iskandar Michael bin Abdullah	(Resigned on 16 July 2012)
Dr Zaha Rina Zahari	(Resigned on 1 July 2012)

35 OTHER OPERATING INCOME/(EXPENSES) – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Property, plant and equipment written off	(626)	(253)	(179)	(3)
Commission paid and payable to unit trust agents	(16,027)	(18,564)	-	-
Bad debts recovered	160	305	-	-
Waiver of debts	-	598	-	-
Impairment loss on investments in subsidiary companies	-	-	(2,350)	(126,106)
Write-back of/(allowance for) impairment loss on amounts due from subsidiary companies	-	-	2,245	(46,541)
Allowance for impairment loss on goodwill from acquisition of subsidiary company (Note 42(b))	(6,838)	-	-	-
Negative goodwill from acquisition of subsidiary companies (Note 42(a))	80	-	-	-
Waiver of debt from commutation of general insurance reinsurance treaties	14,791	-	-	-
Provision for contingent liabilities of an associated company	(14,435)	-	-	-
Others	7,506	2,597	196	914
	(15,389)	(15,317)	(88)	(171,736)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Bad debts recovered	-	277
Gain from commutation of life insurance reinsurance treaties	-	37,708
Others	(94)	1,405
	(94)	39,390

36 FINANCE COSTS

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Interest on bank overdrafts	418	856	-	-
Hire purchase interest	-	6	-	1
Interest on Medium Term Notes	-	5,567	-	5,567
Bank guarantee commission	-	3,110	-	3,110
Interest on revolving credit	-	974	-	974
Restructuring fee	-	3,800	-	3,800
Others	2	115	2	115
	420	14,428	2	13,567

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Interest on bank overdrafts	2	8
Hire purchase interest	18	34
	20	42

The interest rates charged for Medium Term Notes, revolving credit and bank overdrafts are disclosed in Notes 19, 20 and 21 to the financial statements respectively.

37 TAXATION

CONTINUING OPERATIONS

	GROUP					
	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
31.12.2012						
Current tax	2,906	-	-	3,327	2,002	8,235
Deferred tax (Note 14)	939	(181)	-	-	475	1,233
Tax expenses/(income)	3,845	(181)	-	3,327	2,477	9,468
Current tax						
Current financial year	2,918	-	-	2,388	2,002	7,308
Under/(over) provision in prior financial years	(12)	-	-	939	-	927
	2,906	-	-	3,327	2,002	8,235
Deferred tax						
Origination and reversal of temporary differences	949	(181)	-	-	475	1,243
Over provision in prior financial years	(10)	-	-	-	-	(10)
	939	(181)	-	-	475	1,233
	3,845	(181)	-	3,327	2,477	9,468
31.12.2011						
Current tax	2,205	(87)	-	699	1,257	4,074
Deferred tax (Note 14)	2,381	428	-	-	124	2,933
Tax expenses	4,586	341	-	699	1,381	7,007
Current tax						
Current financial year	2,181	-	-	699	1,257	4,137
Under/(over) provision in prior financial years	24	(87)	-	-	-	(63)
	2,205	(87)	-	699	1,257	4,074
Deferred tax						
Origination and reversal of temporary differences	2,381	428	-	-	124	2,933
	4,586	341	-	699	1,381	7,007

37 TAXATION (CONTINUED)

DISCONTINUED OPERATIONS (Note 38)

	GROUP			
	Share-holders' fund RM'000	**General fund RM'000**	**Life fund RM'000**	**Total RM'000**
31.12.2012				
Current tax	168	-	-	168
Deferred tax (Note 14)	(15)	-	-	(15)
Tax expenses	153	-	-	153
Current tax				
Current financial year	168	-	-	168
Deferred tax				
Origination and reversal of temporary differences	(15)	-	-	(15)
	153	-	-	153
31.12.2011				
Current tax	4,123	21,550	(13,853)	11,820
Deferred tax (Note 14)	(270)	(1,979)	(554)	(2,803)
Tax expenses/(income)	3,853	19,571	(14,407)	9,017
Current tax				
Current financial year	3,041	17,286	18,398	38,725
Under/(over) provision in prior financial years	1,082	4,264	(32,251)	(26,905)
	4,123	21,550	(13,853)	11,820
Deferred tax				
Origination and reversal of temporary differences	(258)	(1,979)	(554)	(2,791)
Over provision in prior financial years	(12)	-	-	(12)
	(270)	(1,979)	(554)	(2,803)
	3,853	19,571	(14,407)	9,017

37 TAXATION (CONTINUED)

	COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000
Deferred tax (Note 14)	120	(8)
Deferred tax		
Origination and reversal of temporary differences	120	(8)

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

	GROUP		COMPANY	
	31.12.2012 %	31.12.2011 %	31.12.2012 %	31.12.2011 %
Malaysian tax rate	25	25	25	25
Tax effects of:				
- expenses not deductible for tax purposes	10	4	(25)	(25)
- income not taxable for tax purposes	(49)	(15)	-	-
- tax losses not recognised	1	1	-	-
- benefits from previously unrecognised deductible temporary differences	2	-	-	-
- benefits from current financial year deductible temporary differences	1	-	-	-
- effects of different tax rates in foreign jurisdictions	20	1	-	-
- over provision in prior financial year	-	4	-	-
Average effective tax rate	10	20	-	-

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, General takaful fund and Family takaful fund was based on the method prescribed under the Income Tax Act, 1967 .

38 DISCONTINUED OPERATIONS

GROUP

	Note	31.12.2012 RM'000	Restated 31.12.2011 RM'000
Gross earned premiums	27(a)	3,453	1,044,057
Premiums ceded to reinsurers	27(b)	(258)	(53,422)
Net earned premiums		3,195	990,635
Investment income	28	563	237,112
Realised gains and losses	29	67,120	108,168
Fair value gains and losses	30	(942)	(52,057)
Fee and commission income	31	135	24,014
Other operating revenue from non-insurance businesses	32	11,286	20,094
Other revenue		78,162	337,331
Gross benefits and claims paid	33(a)	(3,749)	(1,158,545)
Claims ceded to reinsurers	33(b)	-	90,628
Gross change to contract liabilities	33(c)	1,587	111,274
Change in contract liabilities ceded to reinsurers	33(d)	-	(5,875)
Net insurance benefits and claims		(2,162)	(962,518)
Fee and commission expense		(450)	(124,721)
Management expenses	34	(14,318)	(159,349)
Other operating (expenses)/income – net	35	(94)	39,390
Finance costs	36	(20)	(42)
Other expenses		(14,882)	(244,722)
Surplus/profit before taxation		64,313	120,726
Taxation of life insurance fund	37	-	14,407
Profit before taxation		64,313	135,133
Taxation	37	(153)	(23,424)
Profit for the financial year		64,160	111,709

COMPANY

	Note	31.12.2012 RM'000	Restated 31.12.2011 RM'000
Realised gain from disposal of subsidiary company	41(a)	55,776	236,568

The financial results of Discontinued Operations relate to subsidiary companies that been disposed during the financial year as disclosed in Note 41 to the financial statements. The comparatives have been restated to include the financial results of those disposed subsidiary companies.

39 DIVIDENDS

The Board of Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2012.

40 BASIC EARNINGS PER SHARE - GROUP

The basic earnings per ordinary share have been calculated by dividing the Group's total net profit from continuing and discontinued operations after non-controlling interests 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 (31.12.2011: 304,354,000 shares).

	31.12.2012 RM'000	31.12.2011 RM'000
(Loss)/profit for the financial year from continuing operations after non-controlling interests	(21,683)	3,008
Profit for the financial year from discontinued operations	64,160	111,709
	42,477	114,717

41 DISPOSAL OF SUBSIDIARY COMPANIES

(a) On 30 September 2011, the Company and its wholly-owned subsidiary, MAA Corporation Sdn Bhd ("MAA Corp"), completed the disposal of MAA, Multioto Services Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd, Maagnet Systems Sdn Bhd and Maagnet-SSMS Sdn Bhd (hereinafter collectively known as the "Disposed Subsidiaries") to Zurich, for a total cash consideration of RM344.0 million ("the Disposal") as further disclosed in Note 54(a) to the financial statements.

Following the completion of the Disposal, these companies ceased to be subsidiary companies of the Group.

Details of the disposal are as follows:

<u>GROUP</u>	At date of disposal RM'000
Property, plant and equipment	270,853
Investment properties	507,553
Intangible assets	4,669
Investments	5,622,437
Insurance receivables	85,158
Trade and other receivables	166,789
Tax recoverable	415
Cash and cash equivalents	736,146
Insurance contract liabilities – net of reinsurance assets	(5,923,325)
Insurance payables	(996,280)
Current tax liabilities	(146,872)
Deferred tax liabilities	(32,407)
	(19,875)
Net assets	275,261
Net disposal proceeds[(1)]	(360,344)
Related selling expenses	1,921
Gain on disposal to the Group (Note 29)	(83,162)

The net cash flow on disposal was determined as follows:

Net cash received less related selling expenses	178,295
Cash and cash equivalents of disposed subsidiary companies	(736,146)
Cash outflow to the Group on disposal	(557,851)

[(1)] The net disposal proceeds of the Group are derived from a total consideration of RM430,034,000 comprised of the sale consideration of RM344,000,000, and an upward adjustment of RM86,034,000 million being the difference between the aggregate value of the Disposed Subsidiaries as at 30 September 2010 and the final aggregate value as at 30 September 2011 based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries received from Zurich on 30 December 2011, less an amount of RM69,690,000 held back to address certain issues relating to the satisfaction and fulfillment of certain condition precedents in the SPA with Zurich.

41 DISPOSAL OF SUBSIDIARY COMPANIES (CONTINUED)

(a) Details of the disposal are as follows: (continued)

COMPANY	**At date of disposal RM'000**
Cost of investment	110,981
Net disposal proceeds	(356,231)
Related selling expenses	8,682
Gain on disposal to the Company (Note 38)	(236,568)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	168,315

During the current financial year ended 31 December 2012, the Group and Company recognised an additional gain of RM50.7 million from the receipt of held back sums from the sale consideration of MAA after satisfaction of certain condition precedents as stipulated in the SPA and a further gain of RM5.3 million arising from a subsequent upward adjustment to the sale consideration of MAA due to an overstatement of Life fund liabilities in the draft completion accounts prepared by Zurich, as disclosed in Note 54(a) to the financial statements.

(b) On 28 June 2012, MAA Corp completed the disposal of its 100% equity interest in Wira Security Services Sdn Bhd ("Wira") for a total cash consideration of RM7.0 million, as disclosed in Note 54(c) to the financial statements.

Following the completion of the disposal, Wira ceased to be subsidiary company of the Group.

Details of the disposal are as follows:

GROUP	**At date of disposal RM'000**
Property, plant and equipment	936
Investments	2
Trade and other receivables	4,762
Tax recoverable	1
Cash and cash equivalents	3,227
Trade and other payables	(2,605)
Deferred tax liabilities	(103)
Net assets	6,220
Net disposal proceeds	(7,000)
Related selling expenses	87
Gain on disposal to the Group (Note 29)	(693)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	6,913
Cash and cash equivalents of disposed subsidiary company	(3,227)
Cash inflow to the Group on disposal	3,686

41 DISPOSAL OF SUBSIDIARY COMPANIES (CONTINUED)

(c) On 16 August 2012, MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary company of MAA Corp, completed the disposal of its 99.5% equity interest in PT MAA Life Assurance ("PT MAAL") for a final sale consideration of IDR23.56 billion (equivalent to approximately RM7.79 million) to Tokio Marine Holdings, Inc, as disclosed in Note 54(d) to the financial statements.

Following the completion of the disposal, PT MAAL ceased to be subsidiary company of the Group.

Details of the disposal are as follows:

GROUP	At date of disposal RM'000
Property, plant and equipment	1,706
Investments	15,381
Insurance receivables	190
Trade and other receivables	2,780
Deferred tax assets	186
Cash and cash equivalents	489
Insurance contract liabilities	(20,630)
Insurance payables	(407)
Trade and other payables	(2,713)
Net liabilities	(3,018)
Net disposal proceeds	(7,786)
Related selling expenses	-
Gain on disposal to the Group (Note 29)	(10,804)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	7,787
Cash and cash equivalents of disposed subsidiary company	(489)
Cash inflow to the Group on disposal	7,298

(d) On 5 December 2012, MAA Corp disposed 385,000 ordinary shares representing 11% of the issued and fully paid up ordinary shares and the 153 redeemable preference shares representing 100% of the issued and fully paid up redeemable preference shares in Meridian Asset Management Holdings Sdn Bhd ("MAM") respectively to NTY Enterprise Sdn Bhd, for a total cash consideration of Ringgit Malaysia Ten (RM10) only, as disclosed in Note 54(i) to the financial statements.

Upon completion of the disposal, MAM has ceased to be a subsidiary company is treated as an associated company of the Group.

The loss of control is deemed a partial disposal of subsidiary and the investment retained in MAM is recognised at fair value in accordance with MFRS 127 'Consolidated and Separate Financial Statements', resulting in a gain of RM1.1 million in the income statement of the Group as disclosed in Note 29 to the financial statements.

42 ACQUISITION OF SUBSIDIARY COMPANIES

(a) On 2 October 2012, MAA Credit Berhad ("MAA Credit"), a wholly owned subsidiary of MAA Corp, had exercised of its power of attorney pursuant to memorandum of deposit shares in Keris Murni Sdn Bhd ("KMSB") and Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") ("the Security Shares") dated 1 October 2009 signed with Famous Vertex Sdn Bhd ("FVSB"), and transferred all the Security Shares to itself, as disclosed in Note 54(g) to the financial statements.

The acquisition formed part of debt recovery action taken to enforce the Security Shares after FVSB had defaulted the loan (both principal and interest) due to MAA Credit.

Consequently, KMSB and PTKSB become 70% owned subsidiary companies of MAA Credit on 2 October 2012.

The following table summarises the consideration paid for KMSB and PTKSB, the fair value of assets acquired, liabilities consumed, cash flows and the non-controlling interest at the acquisition date.

	RM'000
Consideration transferred	
Fair value of Security Shares	662
Details of the share of net assets/(liabilities) acquired are as follows:	
Property, plant and equipment	203
Trade and other receivables	1,824
Tax recoverable	261
Cash and cash equivalents	1,229
Trade and other payables	(2,108)
Current tax liabilities	(310)
Deferred tax liabilities	(39)
Total net assets	1,060
Non-controlling interests	(318)
Total net assets acquired	742
Negative goodwill from acquisition of subsidiary companies (Note 35)	(80)
Purchase consideration	662
Cash and cash equivalents acquired	(1,229)
Net cash inflow on acquisition	(567)

KMSB contributed an operating revenue of RM605,000 with a loss after taxation of RM628,000 to the Group for the financial year from the date of acquisition, while PTKSB contributed an operating revenue of RM568,000 with a loss after taxation of RM519,000 to the Group for the financial year from the date of acquisition.

Had the business combination taken place at the beginning of the financial year, the Group's operating revenue would have shown a pro-forma operating revenue of RM523,009,000 and profit after taxation of RM36,675,000 for the financial year.

42 ACQUISITION OF SUBSIDIARY COMPANIES (CONTINUED)

(b) On 26 November 2012, MAA Credit acquired 290,002 ordinary shares of RM1.00 each representing 100% equity interest in Nilam Timur Sdn Bhd ("Nilam Timur") from Ahmad Nor Shaffuddin bin Ahmad Baharuddin and Rozeeta Binti Ahmad Baharuddin for a total cash consideration of RM10.00, as disclosed in Note 54(h) to the financial statements.

The acquisition formed part of debt recovery action taken by MAA Credit for a loan due by Nilam Timur. MAA Credit intends to sell Nilam Timur which has the sub-lease on lands to any interested party to recover the loan.

The following table summarises the consideration paid for Nilam Timur, the fair value of assets acquired, liabilities consumed and cash flows at the acquisition date.

	RM'000
Consideration transferred	
Cash	-(*)
Details of the share of net assets/(liabilities) acquired are as follows:	
Property, plant and equipment	2,187
Investments	700
Trade and other payables	(9,725)
Total net liabilities assumed	(6,838)
Goodwill on acquisition of subsidiary company that has been impaired (Note 35)	6,838
Purchase consideration	-(*)
Cash and cash equivalent acquired	-
Net cash inflow on acquisition	-

(*) Denotes RM10.

There was no operating revenue contributed by Nilam Timur and the Group incurred a loss after taxation of RM69,000 for the financial year from the date of acquisition.

There are no effects to the Group's revenue and profit after taxation had the business combination taken place at the beginning of financial year as Nilam Timur is a dormant company.

43 PRIOR YEAR ADJUSTMENTS

During the financial year, the Group made prior year adjustments for errors in the previous years' financial results of PT MAA General Assurance ("PT MAAG"), an insurance subsidiary of the Group in Indonesia, and for changes in relation to the transition from FRS to MFRS. Details of the prior year adjustments are as follows:

PT MAAG

During the financial year, further to an exercise conducted by management of the Company and the Group's Internal Audit team on PTMAAG, in relation to the differences noted between the receivables and payables sub-ledger and the general ledger, various errors were detected in the financial statements of PT MAAG, a number of which were in relation to prior years.

As a consequence of the above, prior year adjustments ("referred to as PYA (i)") have now been made in the consolidated financial statements of the Group for the following items, in accordance with MRFS 108 'Accounting Policies, Changes in Accounting Estimates and Errors':

		2011 RM'000	**Prior years RM'000**
1.	Under accrual of reinstatement premiums	(10,140)	(6,489)
2.	Agents' commission paid but not charged out as commission expense	(1,248)	(831)
3.	Claims paid but not charged out as claim expenses	(934)	599
4.	Overprovision for claim reserves	1,893	398
5.	Claim expenses recognised in incorrect financial periods	(9,401)	(5,458)
6.	Over provision of tax payable	-	158
7.	Under accrual of unearned premium reserves	(160)	-
		(19,990)	(11,623)

Transition from FRS to MFRS

The effects of the Group's and Company's transition to MFRSs, described in Note 2.1 to the financial statements, is summarised as follows:

(a) MFRS 1 mandatory exceptions

MFRS estimates – MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

(b) MFRS 1 exemption options

Exemption for business combination

MFRS 1 provides the option to apply MFRS 3 'Business Combinations' prospectively for business combinations that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or from a designated date prior to the transition date. The Group has elected to apply MFRS prospectively to business combinations that occurred after 1 January 2011. Business combinations that occurred prior to 1 January 2011 have not been restated. The Group has also applied MFRS 127 'Consolidated and Separate Financial Statements' from the same date.

(c) Explanation of transition from FRSs to MFRSs

Following the transition to MFRS Framework, Qardhal Hassan, being a benevolent loan extended by the Shareholder's fund of MAA Takaful Berhad, ceased to be recognised as an asset in the financial statements of the Group and the Company. This is a change to the accounting policy and consequently, the Group accounted for this change as a prior year adjustment ("referred to as PYA (ii)") as follows:

	2011 RM'000	**Prior years RM'000**
Qardhal Hassan adjustments, net of tax	7,387	(16,113)

43 PRIOR YEAR ADJUSTMENTS (CONTINUED)

Transition from FRS to MFRS (continued)

The effects of the Group's and Company's transition to MFRSs, described in Note 2.1 to the financial statements, is summarised as follows: (continued)

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from FRSs to MFRS for the respective periods noted for equity and total comprehensive income.

The transition from FRS to MFRS has no effect on the reconciliation of equity and reconciliation of total comprehensive income of the Company and on the reported cash flows generated by the Group and Company.

The above adjustments do not have any impact to the cashflows of the Group for the financial year ended 31 December 2011.

(i) Reconciliation of equity attributable to the Owner of the Company

	GROUP	
	As at 1 January 2011 (date of transition) RM'000	**As at 31 December 2011 RM'000**
Equity as reported under FRS	286,645	412,779
Less: Transitioning adjustments	(12,084)	(6,544)
Equity on transition to MFRS	274,561	406,235

(ii) Reconciliation of total comprehensive income attributable to the Owner of the Company

	GROUP	
	Financial year ended 31 December 2010/ 1 January 2011 (date of transition) RM'000	**Financial year ended 31 December 2011 RM'000**
Total comprehensive income as reported under FRS	25,419	126,134
Add/(less): Transitioning adjustments	(12,084)	5,540
Total comprehensive income upon transition to MFRS	13,335	131,674

43 PRIOR YEAR ADJUSTMENTS (CONTINUED)

The following tables disclose the effects of PYA (i) and PYA (ii) to each of the line items in the Group's statement of financial position as at 1 January 2011 and 31 December 2011:

Statement of financial position

	1.1.2011			
	As previously reported RM'000	Effects of PYA (i) RM'000	Effect of PYA (ii) RM'000	Restated balance RM'000
Assets				
Insurance/takaful receivables	68,807	(232)	-	68,575
Trade and other receivables	56,310	-	(16,644)	39,666
Tax recoverable	4,554	158	-	4,712
Deferred tax assets	1,602	-	531	2,133
Liabilities				
Insurance/takaful contract liabilities	517,350	5,060	-	522,410
Insurance/takaful payables	58,899	6,489	-	65,388
Equity				
Accumulated losses	(16,728)	(9,648)	(12,084)	(38,460)
Non-controlling interests	33,339	(1,975)	(4,029)	27,335

	31.12.2011			
	As previously reported RM'000	Effects of PYA (i) RM'000	Effect of PYA (ii) RM'000	Restated balance RM'000
Assets				
Insurance/takaful receivables	84,130	(2,574)	-	81,556
Trade and other receivables	218,666	-	(8,833)	209,833
Tax recoverable	3,405	158	-	3,563
Deferred tax assets	677	-	107	784
Liabilities				
Insurance/takaful contract liabilities	495,922	12,568	-	508,490
Insurance/takaful payables	79,463	16,629	-	96,092
Equity				
Retained earnings	109,041	(26,240)	(6,544)	76,257
Non-controlling interests	35,527	(5,373)	(2,182)	27,972

43 PRIOR YEAR ADJUSTMENTS (CONTINUED)

The following tables disclose the effects of PYA (i) and PYA (ii) to each of the line items in the Group's income statement for the financial year ended 31 December 2011:

Income Statement

	31.12.2011				
	As previously reported RM'000	**Reclassi-fication* RM'000**	**Effects of PYA (i) RM'000**	**Effect of PYA (ii) RM'000**	**Restated balance RM'000**
CONTINUING OPERATIONS					
Gross earned premiums/contributions	378,230	(15,867)	(160)	-	362,203
Premiums/contributions ceded to reinsurers/retakaful	(142,123)	1,178	(10,140)	-	(151,085)
Investment income	20,074	(603)	-	-	19,471
Realised gains and losses	12,273	(1,694)	-	-	10,579
Fair value gains and losses	(17,745)	(105)	-	-	(17,850)
Fee and commission income	32,671	(353)	-	-	32,318
Other operating revenue from non-insurance businesses	62,257	(18,760)	-	-	43,497
Gross benefits and claims paid	(149,462)	17,735	(1,584)	-	(133,311)
Claims ceded to reinsurers/retakaful	66,827	-	650	-	67,477
Gross change to contract liabilities	28,190	(3,197)	(7,508)	(44,915)	(27,430)
Change in contract liabilities ceded to reinsurers/retakaful	20,085	-	-	(2,645)	17,440
Fee and commission expenses	(86,855)	2,027	(1,248)	-	(86,076)
Management expenses	(117,012)	27,175	-	-	(89,837)
Other operating income/(expenses)-net	(14,680)	(637)	-	-	(15,317)
Finance costs	(14,468)	40	-	-	(14,428)
Taxation of life insurance, general takaful and family takaful businesses	(1,884)	(196)	-	-	(2,080)
Surplus/(deficit) before taxation/ profit/(loss) before taxation	76,028	6,743	(19,990)	(47,560)	15,221
Surplus attributable to participants	-	-	-	(6,222)	(6,222)
Surplus retained in life insurance	(63,046)	-	-	61,593	(1,453)
Profit before taxation	12,982	6,743	(19,990)	7,811	7,546
Taxation	(4,992)	489	-	(424)	(4,927)
Profit from continuing operations	7,802	7,232	(19,990)	7,387	2,431

43 PRIOR YEAR ADJUSTMENTS (CONTINUED)

The following tables disclose the effects of PYA (i) and PYA (ii) to each of the line items in the Group's income statement for the financial year ended 31 December 2011(continued):

Income Statements (continued)

	31.12.2011				
	As previously reported RM'000	**Reclassi-fication* RM'000**	**Effects of PYA (i) RM'000**	**Effect of PYA (ii) RM'000**	**Restated balance RM'000**
DISCONTINUED OPERATIONS					
Profit before taxation	141,876	(6,743)	-	-	135,133
Taxation	(22,935)	(489)	-	-	(23,424)
Profit from discontinued operations	118,941	(7,232)	-	-	111,709
Profit for the financial year	126,743	-	(19,990)	7,387	114,140
Profit from the financial year attributable to:					
Owners of the company	125,769	-	(16,592)	5,540	114,717
Non-controlling interests	974	-	(3,398)	1,847	(577)
	126,743	-	(19,990)	7,387	114,140

*Certain comparatives were reclassified to conform to the current financial year's presentation of financial statements in respect of discontinued operations as disclosed in Note 38 to the financial statements.

44 CAPITAL AND OTHER COMMITMENTS

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

	GROUP		COMPANY	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Authorised and contracted for: - property, plant and equipment	1,948	4,197	-	-
Approved and not contracted for: - property, plant and equipment	-	3,251	-	1,311
	1,948	7,448	-	1,311

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 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
Melewar Apex Sdn Bhd	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
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

Significant related party transactions

During the financial year, the Group and the Company undertook various transactions based on agreed terms and conditions with its subsidiary companies, associated companies and other companies deemed related parties as disclosed above.

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

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Transactions with subsidiary companies:				
Interest income from advances to subsidiary companies	-	-	2,047	2,293
Management fee income from subsidiary companies	-	-	1,530	3,136
Rental expense payable to a subsidiary company–MAA [1]	-	-	-	(520)
Transactions with related parties:				
Rental income receivable by MAA [1] from:				
Trace Management Services Sdn Bhd	-	105	-	-
Melewar Group Berhad	-	45	-	-
Melewar Integrated Engineering Sdn Bhd	-	98	-	-
Melewar Industrial Group Berhad	-	207	-	-
Melewar Equities Sdn Bhd	-	75	-	-
Rental income receivable from:				
Melewar Industrial Group Berhad	73	-	-	-
Melewar Equities Sdn Bhd	47	-	-	-
Office service charge income receivable from:				
Melewar Industrial Group Berhad	11	-		-
Melewar Equities Sdn Bhd	7	-		-
Retirement benefit fund contributed to MAAKER [3]	(856)	(749)	(828)	(730)

45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Transactions with related parties: (continued)				
Security services fee receivable from:				
Mycron Steel Berhad	87	175	-	-
Melewar Steel Tube Sdn Bhd	70	141	-	-
Purchase of air tickets and travel packages from Mitra Malaysia Sdn Bhd [2]	-	(1,736)	-	(33)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(297)	(490)	(171)	(206)
Transactions with associated companies:				
Trustee fee payable by MAAKER to MAA Bancwell	(30)	(150)	-	-
Management fee income receivable from MAA Bancwell	336	1,189	336	1,189
Rental income receivable by MAA from MAA Bancwell	-	39	-	-

[1] MAA ceased to be a subsidiary company subsequent to its disposal to Zurich on 30 September 2011.

[2] Ceased to be a related party on 8 June 2011.

[3] Ceased to be a related party when it was dissolved on 16 July 2012.

Related party receivables/payables

The balances with related parties at the financial year end are disclosed in Notes 13 and 23 to the financial statements. Other significant balances with other related parties at the financial year end are as disclosed below.

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	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Salaries and other short-term employee benefits	10,084	13,671	5,882	5,581
Defined contribution retirement benefits	1,246	4,201	817	910
	11,330	17,872	6,699	6,491

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

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amounts receivable from mortgage loans	96	139	187	96	139	187
Amounts payable to a Director	1,909	1,950	1,893	-	-	-

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 (31.12.2011: 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 MFRS 8 'Operating Segments', which defines 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

Other segments comprise investment holding, hire purchase, leasing and other credit activities, property management and investment advising 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 profits. 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)

2012

	Insurance								Takaful	Unit trust fund management	Other segments		Total	Inter-segment elimination	Group
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Shareholders' fund						
	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued					Continuing	Discontinued			
	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	177	4,008	69,814	-	1,190	-	155,800	218,362	3,748	39,015	9,636	11,294	513,044	-	513,044
Revenue from other segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	177	4,008	69,814	-	1,190	-	155,800	218,362	3,748	39,015	9,636	11,294	513,044	-	513,044
Net earned premiums/ contributions	-	3,195	20,946	-	-	-	31,385	190,390	-	-	-	-	245,916	-	245,916
Interest income	147	544	402	-	629	-	2,856	5,538	3,658	747	5,950	8	20,479	(2,240)	18,239
Other revenue	(2,715)	(978)	6,029	-	(716)	-	31,932	17,954	118,623	38,668	14,724	78,692	302,213	(111,215)	190,998
Net insurance/takaful benefits and claims	3,283	(2,162)	(28,399)	-	-	-	(12,749)	(112,052)	-	-	-	-	(152,079)	-	(152,079)
Other expenses	(843)	(3,637)	(11,099)	-	(4,348)	-	(43,319)	(80,331)	(119,488)	(32,448)	(58,049)	(11,014)	(364,576)	122,421	(242,155)
Depreciation	-	(132)	(147)	-	(81)	-	-	-	(1,739)	(463)	(827)	(265)	(3,654)	-	(3,654)
Amortisation	-	-	-	-	-	-	-	-	(1,405)	(501)	(90)	-	(1,996)	-	(1,996)
Finance costs	-	-	-	-	-	-	-	-	-	-	(420)	(20)	(440)	-	(440)
Profit/(loss) by segments	(128)	(3,170)	(12,268)	-	(4,516)	-	10,105	21,499	(351)	6,003	(38,712)	67,401	45,863	8,966	54,829
Taxation of life insurance, general takaful and family takaful businesses	-	-	-	-	-	-	(3,327)	(2,477)	-	-	-	-	(5,804)	-	(5,804)
Surplus distributed to participants	-	-	-	-	-	-	-	(9,192)	-	-	-	-	(9,192)	-	(9,192)
	(128)	(3,170)	(12,268)	-	(4,516)	-	6,778	9,830	(351)	6,003	(38,712)	67,401	30,867	8,966	39,833
Share of loss of associated companies not included in reportable segments													(665)	-	(665)
Profit before taxation													30,202	8,966	39,168

46 SEGMENTAL INFORMATION (CONTINUED)

2011

	Insurance								Takaful	Unit trust fund mana-gement	Other segments		Total	Inter-segment elimina-tion	Group
	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	2,194	908,455	74,657	365,343	770	7,300	126,879	170,343	4,252	40,086	5,990	20,165	1,726,434	-	1,726,434
Revenue from other segments	-	3,167	-	259	-	-	-	-	-	-	5,118	9,932	18,476	(18,476)	-
Total operating revenue	2,194	911,622	74,657	365,602	770	7,300	126,879	170,343	4,252	40,086	11,108	30,097	1,744,910	(18,476)	1,726,434
Net earned premiums/ contributions	6	682,113	28,322	308,522	-	-	31,966	150,824	-	-	-	-	1,201,753	-	1,201,753
Interest income	1,441	151,491	679	16,655	305	3,929	2,237	4,491	3,731	837	1,511	72	187,379	-	187,379
Other revenue	(1,414)	37,469	6,804	24,035	(2,103)	3,704	23,760	11,102	94,564	39,250	(8,467)	103,402	332,106	(94,139)	237,967
Net insurance/takaful benefits and claims	52,152	(780,068)	(25,155)	(182,450)	-	-	(17,317)	(85,504)	-	-	-	-	(1,038,342)	-	(1,038,342)
Other expenses	(970)	(105,902)	(29,677)	(110,055)	(5,563)	(2,031)	(33,831)	(65,215)	(95,416)	(32,605)	(15,129)	(26,295)	(522,689)	100,745	(421,944)
Depreciation	-	(6,308)	(188)	(1,263)	(102)	(921)	-	-	(446)	(335)	(551)	(559)	(10,673)	-	(10,673)
Amortisation	-	(1,330)	-	-	-	-	-	-	(1,322)	(503)	(90)	(48)	(3,293)	-	(3,293)
Finance costs	-	-	-	-	-	-	-	-	-	-	(14,428)	(42)	(14,470)	-	(14,470)
Profit/(loss) by segments	51,215	(22,535)	(19,215)	55,444	(7,463)	4,681	6,815	15,698	1,111	6,644	(37,154)	76,530	131,771	6,606	138,377
Taxation of life insurance, general takaful and family takaful businesses	-	14,407	-	-	-	-	(699)	(1,381)	-	-	-	-	12,327	-	12,327
Surplus distributed to participants	-	-	-	-	-	-	-	(6,222)	-	-	-	-	(6,222)	-	(6,222)
Surplus retained in life insurance	(1,453)	1,294	-	-	-	-	-	-	-	-	-	-	(159)	(1,294)	(1,453)
	49,762	(6,834)	(19,215)	55,444	(7,463)	4,681	6,116	8,095	1,111	6,644	(37,154)	76,530	137,717	5,312	143,029
Share of loss of associated companies not included in reportable segments													(350)		(350)
Profit before taxation													137,367	5,312	142,679

46 SEGMENTAL INFORMATION (CONTINUED)

	Insurance								Takaful	Unit trust fund mana-gement	Other segments		Total	Inter-segment elimina-tion	Group
	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
31.12.2012															
Segment assets	12,876	-	94,852	-	64,810	-	227,118	368,733	110,911	35,697	288,045	-	1,203,042	-	1,203,042
Investment in associated companies															56,314
Total assets															1,259,356
31.12.2011															
Segment assets	51,343	-	71,065	-	66,016	-	214,438	289,305	94,939	44,171	248,219	-	1,079,496	13	1,079,509
Investment in associated companies															50,522
Total assets															1,130,031

46 SEGMENTAL INFORMATION (CONTINUED)

Geographical segments

The Group operates mainly in Malaysia, Indonesia, Philippines and Australia. In determining the geographical segments of the Group, revenues and non-current assets are based on the geographical location of customers.

	External revenue		Non-current assets	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Malaysia				
- Continuing operations	427,847	360,155	254,614	195,970
- Discontinued operations	15,302	1,284,827	-	-
	443,149	1,644,982	254,614	195,970
Indonesia	69,797	81,332	341	1,189
Others	98	120	-	-
	513,044	1,726,434	254,955	197,159

47 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 Risk Based Capital ready.

48 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 ongoing 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 Head 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.

48 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Risk Governance Structure (continued)

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 management committees are Executive Committee, Business Committee, Family Takaful Management Committee, General Takaful Management Committee, Information Technology Committee and Investment Committee. These committees 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.

49 INSURANCE/TAKAFUL 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.

Life Insurance Contracts

The table below shows the concentration of life insurance contract liabilities held by the Group by type of product for the overseas insurance subsidiary company:

	Gross Without DPF		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Life Contracts			
Whole life and endowment	-	10,404	8,585
Term – Mortgage	-	1,738	1,279
Term – Other plans	-	11,302	9,367
Term – Medical & Health	-	473	809
Total life insurance contract liabilities	-	23,917	20,040

The above business were derived from Indonesia. Accordingly the entire life liabilities were in Indonesia. The subsidiary company was subsequently disposed during the current financial year as disclosed in Note 54(d) to the financial statements.

The above is shown gross-of-reinsurance basis as it assumed that reinsurance is neutral with respect to cash flows.

49 INSURANCE/TAKAFUL 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:

	31.12.2012			31.12.2011		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**	**Gross RM'000**	**Retakaful RM'000**	**Net RM'000**
Whole life	501	-	501	97	-	97
Endowment	259,535	(4)	259,531	203,527	-	203,527
Term	47,608	(13,788)	33,820	40,323	(10,049)	30,274
	307,644	(13,792)	293,852	243,947	(10,049)	233,898

	1.1.2011		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**
Whole life	13	-	13
Endowment	153,108	-	153,108
Term	38,761	(17,198)	21,563
	191,882	(17,198)	174,684

As all of the business is derived from Malaysia, the entire Family takaful contract 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:

i. Mortality Rates
Assumption is based on industry standard table – M9903

ii. Morbidity Rates
Assumption is mainly based on reinsurer rates

iii. Investment Return
5% p.a. for participant Investment Account (PIA) and 3% p.a for Participant Risk Investment Account (PRIA)

iv. Expenses
Assumption varies by product type as follow:

Product Type	RM per certificate
Investment-linked	53
Ordinary Family	40
Group Family	4

49 INSURANCE/TAKAFUL RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Family Takaful Contracts (continued)

Key assumptions (continued)

v. Lapse and Surrender Rates
2% p.a. for Single Contribution certificates

For regular contribution certificates, lapse rate varies by Certificate Year as follows:

	Certificate Year (%)			
Plan	1	2	3	4+
Takafulink	25	15	10	3.5
Takafulink Education	15	10	10	3.5
Takafulife Series	25	20	10	3.5
CancerCare	30	45	20	3.5
SmartMedic	20	30	25	3.5
Term80	25	20	10	3.5

vi. Discount Rate
GII Spot rate as at date of statement of financial position.

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 RM'000**	**Net RM'000**	**Profit before tax RM'000**
31 December 2012				
Mortality/morbidity	+10	2,594	686	686
Lapse and surrender rates	+10	(17)	165	165
Discount rate	+1	(1,905)	(2,572)	(2,572)
31 December 2011				
Mortality/morbidity	+10	1,606	98	98
Lapse and surrender rates	+10	(164)	-	-
Discount rate	+1	(74)	(564)	(564)
Expenses	+10	573	573	573
1 January 2011				
Mortality/morbidity	+10	5,396	5,301	5,301
Lapse and surrender rates	+10	174	174	174
Discount rate	+1	(13)	(13)	(13)

There is minimal impact on the Family takaful contract liabilities in relation to changes made to longevity, expenses and investment return assumptions.

49 INSURANCE/TAKAFUL 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 of reserves for unexpired risks, while the claims liabilities comprise of 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 follows:

- 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:

	31.12.2012			31.12.2011		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Fire	58,201	(37,848)	20,353	13,409	(4,820)	8,589
Motor vehicle	1,904	(11)	1,893	1,086	(13)	1,073
Marine Cargo, Aviation Cargo & Transit	17,075	(8,584)	8,491	9,580	(6,061)	3,519
Miscellaneous	25,459	(14,239)	11,220	16,481	(6,165)	10,316
	102,639	(60,682)	41,957	40,556	(17,059)	23,497
Currency translation differences	(6,565)	5,600	(965)	217	(120)	97
	96,074	(55,082)	40,992	40,773	(17,179)	23,594

	1.1.2011		
	Gross RM'000	Re-insurance RM'000	Net RM'000
Fire	15,906	(9,352)	6,554
Motor vehicle	2,351	(30)	2,321
Marine Cargo, Aviation Cargo & Transit	13,359	(10,291)	3,068
Miscellaneous	12,601	(5,578)	7,023
	44,217	(25,251)	18,966
Currency translation differences	(1,124)	874	(250)
	43,093	(24,377)	18,716

The comparatives concentration of the general insurance contracts was not restated to take into account the prior year adjustments disclosed in Note 43 to the financial statements as it is impractical to do so.

49 INSURANCE/TAKAFUL 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 of reserves for unexpired risks, whilst claims liabilities comprise of 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 claim 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.

For the Group's continuing operations, the initial expected loss ratio is an important assumption in the BF estimation techniques.

Increasing the IELRs by 10% yields the following impact:

				Impact on	
	Change in assumptions %	**Gross liabilities RM'000**	**Net liabilities RM'000**	**Profit before tax RM'000**	**Equity RM'000**
31 December 2012					
Initial expected loss ratios	+10%	6,941	2,95	(2,095)	(1,571)
31 December 2011					
Initial expected loss ratios	+10%	20,991	13,557	(1,232)	(924)
1 January 2011					
Initial expected loss ratios	+10%	37,321	30,788	(2,799)	(2,099)

The method used in deriving sensitivity information and significant assumptions did not change from the previous period.

49 INSURANCE/TAKAFUL 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.

	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Accident year									
At end of accident year	(6,929)	(5,644)	(8,811)	(6,280)	(18,090)	(11,277)	(8,875)	(7,049)	
One year later	(13,769)	(12,234)	(12,218)	(11,605)	(29,896)	(21,362)	(30,379)	-	
Two years later	(1,679)	(2,055)	(6,128)	(11,350)	(6,514)	(7,090)	-	-	
Three years later	(2,534)	(1,455)	(1,958)	(157)	(7,580)	-	-	-	
Four years later	(4)	(162)	291	(540)	-	-	-	-	
Five years later	1	(113)	(1,982)	-	-	-	-	-	
Six years later	(775)	(27)	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	-	
Current payments to date	-	(27)	(1,982)	(540)	(7,580)	(7,090)	(30,379)	(7,049)	(54,647)
Currency translation differences									3,592
Gross benefits and claims paid									(51,055)

	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Accident year									
At end of accident year	(5,413)	(3,913)	(6,960)	(5,085)	(11,845)	(6,765)	(5,326)	(6,056)	
One year later	(4,261)	(3,377)	(3,741)	(3,787)	(12,073)	(5,078)	(10,717)	-	
Two years later	(1,405)	(1,514)	(2,784)	(5,813)	(1,207)	(2,175)	-	-	
Three years later	(6)	(1,369)	(1,740)	(37)	(2,814)	-	-	-	
Four years later	(5)	(162)	55	(398)	-	-	-	-	
Five years later	(1)	(91)	(1,911)	-	-	-	-	-	
Six years later	(1)	(6)	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	-	
Current payments to date	-	(6)	(1,911)	(398)	(2,814)	(2,175)	(10,717)	(6,056)	(24,077)
Currency translation differences									1,473
Net benefits and claims paid									(22,604)

The Group used an annual average exchange rate to translate the foreign currency Indonesia Rupiah to Ringgit Malaysia.

The gross and net claims development tables above are not comparable to 2011, as they have been presented on a claims paid basis and not outstanding claim basis, as the information is not readily available.

49 INSURANCE/TAKAFUL RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

Gross General Insurance Contract Liabilities for 2011

	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Accident year									
At end of accident year	-	4,731	3,277	735	2,062	17,540	29,547	38,819	
One year later	4,710	17,506	19,168	9,244	24,250	24,220	41,321	-	
Two years later	6,627	28,599	34,477	17,409	31,733	56,059	-	-	
Three years later	10,649	28,933	37,138	18,606	29,422	-	-	-	
Four years later	10,635	29,070	36,799	28,833	-	-	-	-	
Five years later	11,555	28,976	21,681	-	-	-	-	-	
Six years later	11,515	16,510	-	-	-	-	-	-	
Seven years later	1,503	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	1,503	16,510	21,681	28,833	29,422	56,059	41,321	38,819	
At end of accident year	-	(4,731)	(3,277)	(195)	(703)	-	(5,875)	(8,791)	
One year later	(4,710)	(17,506)	(17,911)	(8,014)	(22,783)	(8,430)	(32,641)	-	
Two years later	(6,627)	(27,801)	(32,534)	(13,264)	(29,073)	(54,501)	-	-	
Three years later	(10,544)	(28,758)	(36,424)	(18,440)	(29,392)	-	-	-	
Four years later	(10,641)	(28,974)	(36,782)	(28,824)	-	-	-	-	
Five years later	(11,515)	(28,976)	(21,663)	-	-	-	-	-	
Six years later	(11,515)	(16,510)	-	-	-	-	-	-	
Seven years later	(1,503)	-	-	-	-	-	-	-	
Cumulative payments to date	(1,503)	(16,510)	(21,663)	(28,824)	(29,392)	(54,501)	(32,641)	(8,791)	
Gross General insurance contract liabilities	-	-	18	9	30	1,558	8,680	30,028	40,323
Currency translation differences									450
Gross General insurance contract liabilities									40,773

49 INSURANCE/TAKAFUL RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2011

	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Accident year									
At end of accident year	-	2,652	1,643	2,914	2,720	5,529	14,076	23,572	
One year later	3,030	5,932	7,559	7,968	7,781	15,634	21,206	-	
Two years later	4,565	6,797	9,495	9,394	13,609	29,534	-	-	
Three years later	5,162	6,965	10,419	9,440	14,808	-	-	-	
Four years later	5,199	7,124	10,877	14,409	-	-	-	-	
Five years later	5,191	7,087	10,456	-	-	-	-	-	
Six years later	5,184	7,750	-	-	-	-	-	-	
Seven years later	848	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	848	7,750	10,456	14,409	14,808	29,534	21,206	23,572	
At end of accident year	-	(2,652)	(1,643)	-	(660)	-	(3,353)	(5,780)	
One year later	(3,030)	(5,932)	(7,375)	(4,830)	(5,023)	(6,625)	(15,780)	-	
Two years later	(4,565)	(6,980)	(8,910)	(6,213)	(15,569)	(28,874)	-	-	
Three years later	(5,147)	(7,115)	(8,984)	(8,410)	(14,786)	-	-	-	
Four years later	(5,182)	(7,294)	(10,845)	(14,934)	-	-	-	-	
Five years later	(5,183)	(7,300)	(10,449)	-	-	-	-	-	
Six years later	(5,184)	(7,750)	-	-	-	-	-	-	
Seven years later	(848)	-	-	-	-	-	-	-	
Cumulative payments to date	(848)	(7,750)	(10,449)	(14,934)	(14,786)	(28,874)	(15,780)	(5,780)	
Net General insurance contract liabilities	-	-	7	(525)	22	660	5,426	17,792	23,382
Currency translation differences									212
Net General insurance contract liabilities									23,594

The Group used an annual average exchange rate to translate the foreign currency Indonesia Rupiah to Ringgit Malaysia. The comparatives claim development table (gross and net) was not restated to take into account the prior year adjustments disclosed in Note 43 to the financial statements as it is impractical to do so.

49 INSURANCE/TAKAFUL 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:

	31.12.2012			31.12.2011		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Fire	14,930	(12,903)	2,027	17,190	(13,829)	3,361
Motor vehicle	41,192	(30,130)	11,062	28,396	(16,067)	12,329
Marine Cargo, Aviation Cargo & Transit	8,637	(7,959)	678	5,018	(4,576)	442
Miscellaneous	43,842	(33,146)	10,696	42,649	(31,065)	11,584
	108,601	(84,138)	24,463	93,253	(65,537)	27,716

	1.1.2011		
	Gross RM'000	Retakaful RM'000	Net RM'000
Fire	17,763	(14,221)	3,542
Motor vehicle	14,283	(2,871)	11,412
Marine Cargo, Aviation Cargo & Transit	6,829	(6,258)	571
Miscellaneous	23,336	(13,892)	9,444
	62,211	(37,242)	24,969

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 and development of claims reported amounts. The methods employed also require assumptions on a seed prior estimate (for Bornhuetter-Ferguson based methods) for each accident year. For Frequency / Severity analysis, this method uses the fact that the number of claims reported is unlikely to have been affected by any changes in the claims handling process, and thus, the link ratio techniques are appropriate in determining the ultimate number of claims. Any changes in reporting, reserving or settlement process can affect the reliability of assumptions.

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.

Sensitivities

The General takaful claims 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.

49 INSURANCE/TAKAFUL RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Sensitivities (continued)

	Change in assumptions %	Impact on General takaful contract liabilities Gross RM'000	Net RM'000	Surplus before tax RM'000	Surplus after tax RM'000
31 December 2012					
Average open claims	+10	10,860	2,446	2,446	1,835
Loss ratio	+10	15,291	3,138	3,138	2,354
Provision for risk of adverse deviation	+1	117	22	22	17
31 December 2011					
Average open claims	+10	9,325	2,771	2,771	2,079
Loss ratio	+10	12,447	3,212	3,212	2,409
Claims handling expenses	+10	96	94	94	70
Provision for risk of adverse deviation	+1	651	199	199	149
1 January 2011					
Average open claims	+10	6,221	2,497	2,497	1,873
Loss ratio	+10	9,952	4,034	4,034	3,026
Provision for risk of adverse deviation	+1	446	180	180	135

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.

49 INSURANCE/TAKAFUL RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Claims Development table (continued)

Gross General Takaful Contract Liabilities for 2012

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Accident year							
At end of accident year	96	6,816	24,168	54,138	57,359	75,801	
One year later	78	4,592	20,219	58,203	55,297	-	
Two years later	50	3,714	16,567	52,314	-	-	
Three years later	42	3,214	13,865	-	-	-	
Four years later	39	3,249	-	-	-	-	
Five years later	39	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	39	3,249	13,865	52,314	55,297	75,801	
At end of accident year	-	(1,100)	(4,021)	(10,114)	(12,429)	(18,204)	
One year later	(39)	(2,807)	(9,177)	(29,052)	(34,709)	-	
Two years later	(39)	(3,035)	(10,273)	(35,595)	-	-	
Three years later	(39)	(3,076)	(12,049)	-	-	-	
Four years later	(39)	(3,089)	-	-	-	-	
Five years later	(39)	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Cumulative payments to date	(39)	(3,089)	(12,049)	(35,595)	(34,709)	(18,204)	
Gross General takaful contract liabilities	-	160	1,816	16,719	20,588	57,597	96,880
Provision for risk of adverse deviation							11,721
Gross General takaful contract liabilities							108,601

49 INSURANCE/TAKAFUL RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Claims Development Table (continued)

Net General Takaful Contract Liabilities for 2012

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Accident year							
At end of accident year	39	1,640	5,655	25,190	17,488	17,661	
One year later	48	1,642	6,165	24,835	15,510	-	
Two years later	32	1,370	5,340	23,500	-	-	
Three years later	26	1,198	5,206	-	-	-	
Four years later	24	1,230	-	-	-	-	
Five years later	24	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	24	1,230	5,206	23,500	15,510	17,661	
At end of accident year	-	(339)	(1,548)	(5,284)	(4,926)	(5,573)	
One year later	(23)	(1,032)	(3,831)	(14,461)	(11,260)	-	
Two years later	(23)	(1,169)	(4,285)	(18,328)	-	-	
Three years later	(23)	(1,182)	(4,511)	-	-	-	
Four years later	(23)	(1,186)	-	-	-	-	
Five years later	(23)	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Cumulative payments to date	(23)	(1,186)	(4,511)	(18,328)	(11,260)	(5,573)	
Net General takaful contract liabilities	1	44	695	5,172	4,250	12,088	22,250
Provision for risk of adverse deviation							2,213
Net General takaful contract liabilities							24,463

49 INSURANCE/TAKAFUL RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Claims Development table (continued)

Gross General Takaful Contract Liabilities for 2011

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Accident year						
At end of accident year	96	6,816	24,168	54,138	57,359	
One year later	78	4,592	20,219	58,203	-	
Two years later	50	3,714	16,567	-	-	
Three years later	42	3,214	-	-	-	
Four years later	39	-	-	-	-	
Five years later	-	-	-	-	-	
Six years later	-	-	-	-	-	
Seven years later	-	-	-	-	-	
Current estimate of cumulative claims incurred	39	3,214	16,567	58,203	57,359	
At end of accident year	-	(1,100)	(4,021)	(10,114)	(12,429)	
One year later	(39)	(2,807)	(9,177)	(29,052)	-	
Two years later	(39)	(3,035)	(10,278)	-	-	
Three years later	(39)	(3,076)	-	-	-	
Four years later	(39)	-	-	-	-	
Five years later	-	-	-	-	-	
Six years later	-	-	-	-	-	
Seven years later	-	-	-	-	-	
Cumulative payments to date	(39)	(3,076)	(10,278)	(29,052)	(12,429)	
Gross General takaful contract liabilities	-	138	6,289	29,151	44,930	80,508
Claims handling expenses						840
Provision for risk of adverse deviation						11,905
Gross General takaful contract liabilities						93,253

49 INSURANCE/TAKAFUL RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Claims Development table (continued)

Net General Takaful Contract Liabilities for 2011

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Accident year						
At end of accident year	39	1,640	5,655	25,190	17,488	
One year later	48	1,642	6,165	24,835	-	
Two years later	32	1,370	5,340	-	-	
Three years later	26	1,198	-	-	-	
Four years later	24	-	-	-	-	
Five years later	-	-	-	-	-	
Six years later	-	-	-	-	-	
Seven years later	-	-	-	-	-	
Current estimate of cumulative claims incurred	24	1,198	5,340	24,835	17,488	
At end of accident year	-	(339)	(1,548)	(5,284)	(4,926)	
One year later	(23)	(1,032)	(3,831)	(14,461)	-	
Two years later	(23)	(1,169)	(4,285)	-	-	
Three years later	(23)	(1,182)	-	-	-	
Four years later	(23)	-	-	-	-	
Five years later	-	-	-	-	-	
Six years later	-	-	-	-	-	
Seven years later	-	-	-	-	-	
Cumulative payments to date	(23)	(1,182)	(4,285)	(14,461)	(4,926)	
Net General takaful contract liabilities	1	16	1,055	10,374	12,562	24,008
Claims handling expenses						840
Provision for risk of adverse deviation						2,868
Net General takaful contract liabilities						27,716

50 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 of 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 participant 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.

50 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

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.

GROUP

	Insurance and Shareholders' Funds			Investment-linked			
	Continuing Operations RM'000	Dis-continued Operations RM'000	Total RM'000	Continuing Operations RM'000	Dis-continued Operations RM'000	Total RM'000	Total RM'000
31 December 2012							
Available-for-sale financial assets:							
Corporate debt securities	504	-	504	-	-	-	504
Islamic debt securities	135,865	-	135,865	-	-	-	135,865
Malaysian Government Guarantee Financing	54,243	-	54,243	-	-	-	54,243
Financial assets at fair value through profit or loss:							
Corporate debt securities	-	-	-	3,928	-	3,928	3,928
Islamic debt securities	-	-	-	41,152	-	41,152	41,152
Loans and receivables:							
Loans	9,199	-	9,199	-	-	-	9,199
Fixed and call deposits	4,037	-	4,037	42,250	-	42,250	46,287
Reinsurance/retakaful assets	212,743	-	212,743	-	-	-	212,743
Insurance/takaful receivables	68,804	-	68,804	-	-	-	68,804
Trade and other receivables	256,551	-	256,551	1,039	-	1,039	257,590
Cash and cash equivalents	102,730	-	102,730	38,987	-	38,987	141,717
	844,676	-	844,676	127,356	-	127,356	972,032
31 December 2011 (Restated)							
Available-for-sale financial assets:							
Corporate debt securities	9,452	-	9,452	-	-	-	9,452
Islamic debt securities	144,590	-	144,590	-	-	-	144,590
Malaysian Government Guarantee Financing	20,872	-	20,872	-	-	-	20,872
Financial assets at fair value through profit or loss:							
Corporate debt securities	-	-	-	4,555	-	4,555	4,555
Islamic debt securities	-	-	-	29,134	-	29,134	29,134
Loans and receivables:							
Loans	10,407	-	10,407	-	-	-	10,407
Fixed and call deposits	2,252	-	2,252	41,912	-	41,912	44,164
Reinsurance/retakaful assets	147,928	-	147,928	-	-	-	147,928
Insurance/retakaful receivables	81,556	-	81,556	-	-	-	81,556
Trade and other receivables	208,344	-	208,344	1,489	-	1,489	209,833
Cash and cash equivalents	145,403	-	145,403	31,849	-	31,849	177,252
	770,804	-	770,804	108,939	-	108,939	879,743

50 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure (continued)

GROUP

	Insurance and Shareholders' Funds			Investment-linked			
	Continuing Operations RM'000	Dis-continued Operations RM'000	Total RM'000	Continuing Operations RM'000	Dis-continued Operations RM'000	Total RM'000	Total RM'000
1 January 2011 (Restated)							
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
Malaysian Government Guarantee Financing	10,631	-	10,631	-	-	-	10,631
Malaysian Government Securities/ Government Investment Issues	-	236,125	236,125	-	-	-	236,125
Financial assets at fair value through profit or loss:							
Corporate debt securities	-	21,802	21,802	4,814	145,363	150,177	171,979
Islamic debt securities	-	-	-	21,995	-	21,995	21,995
Malaysian Government Securities/ Government Investment Issues	-	11,688	11,688	-	-	-	11,688
Loans and receivables:							
Loans	30,464	650,254	680,718	-	-	-	680,718
Fixed and call deposits	8,009	199,424	207,433	-	50,200	50,200	257,633
Reinsurance/retakaful assets	123,897	222,343	346,240	-	-	-	346,240
Insurance/takaful receivables	68,575	77,151	145,726	-	-	-	145,726
Trade and other receivables	36,444	45,559	82,003	3,222	4,379	7,601	89,604
Cash and cash equivalents	183,723	480,188	663,911	68,856	139,087	207,943	871,854
	646,062	5,495,958	6,142,020	98,887	339,029	437,916	6,579,936

COMPANY

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Loans and receivables:			
Loans	96	139	192
Fixed and call deposits	-	1,029	5,016
Trade and other receivables	251,029	199,715	64,568
Cash and cash equivalents	6,141	6,946	47,934
	257,266	207,829	117,710

50 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.

GROUP

		Investment grade	Non-investment grade	Not rated	Investment -linked	Past due but not Impaired	impaired	Total
	Government Guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012								
Available-for-sale financial assets:								
Corporate debt securities	-	-	-	504	-	-	-	504
Islamic debt securities	-	135,865	-	-	-	-	-	135,865
Malaysian Government Guarantee Financing	54,243	-	-	-	-	-	-	54,243
Financial assets at fair value through profit or loss:								
Corporate debt securities	-	-	-	-	3,928	-	-	3,928
Islamic debt securities	-	-	-	-	41,152	-	-	41,152
Loans and receivables:								
Loans	-	-	-	8,089	-	-	1,110	9,199
Fixed and call deposits	-	2,973	-	1,064*	42,250	-	-	46,287
Reinsurance/retakaful assets	-	65,492	-	147,251	-	-	-	212,743
Insurance/takaful receivables	-	23,772	-	45,032	-	-	-	68,804
Trade and other receivables	-	223,028	-	33,523	1,039	-	-	257,590
Cash and cash equivalents	-	102,354	-	376	38,987	-	-	141,717
	54,243	553,484	-	235,839	127,356	-	1,110	972,032
31 December 2011 (Restated)								
Available-for-sale financial assets:								
Corporate debt securities	-	8,948	-	504	-	-	-	9,452
Islamic debt securities	7,262	137,328		-	-	-	-	144,590
Malaysian Government Guarantee Financing	20,872	-	-	-	-	-	-	20,872
Financial assets at fair value through profit or loss:								
Corporate debt securities	-	-	-	-	4,555	-	-	4,555
Islamic debt securities	-	-	-	-	29,134	-	-	29,134
Loans and receivables:								
Loans	-	-	-	5,624	-	-	4,783	10,407
Fixed and call deposits	-	1,221	-	1,031*	41,912	-	-	44,164
Reinsurance/retakaful assets	-	51,885	-	96,043	-	-	-	147,928
Insurance/takaful receivables	-	17,882	-	63,674	-	-	-	81,556
Trade and other receivables	-	180,561	-	27,783	1,489	-	-	209,833
Cash and cash equivalents	-	145,337	-	66	31,849	-	-	177,252
	28,134	543,162	-	194,725	108,939	-	4,783	879,743

*Issued by a Government-Linked Company (GLC) Institution

50 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

GROUP

		Investment grade	Non-investment grade	Not rated	Investment-linked	Past due but not Impaired	impaired	Total
	Government Guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 January 2011 (Restated)								
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
Malaysian Government Guarantee Financing	10,631	-	-	-	-	-	-	10,631
Malaysian Government Securities/ Government Investment Issues	236,125	-	-	-	-	-	-	236,125
Financial assets at fair value through profit or loss:								
Corporate debt securities	-	21,802	-	-	150,177	-	-	171,979
Islamic debt securities	-	-	-	-	21,995	-	-	21,995
Malaysian Government Securities/ Government Investment Issues	11,688	-	-	-	-	-	-	11,688
Loans and receivables:								
Loans	-	-	-	375,752	-	4,529	300,437	680,718
Fixed and call deposits	-	206,433	-	1,000*	50,200	-	-	257,633
Reinsurance/retakaful assets	-	112,602	1,013	232,625	-	-	-	346,240
Insurance/takaful receivables	-	14,998	-	88,167	-	42,561	-	145,726
Trade and other receivables	-	-	-	82,003	7,601	-	-	89,604
Cash and cash equivalents	-	663,911	-	-	207,943	-	-	871,854
	941,250	4,038,189	1,707	780,037	437,916	47,090	333,747	6,579,936

*Issued by a Government-Linked Company (GLC) Institution

50 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.

GROUP

	Govern -ment Guarant -eed RM'000	AAA to AA RM'000	A1 to A3 RM'000	BBB1 to BBB3 RM'000	BB & below RM'000	Not rated RM'000	Invest- ment- linked RM'000	Impaired RM'000	Total RM'000
31 December 2012									
Available-for-sale financial assets:									
Corporate debt securities	-	-	-	-	-	504	-	-	504
Islamic debt securities	-	135,865	-	-	-	-	-	-	135,865
Malaysian Government Guarantee Financing	54,243	-	-	-	-	-	-	-	54,243
Financial assets at fair value through profit or loss:									
Corporate debt securities	-	-	-	-	-	-	3,928	-	3,928
Islamic debt securities	-	-	-	-	-	-	41,152	-	41,152
Loans and receivables:									
Loans	-	-	-	-	-	8,089	-	1,110	9,199
Fixed and call deposits	-	2,973	-	-	-	1,064*	42,250	-	46,287
Reinsurance/retakaful assets	-	5,061	34,583	25,848	-	147,251	-	-	212,743
Insurance/takaful receivables	-	327	6,448	16,997	-	45,032	-	-	68,804
Trade and other receivables	-	223,028	-	-	-	33,523	1,039	-	257,590
Cash and cash equivalents	-	102,301	53	-	-	376	38,987	-	141,717
	54,243	469,555	41,084	42,845	-	235,839	127,356	1,110	972,032
31 December 2011 (Restated)									
Available-for-sale financial assets:									
Corporate debt securities	-	7,543	1,405	-	-	504	-	-	9,452
Islamic debt securities	7,262	137,328	-	-	-	-	-	-	144,590
Malaysian Government Guarantee Financing	20,872	-	-	-	-	-	-	-	20,872
Financial assets at fair value through profit or loss:									
Corporate debt securities	-	-	-	-	-	-	4,555	-	4,555
Islamic debt securities	-	-	-	-	-	-	29,134	-	29,134
Loans and receivables:									
Loans	-	-	-	-	-	5,624	-	4,783	10,407
Fixed and call deposits	-	1,221	-	-	-	1,031*	41,912	-	44,164
Reinsurance/retakaful assets	-	3,941	27,245	20,699	-	96,043	-	-	147,928
Insurance/takaful receivables	-	251	4,835	12,796	-	63,674	-	-	81,556
Trade and other receivables	-	180,561	-	-	-	27,783	1,489	-	209,833
Cash and cash equivalents	-	145,236	101	-	-	66	31,849	-	177,252
	28,134	476,081	33,586	33,495	-	194,725	108,939	4,783	879,743

*Issued by a Government-Linked Company (GLC) Institution

50 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

GROUP

	Govern -ment Guarant -eed RM'000	AAA to AA RM'000	A1 to A3 RM'000	BBB1 to BBB3 RM'000	BB & below RM'000	Not rated RM'000	Invest- ment- linked RM'000	Impaired RM'000	Total RM'000
1 January 2011 (Restated)									
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
Malaysian Government Guarantee Financing	10,631	-	-	-	-	-	-	-	10,631
Malaysian Government Securities/ Government Investment Issues	236,125	-	-	-	-	-	-	-	236,125
Financial assets at fair value through profit or loss:									
Corporate debt securities	-	-	21,802	-	-	-	150,177	-	171,979
Islamic debt securities	-	-	-	-	-	-	21,995	-	21,995
Malaysian Government Securities/ Government Investment Issues	11,688	-	-	-	-	-	-	-	11,688
Loans and receivables:									
Loans	-	-	-	-	-	380,281	-	300,437	680,718
Fixed and call deposits	-	206,433	-	-	-	1,000*	50,200	-	257,633
Reinsurance/retakaful assets	-	99,355	8,248	4,999	1,013	232,625	-	-	346,240
Insurance/takaful receivables	-	1,366	879	12,753	-	130,728	-	-	145,726
Trade and other receivables	-	-	-	-	-	82,003	7,601	-	89,604
Cash and cash equivalents	-	663,911	-	-	-	-	207,943	-	871,854
	941,250	3,435,244	585,193	17,752	1,707	827,127	437,916	333,747	6,579,936

*Issued by a Government-Linked Company (GLC) Institution

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.

50 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

COMPANY

	31.12.2012			31.12.2011		
	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
Loan and receivables						
Loans	-	96	96	-	139	139
Fixed and call deposits	-	-	-	1,029	-	1,029
Trade and other receivables	224,018	27,011	251,029	179,667	20,048	199,715
Cash and cash equivalents	6,141	-	6,141	6,946	-	6,946
	230,159	27,107	257,266	187,642	20,187	207,829

	1.1.2011		
	Investment grade (AAA to AA) RM'000	Not rated RM'000	Total RM'000
Loan and receivables			
Loans	-	192	192
Fixed and call deposits	5,016	-	5,016
Trade and other receivables	-	64,568	64,568
Cash and cash equivalents	47,934	-	47,934
	52,950	64,760	117,710

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

GROUP

	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
31 December 2012					
Loans and receivables	-	-	-	-	-
Insurance/takaful receivables	-	-	-	-	-
	-	-	-	-	-
31 December 2011					
Loans and receivables	-	-	-	-	-
Insurance/takaful receivables	-	-	-	-	-
	-	-	-	-	-
1 January 2011					
Loans and receivables	-	736	41	3,752	4,529
Insurance/takaful receivables	24,884	13,995	3,682	-	42,561
	24,884	14,731	3,723	3,752	47,090

50 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impaired Financial Assets

At 31 December 2012, based on an individual assessment of receivables, there are impaired insurance/takaful receivables of RM2,940,000 (31.12.2011: RM1,394,000, 1.1.2011: RM11,666,000). 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 letters 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/takaful receivables in a separate allowance for impairment accounts.

A reconciliation of the allowance for impairment losses for insurance/takaful receivables and loans is as follows:

	GROUP		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1. 1.2011 RM'000**
Insurance/takaful receivables			
At 1 January	1,394	11,666	24,315
Related to disposed insurance subsidiary company	-	(8,710)	-
	1,394	2,956	24,315
Allowance for/(write-back of) impairment loss	1,546	(1,562)	(12,649)
At 31 December	2,940	1,394	11,666
Loans			
At 1 January	54,726	198,313	253,063
Related to disposed insurance subsidiary company	-	(133,113)	-
	54,726	65,200	253,063
Balance offset against gross outstanding	-	-	(46,660)
Allowance made during the financial year	1,478	8,796	12,542
Amounts written back in respect of recoveries	(524)	(73)	(19,906)
Bad debts written off	(215)	(19,197)	(726)
At 31 December	55,465	54,726	198,313

The outstanding loans before allowance for impairment loss analysed by economic purpose are as follows:

	GROUP		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Policy loans	-	709	352,559
Constructions	11,452	13,136	94,906
Purchase of landed properties/ securities	5,032	5,089	301,560
Purchase of property, plant and equipment other than land and buildings	1,552	1,521	13,219
Personal use	11,056	7,891	4,312
Working capital	21,214	21,546	94,343
Others	14,358	15,241	16,255
	64,664	65,133	877,154

50 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.

GROUP

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2012								
Investments:								
Financial assets at fair value through profit or loss	201,800	22,301	7,468	7,298	30,837	20,200	134,419	222,523
Available-for-sale financial assets	216,335	32,802	5,806	12,188	159,485	109,680	-	319,961
Loans and receivables	55,486	16,060	43,249	16	2	-	-	59,327
Reinsurance/retakaful assets	151,541	130,860	18,043	2,269	369	-	-	151,541
Insurance/takaful receivables	68,804	68,804	-	-	-	-	-	68,804
Trade and other receivables	255,965	64,270	191,695	-	-	-	-	255,965
Cash and cash equivalents	141,717	141,717	-	-	-	-	-	141,717
	1,091,648	476,814	266,261	21,771	190,693	129,880	134,419	1,219,838
Insurance contract liabilities:								
With DPF	116,990	116,990	-	-	-	-	-	116,990
Without DPF	-	-	-	-	-	-	-	-
Takaful contract liabilities	480,184	411,396	23,022	2,946	1,202	41,618	-	480,184
Financial liabilities	4,335	4,335	-	-	-	-	-	4,335
Insurance/takaful payables	101,543	101,543	-	-	-	-	-	101,543
	703,052	634,264	23,022	2,946	1,202	41,618	-	703,052

50 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

GROUP

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2011 (Restated)								
Investments:								
Financial assets at fair value through profit or loss	171,333	35,514	10,868	12,320	13,483	6,284	102,887	181,356
Available-for-sale financial assets	201,091	27,531	8,970	6,048	178,894	67,449	-	288,892
Loans and receivables	54,571	13,649	45,256	-	-	-	-	58,905
Reinsurance/retakaful assets	97,058	82,784	13,779	495	-	-	-	97,058
Insurance/takaful receivables	81,556	81,556	-	-	-	-	-	81,556
Trade and other receivables	201,000	201,000	-	-	-	-	-	201,000
Cash and cash equivalents	177,252	177,252	-	-	-	-	-	177,252
	983,861	619,286	78,873	18,863	192,377	73,733	102,887	1,086,019
Insurance contract liabilities:								
With DPF	75,838	75,838	-	-	-	-	-	75,838
Without DPF	37,208	37,208	-	-	-	-	-	37,208
Takaful contract liabilities	390,708	331,845	21,153	870	330	36,080	430	390,708
Financial liabilities	91,153	90,603	304	167	79	-	-	91,153
Insurance/takaful payables	96,092	96,092	-	-	-	-	-	96,092
	690,999	631,586	21,457	1,037	409	36,080	430	690,999
1 January 2011 (Restated)								
Investments:								
Financial assets at fair value through profit or loss	1,255,059	77,791	49,207	50,667	93,179	-	987,286	1,258,130
Available-for-sale financial assets	4,015,248	342,864	503,190	637,855	2,455,919	156,979	3,365	4,100,172
Loans and receivables	938,351	915,260	8,746	1,788	3,174	9,383	-	938,351
Reinsurance/retakaful assets	309,939	216,806	56,381	25,192	11,560	-	-	309,939
Insurance/takaful receivables	145,726	145,726	-	-	-	-	-	145,726
Trade and other receivables	89,604	89,604	-	-	-	-	-	89,604
Cash and cash equivalents	871,854	871,854	-	-	-	-	-	871,854
	7,625,781	2,659,905	617,524	715,502	2,563,832	166,362	990,651	7,713,776
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	1,406,669	1,106,210	59,691	26,422	28,201	123,577	62,568	1,406,669
Takaful contract liabilities	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	553,117	395,032	163,510	1,590	41	-	-	560,173
Insurance/takaful payables	910,936	910,936	-	-	-	-	-	910,936
	6,400,478	2,679,029	266,927	73,598	398,806	174,679	2,814,495	6,407,534

50 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

COMPANY

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2012								
Investments:								
Available-for-sale financial assets	1,664	1,664	-	-	-	-	-	1,664
Loans and receivables	96	37	59	-	-	-	-	96
Trade and other receivables	251,029	36,011	215,018	-	-	-	-	251,029
Cash and cash equivalents	6,141	6,141	-	-	-	-	-	6,141
	258,930	43,853	215,077	-	-	-	-	258,930
Financial liabilities	4,527	4,527	-	-	-	-	-	4,527
31 December 2011								
Investments:								
Loans and receivables	1,168	1,080	88	-	-	-	-	1,168
Trade and other receivables	199,715	35,048	164,667	-	-	-	-	199,715
Cash and cash equivalents	6,946	6,946	-	-	-	-	-	6,946
	207,829	43,074	164,755	-	-	-	-	207,829
Financial liabilities	5,083	5,083	-	-	-	-	-	5,083
1 January 2011								
Investments:								
Available-for-sale financial assets	4,658	4,658	-	-	-	-	-	4,658
Loans and receivables	5,208	5,069	139	-	-	-	-	5,208
Trade and other receivables	64,568	64,568	-	-	-	-	-	64,568
Cash and cash equivalents	47,934	47,934	-	-	-	-	-	47,934
	122,368	122,229	139	-	-	-	-	122,368
Financial liabilities	210,114	77,170	140,000	-	-	-	-	217,170

50 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

The table below summarises the current/non-current classification of assets:

GROUP

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
31 December 2012				
Property, plant and equipment	-	24,901	-	24,901
Investment properties	-	11,632	-	11,632
Intangible assets	-	7,859	-	7,859
Investments				
Financial assets at fair value through profit or loss	19,448	-	182,352	201,800
Available-for-sale financial assets	27,802	188,533	-	216,335
Loans and receivables	12,227	1,009	42,250	55,486
Associated companies	-	56,314	-	56,314
Reinsurance/retakaful assets	212,743	-	-	212,743
Insurance/takaful receivables	68,804	-	-	68,804
Trade and other receivables	45,988	210,563	1,039	257,590
Tax recoverable	3,617	-	-	3,617
Deferred tax assets	558	-	-	558
Cash and cash equivalents	102,730	-	38,987	141,717
	493,917	500,811	264,628	1,259,356
31 December 2011 (Restated)				
Property, plant and equipment	-	11,962	-	11,962
Investment properties	-	11,175	-	11,175
Intangible assets	-	8,461	-	8,461
Investments				
Financial assets at fair value through profit or loss	24,243	-	147,090	171,333
Available-for-sale financial assets	27,531	173,560	-	201,091
Loans and receivables	10,643	2,016	41,912	54,571
Associated companies	-	50,522	-	50,522
Reinsurance/retakaful assets	147,928	-	-	147,928
Insurance/takaful receivables	81,556	-	-	81,556
Trade and other receivables	42,783	165,561	1,489	209,833
Tax recoverable	3,563	-	-	3,563
Deferred tax assets	784	-	-	784
Cash and cash equivalents	145,403	-	31,849	177,252
	484,434	423,257	222,340	1,130,031
1 January 2011 (Restated)				
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	853,858	34,293	50,200	938,351
Associated companies	-	49,404	-	49,404
Reinsurance/retakaful assets	346,240	-	-	346,240
Insurance/takaful receivables	145,726	-	-	145,726
Trade and other receivables	82,003	-	7,601	89,604
Tax recoverable	29,846	-	1,802	31,648
Deferred tax assets	12,780	-	-	12,780
Cash and cash equivalents	663,911	-	207,943	871,854
	3,009,220	4,622,259	952,306	8,583,785

* Expected recovery or settlement within 12 months from the statement of financial position date.

50 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

The table below summarises the current/non-current classification of assets:

COMPANY

	Current* RM'000	Non-current RM'000	Total RM'000
31 December 2012			
Property, plant and equipment	-	2,316	2,316
Intangible assets	-	181	181
Investments			
Available-for-sale financial assets	1,664	-	1,664
Loans and receivables	37	59	96
Subsidiary companies	-	126,972	126,972
Associated companies	-	100	100
Trade and other receivables	36,011	215,018	251,029
Tax recoverable	1,933	-	1,933
Cash and cash equivalents	6,141	-	6,141
	45,786	344,646	390,432
31 December 2011			
Property, plant and equipment	-	1,176	1,176
Intangible assets	-	176	176
Investments			
Loans and receivables	1,080	88	1,168
Subsidiary companies	5,405	129,322	134,727
Associated companies	-	100	100
Trade and other receivables	35,048	164,667	199,715
Tax recoverable	1,932	-	1,932
Cash and cash equivalents	6,946	-	6,946
	50,411	295,529	345,940
1 January 2011			
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	28,425	255,428	283,853
Associated companies	-	100	100
Trade and other receivables	64,568	-	64,568
Tax recoverable	2,841	-	2,841
Cash and cash equivalents	47,934	-	47,934
Asset classified as held for sale	110,981	-	110,981
	264,476	257,508	521,984

* Expected recovery or settlement within 12 months from the statement of financial position date.

50 FINANCIAL RISK (CONTINUED)

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.

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 is 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 revaluing 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.

GROUP

	Impact on Equity*	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Interest Rate		
+ 100 basis points	(11,148)	(13,516)
- 100 basis points	12,565	10,879

* 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.

50 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 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.

GROUP

	Impact on profit before tax		**Impact on Equity***	
	31.12.2012 RM'000	**31.12.2012 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Change in variables				
FTSE Bursa Malaysia				
- FBM KLCI +15% - gain	2,977	2,957	2,233	2,218
- FBM KLCI -15% - loss	(2,977)	(2,957)	(2,233)	(2,218)

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 are not material.

51 OPERATIONS RISK

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdowns 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.

52 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.

53 INSURANCE FUNDS

Statement of Financial Position by Funds
As at 31 December 2012

	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
Assets						
Property, plant and equipment	23,545	341	-	-	-	23,886
Investment properties	11,632	-	-	-	-	11,632
Intangible assets	7,859	-	-	-	-	7,859
Investments	125,287	3,401	11,011	61,775	272,147	473,621
Financial assets at fair value through profit of loss	19,448	-	11,011	-	171,341	201,800
Available-for-sale financial assets	95,985	20	-	61,775	58,555	216,335
Loans and receivables	9,854	3,381	-	-	42,251	55,486
Associated companies	56,314	-	-	-	-	56,314
Reinsurance/retakaful assets	-	66,812	-	132,139	13,792	212,743
Insurance/takaful receivables	-	21,944	-	21,942	24,918	68,804
Trade and other receivables	253,324	708	92	1,185	2,281	257,590
Tax recoverable	3,382	235	-	-	-	3,617
Deferred tax assets	-	558	-	-	-	558
Cash and cash equivalents	73,419	853	1,773	10,077	55,595	141,717
Asset classified as held for sale	1,015	-	-	-	-	1,015
Total assets	555,777	94,852	12,876	227,118	368,733	1,259,356
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	116,990	-	173,057	310,882	600,929
Investment contract liabilities	-	-	11,289	-	-	11,289
Borrowings						
- Bank overdrafts (unsecured)	4,335	-	-	-	-	4,335
Insurance/takaful payables	-	40,309	-	36,388	24,846	101,543
Trade and other payables	52,269	5,999	151	12,783	3,457	74,659
Current tax liabilities	2,418	113	-	2,388	1,454	6,373
Deferred tax liabilities	3,978	-	-	627	1,505	6,110
Total liabilities	63,000	163,411	11,440	225,243	342,144	805,238
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	119,952	-	-	(1,218)	-	118,734
Reserves	4,316	-	-	-	-	4,316
Total equity attributable to the owners of the Company	428,622	-	-	(1,218)	-	427,404
Non-controlling interests	27,121	-	-	(407)	-	26,714
Total equity	455,743	-	-	(1,625)	-	454,118
Total equity, policyholders' funds and liabilities	518,743	163,411	11,440	223,618	342,144	1,259,356
Inter-fund balances	37,034	(68,559)	1,436	3,500	26,589	-

53 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds
As at 31 December 2011

	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
Assets						
Property, plant and equipment	9,184	492	697	-	-	10,373
Investment properties	11,175	-	-	-	-	11,175
Intangible assets	8,461	-	-	-	-	8,461
Investments	115,278	4,330	36,226	55,418	215,743	426,995
Financial assets at fair value through profit of loss	21,599	-	26,921	-	122,813	171,333
Available-for-sale financial assets	82,441	3,724	8,490	55,418	51,018	201,091
Loans and receivables	11,238	606	815	-	41,912	54,571
Associated companies	50,522	-	-	-	-	50,522
Reinsurance/retakaful assets	-	30,187	-	107,692	10,049	147,928
Insurance/takaful receivables	-	18,034	766	43,996	18,760	81,556
Trade and other receivables	203,166	1,209	3,542	423	1,493	209,833
Tax recoverable	2,822	741	-	-	-	3,563
Deferred tax assets	170	419	195	-	-	784
Cash and cash equivalents	101,500	15,653	9,930	6,909	43,260	177,252
Asset classified as held for sale	1,589	-	-	-	-	1,589
Total assets	503,867	71,065	51,356	214,438	289,305	1,130,031
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	81,834	31,212	148,465	246,979	508,490
Investment contract liabilities	-	-	17,756	-	-	17,756
Borrowings						
- Bank overdrafts (unsecured)	9,232	-	-	-	-	9,232
Insurance/takaful payables	-	24,487	149	51,935	19,521	96,092
Trade and other payables	49,786	16,517	5,381	7,748	2,489	81,921
Current tax liabilities	1,344	92	35	698	1,249	3,418
Deferred tax liabilities	3,574	-	-	568	1,013	5,155
Total liabilities	63,936	122,930	54,533	209,414	271,251	722,064
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	82,559	-	-	(6,302)	-	76,257
Reserves	(616)	-	-	-	-	(616)
Total equity attributable to the owners of the Company	386,297	-	-	(6,302)	-	379,995
Non-controlling interests	30,073	-	-	(2,101)	-	27,972
Total equity	416,370	-	-	(8,403)	-	407,967
Total equity, policyholders' funds and liabilities	480,306	122,930	54,533	201,011	271,251	1,130,031
Inter-fund balances	23,561	(51,865)	(3,177)	13,427	18,054	-

53 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds
As at 1 January 2011

	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
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	160,319	6,456	105,779	33,268	111,339	417,161
Financial assets at fair value through profit of loss	7,057	2,477	62,631	-	82,188	154,353
Available-for-sale financial assets	118,045	1,602	42,269	33,268	29,151	224,335
Loans and receivables	35,217	2,377	879	-	-	38,473
Associated companies	49,404	-	-	-	-	49,404
Reinsurance/retakaful assets	-	44,517	-	62,182	17,198	123,897
Insurance/takaful receivables	-	30,559	790	37,226	-	68,575
Trade and other receivables	25,450	7,395	4,690	325	1,806	39,666
Tax recoverable	4,292	420	-	-	-	4,712
Deferred tax assets	1,306	827	-	-	-	2,133
Cash and cash equivalents	110,515	14,094	45,390	11,094	71,486	252,579
Asset classified as held for sale	231,757	935,510	6,430,132	-	-	7,597,399
Total assets	605,236	1,046,363	6,587,262	144,095	201,829	8,583,785
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	115,311	108,560	104,929	193,610	522,410
Investment contract liabilities	-	-	40,538	-	-	40,538
Borrowings						
- Medium term notes (secured)	170,000	-	-	-	-	170,000
- Revolving credit (secured)	36,300	-	-	-	-	36,300
- Bank overdrafts (unsecured)	9,905	-	-	-	-	9,905
Insurance/takaful payables	-	15,068	103	41,612	8,605	65,388
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 directly associated with assets classified as held for sale	(2,428)	935,510	6,430,132	-	-	7,363,214
Total liabilities	267,626	1,072,268	6,591,957	152,233	207,453	8,291,537
Equity						
Share capital	304,354	-	-	-	-	304,354
Accumulated losses	(27,571)	-	-	(10,889)	-	(38,460)
Reserves	(981)	-	-	-	-	(981)
Total equity attributable to the owners of the Company	275,802	-	-	(10,889)	-	264,913
Non-controlling interests	30,965	-	-	(3,630)	-	27,335
Total equity	306,767	-	-	(14,519)	-	292,248
Total equity, policyholders' funds and liabilities	574,393	1,072,268	6,591,957	137,714	207,453	8,583,785
Inter-fund balances	30,843	(26,905)	(4,695)	(6,381)	(5,624)	-

53 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2012

Continuing operations

	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Inter-elimination RM'000	Total RM'000
Gross earned premiums/contributions	-	69,412	-	152,907	209,099	-	431,418
Premiums/contributions ceded to reinsurers/retakaful	-	(48,466)	-	(121,522)	(18,709)	-	(188,697)
Net earned premiums/contributions	-	20,946	-	31,385	190,390	-	242,721
Investment income	9,681	402	177	2,893	9,263	-	22,416
Realised gains and losses	6,179	(6)	83	565	8,345	-	15,166
Fair value gains and losses	9,164	-	(2,828)	-	5,884	-	12,220
Fee and commission income	-	6,035	-	31,330	-	-	37,365
Other operating revenue from non-insurance businesses	43,908	-	-	-	-	-	43,908
Wakalah fee from takaful business	113,351	-	-	-	-	(113,351)	-
Other revenue	182,283	6,431	(2,568)	34,788	23,492	(113,351)	131,075
Gross benefits and claims paid	-	(51,055)	-	(48,810)	(84,879)	-	(184,744)
Claims ceded to reinsurers/retakaful	-	28,451	-	32,808	20,634	-	81,893
Gross change to contract liabilities	-	(49,298)	3,283	(15,348)	(52,293)	-	(113,656)
Change in contract liabilities ceded to reinsurers/retakaful	-	43,503	-	18,601	4,486	-	66,590
Net insurance/takaful benefits and claims	-	(28,399)	3,283	(12,749)	(112,052)	-	(149,917)
Fee and commission expense	(80,292)	(15,330)	(40)	-	-	-	(95,662)
Management expenses	(109,230)	(11,609)	(1,050)	(3)	-		(121,892)
Other operating income/(expenses) - net	(21,033)	15,693	247	-	(10,296)	-	(15,389)
Wakalah fee payable to Shareholders' fund	-	-	-	(43,316)	(70,035)	113,351	-
Finance costs	(420)	-	-	-	-	-	(420)
Other expenses	(210,975)	(11,246)	(843)	(43,319)	(80,331)	113,351	(233,363)
Share of loss of associate companies, net of tax	(665)	-	-	-	-	-	(665)
Profit/(loss) before taxation	(29,357)	(12,268)	(128)	10,105	21,499	-	(10,149)
Taxation of life insurance, general takaful and family takaful businesses	-	-	-	(3,327)	(2,477)	-	(5,804)
Surplus after taxation/ profit/(loss) before taxation	(29,357)	(12,268)	(128)	6,778	19,022	-	(15,953)
Surplus attributable to participants	-	-	-	-	(9,192)	-	(9,192)
Profit/(loss) before taxation	(29,357)	(12,268)	(128)	6,778	9,830	-	(25,145)
Taxation	(3,845)	181	-	-	-	-	(3,664)
Zakat	(226)	-	-	-	-	-	(226)
Profit/(loss) for the financial year	(33,428)	(12,087)	(128)	6,778	9,830	-	(29,035)

53 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2011

Continuing operations

	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Inter-elimination RM'000	Total RM'000
Gross earned premiums/contributions	-	73,975	6	124,471	163,751	-	362,203
Premiums/contributions ceded to reinsurers/retakaful	-	(45,653)	-	(92,505)	(12,927)	-	(151,085)
Net earned premiums/contributions	-	28,322	6	31,966	150,824	-	211,118
Investment income	7,601	682	2,188	2,408	6,592	-	19,471
Realised gains and losses	2,728	(29)	2,197	50	5,633	-	10,579
Fair value gains and losses	(14,911)	(11)	(4,358)	-	1,430	-	(17,850)
Fee and commission income	-	6,841	-	23,539	1,938	-	32,318
Other operating revenue from non-insurance businesses	43,497	-	-	-	-	-	43,497
Wakalah fee from takaful business	90,713	-	-	-	-	(90,713)	-
Other revenue	129,628	7,483	27	25,997	15,593	(90,713)	88,015
Gross benefits and claims paid	-	(46,032)	(3,409)	(32,508)	(51,362)	-	(133,311)
Claims ceded to reinsurers/retakaful	-	32,606	3,515	17,938	13,418	-	67,477
Gross change to contract liabilities	-	(3,519)	52,046	(31,042)	(44,915)	-	(27,430)
Change in contract liabilities ceded to reinsurers/retakaful	-	(8,210)	-	28,295	(2,645)	-	17,440
Net insurance/takaful benefits and claims	-	(25,155)	52,152	(17,317)	(85,504)	-	(75,824)
Fee and commission expense	(67,347)	(18,682)	(47)	-	-	-	(86,076)
Management expenses	(76,995)	(11,217)	(1,457)	(168)	-	-	(89,837)
Other operating income/(expenses) - net	(7,720)	34	534	-	(8,165)	-	(15,317)
Wakalah fee payable to Shareholders' fund	-	-	-	(33,663)	(57,050)	90,713	-
Finance costs	(14,428)	-	-	-	-	-	(14,428)
Other expenses	(166,490)	(29,865)	(970)	(33,831)	(65,215)	90,713	(205,658)
Share of loss of associate companies, net of tax	(350)	-	-	-	-	-	(350)
Profit/(loss) before taxation	(37,212)	(19,215)	51,215	6,815	15,698	-	17,301
Taxation of life insurance, general takaful and family takaful businesses	-	-	-	(699)	(1,381)	-	(2,080)
Surplus after taxation/ profit/(loss) before taxation	(37,212)	(19,215)	51,215	6,116	14,317	-	15,221
Surplus attributable to participants	-	-	-	-	(6,222)	-	(6,222)
Surplus retained in life insurance fund	-	-	(1,453)	-	-	-	(1,453)
Profit/(loss) before taxation	(37,212)	(19,215)	49,762	6,116	8,095	-	7,546
Taxation	(4,586)	(341)	-	-	-	-	(4,927)
Zakat	(188)	-	-	-	-	-	(188)
Profit/(loss) for the financial year	(41,986)	(19,556)	49,762	6,116	8,095	-	2,431

53 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2012

Discontinued operations

	Shareholders' fund RM'000	Life fund RM'000	Total RM'000
Gross earned premiums	-	3,453	3,453
Premiums ceded to reinsurers	-	(258)	(258)
Net earned premiums	-	3,195	3,195
Investment income	8	555	563
Realised gains and losses	67,302	(182)	67,120
Fair value gains and losses	-	(942)	(942)
Fee and commission income	-	135	135
Other operating revenue from non-insurance businesses	11,286	-	11,286
Other revenue	78,596	(434)	78,162
Gross benefits and claims paid	-	(3,749)	(3,749)
Claims ceded to reinsurers	-	-	-
Gross change to contract liabilities	-	1,587	1,587
Change in contract liabilities ceded to reinsurers	-	-	-
Net insurance benefits and claims	-	(2,162)	(2,162)
Fee and commission expense	-	(450)	(450)
Management expenses	(10,945)	(3,373)	(14,318)
Other operating income/(expenses) - net	(148)	54	(94)
Finance costs	(20)	-	(20)
Other expenses	(11,113)	(3,769)	(14,882)
Profit/(loss) before taxation	67,483	(3,170)	64,313
Taxation	(153)	-	(153)
Profit/(loss) for the financial year	67,330	(3,170)	64,160

53 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2011

Discontinued operations

	Shareholders' fund RM'000	Life fund RM'000	General fund RM'000	Total RM'000
Gross earned premiums	-	346,873	697,184	1,044,057
Premiums ceded to reinsurers	-	(38,351)	(15,071)	(53,422)
Net earned premiums	-	308,522	682,113	990,635
Investment income	7,371	18,470	211,271	237,112
Realised gains and losses	83,420	2,867	21,881	108,168
Fair value gains and losses	222	4,093	(56,372)	(52,057)
Fee and commission income	-	15,001	9,013	24,014
Other operating revenue from non-insurance businesses	20,094	-	-	20,094
Other revenue	111,107	40,431	185,793	337,331
Gross benefits and claims paid	-	(215,776)	(942,769)	(1,158,545)
Claims ceded to reinsurers	-	82,277	8,351	90,628
Gross change to contract liabilities	-	(42,388)	153,662	111,274
Change in contract liabilities ceded to reinsurers	-	(6,563)	688	(5,875)
Net insurance benefits and claims	-	(182,450)	(780,068)	(962,518)
Fee and commission expense	-	(52,623)	(72,098)	(124,721)
Management expenses	(29,898)	(55,456)	(73,995)	(159,349)
Other operating income/(expenses) - net	44	2,332	37,014	39,390
Finance costs	(42)	-	-	(42)
Other expenses	(29,896)	(105,747)	(109,079)	(244,722)
Profit/surplus((deficit) before taxation	81,211	60,756	(21,241)	120,726
Taxation of life insurance business	-	-	14,407	14,407
Profit/(loss) before taxation	81,211	60,756	(6,834)	135,133
Taxation	(3,853)	(19,571)	-	(23,424)
Profit/(loss) for the financial year	77,358	41,185	(6,834)	111,709

53 INSURANCE FUNDS (CONTINUED)

Investment-linked Fund

Statement of Financial Position
As at 31 December 2012

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets			
Investments	224,602	189,002	120,489
Financial assets at fair value through profit or loss	182,352	147,090	120,489
Loans and receivables	42,250	41,912	-
Trade and other receivables	1,039	1,489	3,222
Cash and cash equivalents	38,987	31,849	68,856
Assets classified as held for sale (a)	-	-	759,739
Total assets	264,628	222,340	952,306
Liabilities			
Insurance/takaful contract liabilities	246,482	200,301	147,889
Investment contract liabilities	11,289	17,756	40,538
Trade and other payables	4,535	2,508	5,269
Current tax liabilities	1,099	1,049	348
Deferred tax liabilities	1,224	749	625
Liabilities classified as held for sale (a)	-	-	759,739
Total liabilities	264,629	222,363	954,408
Inter-fund balances	(1)	(23)	(2,102)
Net assets value of funds	264,628	222,340	952,306

Income Statements
For the financial year ended 31 December 2012

	31.12.2012 RM'000	31.12.2011 RM'000
CONTINUING OPERATIONS		
Investment income	6,519	4,926
Realised gains and losses	7,076	5,400
Fair value gains and losses	3,102	(4,048)
	16,697	6,278
Other operating expenses - net	(3,359)	(3,263)
Profit before taxation	13,338	3,015
Taxation	(1,541)	(909)
Net profit for the financial year from continuing operations	11,797	2,106
DISCONTINUED OPERATIONS		
Loss before taxation	(1,106)	(21,991)
Taxation	-	1,715
Net loss for the financial year from discontinued operations (b)	(1,106)	(20,276)
Net profit/(loss) for the financial year	10,691	(18,170)

53 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 2012

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets			
Investments	-	-	614,471
Financial assets 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 cash equivalents	-	-	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 Statements
For the financial year ended 31 December 2012

	31.12.2012 RM'000	31.12.2011 RM'000
Investment income	(981)	21,113
Realised gains and losses	-	3,316
Fair value gains and losses	-	(38,770)
	(981)	(14,341)
Fees and commission expenses	-	(8,224)
Management expenses	-	(24)
Other operating expenses - net	(125)	598
Loss before taxation	(1,106)	(21,991)
Taxation	-	1,715
Net loss for the financial year	(1,106)	(20,276)

53 INSURANCE FUNDS (CONTINUED)

Information on cash Flow by Funds

	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 2012						
Cash flows from:						
Operating activities	(15,397)	(14,722)	(6,939)	3,168	12,335	(21,555)
Investing activities	(7,787)	(78)	(1,218)	-	-	(9,083)
Financing activities	-	-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	(23,184)	(14,800)	(8,157)	3,168	12,335	(30,638)
Cash and cash equivalents at beginning of financial year	92,268	15,653	9,930	6,909	43,260	168,020
Cash and cash equivalents at end of financial year	69,084	853	1,773	10,077	55,595	137,382
31 December 2011						
Cash flows from:						
Operating activities	728,107	(105,218)	(508,072)	(64,577)	32,166	82,406
Investing activities	(566,006)	(1,151)	(2,878)	-	-	(570,035)
Financing activities	(206,300)	-	-	-	-	(206,300)
Net increase/(decrease) in cash and cash equivalents	(44,199)	(106,369)	(510,950)	(64,577)	32,166	(693,929)
Cash and cash equivalents at beginning of financial year	136,467	122,022	520,880	71,486	11,094	861,949
Cash and cash equivalents at end of financial year	92,268	15,653	9,930	6,909	43,260	168,020

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

(a) On 30 September 2011, the Company completed the disposal of its entire 100% equity interest in Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) and other identified subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd (hereinafter collectively known as the ("Disposed Subsidiaries")) to Zurich Insurance Company Ltd ("Zurich") for a total cash consideration of RM344.0 million ("the Disposal").

Under the terms of the Conditional Sale and Purchase Agreement ("SPA") with Zurich in relation to the Disposal, there is an adjustment to the sale consideration of RM344.0 million equal to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 ("Adjustment to Consideration"). The Adjustment to Consideration shall be finalised within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless disputes arise which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA.

On 30 December 2011, based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries prepared by and received from Zurich, there is an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equals to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011.

On 17 February 2012 and 12 April 2012, the Company submitted notifications of disputes ("Dispute Notifications") to Zurich to disagree certain downward adjustments made to the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries.

On 28 June 2012, the Company received RM30.1 million in the escrow account from Zurich being the net held back sum upon satisfaction of certain condition precedent in the SPA in relation to Prima Avenue Klang property, one of the real properties owned by MAA.

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich confirming an overstatement of RM5.3 million in the Life fund liabilities of MAA in the draft completion accounts.

On 27 July 2012, the Company received RM20.6 million in the escrow account from Zurich being the held back sum upon satisfaction of certain condition precedent in the SPA in relation to Mithril's 3% 8-year redeemable convertible secured loan stocks ("RCSLS").

On 2 November 2012, the Company filed and served a notice of arbitration against Zurich with the Singapore International Arbitration Centre seeking, inter alia, declarations to refer disputes on the calculation of General Insurance Reserves and other dispute matters in the draft completion accounts prepared by Zurich to an Expert Accountant in accordance with terms of the SPA in order to determine the final selling price of the Disposed subsidiaries, as well as further declarations to be entitled to receive payment of escrow monies in accordance with the Escrow Agreement dated 28 September 2011, having satisfied the requirements under the SPA and the Side Letter dated 17 August 2011 in respect of the Prima Avenue Klang property, together with damages, interests and costs.

(b) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Listing Requirements whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of MAA.

Nonetheless, the Company did not trigger any of the other prescribed criteria under PN17 of the Listing Requirements, such as consolidated shareholders' equity of 25% or less of the issued and paid up share capital, a default in payment by the Group, the auditors having expressed an adverse or disclaimer opinion on the Company's latest audited accounts etc.

As an affected listed issuer, the Company is required pursuant to paragraph 4.1 of the PN 17 of the Listing Requirements to announce details of its regularisation plan.

On 28 September 2012, the Company submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for a waiver from having to comply with Paragraph 8.04(2) of the Listing Requirements and a waiver from submitting a regularisation plan to Bursa Securities pursuant to Paragraph 8.04(3) of the Listing Requirements ("Application for Waiver").

On 1 October 2012, Bursa Securities had vide its letter dated 1 October 2012 informed that the suspension on the trading of the Company's securities and delisting of the Company in accordance with Paragraph 8.04 of the Listing Requirements shall be deferred pending the decision on the Application for Waiver.

On 30 November 2012, the Company submitted an application to Bursa Securities for an extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("Application for Extension of time").

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (CONTINUED)

(b) On 20 December 2012, the Company announced that Bursa Securities had vide its letter rejected the Company's Application for Waiver from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements and has granted an extension of time of up to 18 June 2013 for the Company to submit a regularisation plan taking into consideration amongst others the following:

(i) The consolidated financial position of the Group as at 30 September 2012 including its consolidated shareholders' equity and net assets of approximately RM451.9 million, cash and cash equivalents of approximately RM154.6 million as well as the Group's low gearing position;

(ii) The future receipts of balance of cash proceeds from the disposal of the Disposed Subsidiaries which is scheduled to be released to the Company from the escrow account in 2013;

(iii) The steps taken to regularise the Company's financial position to date and in particular the disposals of non-performing or loss making assets (such as Wira Security Services Sdn Bhd and PT MAA Life Assurance as disclosed in note (c) and (d) below) and the acquisition of Origin Mortgage Management Services by Columbus Capital Pty Ltd in note (f) below; and

(iv) The Company's plan to revert, sustain and grow the profitability of the Group.

(c) On 28 June 2012, the Company's wholly owned subsidiary company, MAA Corporation Sdn Bhd ("MAA Corp"), completed the disposal of its 100% equity interest in Wira Security Services Sdn Bhd ("Wira") for a total cash consideration of RM7.0 million, arrived at on a 'willing buyer-willing seller' basis.

(d) On 16 August 2012, MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary company of MAA Corp, completed the disposal of its 99.5% equity interest in PT MAA Life Assurance ("PT MAAL") for a final sale consideration of IDR23.56 billion (equivalent to approximately RM7.79 million) to Tokio Marine Holdings, Inc.

(e) On 5 September 2012, the Company disposed its 45% equity interest in an associated company, Maybach Logistics Sdn Bhd to Crest Corporate Services Sdn Bhd, for a total cash consideration of RM14,000.

(f) On 21 September 2012, Columbus Capital Pty Ltd ("CCAU"), an associated company of Columbus Capital Singapore Ltd ("CCS") which is in turn a wholly owned subsidiary company of MAA International Investments Ltd ("MAAII"), also a wholly owned subsidiary company of MAA Corp, entered into a conditional sale and purchase agreement with Australia and New Zealand Banking Group Limited ("ANZ") to acquire ANZ's wholesale mortgage distribution business, Origin Mortgage Management Services which manages a portfolio of approximately AUD2.2 billion in residential mortgages.

The acquisition was part financed by funds raised from issuance of Preference Shares B to shareholders' CCS and Consortia Group Holdings Pty Limited ("Consortia")

A Share Subscription Deed to subscribe for 2.0 million Preference Shares B at AUD1.00 per share, representing 4.68% of the enlarged equity interest in CCAU, for a total cash consideration of AUD2.0 million or RM6.7 million equivalent (based on the prevailing exchange rate of AUD1.00: RM3.35) was executed by CCS on 11 September 2012. Consortia subscribed for 1.25 million Preference Share B at an issue price of AUD1.00 per share which represented 2.92% of the enlarged equity interest in CCAU. The proposed subscription increased CCS' equity interest in CCAU from 46.84% to 47.95% whilst correspondingly decreased Consortia's overall interest from 53.16% to 52.05%.

On 28 September 2012, CCAU completed the acquisition of ANZ's wholesale mortgage distribution business, Origin Mortgage Management Services.

(g) On 2 October 2012, MAA Credit Berhad ("MAA Credit"), a wholly owned subsidiary of MAA Corp had in exercise of its power of attorney pursuant to memorandum of deposit shares in Keris Murni Sdn Bhd ("KMSB") and Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") ("the Security Shares") dated 1 October 2009 signed with Famous Vertex Sdn Bhd ("FVSB"), transferred all the Security Shares to itself. This forms part of debt recovery action taken to enforce the Security Shares after FVSB had defaulted the loan (both principal and interest) due to MAA Credit.

Consequently, KMSB and PTKSB become 70% owned subsidiary companies of MAA Credit on 2 October 2012.

(h) On 26 November 2012 MAA Credit entered into a Shares Sale Agreement with Ahmad Nor Shaffuddin bin Ahmad Baharuddin and Rozeeta Binti Ahmad Baharuddin (collectively referred to as "Vendors") on the same date to acquire from the Vendors 290,002 ordinary shares of RM1.00 each representing 100% equity interest in Nilam Timur Sdn Bhd ("Nilam Timur") for a total cash consideration of RM10.00, arrived at on a 'willing seller-willing buyer' basis. This forms part of debt recovery action taken by MAA Credit for a loan due by Nilam Timur. MAA Credit intends to sell Nilam Timur which has the sub-lease on lands to any interested party to recover the loan.

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (CONTINUED)

(i) On 5 December 2012, MAA Corp and NTY Enterprise Sdn Bhd entered into a Share Sale Agreement, for the disposal of 385,000 ordinary shares representing 11% of the issued and fully paid up ordinary shares and the 153 redeemable preference shares representing 100% of the issued and fully paid up redeemable preference shares in Meridian Asset Management Holdings Sdn Bhd ("MAM") respectively for a total cash consideration of Ringgit Malaysia Ten (RM10) only, arrived at on a 'willing seller-willing buyer' basis. Upon completion of the disposal, MAM has ceased to be a subsidiary company of MAA Corp/the Company and has been accounted for as an associated company of the Group.

(j) On 23 April 2013, the Board of Directors of the Company discussed and approved in principle the proposed disposal of MAAIA's entire interest in PT MAA General Assurance ("PT MAAG"), an 83% owned subsidiary company in Indonesia. The Company has been in discussions with an interested party for the proposed disposal; however the terms and conditions of the contemplated sale and purchase agreement have yet to be finalised. The Board is of the opinion that it will be in the best interest of the Company to divest PT MAAG based on its financial condition and to therefore mitigate the loss from this operations in Indonesia.

The key financial information in relation to PT MAAG included in the consolidated financial statements of the Group for the current and previous financial years are as follows:

	31.12.2012 RM'000	(Restated) 31.12.2011 RM'000
Income statement for the financial year ended:		
Operating revenue	69,797	64,896
Loss after taxation	(26,895)	(24,847)
Statement of financial position as at:		
Total assets	94,852	67,718
Total liabilities	(163,411)	(108,139)

The expected gain or loss from the proposed disposal is presently undeterminable as the terms and conditions of the contemplated sale and purchase have yet to be finalised.

55 DISCLOSURE OF REALISED AND UNREALISED PROFITS

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with 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 whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad ("Bursa Securities").

	GROUP		COMPANY	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Total retained earnings:				
Realised	131,741	74,713	79,887	36,503
Unrealised	1,415	5,577	(131)	(11)
	133,156	80,290	79,756	36,492
Total share of accumulated losses from associated companies:				
Realised	(5,606)	(5,644)	-	-
Unrealised	3,913	4,616	-	-
	(1,693)	(1,028)	-	-
	131,463	79,262	79,756	36,492
Less: Consolidation adjustments	(12,729)	(3,005)	-	-
Total retained earnings	118,734	76,257	79,756	36,492

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by Bursa Securities and should not be used for any other purpose.

LIST OF SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2013

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#
Internum Melewar Sdn Bhd ("IMSB") *Indirect Interest*	105,777,084	34.75+
Melewar Equities Sdn Bhd ("MESB") *Direct Interest*	38,513,030	12.65#
Melewar Khyra Sdn Bhd ("MKSB") *Direct Interest*	40,326,110	13.25#
Melewar Equities (BVI) Ltd *Direct Interest*	26,937,944	8.85#

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 Seri Razman Md Hashim	150,000	0.05	-	-
Yeo Took Keat	80,000	0.02	-	-

Notes:

Deemed interested by virtue of TY being the founder and ultimate beneficial owner of Khyra, a public company limited by guarantee and being the holding company of MESB, Melewar Equities (BVI) Ltd and MKSB.

\+ *IMSB is deemed interested in MAAG by virtue of it being the holding company of MESB who in turn is the holding company of MKSB. MESB and MKSB who are substantial shareholders of MAAG.*

* *Under Section 6A(4) of the Companies Act 1965, TYY is deemed interested in Khyra's deemed interest in MAAG 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 registered in the name of Tan Sri Ahmad bin Mohd Don.*

STATISTICS OF SHAREHOLDINGS AS AT 30 APRIL 2013

Authorised Capital	RM500,000,000.00
Issued and Paid-up Capital	RM304,353,752.00
Class of Shares	Ordinary Shares of RM1.00 each
Total Number of Shares Issued	304,353,752
Number of Shareholders	8,312

Breakdown of shareholdings

No. Of Size Of Holdings	% Of Holders	% Of Holders	No. Of Shares	Shares
1 - 99	229	2.76	9,074	0.00
100 - 1000	907	10.91	707,963	0.23
1001 - 10000	4,652	55.97	24,398,291	8.02
10001 - 00000	2,226	26.78	72,155,110	23.71
100001 and below 5%	295	3.55	101,806,230	33.45
5% and above	3	0.04	105,277,084	34.59
TOTAL	**8,312**	**100.00**	**304,353,752**	**100.00**

List of Top Thirty Shareholders

No.	Name	No. Of Shares Held	% Of Issued Capital
1	RHB Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Melewar Khyra Sdn Bhd*	40,326,110	13.25
2	AMSEC Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account - Ambank (M) Berhad For Melewar Equities Sdn Bhd*	38,013,030	12.49
3	Melewar Equities (BVI) Ltd	26,937,944	8.85
4	HSBC Nominees (Asing) Sdn Bhd *Beneficiary : Exempt An For Credit Suisse (Sg Br-Tst-Asing)*	3,451,300	1.13
5	Ong Wan Chin	3,448,000	1.13
6	Ng Long Tiang	3,000,000	0.99
7	HSBC Nominees (Asing) Sdn Bhd *Beneficiary : Exempt An For Morgan Stanley & Co. International Plc (Client)*	2,608,400	0.86
8	Siva Kumar A/L M Jeyapalan	2,519,800	0.83
9	Lin Thean Fatt	1,832,000	0.60
10	CIMSEC Nominees (Tempatan) Sdn Bhd *Beneficiary : CIMB For Ahmad bin Mohd Don (PB)*	1,575,000	0.52
11	Maybank Securities Nominees (Asing) Sdn Bhd *Beneficiary : Maybank Kim Eng Securities Pte Ltd For Ng Aik Yeow*	1,490,100	0.49

No.	Name	No. Of Shares Held	% Of Issued Capital
12	RHB Capital Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Oh Kim Sun (CEB)*	1,473,000	0.48
13	CIMSEC Nominees (Asing) Sdn Bhd *Beneficiary : Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)*	1,360,350	0.45
14	Ng Nyuk Me @ Ng Nyuk Fung	1,327,000	0.44
15	Soh Guan Chai	1,200,000	0.39
16	Dennis Koh Seng Huat	1,169,600	0.38
17	Nirmala Navinchandra Shah	1,154,600	0.38
18	Chuah Sze Ming	1,140,000	0.37
19	CIMSEC Nominees (Tempatan) Sdn Bhd *Beneficiary : Exempt An For Cimb Securities (Singapore) Pte Ltd (Retail Clients)*	1,099,632	0.36
20	Ooi Gim Eng	1,060,600	0.35
21	G.T.Y. Holdings Sdn. Bhd.	1,000,000	0.33
22	Lye Kok Loong	972,100	0.32
23	Lim Mok Leng	960,000	0.32
24	Ong Seng Lee	922,600	0.30
25	Choy Wee Chiap	892,000	0.29
26	Chin Yun Fen	875,000	0.29
27	Public Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Law Hon Sun @ Liew Pin Cheong (E-Sdk)*	737,500	0.24
28	Public Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Lim Chou Bu (E-Kpg)*	720,000	0.24
29	RHB Capital Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Tee Ho Peng*	703,900	0.23
30	Nik Ariza Binti Ariffin	700,000	0.23
	TOTAL	**144,669,566**	**47.53**

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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	CDS Account No.

MAA GROUP 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 GROUP BERHAD** hereby appoint * Chairman of the meeting or

______________________ of ______________________________ or failing him/her
(Name of Proxy, NRIC No.) (Full Address)

______________________ of ______________________________ as *my/our proxy
(Name of Proxy, NRIC No.) (Full Address)

to vote for ***me/us and on *my/our behalf at the 15th Annual General Meeting ("AGM")** of the Company to be held at the **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Thursday, 20 June 2013 at 10.00 a.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of 15th 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 amounting to RM225,000.00 for the period from 1 July 2013 to 30 June 2014 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) Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
Resolution 3	(ii) Mr Yeo Took Keat				
	To re-elect the following Directors of the Company who are retiring pursuant to Article 79 of the Company's Articles of Association:-				
Resolution 4	(i) Dato' Narendrakumar Jasani A/L Chunilal Rugnath				
Resolution 5	(ii) Mr Onn Kien Hoe				
Resolution 6	To re-elect Datuk Seri Razman Md Hashim who is retiring pursuant to Section 129(6) of the Companies Act, 1965.				
Resolution 7	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.				
Resolution 8	To re-elect Dato' Jaffar Indot who is retiring pursuant to Section 129(6) of the Companies Act, 1965.				
Resolution 9	To approve the Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions.				
Resolution 10	Proposed Renewal of Share Buy-Back Authority.				

(Please indicate with a "✓" or "✗" in the spaces provided above on 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).

The proportion of my holdings to be represented by my *proxy/proxies are as follows:

	Number of shares	Percentage
First proxy		%
Second proxy		%
Total		**100%**

*Strike out whichever is not desired.

Dated this ______________ day of ______________ 2013

____
Signature of Shareholder(s)/Common Seal

NOTES : -

1. *Applicable to shares held through a nominee account.*
2. *A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak 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. *Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
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 12.03, 12th Floor, No.566, Jalan Ipoh, 51200 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 initialled.*
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 15th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 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 14 June 2013. Only a depositor whose name appears on the Record of Depositors as at 14 June 2013 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.*
10. *Explanatory notes to Special Business of the Agenda 7 : -*

(a) Proposed Re-election of Director pursuant to Section 129(6) of the Act

The re-appointment of Dato' Jaffar Indot, who is over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the Proposed Resolution 8 has been passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at a general meeting.

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

The Proposed Resolution 9, 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.

(c) Proposed Renewal of Share Buy-Back Authority

The Proposed Resolution 10, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The detailed information on Special Business of Agenda 7 except for Agenda 7(a) as mentioned above is set out in the Circular to Shareholders of the Company dated 29 May 2013 which is despatched together with the Company's 2012 Annual Report.

****Please strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit)***

Fold here

STAMP

The Secretary
MAA GROUP BERHAD
Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur

Fold here

NOTICE
There will be no distribution of door gifts