THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. Further, Bursa Securities has not perused Part B of this Circular as it is exempted from perusal by Bursa Securities pursuant to Paragraph 2.1 of Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

MAA HOLDINGS BERHAD

(Company No.: 471403-A)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST HELD IN THE CAPITAL OF MALAYSIAN ASSURANCE ALLIANCE BERHAD, MULTIOTO SERVICES SDN BHD, MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD AND MAAGNET SYSTEMS SDN BHD (INCLUDING MAAGNET-SSMS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MAAGNET SYSTEMS SDN BHD) TO ZURICH INSURANCE COMPANY LTD FOR A TOTAL CASH CONSIDERATION OF RM344 MILLION ("PROPOSED DISPOSAL")

PRINCIPAL ADVISER

HwangDBS
INVESTMENT BANK

HWANGDBS INVESTMENT BANK BERHAD (14389-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

PART B

PROPOSED CHANGE OF NAME OF MAA HOLDINGS BERHAD TO MAA GROUP BERHAD

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting ("**EGM**") will be held at The Auditorium, Podium 1, Menara MAA, No. 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur on Thursday, 22 September 2011, at 2.00 p.m. or at any adjournment thereof. The notice of EGM, together with the Form of Proxy, is enclosed in this Circular.

You are requested to complete the enclosed Form of Proxy and deposit it at the Registered Office of the Company at Suite 20.03, 20th Floor, Menara MAA, 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur, not less than forty-eight (48) hours before the time and date indicated below if you are unable to attend the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Tuesday, 20 September 2011 at 2.00 p.m.
Date and time of EGM	:	Thursday, 22 September 2011 at 2.00 p.m. or at any adjournment thereof

This Circular is dated 29 August 2011

DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations shall apply throughout the Circular:

"Act"	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of MAAH
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CAR"	:	Capital adequacy ratio
"CCM"	:	Companies Commission of Malaysia
"Circular"	:	Circular to shareholders of MAAH dated 29 August 2011
"Conditions Precedent"	:	Conditions precedent to the SPA as set out in Section 3(iv) of Part A of this Circular
"DBS"	:	DBS Bank Ltd, Labuan Branch (940031C)
"EGM"	:	Extraordinary general meeting
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"Escrow Account"	:	An interest bearing deposit account to be opened and operated in accordance with the Escrow Agreement
"Escrow Agreement"	:	Escrow agreement to be entered into between MAAH and Zurich in an agreed form in relation to the Proposed Disposal setting out the manner in which the Escrow Account is to be operated
"EPS"	:	Earnings per share
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended / ending, as the case may be
"Hold Back"	:	The sum of RM69,690,000 which is being held back from the sale consideration of RM344,000,000 to address unresolved issues relating to the satisfaction and fulfilment of certain Conditions Precedent. The Hold Back comprises the following: • RM50,170,000 in relation to Prima Avenue Klang (i.e. one of the real properties owned by MAAB); and • RM19,520,000 in relation to the Mithril RCSLS (as defined in Section 3(viii)(b) of Part A of this Circular). The terms of the Hold Back are elaborated in Section 3 (viii) of Part A of this Circular
"HwangDBS" or "Principal Adviser"	:	HwangDBS Investment Bank Berhad (14389-U)
"IAC"	:	Independent advice circular to be despatched by the Independent Adviser to the shareholders of MAAH
"Identified Subsidiaries"	:	MAAB, Multioto, MAPS and MAAGNET (including MAAGNET-SSMS)
"Khyra"	:	Khyra Legacy Berhad (741366-W)
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities and all amendments thereto
"LAT"	:	Loss after taxation
"LATMI"	:	Loss after taxation and minority interest
"LBITDA"	:	Loss before interest, taxation, depreciation and amortisation

"Longstop Date"	:	The SPA is conditional upon the Conditions Precedent being satisfied or waived at the sole discretion of the Purchaser on or prior to 30 September 2011 or such later date as the Seller and the Purchaser may agree in writing
"LPD"	:	29 July 2011, being the latest practicable date prior to the printing of this Circular
"LPS"	:	Loss per share
"MAAB"	:	Malaysian Assurance Alliance Berhad (8029-A)
"MAAC" or "Second Seller"	:	MAA Corporation Sdn Bhd (160773-W)
"MAAGNET"	:	MAAGNET Systems Sdn Bhd (552035-T)
"MAAGNET-SSMS"	:	MAAGNET-SSMS Sdn Bhd (734405-U), a wholly-owned subsidiary of MAAGNET
"MAAH", "Company" or "Seller"	:	MAA Holdings Berhad (471403-A)
"MAAH Group" or "Group"	:	MAAH and its subsidiaries
"MAAH Share(s)"	:	Ordinary shares of RM1.00 each in MAAH
"MAAKL"	:	MAAKL Mutual Bhd (529038-D)
"MAAT"	:	MAA Takaful Berhad (731996-H)
"MAPS"	:	Malaysian Alliance Property Services Sdn Bhd (184230-H)
"Maybank"	:	Malayan Banking Berhad (3813-K)
"MEBVI"	:	Melewar Equities (BVI) Ltd (95686)
"MESB"	:	Melewar Equities Sdn Bhd (89878-X)
"MKSB"	:	Melewar Khyra Sdn Bhd (49841-V)
"MTNs"	:	RM200 million nominal amount of Medium-Term Notes programme (2007/2012)
"Multioto"	:	Multioto Services Sdn Bhd (584018-K)
"MOF"	:	Minister of Finance
"NA"	:	Net assets
"PAT"	:	Profit after taxation
"PATMI"	:	Profit after taxation and minority interest
"PBR"	:	Price-to-book ratio
"PBT"	:	Profit before taxation
"PER"	:	Price-to-earnings
"PN"	:	Practice Note of the Listing Requirements
"Proposed Change of Name"	:	Proposed change of name from MAA Holdings Berhad to MAA Group Berhad

"Proposed Disposal" : Proposed disposal of the entire equity interest held in the capital of MAAB Multioto, MAPS and MAAGNET (including MAAGNET-SSMS) to Zurich for a total cash consideration of RM344 million (subject to adjustments as set out in Section 3(iii) including the Hold Back as set out in Section 3(viii) of Part A of this Circular). The cash consideration of RM344 million is apportioned as follows:

Identified Subsidiaries	Apportionment of sale consideration RM'000
MAAB	340,781
Multioto	1,724
MAPS	542
MAAGNET (including MAAGNET-SSMS)	953
TOTAL	344,000

"PwC" or "Reporting Accountants" : PricewaterhouseCoopers

"RBC Framework" : Risk Based Capital Framework is the capital adequacy framework for all insurers licensed under the Insurance Act, 1996

"RC" : Revolving credit facility

"RM" and "sen" : Ringgit Malaysia and sen respectively

"SBLC" : Standby letter of credit

"SC" : Securities Commission of Malaysia

"Side Letter" : Side letter dated 17 August 2011 entered into between MAAH, MAAC and Zurich in relation to the SPA

"SPA" : Conditional sale and purchase agreement dated 20 June 2011 entered into between MAAH, MAAC and Zurich in respect of the Proposed Disposal, including any modifications, variations, amendments and additions thereto from time to time

"sq.ft." : Square feet

"TA Securities" or "Independent Adviser" : TA Securities Holdings Berhad (14948-M)

"TY" : Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah

"TYY" : Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

"USD" : United States Dollars

"VWAMP" : Volume-weighted average market price

"Zurich" or "Purchaser" : Zurich Insurance Company Ltd

Unless specifically referred to, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine gender and vice versa. References to persons shall include corporations.

Any reference in this Circular to any statute is a reference to that statute as for the time being amended or re-enacted.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

All references to "you" in this Circular are to the shareholders of the Company.

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NOTICE OF EGM **ENCLOSED**

FORM OF PROXY **ENCLOSED**

PART A

LETTER TO THE SHAREHOLDERS OF MAAH IN RELATION TO THE PROPOSED DISPOSAL

MAA HOLDINGS BERHAD

(Company No.: 471403-A)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

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

29 August 2011

Board of Directors:

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah *(Executive Chairman)*
Muhamad Umar Swift *(Chief Executive Officer/Group Managing Director)*
Yeo Took Keat *(Group Chief Operating Officer/Executive Director)*
Major General Datuk Lai Chung Wah (Rtd) *(Independent Non-Executive Director)*
Dato' Sri Iskandar Michael bin Abdullah *(Independent Non-Executive Director)*
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Independent Non-Executive Director)*
Datuk Razman Md Hashim *(Independent Non-Executive Director)*
Tan Sri Ahmad bin Mohd Don *(Independent Non-Executive Director)*
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah *(Non-Independent Non-Executive Director)*
Dr Zaha Rina Zahari *(Independent Non-Executive Director)*

To: The Shareholders of MAA Holdings Berhad

Dear Sir/Madam

MAA HOLDINGS BERHAD

PROPOSED DISPOSAL

1. INTRODUCTION

On 16 December 2010, MAAH announced that the Company had on the same date entered into an agreement with Zurich pursuant to which, the parties would evaluate and negotiate a possible transaction involving the acquisition of an interest in MAAH's wholly-owned subsidiary, MAAB. On 11 April 2011, MAAH submitted an application to BNM for the approval of the MOF pursuant to Section 67 of the Insurance Act, 1996 of Malaysia to enter into an agreement with Zurich for the Proposed Disposal.

On 8 June 2011, MAAH announced that the MOF through BNM had vide its letter dated 8 June 2011 approved the disposal of its 100% equity interest in MAAB to Zurich pursuant to Section 67 of the Insurance Act, 1996.

On 20 June 2011, HwangDBS, on behalf of the Board, announced that the Company and MAAC had on the same date entered into the SPA with Zurich in relation to the Proposed Disposal.

On 21 June 2011, HwangDBS, on behalf of the Board, announced further information pursuant to the announcement made on 20 June 2011.

On 1 August 2011, MAAH announced that BNM had vide its letter dated 29 July 2011 granted an extension of time in relation to the Proposed Disposal of MAAB until 30 September 2011.

On 18 August 2011, HwangDBS, on behalf of the Board, announced that the Company and MAAC had on 17 August 2011 entered into the Side Letter with Zurich in relation to the SPA on the Proposed Disposal.

The Proposed Disposal is a major disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements. Accordingly, the Board has appointed HwangDBS to act as Principal Adviser in relation to the Proposed Disposal and TA Securities to act as Independent Adviser to provide an opinion to the Directors and shareholders of MAAH on the fairness and reasonableness of the Proposed Disposal.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED DISPOSAL AND TO SEEK YOUR APPROVAL FOR THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM. ENCLOSED IS THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY IN THIS CIRCULAR.

WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE IAC (WHICH IS TO BE DESPATCHED BY THE INDEPENDENT ADVISER TO THE SHAREHOLDERS OF MAAH) CAREFULLY BEFORE VOTING ON THE SPECIAL RESOLUTION TO GIVE EFFECT TO THE PROPOSED DISPOSAL AT THE FORTHCOMING EGM.

2. THE PROPOSED DISPOSAL

2.1 Introduction

MAAH is proposing to dispose of the following subsidiaries ("**Identified Subsidiaries**") to Zurich for a total cash consideration of RM344 million (subject to adjustments as set out in Section 3(iii) below including the Hold Back as set out in Section 3 (viii) below):

(i) its 100% equity interest held in the capital of MAAB comprising 150,000,000 ordinary shares of RM1.00 each in MAAB ("**MAAB Shares**");

(ii) its 100% equity interest held in the capital of Multioto, held vide MAAC, comprising 500,000 ordinary shares of RM1.00 each in Multioto ("**Multioto Shares**");

(iii) its 100% equity interest held in the capital of MAPS, held vide MAAC, comprising 250,000 ordinary shares of RM1.00 each in MAPS ("**MAPS Shares**"); and

(iv) its 100% equity interest held in the capital of MAAGNET, held vide MAAC, comprising 500,000 ordinary shares of RM1.00 each in MAAGNET (including its 100% equity interest held in the capital of MAAGNET-SSMS comprising 2,500 ordinary shares of RM1.00 each in MAAGNET-SSMS) ("**MAAGNET Shares**").

Further information on the Identified Subsidiaries is set out in Appendix I of this Circular.

2.2 Basis and justification for the sale consideration

The sale consideration of RM344 million for the Proposed Disposal was arrived at on a 'willing buyer-willing seller' basis, and after taking into account the unaudited NA of the Identified Subsidiaries based on their unaudited financial statements as at 30 September 2010 as follows:

Identified Subsidiaries	Apportionment of sale consideration RM'000	Unaudited NA as at 30 September 2010 RM'000	PBR times
MAAB	340,781	250,749	1.36
Multioto	1,724	1,724	1.00
MAPS	542	542	1.00
MAAGNET (including MAAGNET-SSMS)	[1]953	[1]953	[2]1.00
TOTAL	344,000	253,968	1.35

Notes:

1 *MAAGNET has declared the first net interim dividend of RM698,475 and second net interim dividend of RM201,525 on 2 June 2011 and 6 June 2011 respectively totalling RM900,000 to its immediate holding company MAAC (prior to completion of the Proposed Disposal). The first net interim dividend and second net interim dividend were paid on 29 June 2011 and 12 July 2011 respectively.*

2 *Net assets after adjusting for the dividend declared as disclosed in note 1 above.*

The sale consideration of RM344 million was determined and agreed upon after taking into consideration the following:

(i) the profile of Zurich, the terms of the SPA and the requirement for an immediate capital injection of RM515 million into MAAB and expected further capital injections in the future, which would then become the obligation of Zurich, following completion of the Proposed Disposal;

(ii) the unaudited NA of MAAB as at 30 September 2010, the sale consideration for MAAB represents a PBR of 1.36 times; and

(iii) the unaudited NA of Multioto, MAPS and MAAGNET (including MAAGNET-SSMS) as at 30 September 2010, the sale consideration for the said companies represents respectively a PBR of 1.00 time on the basis that these companies purely provide ancillary support services to MAAB and are therefore valued at their respective NA.

Please refer to the IAC for the evaluation of the fairness and reasonableness of the Proposed Disposal by TA Securities.

The sale consideration of RM344 million in cash shall be settled in the manner as set out in Section 3(ii) below and adjusted following completion of the Proposed Disposal as set out in Section 3(iii) below, in accordance with the terms of the SPA. The sale consideration of RM344 million is also subject to the Hold Back as set out in Section 3(viii) below, in accordance with the terms of the Side Letter.

Set out below is the audited NA of the Identified Subsidiaries based on their audited financial statements as at 31 December 2010:

Identified Subsidiaries	**Audited NA as at 31 December 2010 RM'000**
MAAB	264,874
Multioto	1,694
MAPS	440
MAAGNET (including MAAGNET-SSMS)	[1]1,199
TOTAL	268,207

Note:

1 *After deducting the total net dividend of RM900,000 to be paid to MAAC prior to completion of the Proposed Disposal. Please refer to Section 2.2, Note 1 above for further information.*

2.3 Liabilities to be assumed

Save for the liabilities disclosed in the financial statements of the Identified Subsidiaries, there are no other liabilities to be assumed by Zurich pursuant to the Proposed Disposal.

2.4 Information on Zurich

Zurich is incorporated in Zurich, Switzerland. The address of the registered office is Mythenquai 2, 8002 Zurich, Switzerland. Zurich is a wholly-owned subsidiary of Zurich Financial Services Ltd ("**ZURN**") and together with its subsidiaries forms part of the Zurich Financial Services Group ("**Zurich Group**"). Founded in 1872, the Zurich Group is headquartered in Zurich, Switzerland. ZURN is listed on the SIX Swiss Exchange and has a level 1 American Depositary Receipt program, which is traded over-the-counter on OTC Markets Group Ltd.

Zurich Group is a leading multi-line insurance provider with a global network of subsidiaries and offices in Europe, North America, Latin America, Asia-Pacific and the Middle East as well as other markets. It offers a wide range of general insurance and life insurance products and services for individuals, small businesses, mid-sized and large companies as well as multinational corporations. The Zurich Group employs about 60,000 people serving customers in more than 170 countries.

Based on the results for the FYE 31 December 2010, the Zurich Group recorded USD3.4 billion in net income attributable to shareholders, USD64.9 billion in gross written premiums excluding Farmers Managements Service management fees and other related revenues and USD196 billion in group investments average invested assets. Zurich Insurance Company Ltd is rated AA- by Standard & Poor.

2.5 Proposed utilisation of proceeds

The Company intends to utilise the cash proceeds pursuant to the completion of the Proposed Disposal in the following manner:

Purpose	**Notes**	**Estimated timeframe for utilisation**	**RM'000**
Repayment of MTNs	1	Immediately upon the date of receipt of the proceeds from the Proposed Disposal	140,000
Repayment of borrowings and the payment of related interest cost	2	Immediately upon the date of receipt of the proceeds from the Proposed Disposal	36,400
Payment of restructuring fees	3	Immediately upon the date of receipt of the proceeds from the Proposed Disposal	3,800
General working capital requirements	4	Within 24 months from the date of receipt of the proceeds from the Proposed Disposal	163,800
Total			344,000

Notes:

1 *The Company had issued the MTN in 2007 for a tenure of five (5) years with a total of three (3) tranches, comprising two (2) tranches with a nominal value of RM30 million each and one (1) tranche with a nominal value of RM140 million. The MTNs are secured by a bank guarantee facility from DBS up to the maximum aggregate principal amount of USD equivalent of RM200 million.*

The repayment of the MTNs is by way of redemption from the MTN holders the remaining outstanding tranche with a nominal value of RM140 million under the MTNs. Upon repayment of the MTNs, DBS' bank guarantee for the MTNs will correspondingly be extinguished.

2 *The repayment is in relation to the RC of approximately RM36.3 million from Public Bank Berhad, which is secured principally by a SBLC from DBS for up to the maximum aggregate principal amount of USD equivalent of RM36.3 million. The RC and SBLC facilities were secured to facilitate the settlement of the second tranche of the MTNs with a 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. Additionally, there is a payment of related interest cost amounting to approximately RM100,000. Any shortfall or excess in funds allocated for this purpose will be funded from or used for working capital purposes.*

3 *Payment of restructuring fees of RM3.8 million to DBS is in relation to the fees payable for the SBLC facility ("**Restructuring Fees**"). Any shortfall or excess in funds allocated for this purpose will be funded from or used for working capital purposes.*

4 *The allocated proceeds shall be used to finance the day-to-day operations of the MAAH Group which include staff costs (including Executive Directors) such as salaries and bonuses, motor vehicle and travelling expenses, training expenses and office rental, and are estimated at RM21 million per annum.*

The proceeds may also be used for the additional capitalisation of MAAT should BNM implement such capital requirements to takaful operators and the capitalisation of the other remaining subsidiaries of MAAH, and to support the business expansion of MAAT and MAAKL where the capital outlay for new branches is estimated at RM38 million. As at the LPD, the RBC Framework for the takaful industry has yet to be finalised by BNM, therefore, no quantification of the additional capitalisation amount for MAAT has been made.

Further, the receipt of a substantial portion of this amount from the Proposed Disposal will be deferred for a period of 2 years from completion in accordance with the terms in the SPA as set out in Section 3(ii) below including the terms of the Side Letter as set out in Section 3(viii) below, and held in the Escrow Account in accordance with the terms of the Escrow Agreement. However it should be noted that, any successful warranty and indemnity or any other claims by Zurich against MAAH, will reduce the said balance cash proceeds accordingly.

Given that the final amount of the balance cash proceeds can only be ascertained at a later date where a substantial portion of its receipt is being deferred for a period of 2 years from completion, MAAH is unable to provide further breakdown of its proposed utilisation at this juncture.

Any shortfall or excess in funds arising from the adjustment to the sale consideration in accordance with the terms of the SPA as set out in Section 3(iii) below including the terms of the Side Letter as set out in Section 3(viii) below, will be adjusted from or used for working capital purposes.

For illustrative purposes, based on the above financial commitment of RM176.3 million, moving forward the MAAH Group need not service interest cost of approximately RM10.7 million based on the average interest rate of 6.08% calculated on a per annum basis.

The Company is expected to incur estimated expenses of RM9 million in relation to the Proposed Disposal. This amount comprises professional fees, advisory fees, printing costs, advertising and miscellaneous expenses which will be funded from the Company's internally generated funds and not from the sale consideration proceeds in view of its deferred receipt. The estimated expenses include an amount of RM6.88 million being fees payable to MAACA Corporate Services Sdn Bhd, a wholly-owned subsidiary of MAAC for services provided relating to the Proposed Disposal, which include, amongst others:

- Introduction of prospective partner(s)/acquirer(s) to MAAH;
- Initiation of preliminary discussions with prospective partner(s)/acquirer(s) to ascertain their interests as well as their respective valuation of MAAB;
- Assistance in the creation of a data room for review and/or due diligence by the identified prospective partner(s)/acquirer(s); and
- Provision of corporate advisory services to MAAH on the Proposed Disposal.

No conflict of interest exists or is likely to exist to give rise to a possible conflict of interest in relation to MAACA's appointment in advising MAAH on the Proposed Disposal as MAACA is a wholly-owned subsidiary of MAAH and has no interested relationship with the Purchaser, Zurich.

The fee charged by MAACA of 2% which is fixed on the sale consideration of RM344 million is within the usual range of fee chargeable for the provision of such corporate advisory services to the MAAH Group, the fee will be payable on a success basis and after taking into consideration the services rendered by MAACA since end of 2007

3. SALIENT TERMS OF THE SPA AND SIDE LETTER

(i) Sale and Purchase

This is an agreement ("**SPA**") for the sale by MAAH ("**Seller**") of MAAB Shares and by MAAC ("**Second Seller**") of its Multioto Shares, MAPS Shares and MAAGNET Shares (collectively referred to as "**Sale Shares**") to Zurich ("**Purchaser**"). As part of the acquisition of MAAGNET Shares, MAAGNET-SSMS will also be acquired by the Purchaser.

(ii) Consideration

(a) The consideration for the Sale Shares is RM344,000,000 ("**Consideration**") which shall be apportioned between the Sale Shares. The apportionment is provided for in the SPA and the Consideration is subject to adjustment as set out in Section 3(iii) below. The Consideration shall be paid on the last business day of the month in which the Purchaser notifies the Seller that all the conditions have been satisfied or the first business day of the next following month or where the notification is received less than five (5) business days prior to the relevant month end, on the last business day of the next following month ("**Completion**").

(b) The Consideration is to be paid in cash at Completion in the following manner:

- a payment to Public Bank Berhad for the sum of RM36,388,413.43 (or such amount as Public Bank Berhad shall notify DBS as the amount payable by the Seller on the applicable date as agreed by the Seller and the Purchaser) being repayment of the RC ("**Public Bank Payment**");

- a payment to DBS for the sum of RM3,800,000 being repayment for the Restructuring Fees, as defined and elaborated in Note 3 under Section 2.5 above ("**DBS Payment**");

- remittance to the MTN's facility agent cash account the sum of RM140,000,000 being the repayment for redemption of the MTNs ("**MTN Payment**");

- remittance to the Escrow Account the sum of RM344,000,000 (after deducting for the Public Bank Payment, DBS Payment and MTN Payment) ("**Escrow Payment**") in accordance with the Escrow Agreement subject to the adjustment as set out in Section 3(iii) below. Subject to specific provisions in the Escrow Agreement, the Seller shall be entitled to instruct the escrow agent to instruct the escrow bank to release an amount not exceeding RM6,000,000 on the first funds release date which is the date falling six (6) months from the date of Completion and release an amount not exceeding RM3,000,000 on each funds release date which is a date falling three (3) months after the first funds release date until the release date which is two (2) years from the date of Completion of the SPA ("**Release Date**"). Provided that there are no warranty and indemnity claim or any other claims by the Purchaser under the SPA, any balance monies in the Escrow Account shall be released to the Seller on the Release Date.

  Please refer to Section 5.3 on contractual risk relating to the above warranty and indemnity claim or any other claims by the Purchaser under the SPA.

(iii) Adjustment to the Consideration

(a) As provided for in the SPA, following Completion, the Consideration will be varied by an amount equal to the difference between the aggregate net asset value of the Identified Subsidiaries (being the aggregate value of their recognised assets less the aggregate value of their recognised liabilities and provisions for liabilities and charges) as at 30 September 2010 being RM416,675,000 ("**Initial Aggregate Net Asset Value**") and the final aggregate net asset value of the Identified Subsidiaries (being the aggregate value of their recognised assets less the aggregate value of their recognised liabilities and provisions for liabilities and charges) determined in accordance with the accounts to be drawn up following Completion in respect of each of the Identified Subsidiaries ("**Completion Accounts**") ("**Final Aggregate Net Asset Value**") such that:

(i) if the final general fund/shareholders' fund amount of MAAB as at Completion is less than the initial general fund/shareholders' fund amount of MAAB as at 30 September 2010 then the Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall;

(ii) if the final general fund/shareholders' fund amount of MAAB as at Completion is more than the initial general fund/shareholders' fund amount of MAAB as at 30 September 2010 then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer, for each RM1 basis) by an amount equal to that difference;

(iii) if the final life funds amount of MAAB as at Completion is less than the initial life funds amount of MAAB as at 30 September 2010 then the Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall reduced by 25 percent (being the corporate tax rate payable by MAAB) of the decrease in the fund surplus for funds in surplus. When performing this calculation, the annuity fund will be capped at a maximum increase of RM48,000,000 [1] and the par fund at a surplus of RM90,000,000 [2]. There will be no caps for the non-par fund and the investment linked fund;

(iv) if the final life funds amount of MAAB as at Completion is more than the initial life funds amount of MAAB as at 30 September 2010 then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer, for each RM1 basis) by an amount equal to that difference reduced by 25 percent (being the corporate tax rate payable by MAAB) of the increase in the fund surplus for funds in surplus. When performing this calculation, the annuity fund will be capped at a maximum increase of RM 48,000,000 [1] and the par fund at a surplus of RM90,000,000 [2]. There will be no caps for the non-par fund and the investment linked fund;

Notes:

1 *This means that the Consideration will only be increased on a RM for RM basis for the first RM48,000,000 that the annuity fund deficit decreases in the Completion Accounts compared to unaudited financial statements as at 30 September 2010. There will be no change to the Consideration for any amount that the annuity fund deficit decreases by more than RM48,000,000 or if it moves into surplus in the Completion Accounts. For the avoidance of doubt if the annuity fund deficit increases in the Completion Accounts compared to the unaudited financial statements as at 30 September 2010, there will be a RM for RM decrease to the Consideration.*

2 *This means that the Consideration will only be increased on a RM for RM basis by the amount that the par fund deficit decreases in the Completion Accounts compared to the unaudited financial statements as at 30 September 2010. There will be no change to the Consideration for any amount that the par fund goes into a surplus greater that RM90,000,000 in the Completion Accounts. For the avoidance of doubt if the par fund deficit increases in the Completion Accounts compared to the unaudited financial statements as at 30 September 2010, there will be a RM for RM decrease to the Consideration.*

The amount of RM48,000,000 and RM90,000,000 were proposed by the Purchaser and agreed to by the Seller. These are the amounts required to bring the funds from a deficit position to a surplus position, where necessary.

(v) if the net asset value of Multioto as at Completion ("**Final Multioto Amount**") is less than the net asset value of Multioto as at 30 September 2010 ("**Initial Multioto Amount**") then the Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall;

(vi) if the Final Multioto Amount is more than the Initial Multioto Amount then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer, for each RM1 basis) by an amount equal to that difference;

(vii) if the net asset value of MAPS as at Completion ("**Final MAPS Amount**") is less than the net asset value of MAPS as at 30 September 2010 ("**Initial MAPS Amount**") then the Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall;

(viii) if the Final MAPS Amount is more than the Initial MAPS Amount then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer, for each RM1 basis) by an amount equal to that difference;

(ix) if the aggregate net asset value of MAAGNET and MAAGNET-SSMS as at Completion (**"Final MAAGNET Amount"**) is less than the aggregate net asset value of MAAGNET and MAAGNET-SSMS as at 30 September 2010 (**"Initial MAAGNET Amount"**) then the Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall; and

(x) if the Final MAAGNET Amount is more than the Initial MAAGNET Amount then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer, for each RM1 basis) by an amount equal to that difference.

(b) In accordance with the provisions of SPA, the Seller shall be entitled to receive, by way of additional consideration, RM0.997 (after deducting for stamp duty for the shares transfer) for each RM1 by which the Final Aggregate Net Asset Value exceeds the Initial Aggregate Net Asset Value up to a maximum aggregate amount of RM200,000,000, which sum shall be paid on the dates and in the manner specified in the SPA (Adjustments to Consideration).

Notes: The Initial Aggregate Net Asset Value refers to the aggregate unaudited NA of the Identified Subsidiaries of RM253,967,000 and MAAB's initial life funds amount of RM162,708,000, as at 30 September 2010 as determined to be RM416,675,000.

The amount of RM200,000,000 is a commercial term proposed by the Purchaser and agreed to by the Seller, and is an additional consideration amount that the Purchaser is prepared to consider in respect of the Proposed Disposal.

(c) In accordance with the provisions of the SPA, if the Final Aggregate Net Asset Value is less than the Initial Aggregate Net Asset Value, the Seller shall be required to repay to the Purchaser RM1 for each RM1 by which the Final Aggregate Net Asset Value falls short of the Initial Aggregate Net Asset Value, which sum shall be paid by the Seller on the date and in the manner specified in the SPA (Adjustments to Consideration).

(iv) Conditions Precedent

The SPA is conditional upon the following conditions being satisfied or waived at the sole discretion of the Purchaser on or prior to 30 September 2011 or such later date as the Seller and the Purchaser may agree in writing (**"Longstop Date"**):

(a) Approval of the Seller's shareholders at a general meeting approving the sale of the Sale Shares to the Purchaser in accordance with the terms of the SPA;

*Note: This condition is still pending and is to be obtained at the forthcoming EGM (**"Shareholder Approval Date"**).*

(b) The receipt by the Purchaser from certain substantial shareholders of MAAH of an irrevocable undertaking to vote in favour of the resolution in respect of the Proposed Disposal;

Note: This condition has been waived by the Purchaser vide its letter dated 27 July 2011.

(c) Approval of the noteholders under MAAH's RM200,000,000 MTNs approving the sale of the MAAB Shares to the Purchaser;

Note: This condition has been satisfied vide the receipt of the noteholders' consents which were obtained on 27 July 2011.

(d) DBS release by way of a conditional deed of release, discharge and revocation releasing the DBS' pledge, which is the fixed first charge and fixed second charge on the entire issued and paid up share capital of MAAB granted by MAAH to DBS as security in connection with the DBS' bank guarantee for the MTNs and a SBLC;

Note: The conditional deed of release was signed on 20 June 2011 and the satisfaction of this condition is subject to receiving the completion undertaking from DBS at Completion.

(e) BNM approval of:

- the return of the management control to MAAB in respect of the setting of a bonus policy for its par fund; and

  Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011 subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view might render this condition being no longer satisfied.

- the appointment of the Purchaser's nominees as directors and Chief Executive Officer (where appropriate) of MAAB at Completion.

  Note: This condition is still pending and the Purchaser has requested vide its letter dated 18 August 2011 for the satisfaction of this condition to be extended until the Shareholder Approval Date.

(f) BNM's written confirmation to the Purchaser confirming that the transaction contemplated in the SPA is acceptable to BNM and that the threat of regulatory action against MAAB is removed and the Purchaser's proposed capitalisation plan will apply to MAAB;

Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011 subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view might render this condition being no longer satisfied.

(g) Receipt by the Purchaser of written approval from any other relevant regulatory authority (including, to the extent required, notification to the Swiss Financial Market Supervisory Authority) that such relevant regulatory authority has not imposed any restriction, requirement or condition in connection with the acquisition of the shares pursuant to the SPA that is not acceptable to the Purchaser;

Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011 subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view might render this condition being no longer satisfied.

(h) Receipt by the Purchaser of evidence in terms satisfactory to the Purchaser of any other clearances, approvals, consents and licences required to be obtained in connection with the acquisition of the shares pursuant to the SPA (including, but not limited to, competition, regulatory and/or tax matters);

Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011 subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view might render this condition being no longer satisfied.

(i) Receipt by the Purchaser from the Seller of evidence in terms satisfactory to the Purchaser that the Identified Subsidiaries have obtained all regulatory authorisations, licences, registrations, permissions, certificates, approvals and notices required for or in connection with the carrying on of the businesses (including, but not limited to, those set out in the agreed separation and rectification plan, pursuant to the SPA);

Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011, subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view might render this condition being no longer satisfied.

(j) Receipt by the Purchaser from the Seller of evidence in terms satisfactory to the Purchaser that the CAR of MAAB reported to BNM in its latest filing prior to Completion is equal to or in excess of 50%;

Note: This condition was satisfied in its latest filing with BNM dated 30 June 2011 and is subject to the Seller promptly notifying the Purchaser in writing if, at any time prior to Completion, the CAR of MAAB is no longer equal to or in excess of 50%.

(k) The settlement in terms satisfactory to the Purchaser of the liabilities relating to Mithril Berhad (which ceased to be an associated company of MAAH on 7 September 2010) ("**Mithril Liability**") and MAA International Assurance Ltd (a wholly-owned subsidiary of MAAC) ("**MAAIA**") ("**MAAIA Liability**") and any other inter-company debt outside the ordinary course of business;

Notes: This condition has been waived on the basis that the Seller and Second Seller have entered into the Side Letter with the Purchaser.

Mithril Liability refers to the intra-group rental income totalling approximately RM2,300,000 owed as at the date of the SPA by Mithril to MAAB and any further outstanding amounts as may accrue in respect therewith.

MAAIA Liability refers to the intra-group debt owed by MAAIA to MAAB.

The mode and terms of settlement of the Mithril Liability and MAAIA Liability are to be agreed upon between the Purchaser and Seller at Completion.

(l) The entry into the general insurance reinsurance commutation agreement and the life reinsurance commutation agreement in relation to the reinsurance arrangements between MAAB and MAAIA;

Note: *This condition has been satisfied via the entry into the general insurance reinsurance commutation agreement and the life reinsurance commutation agreement both dated 5 July 2011 and on the basis that the Seller and Second Seller have entered into the Side Letter with the Purchaser.*

(m) Receipt by the Purchaser from the Seller of evidence in terms satisfactory to the Purchaser that the register of members, register of transfers and register of charges of MAAB is complete, accurate and up to date;

Note: *This condition is pending and the Purchaser has requested vide its letter dated 18 August 2011 for the satisfaction of this condition to be extended until the Shareholder Approval Date.*

(n) Receipt by the Purchaser from the Seller of evidence in terms satisfactory to the Purchaser that the constitutional documents of Multioto have been amended to provide Multioto with the requisite authority to conduct the Multioto businesses as currently conducted;

Note: *The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011.*

(o) Receipt by the Purchaser from the Seller of evidence in terms satisfactory to the Purchaser that title to each of the real properties is registered in the name of one or other of the Identified Subsidiaries;

Note: *This condition has been waived on the basis that the Seller and Second Seller have entered into the Side Letter with the Purchaser and the Seller has issued specific confirmations to the Purchaser relating to real properties owned by MAAB and subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view affects the Purchaser's ability to waive this condition.*

(p) Notification by MAAGNET to the Multimedia Development Corporation of its change-of-control anticipated by the transaction contemplated by this SPA; and

Note: *This condition has been satisfied via MAAGNET's notification letter dated 5 July 2011 to the Multimedia Development Corporation.*

(q) Receipt by the Purchaser in terms satisfactory to the Purchaser of a written disclaimer letter addressed to MAAB from Maybank confirming that Maybank will not and will not seek to foreclose on, or enforce the charge held by it over and in connection with, Prima Avenue Klang (i.e. one of the real properties owned by MAAB) and will deliver all such documents as may be necessary to disclaim any title and other rights to Prima Avenue Klang.

Note: *This condition has been waived on the basis that the Seller and Second Seller have entered into the Side Letter with the Purchaser and subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view affects the Purchaser's ability to waive this condition.*

(v) MAAT

If the Seller proposes to dispose of or otherwise offer for sale some or all of its shares in MAAT, the Seller agrees to grant to the Purchaser a first right of refusal to acquire some or all of its interest and related rights in MAAT following the Completion subject to obtaining a waiver of any existing pre-emption rights upon and subject to the provisions in the MAA Takaful Right of First Refusal Agreement which is to be entered into at a later date.

Note: The above first right of refusal is a clause that was required by the Purchaser as a condition for the other terms of the Proposed Disposal, but only in the event the Seller is proposing to dispose of or otherwise offer for sale some or all of its shares in MAAT.

(vi) Termination

The Purchaser shall be entitled to terminate the SPA with immediate effect by notice in writing to the other parties before Completion without liability to the Seller or the Second Seller:

(a) if, before Completion, the Purchaser becomes aware that any of the Seller's warranties i.e. title and capacity warranties, business warranties and the tax warranties pursuant to the SPA was at the date of the SPA, or has since become, untrue or misleading or has been breached;

(b) if, before Completion, the Seller or the Second Seller materially breaches any term of the SPA;

(c) if, before Completion, any event occurs which would have, or could be reasonably expected to have, or be likely to result in, a material adverse effect on the financial position or business prospects of any of the Identified Subsidiaries, taken together or individually;

(d) if, before Completion, any event occurs which would have, or could be reasonably expected to have, or be likely to result in, a material adverse effect on the unaudited aggregate book value as at 30 September 2010 of the real properties;

(e) if, before Completion, BNM withdraws or amends, or indicates an intention to withdraw or amend any of the confirmations previously given by BNM to the Purchaser in the BNM letter dated 16 February 2011 or pursuant to the conditions precedent as mention in Section 3(iv)(d) or (e) above or imposes any additional conditions on the operations of MAAB which are not acceptable to the Purchaser;

(f) if, before Completion, the MOF withdraws or amends, or indicates an intention to withdraw or amend its approval of the acquisition of the MAAB Shares contemplated by the SPA under Sections 67 and 69 of the Insurance Act 1996;

(g) if, before Completion, the Purchaser receives evidence whether from the Seller or otherwise that the CAR of the Company has fallen to a level below 50%;

Note: The CAR level of 50% is a commercial term proposed by the Purchaser, and is the lowest threshold considered commercially viable for the Purchaser to proceed with the Proposed Disposal.

(h) if, before Completion, the Purchaser receives evidence to its reasonable satisfaction that any other clearances, approvals, consents and licences required to be obtained in connection with the acquisition of the Sale Shares pursuant to the SPA have been withdrawn or amended;

(i) if, before Completion, the amount of the capital injection (forming part of the capital injection of RM515,000,000 expected to be made by Zurich in relation to MAAB following Completion) to be contributed to the par fund exceeds RM200,000,000;

Note: The capital injection amount of RM200,000,000 is a commercial term proposed by the Purchaser, and is the maximum capital injection considered commercially viable for the Purchaser to proceed with the Proposed Disposal.

(j) if, one or more of the conditions precedent as set out in Section 3 (iv) above remains unsatisfied on the Longstop Date or in the reasonable opinion of the Purchaser become impossible to satisfy on or before the Longstop Date; or

(k) if, in any respect, the Seller or the Second Seller has not complied with its completion obligations at the time and on the date set for the Completion,

the Purchaser may terminate the SPA with immediate effect by notice in writing to the Seller and Second Seller.

(vii) Governing Laws

The SPA is governed by and construed in accordance with the laws of Singapore.

Note: The above jurisdiction was agreed upon between the Seller and the Purchaser to be the governing law for the SPA, as it is common and equitable to both parties.

(viii) Side Letter

The Side Letter will have the effect of varying the terms and conditions of the SPA and in particular will have the following effect on the matters as follows:

At Completion, the Purchaser shall be entitled to a Hold Back in the sum of RM69,690,000 from the Consideration to address unresolved issues relating to certain Conditions Precedent as set out below. The Hold Back shall result in a corresponding deduction in the amount of the Escrow Payment payable by the Purchaser pursuant to the terms of the SPA and shall comprise:

(a) RM50,170,000 in relation to Prima Avenue Klang (**"PAK"**)

This amount less applicable tax and reasonable costs and expenses will be paid into the Escrow Account by the Purchaser for its treatment in accordance with the terms of the Escrow Agreement if MAAB resolves the current title issues in relation to PAK, in particular the disclaimer or release of the charge taken by Maybank over PAK within 2 years following Completion.

(b) RM19,520,000 (subject to adjustment to reflect the actual net book value at Completion) in relation to Mithril's 3% 8-year redeemable convertible secured loan stocks (**"Mithril RCSLS"**) (the **"RCSLS Actual Value"**) maturing April 2012

This amount less applicable tax and reasonable costs and expenses will be paid into the Escrow Account by the Purchaser for its treatment in accordance with the terms of the Escrow Agreement if MAAB receives any repayment of amounts outstanding under the Mithil RCSLS from Mithril or the sale proceeds of any disposal of the Mithril RCSLS within 2 years following Completion.

If and to the extent any amounts received by MAAB from Mithril in respect of its repayment of amounts outstanding under the Mithril RCSLS or from the sale proceeds of any disposal of the Mithril RCSLS by MAAB exceed the RCSLS Actual Value, the Purchaser shall pay such amounts (in each case less applicable tax and reasonable costs and expenses) into the Escrow Account but only insofar as such amounts do not accrue in the par fund and/or in the annuity fund.

The Purchaser shall procure that MAAB shall not, within 2 years following Completion, sell, assign or dispose the Mithril RCSLS below the RCSLS Actual Value without MAAH's prior written agreement, such agreement not to be unreasonably withheld or delayed.

(c) MAAB is seeking a stamp duty exemption in relation to the life reinsurance commutation agreement and the general insurance reinsurance commutation agreement ("**Application for Stamp Duty Exemption**") and MAAB shall accrue the estimated respective stamp duties in its accounts ("**Accrued Estimated Stamp Duties**") which will result in adjustments to the Consideration if the agreements are not duly stamped or stamp duty exemption is not obtained at Completion.

If MAAB is successful in its Application for Stamp Duty Exemption at any time within 2 years following Completion, the Purchaser shall pay the Accrued Estimated Stamp Duties into the Escrow Account.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is in line with the approval received from BNM vide its letters dated 11 March 2010 and 27 April 2011 for MAAH to undertake the necessary measures to meet the requirements imposed by BNM to meet the minimum supervisory CAR of 130% under the RBC Framework.

To-date, MAAB has yet to meet the minimum supervisory CAR requirement of 130%. Based on the audited financial statements of MAAB for the FYE 31 December 2010, MAAH needs to inject approximately RM436 million into MAAB in order to meet the requirements under the RBC Framework as of 31 December 2010 and to inject approximately RM667 million into MAAB to meet a generally accepted CAR of 180%. MAAB's latest filing to BNM as at 30 June 2011 reported a CAR of 88%. MAAB will need to meet the minimum supervisory CAR of 130% and complete the sale of MAAB by 31 July 2011. On 12 July 2011, MAAH appealed for an extension of time till 30 September 2011 to complete the sale of MAAB which BNM approved vide its letter dated 29 July 2011.

As the financial commitment to meet the RBC Framework requires considerable resources, the Board has resolved to dispose of its general and life insurance businesses under MAAB for cash to Zurich. The Board's resolution to dispose of the said businesses came about after detailed assessments of alternatives particularly in, fund raising exercises to raise the aforesaid required capital injection. A fund raising exercise for the said amount, given the market sentiments for the recent few years coupled with MAAH's financial position, was not expected to be a viable proposition.

In terms of potential buyers for MAAB, MAAH has been seeking an appropriate buyer for the past 4 years and has had discussions with various parties within that time frame. The Board resolved to accept Zurich's offer as this was the only substantive offer made and which allows for MAAH to resolve both the capital injection needed for MAAB, albeit via the Proposed Disposal, and the repayment of MAAH's borrowings post-completion of the Proposed Disposal. It should be noted that the Proposed Disposal would provide the funds required by MAAH to repay its remaining RM140 million MTNs due in January 2012, thereby eliminating the risk of default.

Following the completion of the Proposed Disposal, the requirement for the immediate capital injection of RM515 million into MAAB and expected further capital injections in the future, would then become the obligation of Zurich. Accordingly, the sale consideration of RM344 million was arrived at after taking into account MAAB's undercapitalised position in terms of the CAR requirement.

MAAH is also disposing of Multioto, MAPS and MAAGNET (including MAAGNET-SSMS) as these subsidiaries provide ancillary support services to MAAB. Multioto provides motor vehicle breakdown assistance services while MAPS provides property management services. MAAGNET (including MAAGNET-SSMS) collectively provides information technology consultancy and support services and is also involved in the general trading of computer hardware and software. Following the Proposed Disposal, Multioto and MAPS will no longer provide any intra-group services to the other companies within the MAAH Group whereas MAAGNET (including MAAGNET-SSMS) will continue to provide transitional services to MAAH Group.

Following the Proposed Disposal, MAAH will have proceeds of RM344 million subject to adjustments and the Hold Back at Completion. The proceeds will enable MAAH to repay its borrowings and redeem its MTNs amounting in the aggregate to RM176.3 million. The repayment of the above borrowings would relieve the MAAH Group of its financial commitment and obligations to service these debts. For illustrative purposes, based on the above financial commitment of RM176.3 million, moving forward the MAAH Group need not service interest cost of approximately RM10.7 million based on the average interest rate of 6.08% calculated on a per annum basis.

The allocated proceeds shall be used to finance the day-to-day operations of the MAAH Group which include staff costs (including Executive Directors) such as salaries and bonuses, motor vehicle and travelling expenses, training expenses and office rental, and are estimated at RM21 million per annum.

The proceeds may also be used for the additional capitalisation of MAAT should BNM implement such capital requirements to takaful operators and the capitalisation of the other remaining subsidiaries of MAAH, and to support the business expansion of MAAT and MAAKL where the capital outlay for new branches is estimated at RM38 million. As at the LPD, the RBC Framework for the takaful industry has yet to be finalised by BNM, therefore, no quantification of the additional capitalisation amount for MAAT has been made.

5. RISK FACTORS

5.1 Completion risk

The completion of the Proposed Disposal is conditional upon the Conditions Precedent as set out in Section 3 (iv) above being satisfied or waived (as the case may be) in accordance with the terms of the SPA, including the approvals from the shareholders of MAAH and the relevant authorities or other parties being obtained. There can be no assurance that such approvals and/or conditions will be obtained and/or satisfied. MAAH will continue to take all reasonable steps to ensure the satisfaction or waiver (as the case may be) of the Conditions Precedent to ensure completion of the Proposed Disposal.

5.2 MAAH's listing status after the completion of the Proposed Disposal

MAAH will be classified as an affected listed issuer under PN 17 of the Listing Requirements upon completion of the Proposed Disposal. In this regard, the Company would have to regularise its condition as an affected listed issuer within the stipulated timeframes set out under the Listing Requirements. Failure to comply with the obligations under PN17 of the Listing Requirements following the completion of the Proposed Disposal may result in MAAH's listed securities being suspended from trading on Bursa Securities and/or being delisted from the Official List of Bursa Securities.

5.3 Contractual risk

MAAH and MAAC have given warranties and indemnities as set out in the SPA, in favour of Zurich. In this respect, MAAH and MAAC may be subject to claim for the breach of any warranty and/or indemnity given.

Nonetheless, MAAH will not be liable for any:

- claim from a breach of business warranty after 3 years;
- any indemnification claim presented after 5 years from the date of Completion; and
- any tax claim after 8 years.

However, there is no limitation period for any title and capacity claims in respect of MAAH's and MAAC's absolute legal, registered and beneficial ownership of the Sale Shares.

The Board and the management of MAAH and MAAC is endeavouring to ensure compliance with its obligations under the SPA in order to minimise the risk of any breach of the warranties and indemnities.

5.4 Risk in relation to adjustment to the Consideration including the Hold Back arrangements

Pursuant to the terms of the SPA, the Consideration payable by Zurich to MAAH is subject to adjustment at Completion as set out in Section 3(iii) above. Such adjustment is dependent on the Completion Accounts, either an upward adjustment or downward adjustment is possible, subject to the provisions of the SPA.

It should be noted that the Consideration of RM344 million had been arrived at after taking into account the unaudited NA of the Identified Subsidiaries based on their unaudited financial statements as at 30 September 2010 of approximately RM254 million and the Initial Aggregate Net Asset Value as at 30 September 2010 of approximately RM416 million (including the initial life fund value of RM162 million). Based on the audited financial statements of the Identified Subsidiaries as at 31 December 2010, there is presently an increase in the Identified Subsidiaries' audited NA as at 31 December 2010 against that of 30 September 2010 by approximately RM18.5 million after taking into consideration the adjustment provisions as set out in Section 3(iii) above.

Nonetheless, the risk of a downward adjustment in terms of the Consideration continues to subsist until such time the Completion Accounts are drawn up following Completion.

Further, pursuant to the terms of the Side Letter, the Consideration payable by Zurich to MAAH is subject to the Hold Back arrangements as set out in Section 3(viii) above.

It should be noted that the Hold Back arrangements are to address unresolved issues relating to the satisfaction and fulfilment of certain Conditions Precedent.

The Hold Back will result in a corresponding deduction of RM69,690,000 in the amount of the Escrow Payment and the payment of such amounts (after deducting all applicable tax and incidental costs) to the Seller by the Purchaser into the Escrow Account will only be made upon satisfaction and fulfilment of the abovementioned Conditions Precedent.

In the event that MAAB fails to obtain the following:

- a written letter of disclaimer in respect of PAK from Maybank to resolve the current title issues in relation to PAK within 2 years following Completion; or

- from Mithril any repayment of amounts outstanding under the Mithril RCSLS or the sale proceeds of any disposal of the Mithril RCSLS within the 2 years following Completion;

then the amount held back in relation to PAK or Mithril RCSLS (as the case may be) will not be paid into the Escrow Account by the Purchaser.

In order to mitigate the risk arising from the Hold Back arrangements, the Board and the management of MAAH and MAAC have an understanding with the Purchaser that MAAB will use its commercially reasonable endeavours to obtain the letter of disclaimer in respect of PAK from Maybank. MAAH will also use its best endeavours to procure the repayment of the amount outstanding under the Mithril RCSLS within the 2-year period following Completion.

5.5 Risk in relation to MAAH Group's future financial performance

After the completion of the Proposed Disposal, MAAH will cease to have any profit consolidation from the Identified Subsidiaries. As at the LPD, the Board has not identified any new businesses or assets for injection into the MAAH Group. The proforma effects of the earnings is illustrated in Section 6.4 below.

It should be noted that the remaining proceeds will be used to enhance and accelerate the future growth of the takaful and unit trust funds management businesses. There is no assurance that the utilisation of the remaining proceeds may be earnings accretive to the MAAH Group.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Issued and paid-up share capital

The Proposed Disposal will not have any effect on the share capital as it does not involve any issuance of new MAAH Shares.

6.2 NA and gearing

Based on the audited consolidated financial statements of MAAH as at 31 December 2010 and on the assumption that the Proposed Disposal had been effected on that date, the proforma effects of the Proposed Disposal on the NA and gearing of the MAAH Group are as follows:

		I	II
	Audited as at 31 December 2010 RM'000	**After repayment of the MTNs in January 2011 RM'000**	**After (I) and the Proposed Disposal RM'000**
Share capital	304,354	304,354	304,354
Reserves	(981)	(981)	(981)
(Accumulated losses)/Retained profits	(16,728)	(16,728)	[2] 88,231
Shareholders funds/ NA	286,645	286,645	391,604
Number of shares ('000)	304,354	304,354	304,354
NA per share (RM)	0.94	0.94	1.29
Borrowings			
- MTNs	170,000	[1] 140,000	-
- RC	36,300	36,300	-
- Bank overdrafts	9,905	9,905	9,905
Total borrowings	216,205	186,205	9,905
Net gearing (times)	0.75	0.65	0.03

Notes:

1 *The repayment of the MTNs in January 2011 is by way of redemption from the MTN holders the second outstanding tranche with a nominal value of RM30 million under the MTNs.*

2 *For illustrative purposes, based on the audited consolidated financial statements of MAAH as at 31 December 2010 and on the assumption that the Proposed Disposal had been effected on that date, the MAAH Group expects to realise a proforma non-recurring gain on disposal (after deducting the estimated expenses of RM2.1 million to be incurred for the Proposed Disposal) of approximately RM108.8 million.*

The Company is expected to incur an estimated expenses of RM9 million for the Proposed Disposal, out of which an amount of RM6.9 million fee is payable to MAACA Corporate Services Sdn Bhd, a wholly-owned subsidiary of MAAC, whilst the remaining expenses of RM2.1 million have been adjusted to the retained profits in the proforma effects of the Proposed Disposal.

The Restructuring Fees of RM3.8 million (as referred to in Section 2.5, Note 3 above have also been adjusted to the retained profits in the proforma effects of the Proposed Disposal.

For more details, please refer to Appendix III of this Circular for the proforma consolidated statement of financial position of MAAH as at 31 December 2010 and the Reporting Accountants' letter thereon.

6.3 Shareholdings of the substantial shareholders

The Proposed Disposal will not have any effect on the substantial shareholders' shareholdings.

6.4 Earnings and EPS

The Proposed Disposal is expected to be completed by the third quarter of 2011. For illustrative purposes, based on the audited consolidated financial statements of MAAH as at 31 December 2010 and on the assumption that the Proposed Disposal had been effected on that date, the MAAH Group expects to realise a proforma non-recurring gain on disposal (after deducting the estimated expenses of RM2.1 million to be incurred for the Proposed Disposal) of approximately RM108.8 million, which translates to a proforma non-recurring gain on disposal per MAAH Share of approximately 36 sen.

However, following the completion of the Proposed Disposal, the MAAH Group will cease to have any profit consolidation from the Identified Subsidiaries. The total aggregated audited PATMI (excluding inter-company transactions) of the Identified Subsidiaries for the FYE 31 December 2010 amounted to RM35.7 million.

For illustrative purposes, based on the audited consolidated financial statements of MAAH as at 31 December 2010 and on the assumption that the Proposed Disposal had been effected on that date, the proforma EPS of the MAAH Group would be as follows:

		EPS **[2]Sen**
Audited EPS for the FYE 31 December 2010		9.0
Less:	Loss of profit arising from the deconsolidation of the Identified Subsidiaries	(12.0)
Add:	Proforma gain on disposal of the Identified Subsidiaries	36.0
Add:	Interest income (net of tax) earned on placement of gross proceeds in the short-term deposits with licensed financial institutions[1]	1.0
Proforma EPS for the FYE 31 December 2010		34.0

Notes:

1 *Assuming the remaining proceeds of RM163.80 million after deducting the Hold Back amount of RM69.69 million i.e RM94.11 million which are being held under the Escrow Account are placed in an interest-bearing account earning interest at 2.95 % per annum for 24 months.*

2 *The amounts are rounded to the nearest sen.*

7. LISTING STATUS AND FUTURE PLANS

7.1 Listing status of the Company

Upon completion of the Proposed Disposal, MAAH will be classified as an affected listed issuer or PN17 Company pursuant to Paragraph 8.04(2) of the Listing Requirements as the Company would have triggered the prescribed criteria under PN17 of the Listing Requirements. This is by virtue of the disposal of its major business or major operations pursuant to the Proposed Disposal. The Proposed Disposal also represents a major disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements.

In this regard, the Company would have to regularise its condition as an affected listed issuer within the stipulated timeframes set out under the Listing Requirements. Failure to comply with the obligations under PN17 of the Listing Requirements following the completion of the Proposed Disposal may result in MAAH's listed securities being suspended from trading on Bursa Securities and/or being delisted from the Official List of Bursa Securities.

The Board intends to maintain the listing status of MAAH following the completion of the Proposed Disposal and will undertake the necessary efforts to regularise its condition as an affected listed issuer within the stipulated timeframes set out under the Listing Requirements. Such regularisation efforts will be announced in due course when they materialise. As at the LPD, the Board has not identified any new businesses or assets for injection into the MAAH Group. As at the LPD, the Board also has not resolved to diversify its existing businesses into the other types of businesses.

Further, upon completion of the Proposed Disposal, MAAH will not fall within the ambit of PN16 pursuant to Paragraph 8.03(1) of the Listing Requirements as the Company would not have triggered the cash criterion to be a Cash Company. The cash criterion is where the assets of MAAH on a consolidated basis consist of 70% or more of cash or short term investments, or a combination of both, following the completion of the Proposed Disposal.

Based on the audited consolidated financial statements of MAAH as at 31 December 2010 and on the assumption that the Proposed Disposal had been effected on that date, the cash and short term investments of MAAH only consist approximately 53% of its assets, on a consolidated basis. Furthermore, the balance of the sale consideration after settling MAAH's borrowings of approximately RM176.3 million is receivable on a quarterly basis over a period of 2 years from the date of Completion of the Proposed Disposal.

7.2 Future plans of the Company

As it is the Board's intention to maintain the listing status of MAAH after the Proposed Disposal and to focus on the development of its existing businesses, in particular its takaful and unit trust funds management via MAAT and MAAKL respectively and to accelerate the future growth of these businesses, the Board intends to conserve its immediate cash for its existing businesses. Accordingly, the Board does not intend to undertake any immediate capital repayment/distribution of the proceeds arising from the Proposed Disposal to its shareholders. This is in view of the deferred receipt of a substantial portion of the balance cash proceeds from the Proposed Disposal which will be deferred for a period of 2 years from Completion, which includes any adjustments to the Consideration and/or Hold Back amounts and/or any other adjustments resulting from any successful warranty, indemnity or other claims by Zurich against MAAH. However, at the end of the 2 year-period after the Completion of the Proposed Disposal, and after the receipt of all the remaining proceeds from the Escrow Account in accordance with the terms of the Escrow Agreement, the Board intends to re-evaluate its financial position vis-à-vis the Group's business plans and operational requirements, and assess its capacity to declare dividends for the benefit of its shareholders.

A summary of MAAT and MAAKL's historical performance and business operations is set out below.

MAAT

MAAT is principally engaged in family and general takaful businesses. The MAAT businesses involve the businesses of underwriting life insurance business, including investment-linked takaful business and various classes of general takaful business.

MAAT commenced its takaful operations in July 2007 and was able by FYE 31 December 2009 to record its maiden profit before zakat and taxation for the year of RM3.1 million. For the FYE 31 December 2010, MAAT registered a two fold increase in profit before zakat and taxation to RM7.2 million. Concurrently riding on its initial growth, the Family Takaful Fund and the General Takaful Fund of MAAT registered a total gross earned contributions of RM157.4 million (2009: RM84.7 million) and RM99.5 million (2009: RM59.9 million) respectively for the FYE 31 December 2010. This was built on its award winning Takafulink product and an agency force as at end December which has grown to 11,626 and 8,765 agents for the Family Takaful and General Takaful divisions respectively. As at the LPD, BNM has not imposed any minimum supervisory CAR requirement for MAAT.

Set out below is the financial performance of MAAT for the past three (3) FYE 31 December 2008 to 2010 based on its audited financial statements:

	FYE 2008	**FYE 2009**	**FYE 2010**
	RM'000	**RM'000**	**RM'000**
Revenue	114,491	162,532	266,326
EBITDA/ (LBITDA)	(1,482)	4,205	8,486
Profit/ (Loss) before zakat and taxation	(2,301)	3,086	7,207
Profit/ (Loss) after zakat and taxation	(2,301)	3,009	7,027
Total Assets	310,174	302,078	477,504
NA	93,055	96,064	107,694

As at the LPD, the following is the range of products offered by MAAT:

Family
- Takafulink
- Takafulink Education
- Takafulink Haji
- Takafulink Wanita
- Takafulink Series (Takafulife 88)
- SmartMedic 100
- Cancercare
- Takafulink Single Invest
- Structured Invest

General
- Fire
- Personal Accident
- Consequential loss
- Burglary
- All Risk
- Public Liability
- Money
- Marine Cargo
- Plate Glass
- Fidelity Guarantee

Group
- Group Term Takaful
- Group Critical Illness
- Group Takaful Scheme

Bancatakaful
- Mortgage Protection Plan

MAAKL

MAAKL is principally engaged in unit trust management.

MAAKL commenced its operations in 2003 and has continued to grow and expand with the total net asset value ("**NAV**") of units trust funds under management increasing from RM297 million as at end of December 2003 to RM1.81 billion as at end December 2010. MAAKL's market share ranking has improved from the 10th position as at end December 2009 to the 9th position as at end December 2010, among a total of 39 unit trust management companies *(Source: Lipper Global Funds Datebase, 12 January 2011)*. As at end of December 2010, MAAKL has a total of 25 funds under management.

Set out below is the financial performance of MAAKL for the past three (3) FYE 31 December 2008 to 2010 based on its audited financial statements:

	FYE 2008	**FYE 2009**	**FYE 2010**
	RM'000	**RM'000**	**RM'000**
Revenue	26,296	26,029	33,080
EBITDA	2,426	1,952	3,044
PBT	1,677	1,132	2,243
PAT	1,156	711	1,410
NA	24,475	20,186	19,596
NAV of unit trust funds under management	1,089,821	1,570,068	1,811,454

Moving forward, both MAAT and MAAKL, are expected to accelerate their business growth and capture a wider market share and clientele base through the expansion of their agency and branch network, offering innovative and competitive products and services that meet the needs of the present and target customers and deployment of web-based technology for their sales process, policy administration and management reporting.

8. APPROVALS REQUIRED

The Proposed Disposal is subject to the following being obtained:

(i) approval of the shareholders of MAAH at the forthcoming EGM;

(ii) approval of the Minister of Finance vide BNM for the disposal by MAAH of its 100% equity interest in MAAB to Zurich, which was obtained on 8 June 2011; and

(iii) any other approvals, waivers and/or consents from any other relevant authorities and/or persons, where required.

9. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS AND/OR PERSONS CONNECTED TO THEM

None of the Directors and/or major shareholders and/or persons connected to them has any interest, direct or indirect, in the Proposed Disposal.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered the commentary and advice of the Independent Adviser and the following aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is fair and reasonable, and in the best interest of MAAH:

(i) the sale of MAAB is the best option to meet the immediate requirements of the RBC Framework;

(ii) the proceeds arising from the Proposed Disposal will be used to repay MAAH Group's borrowings substantially;

(iii) the remaining proceeds from the Proposed Disposal will also be used to recapitalise and finance the working capital requirements of the MAAH Group and strengthen its financial position; and

(iv) that Zurich has adequate financial resources to acquire the Identified Subsidiaries by cash, the financial capacity to inject the required capital to meet the immediate requirements of the RBC Framework, to honour its insurance policies to policy holders of MAAB and to provide a platform for MAAB to develop further.

The Board does not intend to seek alternative offers for the Identified Subsidiaries.

The Board after the completion of the Proposed Disposal intends to use the proceeds arising from the Proposed Disposal for repayment of borrowings and general working capital requirements within the timeframe set out in Section 2.5, Part A of this Circular.

The Board intends to maintain the listing status of MAAH after the Proposed Disposal and the future plans of the Group is set out in Section 7, Part A of this Circular.

Accordingly, the Board recommends that you vote in favour of the special resolution to give effect to the Proposed Disposal which will be tabled at the forthcoming EGM.

11. INDEPENDENT ADVISER

The Proposed Disposal is a major disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements. Accordingly, TA Securities has been appointed to act as the Independent Adviser to undertake the following in relation to the Proposed Disposal:

(i) comment as to whether the Proposed Disposal is fair and reasonable in so far as the shareholders of MAAH are concerned and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(ii) advise the shareholders of MAAH whether they should vote in favour of the Proposed Disposal; and

(iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in paragraphs (i) and (ii) above.

You are advised to read and consider the contents of the IAC carefully before voting on the special resolution to give effect to the Proposed Disposal at the forthcoming EGM.

12. OTHER CORPORATE EXERCISE OR SCHEME

As at the LPD, save for the Proposed Change of Name and the Proposed Disposal there are no other corporate exercises or schemes that have been announced but yet to be completed, by the Company.

The Proposed Disposal is not conditional or inter-conditional upon any other corporate exercise or scheme.

13. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED DISPOSAL

Subject to all the required approvals being obtained, the Proposed Disposal is expected to be completed by the third quarter of 2011. The tentative timetable in relation to the Proposed Disposal is as follows:

Event	**Tentative timing**
EGM for the Proposed Disposal	22 September 2011
Completion of the Proposed Disposal	30 September 2011

14. EGM

The Company will hold an EGM, the notice of which is enclosed in this Circular at The Auditorium, Podium 1, Menara MAA, No. 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur on Thursday, 22 September 2011 at 2.00 p.m. for the purpose of considering and if thought fit, passing with or without modifications, the special resolution set out in the Notice of EGM.

If you are unable to attend and vote in person at the EGM, please complete and return the enclosed Form of Proxy for the EGM so as to arrive at the registered office of MAAH at Suite 20.03, 20th Floor, Menara MAA, 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur not later than forty-eight (48) hours before the time set for the EGM or at any adjournment thereof. The Form of Proxy should be completed strictly in accordance with the instructions contained in the Form of Proxy. The completion and the return of the Form of Proxy will not preclude you from attending and voting in person should you subsequently decide to do so.

15. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
MAA HOLDINGS BERHAD

Tan Sri Ahmad bin Mohd Don
Independent Non-Executive Director

PART B

LETTER TO THE SHAREHOLDERS OF MAAH IN RELATION TO THE PROPOSED CHANGE OF NAME

MAA HOLDINGS BERHAD
(Company No.: 471403-A)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

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

29 August 2011

Board of Directors:

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah *(Executive Chairman)*
Muhamad Umar Swift *(Chief Executive Officer/Group Managing Director)*
Yeo Took Keat *(Group Chief Operating Officer/Executive Director)*
Major General Datuk Lai Chung Wah (Rtd) *(Independent Non-Executive Director)*
Dato' Sri Iskandar Michael bin Abdullah *(Independent Non-Executive Director)*
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Independent Non-Executive Director)*
Datuk Razman Md Hashim *(Independent Non-Executive Director)*
Tan Sri Ahmad bin Mohd Don *(Independent Non-Executive Director)*
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah *(Non-Independent Non-Executive Director)*
Dr Zaha Rina Zahari *(Independent Non-Executive Director)*

To: The Shareholders of MAA Holdings Berhad

Dear Sir/Madam

MAA HOLDINGS BERHAD

PROPOSED CHANGE OF NAME FROM MAA HOLDINGS BERHAD TO MAA GROUP BERHAD

1. INTRODUCTION

On 20 June 2011, MAAH announced the proposed change of name from MAA Holdings Berhad to MAA Group Berhad.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED CHANGE OF NAME AND TO SEEK YOUR APPROVAL FOR THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED CHANGE OF NAME TO BE TABLED AT THE FORTHCOMING EGM. ENCLOSED IS THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY IN THIS CIRCULAR.

WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE SPECIAL RESOLUTION TO GIVE EFFECT TO THE PROPOSED CHANGE OF NAME AT THE FORTHCOMING EGM.

2. THE PROPOSED CHANGE OF NAME

The use of the name MAA Group Berhad was approved by the CCM on 27 April 2011. The Proposed Change of Name, if approved by our shareholders, will be effective from the date of issuance of the Certificate of Incorporation on Change of Name by the CCM. The Memorandum and Articles of Association of the Company will be amended accordingly to reflect the change of name.

3. RATIONALE

With the disposal of MAAB, MAAH will no longer be the holding company of MAAB. The Proposed Change of Name is therefore recommended by the Board to better represent the changes of the Group from that of the holding company of MAAB to that of a financial services Group that specialises in protection and savings through MAAT, MAAKL, subsidiaries in Indonesia and associates in Philippines and Australia.

4. APPROVALS REQUIRED

The Proposed Change of Name is subject to the approval from the shareholders of MAAH at the forthcoming EGM.

5. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders of MAAH and/or any persons connected with the Directors or major shareholders of MAAH have any interest, direct or indirect, in the Proposed Change of Name.

6. DIRECTORS' STATEMENT AND RECOMMENDATION

Having considered the rationale for the Proposed Change of Name, the Directors are of the opinion that the Proposed Change of Name is in the best interest of the Company.

As such, the Directors of MAAH recommend that you vote in favour of the special resolution pertaining to the Proposed Change of Name of the Company to be tabled at the forthcoming EGM.

7. OTHER CORPORATE EXERCISE OR SCHEME ANNOUNCED

As at the LPD, save for the Proposed Disposal and Proposed Change of Name, there are no other outstanding corporate exercise or scheme which have been announced but not yet completed by the Company.

The Proposed Change of Name is not conditional or inter-conditional upon any other corporate exercise or scheme.

8. ESTIMATED TIMEFRAME FOR IMPLEMENTATION

Barring unforeseen circumstances, the Proposed Change of Name is expected to be implemented by the third quarter of 2011.

9. EGM

The Company will hold an EGM, the notice of which is enclosed in this Circular at The Auditorium, Podium 1, Menara MAA, No. 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur on Thursday, 22 September 2011 at 2.00 p.m for the purpose of considering and if thought fit, passing with or without modifications, the special resolution set out in the Notice of EGM.

If you are unable to attend and vote in person at the EGM, please complete and return the enclosed Form of Proxy for the EGM so as to arrive at the registered office of MAAH at Suite 20.03, 20th Floor, Menara MAA, 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur not later than forty-eight (48) hours before the time set for the EGM or at any adjournment thereof. The Form of Proxy should be completed strictly in accordance with the instructions contained therein. The completion and the return of the Form of Proxy will not preclude you from attending and voting in person should you subsequently decide to do so.

10. FURTHER INFORMATION

The Company request that you refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
MAA HOLDINGS BERHAD

Tan Sri Ahmad bin Mohd Don
Independent Non-Executive Director

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1. INFORMATION ON MAAB

a. HISTORY AND BUSINESS

MAAB was incorporated in Malaysia under the Act, as a public limited company on 2 September 1968 under the name of Malaysian American Assurance Company Berhad. On 7 December 1985, it changed its name to Malaysian Assurance Alliance Berhad.

MAAB is principally engaged in general and life insurance businesses. The MAAB businesses involve the businesses of underwriting life insurance business, including investment-linked business and annuity business, and all classes of general insurance business. MAAB commenced business in 1970.

MAAB's businesses rely primarily on its agents to source for businesses. As at 31 March 2011, MAAB has an agency force of about 7,817 agents (2,987 for general insurance business and 4,830 for life insurance business) and an extensive branch network of 31 branches with agency forces and 10 service branches in various cities and towns in Malaysia. The company's distribution strategy also includes selling its products via its bancassurance partners. MAAB only markets its products and services locally. Therefore, the operating revenue derived from both the life and general business is solely from the domestic market.

The life insurance business offers a range of participating and non-participating whole life, term assurance, endowments, medical and health riders, annuity products as well as investment-linked products.

The general insurance business offers general insurance products which consists of fire, marine, workmen compensation, liability, bond, engineering, motor, personal accidents and health insurance products.

The original cost of investment of MAAH's equity interest in MAAB is as follows:

Date of investment	**Cost of investment**
	RM
7 June 1999	110,980,893
29 December 1999	39,019,107
Total	150,000,000

b. SHARE CAPITAL

The authorised and issued share capital of MAAB as at the LPD are as follows:

	RM
Authorised	
500,000,000 MAAB Shares	500,000,000
Issued and paid up	
150,000,000 MAAB Shares	150,000,000

c. DIRECTORS

The Directors of MAAB and their respective shareholdings in MAAB as at the LPD are as follows:

Name *(Designation)*	Nationality	Direct No. of shares	Direct %	Indirect No. of shares	Indirect %
Tan Sri Ahmad bin Mohd Don [1] *(Independent Non-Executive Chairman)*	Malaysian	-	-	[4] 150,000,000	100.00
Muhamad Umar Swift *(Chief Executive Officer)*	Malaysian	-	-	-	-
Yeo Took Keat [2] *(Non-Independent Non-Executive Director)*	Malaysian	-	-	[4] 150,000,000	100.00
Datuk Razman Md Hashim [3] *(Independent Non-Executive Director)*	Malaysian	-	-	[4] 150,000,000	100.00
Dr Zaha Rina Zahari *(Independent Non-Executive Director)*	Malaysian	-	-	-	-

Notes:

1 *Tan Sri Ahmad bin Mohd Don holds 2,055,000 MAAH Shares representing approximately 0.67% equity interest in MAAH*

2 *Yeo Took Keat holds 80,000 MAAH Shares representing approximately 0.02% equity interest in MAAH*

3 *Datuk Razman Md Hashim holds 150,000 MAAH Shares representing approximately, 0.05% equity interest in MAAH*

4 *By virtue of the abovenamed directors' interests in the shares of MAAB's ultimate holding company, i.e. MAAH, they are also deemed to have an interest in the shares of MAAB, to the extent MAAH has an interest, pursuant to Section 6A of the Act*

d. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders and their respective shareholdings in MAAB as at the LPD are as follows:

Name	Nationality/ Place of incorporation	Direct No. of shares	Direct %	Indirect No. of shares	Indirect %
MAAH	Malaysia	150,000,000	100.00	-	-
MESB	Malaysia	-	-	[1]150,000,000	100.00
MEBVI	British Virgin Isle	-	-	[2]150,000,000	100.00
MKSB	Malaysia	-	-	[3]150,000,000	100.00
TY	Malaysian	-	-	[4]150,000,000	100.00
TYY	Malaysian	-	-	[4]150,000,000	100.00
Khyra	Malaysia	-	-	[5]150,000,000	100.00

Notes:

1 *MESB holds 38,513,030 MAAH Shares representing approximately 12.65% equity interest in MAAH*

2 *MEBVI holds 26,937,944 MAAH Shares representing approximately 8.85% equity interest in MAAH*

3 *MKSB holds 40,326,110 MAAH Shares representing approximately 13.25% equity interest in MAAH*

4 *Deemed interested by virtue of Section 6A(4) of the Act, held through MESB, MEBVI and MKSB, companies in which TY and TYY have a direct and/or indirect interest. TYY is deemed interested in Khyra's deemed interest in MAAH by virtue of his family relationship with TY*

5 *Khyra is a company controlled by TY. Khyra is the ultimate holding company of MESB, MEBVI and MKSB*

e. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, MAAB does not have any subsidiary or associated company.

f. SUMMARY OF FINANCIALS

	FYE2008	FYE2009	FYE2010	Unaudited for the three (3)- month FPE 31 March 2011
	RM'000	RM'000	RM'000	RM'000
Revenue	1,863,431	1,756,690	1,825,073	379,042
PBT	24,593	34,392	58,501	28,934
Taxation	(6,381)	(7,929)	(14,689)	(7,689)
PAT	18,212	26,463	43,812	21,245
MI	-	-	-	-
PATMI	18,212	26,463	43,812	21,245
Issued and paid-up share capital ('000)	150,000	150,000	150,000	150,000
Number of MAAB shares in issued ('000)	150,000	150,000	150,000	150,000
Gross EPS (sen)	16.4	22.9	39.0	19.3
Net EPS (sen)	12.1	17.6	29.2	14.2
NA/ Shareholders fund	180,440	212,282	264,874	282,791
NA per MAAB shares (RM)	1.20	1.42	1.77	1.89
Total borrowings (all interest bearing debts)	-	-	-	-
Gearing ratio (times)	-	-	-	-
Current ratio (times)	1.46	1.13	1.18	1.18

Notes:
1 *There were no exceptional items or extraordinary items for the financial years under review*
2 *The audited financial statements of MAAB for the financial years under review were not subject to any audit qualification*

FYE 31 December 2008

For the FYE 31 December 2008, the total revenue of MAAB decreased by 9.5% to approximately RM1.9 billion (2007: RM2.0 billion). MAAB recorded a profit after taxation of RM18.2 million for the financial year under review (2007: loss after taxation of RM5 million).

The Shareholders' Fund recorded a profit before taxation of RM0.7 million (2007: profit before taxation of RM0.8 million).

The General Insurance Division recorded a loss before taxation of RM11.2 million (2007: PBT of RM15.0 million). The loss from General Insurance Division was due mainly to lower underwriting contribution attributed by the decrease in gross premium mainly from motor vehicle class as a result of keen competition and lower new and used car prices. At the same time, the General Insurance Division recorded a higher provision for diminution in value of investments of RM15.2 million (2007: provision for diminution in value of investments of RM1.0 million) and a higher loss from disposal of investments of RM5.6 million (2007: gain on disposal of investments of RM18.7 million) due to deterioration in the stock market.

The Life Insurance Division recorded a higher loss from disposal of investments of RM107.1 million due to deterioration in the stock market (2007: gain on disposal of investments of RM104.2 million). Notwithstanding this, the Life Insurance Division recorded a profit before taxation of RM35.1 million mainly from its investment linked business, a marked improvement from a loss before taxation of RM21.4 million in the previous financial year.

<u>FYE 31 December 2009</u>

For the FYE 31 December 2009, the total revenue of MAAB decreased marginally by 5.2% to approximately RM1.8 billion (2008: RM1.9 billion). MAAB recorded a profit after taxation of approximately RM26.5 million for the financial year under review (2008: profit after taxation of RM18.2 million).

The Shareholders' Fund recorded a profit before taxation of RM2.5 million (2009: profit before taxation of RM0.7 million), arose mainly from investment income.

The General Insurance Division recorded a profit before taxation of RM31.8 million (2008: loss before taxation of RM11.2 million). The profit from the General Insurance division was due mainly to fair value gain on investments of RM15.0 million and gain on disposal of investments of RM4.7 million arising from the better performance of the stock market.

The Life Insurance Division also recorded a fair value gain on investments of RM47.8 million and gain on disposal of investments of RM8.2 million due to better performance of the stock market. Based on the recommendation by the appointed actuary, no profit was transferred from the Life Insurance Division to the Shareholders' Fund for the financial year under review (2009: profit before taxation of RM35.14 million).

<u>FYE 31 December 2010</u>

For the FYE 31 December 2010, MAAB reported total revenue of approximately RM1.8 billion (2009: RM1.8 billion). MAAB recorded a profit after taxation of RM43.8 million for the financial year under review (2009: profit after taxation of approximately RM26.5 million).

The Shareholders' Fund recorded a profit before taxation of RM6.1 million (2009: profit before taxation of RM2.5 million), arose mainly from investment income.

The General Insurance Division recorded a profit before taxation of RM52.4 million (2009: profit before taxation of RM31.8 million). The higher profit before taxation was mainly due to the increase in net earned premiums from motor, personal accident, medical and health classes of business and decrease in overall claim ratio to 64.0% (2009: 68.9%).

The Life Insurance Division recorded a fair value gain on investments of RM65.2 million and gain on disposal of investments of RM38.4 million. Consistent with FYE 31 December 2009, no surplus was transferred from the Life Insurance Division to the Shareholders' Fund.

FPE 31 March 2011

For the FPE 31 March 2011, MAAB reported total revenue of approximately RM379.0 million (FPE 31 March 2010: RM445.2 million). MAAB recorded a profit after taxation of RM21.2 million for the financial period under review (FPE 31 March 2010: profit after taxation of approximately RM7.2 million).

The Shareholders' Fund recorded a profit before taxation of RM1.0 million (FPE 31 March 2010: profit before taxation of RM1.2 million), arose mainly from investment income.

The General Insurance Division recorded a profit before taxation of RM27.9 million (FPE 31 March 2010: profit before taxation of RM8.6 million). The higher profit before taxation was mainly due to the increase in net earned premiums from motor and medical and health classes of business and decrease in overall claim ratio to 51.8% (FPE 31 March 2010: 59.1%) and higher investment income.

The Life Insurance Division recorded a fair value gain on investments of RM29.4 million and gain on disposal of investments of RM1.0 million. Consistent with FYE 31 December 2010, no surplus was transferred from the Life Insurance division to the Shareholders' Fund for the FPE 31 March 2011.

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g. LIST OF REAL PROPERTIES

The list of real properties of MAAB based on its latest available audited financial statements for the FYE 31 December 2010 and unaudited financial statements for the FPE 31 March 2011 is as follows:

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
1	Menara MAA, No. 15, Jalan Dato Abdullah Tahir, 80300 Johor Bahru, Johor Darul Takzim	Freehold/ 9	43,840 (L)/ 683,257 (A)	A 26-storey office building with mezzanine floor and 7-storey car park, for branch office use and rental	120,000/ 1 December 2009	120,000	346,519	55,833	156,432	61	110,191	270,087	-
2	Tanjung Puteri Condominium at No. 1, Jalan Stulang Laut 2, Off Jalan Ibrahim Sultan, Stulang Laut 80300 Johor Bahru, Johor Darul Takzim	Freehold/ 15	[1]NA (L)/ 16,928 (A)	12 units of condominium for rental	2,410/ 3 November 2009	2,410	16,928	-	14,058	83	-	8,273	-

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
3	Lot No. PT No. 5365 (A), H.S.(M) 622/96, Lot PT No. 5366 H.S. (M) 623/96 and Lot PT No. 5369 H.S.(M) 626/96, all in the Mukim Sungai Seluang, Daerah Kulim Kedah Darul Aman	Freehold	5,748 (L)/ [2] NA (A)	3 units of one and half storey terrace industrial buildings (about 90% completed)	240/ 2 December 2009	240	-	-	-	-	-	-	-
4	Lot 21, Jalan 4/32A Kepong Industrial Area, Batu 6 1/2 Kepong 51200 Kuala Lumpur	Leasehold for 60 years expiring on 05.01.2039/ 8	64,786 (L)/ 47,751 (A)	A detached factory with a 2-storey office for rental	7,200/ 22 October 2009	7,200	40,713	-	40,713	100	-	57,424	-
5	Casa Rachado, Tanjung Biru, Batu 10, Jalan Pantai 71250 Si.Rusa Port Dickson, Negeri Sembilan Darul Khusus	Leasehold for 99 years expiring on 09.03.2104/ 16	143,709 (L)/ 155,151 (A)	A training resort for staff and agents' training use	12,000/ 6 January 2010	12,000	155,151	-	155,151	100	-	3,150	-

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No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
6	Lot 1478, Nilai Industrial, Estate Phase II 71800 Nilai, Negeri Sembilan Darul Khusus	Leasehold for 84 years expiring on 31.07.2089/ 15	137,950 (L)/ 63,000 (A)	A factory building for rental	5,800/ 19 October 2009	5,800	63,000	-	63,000	100	-	50,000	-
7	Kemayan Square 70200 Seremban, Negeri Sembilan Darul Khusus	Freehold/ 14	[1]NA (L)/ 26,576 (A)	A 3-storey shop office and a 5-storey shop office for rental /sale	3,245/ 28 October 2009	3,245	26,576	-	-	0	-	-	-
8	Kemayan Square 70200 Seremban, Negeri Sembilan Darul Khusus	Freehold/ 13	[1]NA (L)/ 95,691 (A)	17 units 3-storey shop office and a 5-storey shop office for rental /sale	10,455/ 28 October 2009 *(18 units as at 31 December 2010)*	10,455 *(6 units of 3-storey shop office were sold since 31 March 2011)*	90,169	-	27,330	30	-	19,123	Lot 63 – transferred to Maju Moden Sdn Bhd Lot 76 transferred to Persatuan Eng Choon Negeri Sembilan

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
													Lots 175 & 176 transferred to Cheah Jiun Wau Lot 179 transferred to Gan Chia Yeong On Lot 80 an additional private caveat has been lodged by Liew Meow Fook and Hoo Lian Thai. *(pending completion of the sales of the property)* On Lot 126 an additional private caveat has been lodged by Arab Malaysian Bank Berhad on 4/5/00

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No	LOCATION OF PROPERTIES/ IDENTIFICA-TION	TENURE OF LAND/ APPROXI-MATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIP-TION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUA-TION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUM-BRANCES
					AS AT 31 DECEM-BER 2010	AS AT 31 MARCH 2011		SELF OCCU-PIED	RENTED OUT	OCCU-PANCY RATIO	SELF OCCU-PIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
9	Terminal One Shopping Centre, 20B Jalan Lintang 70200 Seremban, Negeri Sembilan Darul Khusus	Freehold/ 13	[1]NA (L)/ 25,722 (A)	11 retail shoplots for rental	10,705/ 1 December 2009	10,705	25,722	-	22,030	86	-	66,042	-
10	Section 22 Jalan Telok Sisek, Lot 16, Town and District of Kuantan, Pahang Darul Makmur	Freehold	29,633 (L)/ [2]NA (A)	5 plots of vacant land for sale	4,000/ 20 October 2009	4,000 *(Pending completion of the sales of the property)*	-	-	-	-	-	-	A Private Caveat has been lodged by Megawood Hotel Sdn Bhd
11	No. 12 Off Jalan Chin Choon Sam and No. 142 Jalan Sultan Abdul Jalil, Ipoh, Perak Darul Ridzuan	Freehold	52,163 (L)/ [2]NA (A)	2 plots of vacant land for sale	5,200/ 5 November 2009	5,200	-	-	-	-	-	-	-

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
12	No. 28 Medan Silibin 30300 Ipoh, Perak Darul Ridzuan	Leasehold for 99 years expiring on 29.09.2098/ 12	7,911 (L)/ 28,925 (A)	A 3-storey shop office for rental/sale	2,200/ 19 November 2009	2,200 *(As at 29 July 2011, the property is sold)*	28,925	-	13,095	45	-	12,924	Registered owner is ITC Factor Sdn Bhd
13	Menara MAA, No. 170, Jalan Argyll 10250 Pulau Pinang	Freehold/ 12	23,839 (L)/ 236,961 (A)	A 13-storey office building with 5-storey car park, for branch office use and rental	26,000/ 3 May 2010	26,000	112,698	21,904	59,503	72	36,480	75,649	A portion of the land held under GRN 35889 Lot 682 Seksyen 14 Bandar Georgetown has been leased to TNB for 30 years from 7.3.2002

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE AS AT 31 DECEMBER 2010	UN-AUDITED NET BOOK VALUE AS AT 31 MARCH 2011	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011 SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	AVERAGE RENTAL PER MONTH SELF OCCUPIED	RENTED OUT	ENCUMBRANCES AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
14	Lot 497, 499, 501 and 502 all within Section 14, Town of Laut, Pulau Pinang held under Title Nos. GRN 14944, GRN 14945, GRN 14946 and GRN 14931 respectively	Freehold (pre-war building)	67,934 (L)/ ³NA (A)	4 parcels of commercial lot erected with a renovated single storey building and a renovated double storey detached house for rental	13,742/ 1 December 2009	13,742	67,934	-	67,934	100	-	79,448	This property has been leased to Upper Penang Road Sdn Bhd for 30 years from 15.7.2006 and they have the option to purchase the property anytime within the lease period
15	PROVISIONAL LEASE 106261205 Mile 10 Jalan Apas Tawau, Sabah Negeri Dibawah Bayu	Leasehold for 99 years expiring on 10.04.2060	1,235,545 (L)/ ²NA (A)	1 plot of vacant land for sale	17,772/ 3 November 2009	17,772	-	-	-	-	-	-	A Private Caveat has been lodged by Pemborong Bumi Jaya Sdn Bhd

No	LOCATION OF PROPERTIES/ IDENTIFICA-TION	TENURE OF LAND/ APPROXI-MATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIP-TION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUA-TION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUM-BRANCES
					AS AT 31 DECEM-BER 2010	AS AT 31 MARCH 2011		SELF OCCU-PIED	RENTED OUT	OCCU-PANCY RATIO	SELF OCCU-PIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
16	Menara MAA Lot 86, Section 53, Jalan Ban Hock 93100 Kuching, Sarawak	Leasehold for 99 years expiring on 28.04.2051/ 15	[1]NA (L)/ 27,961 (A)	2nd floor, 10th floor, 11th floor and the roof top of a 11-storey office building with basement floor and open car park, for branch office use and rental	6,337/ 21 December 2010	6,337 *(Lot 86 has been sold after the LPD)*	25,506	7,590	17,916	100	17,736	34,081	A Private Caveat has been lodged by Malayan Banking Berhad and another private caveat by David Lim Chin Chai on behalf of OCBC
17	Tiara Kelana Condominum at Jalan SS7/17K, Taman Sri Kelana, Kelana Jaya 47301 Petaling Jaya, Selangor Darul Ehsan	Leasehold for 99 years expiring on 28.01.2092/ 15	[1]NA (L)/ 59,937 (A)	37 units of condominiums for rental /sale	9,560/ 26 October 2009 *(40 units as at 31 December 2010)*	8,820 *(Up to 29 July 2011, 6 units of condominiu ms were sold)*	59,937	-	26,950	45	-	24,224	-

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No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
18	No. 11 Jalan SS 8/4, Sungai Way Free Industrial Zone 47300 Petaling Jaya, Selangor Darul Ehsan	Freehold/ 23	55,659 (L)/ 60,531 (A)	A single-storey semi-detached factory with an annexed single storey office building, a 4-storey detached factory building and a single storey detached warehouse house for rental	11,000/ 20 October 2009	11,000	51,878	-	17,210	33	-	29,257	-
19	Sinaran Ukay Condominium at Jalan BU 1/1, Taman Bukit Utama 68000 Bukit Antarabangsa, Ampang, Selangor Darul Ehsan	Leasehold for 99 years expiring on 03.08.2098/ 14	[1] NA (L)/ 7,925 (A)	5 units of condominium for rental	1,100/ 6 November 2009	1,100	7,925	-	5,744	72	-	3,237	Private caveats were lodged on the Master Title registered under Metrolux Sdn Bhd by Bumiputra Commerce Bank Berhad, Public Bank Berhad, Nurziatul Farar Syime binti Jaafar and 5 private caveats by MAAB

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
20	Lot No. 2981, GM 1017 and Lot No. 2982, GM 1018 Tempat 10th Mile Ulu Gombak in the Mukim of Setapak, District of Gombak, State of Selangor	Freehold	415,181 (L)/ [2] NA (A)	2 plots of vacant land for sale	1,410/ 5 January 2010	1,410	-	-	-	-	-	-	-
21	Lot No PT 14250, HSD 24220 and Lot PT 14251, HSM 10339, Tempat 5 ½ mile Ulu Kelang in the Mukim of Ulu Kelang, Daerah Gombak, Selangor Darul Ehsan	Freehold	2,685,047 (L)/ [2] NA (A)	2 plots of vacant land for sale	160,000/ 11 October 2010	160,000	-	-	-	-	-	-	-

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					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
22	No. 37 & No. 39, Jalan Pulau Kapas, U10/84, Seksyen U10 40170 Shah Alam Darul Ehsan	Leasehold for 99 years expiring on 27.1.2103	20,710 (L)/ [2] NA (A)	2 units bungalow under contruction - 85% completed	3,579/ No revaluation	3,579	-	-	-	-	-	-	-
23	Wisma MAA, No. 11A & 15 Jalan Syed Abdul Hamid Sagaff 86000 Kluang, Johor Darul Takzim	Leasehold for 99 years expiring on 10.12.2108/ 15	2,800 (L)/ 11,200 (A) /	2 units 4-storey shop offices for branch office use	1,419/ 17 April 2006	1,412	11,200	11,200	-	100	10,640	-	-

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
24	Wisma MAA Medicare, No. 183 Jalan Ipoh 51200 Kuala Lumpur	Freehold/ 50	[1] NA (L)/ 12,644 (A)	Ground & 1st floor of a 7 storey office building, for rental.	5,827/ 30 December 2009	5,827	12,644	-	-	0	-	-	MAA Medicare Sdn Bhd has an option to purchase the Ground and 1st floors of the property. MAA Medicare Sdn Bhd has purchased the 2nd, 3rd, 4th, 5th and pent house floors of the property. The registered owner is MAAB
25	Wisma MAA, No.1, 2, 3 & 4, Jalan Emas,Taman Batu Hampar 85000 Segamat, Johor Darul Takzim	Freehold/ 15	6,838 (L)/ 27,352 (A)	4 units 4-storey shop offices for branch office use and rental	2,941/ 17 April 2006	2,932	27,352	15,032	3,080	66	16,160	2,400	-

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
26	Wisma MAA, No. 117 & 118, Jalan Pengkalan, Taman Pekan Baru 08000 Sungai Petani, Kedah Darul Aman	Leasehold for 99 years expiring on 19.12.2091/ 16	4,303 (L)/ 10,912 (A)	2 units 3-storey shop offices for branch office use	952/ 12 January 2006	946	10,912	10,912	-	100	6,868	-	-
27	Menara MAA, No. 12 Jalan Dewan Bahasa 50460 Kuala Lumpur	Freehold/ 12	91,773 (L)/ 761,729 (A)	A 19-storey office building with 2 levels basement car park, for head office use and rental	205,857/ 24 December 2007	204,845	395,315	181,343	158,354	86	820,631	556,591	A portionof the land has been leased to TNB for 30 years from 5.12.2001
28	PT 1561, Kawasan Perusahaan Nilai 71800 Nilai, Negeri Sembilan Darul Khusus	Leasehold for 60 years expiring on 05.11.2050/ 21	87,120 (L)/ 42,336 (A)	A factory building for rental	2,838/ 22 December 2008	2,819	41,600	20,800	20,800	100	18,304	18,720	The land has been leased to TNB for 30 years from 30.12.1992
29	Menara MAA, Lot 5318 Jalan Lintang 70200 Seremban, Negeri Sembilan Darul Khusus	Freehold/ 6	[4] NA (L)/ 216,164 (A)	A 22-storey office building for branch office use and rental	23,486/ 20 October 2009	23,358	155,581	49,021	82,297	84	110,322	201,407	-

No	LOCATION OF PROPERTIES/ IDENTIFICA-TION	TENURE OF LAND/ APPROXI-MATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIP-TION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUA-TION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUM-BRANCES
					AS AT 31 DECEM-BER 2010	AS AT 31 MARCH 2011		SELF OCCU-PIED	RENTED OUT	OCCU-PANCY RATIO	SELF OCCU-PIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
30	Wisma MAA, No. A1 Jalan Stadium 25200 Kuantan, Pahang Darul Makmur	Freehold/ 21	1,938 (L)/ 7,760 (A)	A 3-storey shop office for branch office use	821/ 13 January 2006	818	7,760	7,760	-	100	2,910	-	-
31	Wisma MAA, No. 65 Persiaran Greenhill 30450 Ipoh, Perak Darul Ridzuan	Leasehold for 999 years expiring on 21.09.2894/ 15	4,401 (L)/ 23,384 (A)	A 7 1/2 storey office building for branch office use and rental	6,456/ 24 April 2006	6,420	22,522	19,944	1,275	94	44,586	2,329	A portion of the land has been leased to TNB for 30 years from 15.2.1997
32	Wisma MAA, No.10, Jalan Sena Indah 1,Taman Sena Indah 01000 Kangar, Perlis Indera Kayangan	Leasehold for 99 years expiring on 02.10.2094/ 13	1,399 (L)/ 2,400 (A)	A 2-storey shop office for sale	191/ 19 April 2006	190	2,400	-	-	0	1,550	-	-
33	Wisma MAA, No. 7126, 7128 Jalan Bagan Jermal, Taman Bintang 12300 Butterworth, Pulau Pinang	Freehold/ 12	4,424 (L)/ 22,050 (A)	3 units 3-storey shop offices for branch office use	1,825/ 13 January 2006	1,819 *(pending completion of the sales of the property)*	22,050	22,050	-	100	19,320	-	A Private Caveat has been lodged by Lee Siew Gim

APPENDIX I
...ION ON THE IDENTIFIED SUBSIDIARIES

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
34	Wisma MAA, No. 14, 16, 18, 20, 22 & 24, Jalan SS 3/5, Taman Sentosa 47300 Petaling Jaya, Selangor Darul Ehsan	Freehold/ 39	12,576 (L)/ 30,870 (A)	6 units 3-storey shop offices for branch office use and rental	6,581/ 24 April 2006 *(6 units as at 31 December 2010)*	6,567 *(All 6 units were sold on 9 April 2011)*	30,870	26,500	2,915	95	30,420	5,620	The Registered owner is Signet Venture Sdn Bhd
35	Wisma MAA, No. 77, 79, 81, 83, 85, 87 & 89, Lorong Tiong, Taman Orkid 41050 Klang, Selangor Darul Ehsan	Freehold/ 15	13,445 (L)/ 40,332 (A)	7 units 3-storey shop offices for rental /sale	5,546/ 9 January 2006	5,527	40,332	-	-	0	-	-	-

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE	UN-AUDITED NET BOOK VALUE	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011			AVERAGE RENTAL PER MONTH		ENCUMBRANCES
					AS AT 31 DECEMBER 2010	AS AT 31 MARCH 2011		SELF OCCUPIED	RENTED OUT	OCCUPANCY RATIO	SELF OCCUPIED	RENTED OUT	AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
36	Prima Klang Avenue Office Block (Block A) Jalan Kota/KS1, Klang, Selangor Darul Ehsan	Leasehold for 99 years expiring on 17.08.2103/ 1	[4] NA (L)/ 135,776 (A)	A 7-storey office block for branch office use and rental	50,168/ No revaluation	50,168	109,147	15,045	-	14	35,315	-	There is a charge on the master title registered under Prima Tenggara Sdn Bhd by Maybank and MAAB has lodged a private caveat and there are several other private caveats lodged by Bond M & E KL Sdn Bhd
37	Lot No. 5930, Kamunting Industrial Estate 34600 Kamunting, Taiping, Perak Darul Ridzuan	Leasehold for 99 years expiring on 29.01.2072/ 34	583,710 (L)/ 586,298 (A)	A single-storey factory, double storey office block and ancillary buildings for rental	13,600/ 19 October 2009	13,600	586,298	-	586,298	100	-	20,000	A portion of the land is leased to LLN for 30 years from 1.8.1974
38	No126 Kampar Perdana, Perak Darul Ridzuan	Leasehold for 99 years expiring on 11.12.2102	3,692 (L)/ 10,039 (A)	A 3-storey shophouse for rental/sale	1,700/ 21 October 2009	1,700	10,039	-	-	0	-	-	-

APPENDIX I

No	LOCATION OF PROPERTIES/ IDENTIFICATION	TENURE OF LAND/ APPROXIMATE AGE OF BUILDING (years)	LAND AREA (L)/ BUILT-UP AREA (A)	DESCRIPTION/ EXISTING USE	AUDITED NET BOOK VALUE/ REVALUATION DATE AS AT 31 DECEMBER 2010	UN-AUDITED NET BOOK VALUE AS AT 31 MARCH 2011	LETTABLE AREA	OCCUPANCY AS AT 31 MARCH 2011 SELF OCCUPIED	OCCUPANCY AS AT 31 MARCH 2011 RENTED OUT	OCCUPANCY AS AT 31 MARCH 2011 OCCUPANCY RATIO	AVERAGE RENTAL PER MONTH SELF OCCUPIED	AVERAGE RENTAL PER MONTH RENTED OUT	ENCUMBRANCES AS AT 23 AUGUST 2011
			(sq.ft.)		(RM'000)	(RM'000)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(%)	(RM)	(RM)	
39	Block C Unit No. LG2.2, Kuantan Tembeling Resort , Jalan Padang Golf 25050 Kuantan, Pahang Darul Makmur	Leasehold for 99 years expiring on 12.12.2092	[1]NA (L)/ 1,439 (A)	A resort condominium for sale	250/ 20 October 2009	250	1,439	-	-	0	-	-	-
40	Marina Court, Api-Api Centre 88000 Kota Kinabalu	Leasehold for 99 years expiring on 31.12.2086	[1]NA (L)/ 13,960 (A)	3 units of condominium for sale	6,371/ 1 December 2009 *(9 units as at 31 December 2010)*	4,356 *(Up to 29 July 2011, 5 units were sold)*	6,746	-	-	0	-	-	-
41	Taman Kampar Perdana, 31900 Kampar, Perak. Darul Ridzuan	Leasehold for 99 years expiring on 22.05.2101	3,078 (L)/ 3,872 (A)	Double-storey houses for sale	416/ 1 December 2009 *(2 units as at 31 December 2010)*	0 *(2 units sold by 31 March 2011)*	0	-	-	-	-	-	The Registered owner is Hor Yoke Shim & Tang How Keong

Notes:

NA	*Not available*
1	*This property is under strata title and no land area information is available*
2	*No built-up area information available as the building under construction or it is vacant land*
3	*Pre-war building where built-up area information is not available*
4	*Pending issuance of strata title on the land*
5	*There is no application of strata title as the property is up for sale*

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2. INFORMATION ON MULTIOTO

a. HISTORY AND BUSINESS

Multioto was incorporated in Malaysia under the Act, as a private limited company on 24 June 2002 under the name of Digital Environment Sdn Bhd. On 1 August 2003, it changed its name to Multioto Breakdown Assistance Sdn Bhd and on 18 June 2007, assumed its present name Multioto Services Sdn Bhd.

Multioto is principally involved in the business of providing motor vehicle breakdown assistance services to motor policyholders of MAAB and MAAT only.

The original cost of investment of MAAC's equity interest in Multioto is as follows:

Date of investment	Cost of investment RM
27 September 2004	400,000

b. SHARE CAPITAL

The authorised and issued share capital of Multioto as at the LPD are as follows:

	RM
Authorised	
500,000 Multioto Shares	500,000
Issued and paid up	
500,000 Multioto Shares	500,000

c. DIRECTORS

The Directors of Multioto and their respective shareholdings in Multioto as at the LPD are as follows:

Name *(Designation)*	Nationality	Direct No. of shares	Direct %	Indirect No. of shares	Indirect %
Yeo Took Keat [1] *(Company director)*	Malaysian	-	-	[2] 500,000	100.00
Cheng Seng Yee *(Company director)*	Malaysian	-	-	-	-

Notes:

1 *Yeo Took Keat holds 80,000 MAAH Shares representing approximately 0.02% equity interest in MAAH*

2 *By virtue of Yeo Took Keat interests in the shares of Multioto's ultimate holding company, i.e. MAAH, he is also deemed to have an interest in the shares of Multioto, to the extent MAAH has an interest, pursuant to Section 6A of the Act*

d. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders and their respective shareholdings in Multioto as at the LPD are as follows:

Name	Nationality/ Place of incorporation	Direct No. of shares	Direct %	Indirect No. of shares	Indirect %
MAAC	Malaysia	[1]500,000	100.00	-	-
MAAH	Malaysia	-	-	[1]500,000	100.00
MESB	Malaysia	-	-	[2]500,000	100.00
MEBVI	British Virgin Isle	-	-	[3]500,000	100.00
MKSB	Malaysia	-	-	[4]500,000	100.00
TY	Malaysian	-	-	[5]500,000	100.00
TYY	Malaysian	-	-	[5]500,000	100.00
Khyra	Malaysia	-	-	[6]500,000	100.00

Notes:
1 *MAAC is a wholly-owned subsidiary of MAAH*
2 *MESB holds 38,513,030 MAAH Shares representing approximately 12.65% equity interest in MAAH*
3 *MEBVI holds 26,937,944 MAAH Shares representing approximately 8.85% equity interest in MAAH*
4 *MKSB holds 40,326,110 MAAH Shares representing approximately 13.25% equity interest in MAAH*
5 *Deemed interested by virtue of Section 6A(4) of the Act, held through MESB, MEBVI and MKSB, companies in which TY and TYY have a direct and/or indirect interest. TYY is deemed interested in Khyra's deemed interest in MAAH by virtue of his family relationship with TY*
6 *Khyra is a company controlled by TY. Khyra is the ultimate holding company of MESB, MEBVI and MKSB*

e. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, Multioto does not have any subsidiary or associated company.

f. SUMMARY OF FINANCIALS

	FYE2008	FYE2009	FYE2010	Unaudited for the three (3)- month FPE 31 March 2011
	RM'000	RM'000	RM'000	RM'000
Revenue	2,077	2,347	4,238	927
PBT	184	438	1,748	427
Taxation	(39)	(120)	(443)	(111)
PAT	145	318	1,305	316
MI	-	-	-	-
PATMI	145	318	1,305	316
Issued and paid-up share capital ('000)	500	500	500	500
Number of Multioto shares in issue ('000)	500	500	500	500
Gross EPS (sen)	36.8	87.6	349.6	85.4
Net EPS (sen)	29.0	63.6	261.0	63.2
NA/ Shareholders fund	890	1,189	1,694	2,011
NA per Multioto share (RM)	1.78	2.38	3.39	4.02
Total borrowings (all interest bearing debts)	70	54	37	33
Gearing ratio (times)	0.08	0.05	0.02	0.02
Current ratio (times)	2.64	3.12	2.53	4.78

Notes:
1 *There were no exceptional items or extraordinary items for the financial years under review*
2 *The audited financial statements of Multioto for the financial years under review were not subject to any audit qualification*

FYE 31 December 2008

For the FYE 31 December 2008, Multioto recorded a 5% decrease in revenue to approximately RM2.1 million (2007: RM2.2 million). Despite the lower revenue, Multioto recorded a higher profit before tax of RM184,000 for the FYE 31 December 2008 (2007: RM108,000) due mainly to a slightly lower operating expenses of RM1.9 million (2007: RM2.1 million).

FYE 31 December 2009

For the FYE 31 December 2009, Multioto recorded a 13% increase in revenue from approximately RM2.1 million for FYE 31 December 2008 to approximately RM2.3 million. There was an increase in the income from provision of motor vehicle breakdown and accident assistance services invoiced at fixed rates, arising from the increase in the number of comprehensive motor policies underwritten by MAAB, its client.

As Multioto only recorded a marginal increase of 0.2% in operating expenses during FYE 31 December 2009, the 13% increase in revenue had contributed to an increase in profit before taxation from RM184,000 for FYE 31 December 2008 to RM438,000 for FYE 31 December 2009.

FYE 31 December 2010

For the FYE 31 December 2010, Multioto recorded a 81% increase in revenue from approximately RM2.3 million for FYE 31 December 2009 to approximately RM4.2 million. There was an increase in the income from provision of motor vehicle breakdown and accident assistance services invoiced at fixed rates, arising from a higher increase in the number of comprehensive motor policies underwritten by MAAB.

Multioto recorded a 31% increase in operating expenses during FYE 31 December 2010, but this was more than compensated by the 81% increase in revenue. With this, Multioto recorded an increase in profit before taxation from RM438,000 for FYE 31 December 2009 to approximately RM1.7 million for FYE 31 December 2010.

FPE 31 March 2011

For the FPE 31 March 2011, Multioto recorded revenue of RM927,000 (FPE 31 March 2010: RM1.08 million). There was a decrease in income from provision of motor vehicle breakdown and accident services, arising from lower number of comprehensive motor policies underwritten by MAAB.

Multioto recorded a profit before taxation of RM427,000 during FPE 31 March 2011 (FPE 31 March 2010: RM571,000).

g. LIST OF REAL PROPERTIES

Multioto does not have any real properties based on its latest available audited financial statements for the FYE 31 December 2010 and unaudited financial statements for the FPE 31 March 2011.

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3. INFORMATION ON MAPS

a. HISTORY AND BUSINESS

MAPS was incorporated in Malaysia under the Act, as a private limited company on 11 July 1989 under the name of Indah Semerah Sdn Bhd. On 22 February 1990, it changed its name to Malaysian Alliance Property Services Sdn Bhd and assumed its present name.

MAPS is principally involved in the business of providing property management services to MAAB only.

The original cost of investment of MAAC's equity interest in MAPS is as follows:

Date of investment	Cost of investment RM
24 May 1999	2
7 December 1999	249,998
Total	250,000

b. SHARE CAPITAL

The authorised and issued share capital of MAPS as at the LPD are as follows:

	RM
Authorised	
500,000 MAPS Shares	500,000
Issued and paid up	
250,000 MAPS Shares	250,000

c. DIRECTORS

The Directors of MAPS and their respective shareholdings in MAPS as at the LPD are as follows:

Name *(Designation)*	Nationality	Direct No. of shares	Direct %	Indirect No. of shares	Indirect %
Tan Chin Kooi *(Company director)*	Malaysian	-	-	-	-
Yeoh Hai Yong [1] *(Company director)*	Malaysian	-	-	[3]250,000	100.00
Yeo Took Keat [2] *(Company director)*	Malaysian	-	-	[3]250,000	100.00

Notes:

1 *Yeoh Hai Yong holds 14,866 MAAH Shares representing approximately 0.0049% equity interest in MAAH (Negligible)*

2 *Yeo Took Keat holds 80,000 MAAH Shares representing approximately 0.02% equity interest in MAAH*

3 *By virtue of the abovenamed directors' interests in the shares of MAPS' ultimate holding company, i.e. MAAH, they are also deemed to have an interest in the shares of MAPS, to the extent MAAH has an interest, pursuant to Section 6A of the Act*

d. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders and their respective shareholdings in MAPS as at the LPD are as follows:

Name	Nationality/ Place of incorporation	Direct No. of shares	Direct %	Indirect No. of shares	Indirect %
MAAC	Malaysia	[1]250,000	100.00	-	-
MAAH	Malaysia	-	-	[1]250,000	100.00
MESB	Malaysia	-	-	[2]250,000	100.00
MEBVI	British Virgin Isle	-	-	[3]250,000	100.00
MKSB	Malaysia	-	-	[4]250,000	100.00
TY	Malaysian	-	-	[5]250,000	100.00
TYY	Malaysian	-	-	[5]250,000	100.00
Khyra	Malaysia	-	-	[6]250,000	100.00

Notes:

1 *MAAC is a wholly-owned subsidiary of MAAH*

2 *MESB holds 38,513,030 MAAH Shares representing approximately 12.65% equity interest in MAAH*

3 *MEBVI holds 26,937,944 MAAH Shares representing approximately 8.85% equity interest in MAAH*

4 *MKSB holds 40,326,110 MAAH Shares representing approximately 13.25% equity interest in MAAH*

5 *Deemed interested by virtue of Section 6A(4) of the Act, held through MESB, MEBVI and MKSB, companies in which TY and TYY have a direct and/or indirect interest. TYY is deemed interested in Khyra's deemed interest in MAAH by virtue of his family relationship with TY*

6 *Khyra is a company controlled by TY. Khyra is the ultimate holding company of MESB, MEBVI and MKSB*

e. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, MAPS does not have any subsidiary or associated company.

f. SUMMARY OF FINANCIALS

	FYE2008	FYE2009	FYE2010	Unaudited for the three (3)- month FPE 31 March 2011
	RM'000	RM'000	RM'000	RM'000
Revenue	2,988	3,003	2,975	727
PBT	488	5	44	199
Taxation	(127)	(130)	(41)	(53)
PAT/(LAT)	361	(125)	3	146
MI	-	-	-	-
PATMI/(LATMI)	361	(125)	3	146
Issued and paid-up share capital ('000)	250	250	250	250
Number of MAPS shares in issue ('000)	250	250	250	250
Gross EPS/(LPS) (sen)	195.2	2.0	17.6	79.6
Net EPS/(LPS) (sen)	144.4	(50.0)	1.2	58.4
NA/ Shareholders fund	1,041	681	440	586

	FYE2008	FYE2009	FYE2010	Unaudited for the three (3)- month FPE 31 March 2011
	RM'000	RM'000	RM'000	RM'000
NA per MAPS share (RM)	4.16	2.72	1.76	2.34
Total borrowings (all interest bearing debts)	174	134	92	81
Gearing ratio (times)	0.17	0.20	0.21	0.14
Current ratio (times)	5.83	1.81	1.38	2.26

Notes:
1 *There were no exceptional items or extraordinary items for the financial years under review*
2 *The audited financial statements of MAPS for the financial years under review were not subject to any audit qualification*

FYE 31 December 2008

For the FYE 31 December 2008, MAPS recorded a 6.7% decrease in revenue to approximately RM3.0 million (2007: RM3.2 million). Despite the lower revenue, MAPS turnaround to record a profit before tax of RM488,000 for the FYE 31 December 2008 (2007: loss before tax of RM778,000). The loss for FYE 31 December 2007 was due mainly to an impairment allowance of approximately RM1.2 million made for property, plant and equipment.

FYE 31 December 2009

For the FYE 31 December 2009, MAPS recorded a marginal 0.5% increase in revenue mainly from property management income. However, the company recorded a 18% increase in operating expenses which arose mainly from allowance of doubtful debts made during the year of RM420,000. Consequently the company incurred a decrease in profit before tax from RM488,000 for FYE 31 December 2008 to RM5,000 for FYE 31 December 2009.

FYE 31 December 2010

For the FYE 31 December 2010, MAPS recorded a marginal 0.9% decrease in revenue. However, the company recorded a 1.5% decrease in operating expenses. With this, the company's profit before tax improved slightly from RM5,000 for FYE 31 December 2009 to RM44,000 for FYE 31 December 2010.

FPE 31 March 2011

For the FPE 31 March 2011, MAPS recorded revenue of approximately RM727,000 (FPE 31 March 2010: RM647,000), due mainly to higher property management fee income.

MAPS recorded a profit before taxation of RM199,000 during FPE 31 March 2011 (FPE 31 March 2010: loss before taxation of RM68,000), on the back of higher revenue and lower operating expenses.

g. LIST OF REAL PROPERTIES

MAPS does not have any real properties based on its latest available audited financial statements for the FYE 31 December 2010 and unaudited financial statements for the FPE 31 March 2011.

4. INFORMATION ON MAAGNET

a. HISTORY AND BUSINESS

MAAGNET was incorporated in Malaysia under the Act, as a private limited company on 2 July 2001 under the name of MAAGNET Systems Sdn Bhd.

MAAGNET is principally involved in the business of providing information technology consultancy and support services mainly to companies within the MAAH Group.

The original cost of investment of MAAC's equity interest in MAAGNET was about RM0.5 million. The investment was made on 2 July 2001.

The original cost of investment of MAAC's equity interest in MAAGNET is as follows:

Date of investment	Cost of investment RM
2 July 2001	1
25 July 2001	1
26 November 2001	499,998
Total	500,000

b. SHARE CAPITAL

The authorised and issued share capital of MAAGNET as at the LPD are as follows:

	RM
Authorised	
500,000 MAAGNET Shares	500,000
Issued and paid up	
500,000 MAAGNET Shares	500,000

c. DIRECTORS

The Directors of MAAGNET and their respective shareholdings in MAAGNET as at the LPD are as follows:

Name *(Designation)*	Nationality	Direct No. of shares	Direct %	Indirect No. of shares	Indirect %
Tan Chin Kooi *(Company director)*	Malaysian	-	-	-	-
Yeoh Hai Yong [1] *(Company director)*	Malaysian	-	-	[3]500,000	100.00
Yeo Took Keat [2] *(Company director)*	Malaysian	-	-	[3]500,000	100.00

Notes:

1 *Yeoh Hai Yong holds 14,866 MAAH Shares representing approximately 0.005% equity interest in MAAH (Negligible)*

2 *Yeo Took Keat holds 80,000 MAAH Shares representing approximately 0.02% equity interest in MAAH.*

3 *By virtue of the abovenamed directors' interests in the shares of MAAGNET's ultimate holding company, i.e. MAAH, they are also deemed to have an interest in the shares of MAAGNET, to the extent MAAH has an interest, pursuant to Section 6A of the Act.*

d. SUBSIDIARIES AND ASSOCIATED COMPANIES

The subsidiary of MAAGNET as at the LPD is as follows:

		Direct		Indirect	
Name	**Place of incorporation**	**No. of shares**	**%**	**No. of shares**	**%**
MAAGNET-SSMS	Malaysia	2,500	100.00	-	-

e. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders and their respective shareholdings in MAAGNET as at the LPD are as follows:

		Direct		Indirect	
Name	**Nationality/ Place of incoporation**	**No. of shares**	**%**	**No. of shares**	**%**
MAAC	Malaysia	[1]500,000	100.00	-	-
MAAH	Malaysia	-	-	[1]500,000	100.00
MESB	Malaysia	-	-	[2]500,000	100.00
MEBVI	British Virgin Isle	-	-	[3]500,000	100.00
MKSB	Malaysia	-	-	[4]500,000	100.00
TY	Malaysian	-	-	[5]500,000	100.00
TYY	Malaysian	-	-	[5]500,000	100.00
Khyra	Malaysia	-	-	[6]500,000	100.00

Notes:

1. *MAAC is a wholly-owned subsidiary of MAAH*
2. *MESB holds 38,513,030 MAAH Shares representing approximately 12.65% equity interest in MAAH*
3. *MEBVI holds 26,937,944 MAAH Shares representing approximately 8.85% equity interest in MAAH*
4. *MKSB holds 40,326,110 MAAH Shares representing approximately 13.25% equity interest in MAAH*
5. *Deemed interested by virtue of Section 6A(4) of the Act, held through MESB, MEBVI and MKSB, companies in which TY and TYY have a direct and/or indirect interest. TYY is deemed interested in Khyra's deemed interest in MAAH by virtue of his family relationship with TY*
6. *Khyra is a company controlled by TY. Khyra is the ultimate holding company of MESB, MEBVI and MKSB*

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f. SUMMARY OF FINANCIALS

	FYE2008	FYE2009	FYE2010	Unaudited for the three (3)- month FPE 31 March 2011
	RM'000	RM'000	RM'000	RM'000
Revenue	11,278	11,301	10,686	2,777
PBT	1,518	80	66	363
Taxation	(410)	(72)	130	(53)
PAT	1,108	8	196	310
MI	-	-	-	-
PATMI	1,108	8	196	310
Issued and paid-up share capital ('000)	500	500	500	500
Number of MAAGNET shares in issue ('000)	500	500	500	500
Gross EPS (sen)	303.6	16.0	13.2	72.6
Net EPS (sen)	221.6	1.6	39.2	62.0
NA/ Shareholders fund	2,004	1,992	2,188	2,498
NA per MAAGNET share (RM)	4.01	3.98	4.38	5.00
Total borrowings (all interest bearing debts)	-	-	-	-
Gearing ratio (times)	-	-	-	-
Current ratio (times)	1.72	1.62	2.00	2.40

Notes:
1 *There were no exceptional items or extraordinary items for the financial years under review*
2 *The audited financial statements of MAAGNET for the financial years under review were not subject to any audit qualification*

FYE 31 December 2008

For the FYE 31 December 2008, MAAGNET recorded a slight 3.5% decrease in revenue to approximately RM11.3 million (2007: RM11.7 million). Despite the lower revenue, the company recorded higher profit before tax of RM1.5 million (2007: RM493,000) due to lower operating expenses.

FYE 31 December 2009

For the FYE 31 December 2009, MAAGNET recorded a marginal 0.2% increase in revenue compared for FYE 31 December 2008. However, the company recorded a 14.6% increase in operating expenses due mainly to higher service contract charges and purchase of software programs for projects undertaken. With this, MAAGNET recorded a lower profit before taxation of RM80,000 for FYE 31 December 2009, compared to RM1.5 million for FYE 31 December 2008.

FYE 31 December 2010

For the FYE 31 December 2010, MAAGNET's revenue decreased by 5.4% compared to FYE 31 December 2009 due mainly lower income from sale of computer hardware. The company also recorded a 5.3% decrease in operating expenses during FYE 31 December 2010. The company's profit before taxation decreased slightly by RM14,000 from RM80,000 for FYE 31 December 2009 to RM66,000 for FYE 31 December 2010.

FPE 31 March 2011

For the FPE 31 March 2011, MAAGNET recorded revenue of approximately RM2.8 million (FPE 31 March 2010: RM2.6 million). MAAGNET recorded a profit before taxation of RM363,000 during FPE 31 March 2011 (FPE 31 March 2010: RM224,000) mainly on the back of higher revenue.

g. LIST OF REAL PROPERTIES

MAAGNET does not have any real properties based on its latest available audited financial statements for the FYE 31 December 2010 and unaudited financial statements for the FPE 31 March 2011.

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5. INFORMATION ON MAAGNET-SSMS

a. HISTORY AND BUSINESS

MAAGNET-SSMS a wholly-owned subsidiary of MAAGNET, was incorporated in Malaysia under the Act, as a private limited company on 19 May 2006 under the name of MAAGNET-SSMS Sdn Bhd.

MAAGNET-SSMS is principally involved in the business of providing information technology consultancy and support services to MAAGNET, and general trading in computer hardware and software.

The original cost of investment of MAAGNET's equity interest in MAAGNET-SSMS is as follows:

Date of investment	**Cost of investment RM**
19 May 2006	1
4 January 2007	2,498
26 July 2007	1
Total	2,500

b. SHARE CAPITAL

The authorised and issued share capital of MAAGNET-SSMS as at the LPD are as follows:

	RM
Authorised	
100,000 MAAGNET-SSMS Shares	100,000
Issued and paid up	
2,500 MAAGNET-SSMS Shares	2,500

c. DIRECTORS

The Directors of MAAGNET-SSMS and their respective shareholdings in MAAGNET-SSMS as at the LPD are as follows:

		Direct		**Indirect**	
Name *(Designation)*	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
TY [1] *(Company director)*	Malaysian	-	-	[3] 2,500	100.00
Shareena binti Abdul Ghani [2] *(Company director)*	Malaysian	-	-	[3] 2,500	100.00

Notes:

1 TY indirectly holds 105,777,084 MAAH Shares representing approximately 34.75% equity interest in MAAH

2 Shareena binti Abdul Ghani holds 21,332 MAAH Shares representing approximately 0.007% equity interest in MAAH (negligible)

3 By virtue of the abovenamed directors' interests in the shares of MAAGNET-SSMS' ultimate holding company, i.e. MAAH, they are also deemed to have an interest in the shares of MAAGNET-SSMS, to the extent MAAH has an interest, pursuant to Section 6A of the Act

d. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, MAAGNET-SSMS does not have any subsidiary or associated company.

e. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders and their respective shareholdings in MAAGNET-SSMS as at the LPD are as follows:

Name	Nationality/ Place of incoporation	Direct No. of shares	Direct %	Indirect No. of shares	Indirect %
MAAGNET	Malaysia	[1]2,500	100.00	-	-
MAAC	Malaysia			[2]2,500	100.00
MAAH	Malaysia			[2]2,500	100.00
MESB	Malaysia			[3]2,500	100.00
MEBVI	British Virgin Isle			[4]2,500	100.00
MKSB	Malaysia			[5]2,500	100.00
TY	Malaysian	-	-	[6]2,500	100.00
TYY	Malaysian	-	-	[6]2,500	100.00
Khyra	Malaysia	-	-	[7]2,500	100.00

Notes:

1 *MAAGNET is a wholly-owned subsidiary of MAAC*

2 *MAAC is a wholly-owned subsidiary of MAAH*

3 *MESB holds 38,513,030 MAAH Shares representing approximately 12.65% equity interest in MAAH*

4 *MEBVI holds 26,937,944 MAAH Shares representing approximately 8.85% equity interest in MAAH*

5 *MKSB holds 40,326,110 MAAH Shares representing approximately 13.25% equity interest in MAAH*

6 *Deemed interested by virtue of Section 6A(4) of the Act, held through MESB, MEBVI and MKSB, companies in which TY and TYY have a direct and/or indirect interest. TYY is deemed interested in Khyra's deemed interest in MAAH by virtue of his family relationship with TY*

7 *Khyra is a company controlled by TY. Khyra is the ultimate holding company of MESB, MEBVI and MKSB*

f. SUMMARY OF FINANCIALS

	FYE2008	FYE2009	FYE2010	Unaudited for the three (3)- month FPE 31 March 2011
	RM'000	RM'000	RM'000	RM'000
Revenue	107	199	255	61
PBT/(LBT)	(15)	78	28	16
Taxation	-	-	-	-
PAT/(LAT)	(15)	78	28	16
MI	-	-	-	-
PATMI/(LATMI)	(15)	78	28	16
Issued and paid-up share capital ('000)	3	3	3	3
Number of MAAGNET-SSMS shares in issued ('000)	3	3	3	3
Gross EPS/(LPS) (sen)	(500.0)	2,600.0	933.3	533.3
Net EPS/(LPS) (sen)	(500.0)	2,600.0	933.3	533.3
NA/ Shareholders fund	(195)	(117)	(89)	(73)

	FYE2008	FYE2009	FYE2010	Unaudited for the three (3)- month FPE 31 March 2011
	RM'000	RM'000	RM'000	RM'000
NA per MAAGNET-SSMS share (RM)	(65)	(39)	(38)	(24)
Total borrowings (all interest bearing debts)	-	-	-	-
Gearing ratio (times)	-	-	-	-
Current ratio (times)	0.19	0.17	0.58	0.38

Notes:

1 There were no exceptional items or extraordinary items for the financial years under review

2 The audited financial statements of MAAGNET-SSMS for the financial years under review were not subject to any audit qualification

FYE 31 December 2008

The company did not record any revenue for FYE 31 December 2007 as it only commenced business during FYE 31 December 2008. The company recorded lower loss before tax of RM15,000 for the FYE 31 December 2008 (2007: RM160,000) due mainly to revenue income earned during the year.

FYE 31 December 2009

MAAGNET-SSMS recorded an increase of approximately RM92,000 in revenue, mainly from service income compared during FYE 31 December 2009 compared to FYE 31 December 2008. With the increase in revenue, the company turned around from a loss before taxation of RM15,000 for FYE 31 December 2008 to a profit of RM78,000.

FYE 31 December 2010

MAAGNET-SSMS recorded an increase of RM56,000 in revenue, mainly from higher service income during FYE 31 December 2010 compared to FYE 31 December 2009. However, the company's operating expenses increased by RM106,600 during the financial year mainly to higher service contract charges incurred. With this, the company's profit before taxation decreased from RM78,000 for FYE 31 December 2009 to RM28,000.

FPE 31 March 2011

For the FPE 31 March 2011, MAAGNET-SSMS recorded revenue of approximately RM61,000 (FPE 31 March 2010: RM46,000). MAAGNET-SSMS recorded a profit before taxation of RM16,000 during FPE 31 March 2011 (FPE 31 March 2010: RM14,000).

g. LIST OF REAL PROPERTIES

MAAGNET-SSMS does not have any real properties based on its latest available audited financial statements for the FYE 31 December 2010 and unaudited financial statements for the FPE 31 March 2011.

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APPENDIX II

AUDITED FINANCIAL STATEMENTS OF THE IDENTIFIED SUBSIDIARIES FOR THE FYE 31 DECEMBER 2010 AND THE AUDITORS' REPORT THEREON

a. MAAB

Company No.

8029	A

MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010

2092A1/py

Company No.

8029	A

MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2010

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Company No.

8029	A

MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of life insurance, including investment-linked and annuity business, and all classes of general insurance business.

There have been no significant changes in the nature of the principal activities during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	43,812

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

In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Note 35 to the financial statements.

DIVIDENDS

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

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE

The Board is satisfied that, the Company has complied with all prescriptive requirements of, and adopts the Prudential Framework of Corporate Governance for Insurers (BNM/RH/GL/003-2), issued by Bank Negara Malaysia ("BNM"). The Board has continued its commitment in ensuring that the highest principles and best practices in corporate governance are practised as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Company.

Board responsibilities and oversight

The Board has an overall responsibility to lead the Company, including providing directions in term of the Company's corporate objectives and business strategies, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's internal control and reporting procedures.

The Board currently comprises five Directors with skills and experience in diverse range of business, financial, technical and public service background. The Board is represented by four non-executive Directors and one Executive Director. Of the four non-executive Directors, three of them are independent non-executive directors who participate fully in decision making of key issues regarding the Company. The roles and activities of the Chairman and the Chief Executive Officer are distinct and separate.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

The Board meets at least six times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2010, the Board met ten (10) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2010.

The appointments to the Board were approved by BNM. All appointments and reappointments of Board members are subject to evaluation and review by the Nomination Committee, and approved by the Board before the applications are submitted to BNM for approval.

The principal responsibilities of the Board include reviewing and approving a strategic plan, overseeing the Company's business, formalising documentation on matters specifically reserved for its decision and ensuring that the Company's internal controls and reporting procedures are adequate.

The composition of the Board during the period since the date of last report is as follows:

Tan Sri Ahmad bin Mohd Don	Chairman (Independent Non-Executive)
Muhamad Umar Swift	Member (Non-Independent Executive Director/ Chief Executive Officer)
Yeo Took Keat	Member (Non-Independent Non-Executive)
Datuk Razman Md Hashim	Member (Independent Non-Executive)
Dr. Zaha Rina Zahani	Member (Independent Non-Executive)
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8/6/2010)	

The number of meetings attended by each member of the Board during the financial year ended 31 December 2010 is as follows:

Name of Directors	No. of Attendance
Tan Sri Ahmad bin Mohd Don	10/10
Muhamad Umar Swift	10/10
Yeo Took Keat	10/10
Datuk Razman Md Hashim	9/10
Dr. Zaha Rina Zahani	8/10
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8/6/2010)	4/4

The Board has established a number of board committees and senior management committees.

Each committee operates within defined terms of reference. Board committees are the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Senior management committees include the Executive Committee ("EXCO"), the Risk-Based Capital ("RBC") Committee, the Investment Committee, the Management Committee, the Human Resource Committee, the Information Technology Committee and the Governance Working ("GW") Committee. The GW Committee was dissolved in October 2010 and all subsequent governance matters were tabled at the EXCO and/or RBC Committee meetings. The board committees are chaired by an independent non-executive Director while the senior management committees are chaired by the Chief Executive Officer.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Audit Committee

The members of the Audit Committee are as follows:

Datuk Razman Md Hashim	Chairman (Independent Non-Executive)
Tan Sri Ahmad bin Mohd Don	Member (Independent Non-Executive)
Dr. Zaha Rina Zahani (appointed 7/72010)	Member (Independent Non-Executive)
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8/6/2010)	

General Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd) resigned as member of the Committee on 8 June 2010 and Dr. Zaha Rina Zahari was appointed as a member of the Committee on 7 July 2010.

The Audit Committee was established as a sub-committee of the Board of Directors with specific terms of reference that have been approved by the Board. The principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company.

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

(i) To review and approve the external and internal auditors audit plan, scope and audit report on their evaluation of the system of internal controls of the Company;
(ii) To review the results of the audit and whether or not appropriate action is taken on the recommendations given by the external and internal auditors;
(iii) To evaluate the quality of the audits performed by the external auditors and make recommendations concerning their appointment, termination and remuneration and to consider the nomination of a person or persons as external auditors;
(iv) To provide assurance that the financial information presented by management is relevant, reliable and timely;
(v) To oversee compliance with relevant laws and regulations and observance of a proper code of conduct; and
(vi) To determine the quality, adequacy and effectiveness of the company's internal control environment.

The Company has also instituted a whistle-blowing policy whereby staff, agents, suppliers, consultants, vendors, or Directors of the Company and/or the member of related companies may raise concerns about possible improprieties which may lead to incorrect or distorted financial reporting or other matter of confidence. The Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

The Audit Committee meets at least three (3) times annually, or more frequently as circumstances dictate. During the financial year ended 31 December 2010, the Audit Committee held (5) meetings with senior management and internal audit management, and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The number of meetings attended by each member of the Audit Committee during the financial year ended 31 December 2010 is as follows:

Name of Directors	No. of Attendance
Datuk Razman Md Hashim	4/5
Tan Sri Ahmad bin Mohd Don	5/5
Dr. Zaha Rina Zahani (appointed on 7/7/2010)	3/3
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8/6/2010)	2/2

Company No.

8029	A

MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Audit Committee (continued)

During the financial year ended 31 December 2010, apart from reviewing the quarterly results and annual financial statements, the Audit Committee also approved the annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems and regulatory compliance audit that are significant to the overall performance of the Company on a cyclical basis.

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

Nomination Committee

The members of the Nomination Committee are as follows:

Tan Sri Ahmad bin Mohd Don	Chairman (Independent Non-Executive)
Muhamad Umar Swift	Member (Non-Independent Executive Director/ Chief Executive Officer)
Yeo Took Keat	Member (Non-Independent Non-Executive)
Datuk Razman Md Hashim	Member (Independent Non-Executive)
Dr. Zaha Rina Zahani (appointed on 7/7/2010)	Member (Independent Non-Executive)
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8/6/2010)	

The Nomination Committee is made up of a majority of whom who are non-executive Directors. In considering the right candidate for appointment to the Board, the Nomination Committee takes into account the required mix of skills, experience and other core competencies that is necessary to enable the Company to achieve its corporate objectives and fulfil its fiduciary responsibilities. The Nomination Committee is also responsible for the annual review of the effectiveness of the Board and individual Directors.

The Nomination Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of Nomination Committee are:

(i) To establish minimum requirements for the board and the chief executive officer to perform their responsibilities effectively;
(ii) To recommend and assess the nominees for directorship, the Directors to fill board committees, as well as nominees for the chief executive officer position. This includes assessing Directors and the chief executive officer proposed for appointment, before an application for approval is submitted to BNM;
(iii) To oversee the overall composition of the board in terms of the appropriate size and skills, the balance between Executive Directors, non-executive and independent Directors, and mix of skills and other core competencies required, through annual reviews;
(iv) To establish the mechanism for formal assessment and assessing the effectiveness of the board as a whole, the contribution by each Director to the effectiveness of the board, the contribution of the board's various committees and the performance of the chief executive officer;
(v) To recommend to the board on the removal of a Director/chief executive officer if he is ineffective, errant or negligent in discharging his responsibilities;
(vi) To ensure all directors undergo appropriate induction programmes and receive continuous training; and
(vii) To oversee the appointment, management succession planning and performance evaluation of key senior officers and recommending to the board the removal of key senior officers if they are ineffective, errant and negligent in discharging their responsibilities.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Nomination Committee (continued)

The number of meetings attended by each member of the Nomination Committee during the financial year ended 31 December 2010 is as follows:

Name of Directors	No. of Attendance
Tan Sri Ahmad bin Mohd Don	4/4
Muhamad Umar Swift	4/4
Yeo Took Keat	4/4
Datuk Razman Md Hashim	3/4
Dr. Zaha Rina Zahani (appointed 7/7/2010)	-
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8/6/2010)	4/4

In the opinion of the Nomination Committee, the Board has a balanced mix of skills and experience required for the business of the Company.

Remuneration Committee

The members of the Remuneration Committee are as follows:

Datuk Razman Md Hashim (appointed as Chairman on 7/7/2010)	Chairman (Independent Non-Executive)
Tan Sri Ahmad bin Mohd Don (appointed on 7/7/2010)	Member (Independent Non-Executive)
Dr. Zaha Rina Zahani	Member (Independent Non-Executive)
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8/6/2010)	

The Remuneration Committee is made of independent non-executive Directors.

It is responsible for developing a remuneration policy that is sufficient to attract and retain Directors and key senior officers of calibre needed to manage the Company successfully.

The Remuneration Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of Remuneration Committee are as follows:

(i) To recommend a framework of remuneration for Directors, chief executive officer and key senior officers. The remuneration policy shall:
   (a) be documented and approved by the full board and any changes thereto should be subject to the endorsement of the full board;
   (b) reflect the experience and level of responsibility borne by individual Directors, the chief executive officer and key senior officers;
   (c) be sufficient to attract and retain Directors, chief executive officer and key senior officers of calibre needed to manage the company successfully; and
   (d) be balanced against the need to ensure that the funds of the insurers are not used to subsidise excessive remuneration packages.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Remuneration Committee (continued)

(ii) To recommend specific remuneration packages for Directors, chief executive officer and key senior officers. The remuneration packages shall:
- (a) be based on an objective consideration and approved by the full board;
- (b) take due consideration of the assessments of the nominating committee of the effectiveness and contribution of the Director, chief executive officer or key senior officers concerned;
- (c) not be decided by the exercise of sole discretion of any one individual or restricted individuals; and
- (d) be competitive and is consistent with the insurer's culture, objective and strategy.

The number of meetings attended by each member of the Remuneration Committee during the financial year ended 31 December 2010 is as follows:

Name of Directors	No. of Attendance
Datuk Razman Md Hashim (appointed as Chairman on 7/7/2010)	-
Tan Sri Ahmad bin Mohd Don (appointed on 7/7/2010)	-
Dr. Zaha Rina Zahani	1/1
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8/6/2010)	1/1

Risk Management Committee

The members of the Risk Management Committee are as follows:

Dr. Zaha Rina Zahani (appointed 7/7/2010)	Chairman (Independent Non-Executive)
Yeo Took Keat	Member (Non-Independent Non-Executive)
Datuk Razman Md Hashim	Member (Independent Non-Executive)
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8/6/2010)	

The Risk Management Committee is made up of non-executive Directors. It reviews the risk factors of the Company to ensure risks at all levels are managed effectively. It also formulates risk management policies, action plans and evaluates the adequacy of overall risk management policies and procedures.

The Risk Management Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of Risk Management Committee are as follows:

- (i) To set up a risk management structure;
- (ii) To review and recommend risk management strategies, policies and risk tolerance to the board for approval;
- (iii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks;
- (iv) To ensure that there are adequate infrastructure, resources and systems in place for an effective risk management; and
- (v) To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Company No.

8029	A

MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Risk Management Committee (continued)

The number of meetings attended by each member of the Risk Management Committee during the financial year ended 31 December 2010 is as follows:

Name of Directors	No. of Attendance
Dr. Zaha Rina Zahari (appointed 7/7/2010)	2/2
Yeo Took Keat	5/5
Datuk Razman Md Hashim	5/5
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8/6/2010)	3/3

Management accountability

The Company has an organisation structure showing all reporting lines as well as clearly documented job description for all management and executive employees. The officers of the Company have knowledge of their respective authority and operating limits, which are documented in the Company's Internal Control Procedures.

The human resource procedures of the Company provide for the setting of goals and training of each staff. The Company conducts formal appraisals for each staff on an annual basis.

The Company has established procedures to avoid and to deal with any conflict of interest situation. None of the Directors and senior management of the Company have, in any circumstances, conflict of interest referred to in Sections 54 and 55 of the Insurance Act, 1996.

The Board has approved a communication policy that is applicable to all levels of staff of the Company.

Corporate independence

The Company has complied with the requirements of BNM's guidelines on Related Party Transactions (BNM/RH/GL/003-3) in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, the Board's prior approval for the transaction has also been obtained. All material related party transactions have been disclosed in the financial statements.

Internal controls

The responsibility of maintaining a system of internal controls rests with the Board. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interest.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action where necessary, is taken in a timely manner. The internal audit function reports directly to the Board through the Audit Committee, and its findings and recommendations are communicated to Senior Management and all levels of staff concerned. The Chief Internal Auditor has unrestricted access to the Chairman and members of the Audit Committee and the internal audit function performs their duties within the ambit of the Audit Charter approved by the Audit Committee and the Board.

Company No.

8029	A

MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Internal controls (continued)

The Information Technology ("IT") Committee is responsible for establishing effective information technology and information systems plans, authorising IT related expenditure based on authority limits, and monitoring the progress of approved projects. The Company has increased the security controls for the IT systems and has in place business resumption and contingency plans to ensure continued operation of mission critical functions. The requirements of BNM's Guidelines on Management of IT Environment (GPIS-1) and Guidelines on Business Continuity Management (BNM/RH/GL/013-3) have been complied.

Risk management

The Risk Management Committee ("RMC") meets regularly, at least every quarter in a financial year, to review risk management reports of the Company. The RMC has categorised risks into nine key risk factors affecting the Company namely product risk, human risk, regulatory risk, operational risk, financial risk, external risk, customer risk, integrity risk and supplier risk ("key risk factors").

The Company has established, within its risk management framework, a structural approach to enterprise-wide risk management. The process involves risk identification and assessment process whereby all department heads of the Company are required to assess their operations and identify risks affecting their operations, identify existing controls in place to mitigate those risks and the probability of the risks occurring and its impact severity.

Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff and agents of the Company are required to comply with the Code of Ethics and Conduct.

Financial reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Company. Reports on the financial condition and performance of the Company are reviewed at the Board, Executive Committee and Management Committee meetings. Financial statements and reports are lodged with the regulatory and supervisory authorities, and annual financial statements prepared in accordance with applicable regulations and approved accounting standards are audited.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are as follows:

Tan Sri Ahmad bin Mohd Don
Muhamad Umar Swift
Yeo Took Keat
Datuk Razman Md Hashim
Dr. Zaha Rina Zahari
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8 June 2010)

Datuk Razman Md Hashim retires pursuant to Section 129(6) of the Companies Act, 1965 and being eligible, offer himself for re-election.

Tan Sri Ahmad bin Mohd Don, Encik Muhamad Umar Swift and Dr. Zaha Rina Zahari retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 27 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 34 to the financial statements.

According to the register of Directors' shareholdings, particulars of interests of Directors in office at the end of the financial year in shares in the ultimate holding company, MAA Holdings Berhad, are as follows:

	At 1.1.2010	Acquired	Sold	At 31.12.2010
	Number of Ordinary Shares of RM1 each			
Direct Interest:				
Tan Sri Ahmad Bin Mohd Don	2,055,000	-	-	2,055,000
Yeo Took Keat	80,000	-	-	80,000
Datuk Razman Md Hashim	150,000	-	-	150,000

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS (CONTINUED)

By virtue of the abovenamed Directors' interests in the shares of the Company's ultimate holding company, they are also deemed to have a substantial interest in the shares of the Company and other subsidiary companies of the ultimate holding company, to the extent the ultimate holding company has an interest.

None of the other Directors in office at the end of the financial year held any interests in shares in, or debentures of, the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
(ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

(e) As at the date of this report, there does not exist:

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

(f) In the opinion of the Directors:
(i) 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 will or may affect the ability of the Company to meet its obligations when they fall due; and
(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made, other than as disclosed in Note 2(a) to the financial statements on "Compliance with regulatory requirements".

For the purpose of paragraphs (e) and (f), contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

(g) Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital Framework for Insurers issued by BNM.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event that occurred during the financial year is disclosed in Note 2(a) under "Compliance with regulatory requirements" to the financial statements.

ULTIMATE HOLDING COMPANY

The Directors regard MAA Holdings Berhad, a company incorporated in Malaysia, as the ultimate holding company of the Company.

AUDITORS

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

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

MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
DIRECTOR

Kuala Lumpur
29 April 2011

Company No.

8029	A

MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

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 MALAYSIAN ASSURANCE ALLIANCE BERHAD, state that, in the opinion of the Directors, the financial statements set out on pages 17 to 115 are drawn up in accordance with the Financial Reporting Standards in Malaysia, being the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia, and comply with the provisions of the Companies Act, 1965 and the Insurance Act, 1996, so as to give a true and fair view of the financial position of the Company as at 31 December 2010 and of the financial performance and the cash flows of the Company for the year then ended.

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

MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
DIRECTOR

Kuala Lumpur
29 April 2011

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 MALAYSIAN ASSURANCE ALLIANCE BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 17 to 115 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 Wilayah Persekutuan
on 29 APR 2011

Before me,

COMMISSIONER FOR OATHS

No: W 327
Mohd Radzi
Bin Yasin
MALAYSIA

No: 86, Tingkat Bawah
Jalan Putra
50350 KUALA LUMPUR

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Company No. 8029 A)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MALAYSIAN ASSURANCE ALLIANCE BERHAD, which comprise the statement of financial position as at 31 December 2010 of the Company, the statements of income, comprehensive income, changes in equity and cash flow of the Company for the financial year then ended, and a summary of significant policies and explanatory notes, as set out on pages 17 to 115.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, being the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia, and comply with the provisions of the Companies Act, 1965 and the Insurance Act, 1996, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation 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 Company's internal control. An audit also includes evaluating the appropriateness of the 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.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MALAYSIAN ASSURANCE ALLIANCE BERHAD (CONTINUED)
(Company No. 8029 A)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, being the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia and the provisions of Companies Act, 1965 and the Insurance Act, 1996 so as to give a true and fair view of the financial position of the Company as at 31 December 2010 and of its financial performance and cash flows for the year then ended.

Emphasis of matter

Without qualifying our opinion above, we draw attention to Note 2(a) to the financial statements, which discloses the Company's status of compliance with the regulatory requirements under the Risk-Based Capital Framework and the actions plans undertaken to address those requirements. Compliance with the regulatory requirements stated above is dependent on the successful completion of the proposed disposal of the Company by the stipulated deadline.

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in 174(2)(b) our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur, Malaysia
29 April 2011

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Assets				
Property, plant and equipment	4	279,584	283,480	302,359
Intangible assets	5	4,595	3,823	4,190
Investment properties	6	512,287	577,342	592,098
Investments	7	5,791,497	5,268,704	4,749,776
Available-for-sale financial assets		3,790,913	3,387,086	3,221,594
Financial assets at fair value through profit or loss		1,100,706	882,176	425,802
Loans and receivables		899,878	999,442	1,102,380
Reinsurance assets	9	222,343	24,886	19,780
Insurance receivables	10	77,151	35,837	38,084
Other receivables	11	43,990	45,440	40,257
Tax recoverable		26,936	28,441	39,165
Deferred tax assets	12	1,900	7,731	23,347
Cash and cash equivalents		619,275	372,812	502,394
Assets classified as held for sale	19	-	784,990	748,947
Total assets		**7,579,558**	**7,433,486**	**7,060,397**
Equity, policyholders' funds and liabilities				
Share capital	13	150,000	150,000	150,000
Retained earnings	14	102,540	56,355	29,892
Other reserves	14	12,334	5,927	2,869
Total equity		**264,874**	**212,282**	**182,761**
Insurance contract liabilities	15	6,185,763	5,540,645	5,386,761
Deferred tax liabilities	12	15,477	3,269	122
Other liabilities	16	232,610	116,517	593,966
Insurance payables	17	843,991	687,736	92,103
Provision for life agents' retirement benefits	18	2,703	2,780	3,104
Current tax liabilities		34,140	23,259	30,675
Liabilities classified as held for sale	19	-	846,998	770,905
Total liabilities		**7,314,684**	**7,221,204**	**6,877,636**
Total equity, policyholders' funds and liabilities		**7,579,558**	**7,433,486**	**7,060,397**

The accompanying notes form an integral part of the financial statements

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
Operating revenue	20	**1,825,073**	**1,756,690**
Gross earned premiums	21(a)	1,517,583	1,470,786
Premiums ceded to reinsurers	21(b)	(170,116)	(172,687)
Net earned premiums		**1,347,467**	**1,298,099**
Investment income	22	307,490	285,904
Realised gains and losses	23	42,399	16,141
Fair value gains and losses	24	173,152	167,120
Fee and commission income	25	45,447	48,175
Other revenue		**568,488**	**517,340**
Gross benefits and claims paid	26(a)	(1,628,987)	(1,344,860)
Claims ceded to reinsurers	26(b)	83,968	102,110
Gross change to contract liabilities	26(c)	143,006	(6,776)
Change in contract liabilities ceded to reinsurers	26(d)	(10,944)	12,916
Net claims		**(1,412,957)**	**(1,236,610)**
Fee and commission expense		(170,099)	(164,863)
Management expenses	27	(177,089)	(158,570)
Other operating expenses - net	28	(1,669)	(5,532)
Other expenses		**(348,857)**	**(328,965)**
Surplus/profit before taxation		**154,141**	**249,864**
Taxation of life insurance fund	29	(36,140)	(32,487)
Surplus after taxation/profit before taxation		**118,001**	**217,377**
Surplus retained in life insurance fund		(59,500)	(182,985)
Profit before taxation		**58,501**	**34,392**
Taxation	29	(14,689)	(7,929)
Profit for the financial year		**43,812**	**26,463**
Earnings per share (sen)	31	**29.2**	**17.6**

The accompanying notes form an integral part of the financial statements.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
Net profit for the financial year		**43,812**	**26,463**
Other comprehensive income:			
Available-for-sale fair value reserves:			
Net gain arising during the year		9,185	4,483
Net realised gain transferred to Income Statement		(642)	(403)
		8,543	4,080
Tax effects thereon	12	(2,136)	(1,022)
		6,407	**3,058**
Total comprehensive income for the financial year		**50,219**	**29,521**

The accompanying notes form an integral part of the financial statements.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

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

	Note	Issued and fully paid ordinary shares of RM1 each		Non-Distributable	Distributable	
		Number of Shares	Nominal value	Available-for-sale fair value reserves	Retained earnings	Total
		'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010						
- as previously reported		150,000	150,000	5,927	56,355	212,282
- changes in accounting policies	35	-	-	-	2,373	2,373
- as restated		150,000	150,000	5,927	58,728	214,655
Total comprehensive income for the financial year		-	-	6,407	43,812	50,219
At 31 December 2010		**150,000**	**150,000**	**12,334**	**102,540**	**264,874**
At 1 January 2009						
- as previously reported		150,000	150,000	-	30,440	180,440
- changes in accounting policies	35	-	-	2,869	(548)	2,321
- as restated		150,000	150,000	2,869	29,892	182,761
Total comprehensive income for the financial year		-	-	3,058	26,463	29,521
At 31 December 2009		**150,000**	**150,000**	**5,927**	**56,355**	**212,282**

The accompanying notes form an integral part of the financial statements.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
Operating Activities			
Cash utilised in operating activities	32	(89,560)	(372,502)
Dividend/distribution income received		33,476	18,942
Interest/profit income received		218,239	213,663
Rental income on investment properties received		16,168	11,148
Income tax paid		(23,421)	(2,389)
Net cash inflow/(outflow) from operating activities		**154,902**	**(131,138)**
Investing Activities			
Proceeds from disposal of property, plant and equipment		67,198	6,258
Purchase of property, plant and equipment		(70,307)	(3,755)
Purchase of intangible assets		(2,151)	(2,122)
Net cash (outflow)/inflow from investing activities		**(5,260)**	**381**
Net increase/(decrease) in cash and cash equivalents		149,642	(130,757)
Cash and cash equivalents at beginning of financial year		469,633	600,390
Cash and cash equivalents at end of financial year		**619,275**	**469,633**

Cash and cash equivalents comprise:

Call deposits (with maturity of less than three months):			
Licensed financial institutions		606,355	453,011
Cash and bank balances		12,920	16,622
		619,275	**469,633**

The accompanying notes form an integral part of the financial statements.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is an unquoted public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company are as follows:

Registered office

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

Principal place of business

11th Floor, Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

The Company is engaged principally in the underwriting of life insurance business, including investment-linked and annuity business, and all classes of general insurance business. There have been no significant changes in the nature of these activities during the financial year.

The immediate and ultimate holding company of the Company is MAA Holdings Berhad, which is a company incorporated and listed in Malaysia, and produces financial statements available for public use.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 April 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements comply with the Financial Reporting Standards ("FRS"), being the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") and comply with the provisions of the Companies Act, 1965 and the Insurance Act, 1996, in all material aspects.

The financial statements of the Company have also been prepared on a historical cost basis, except for investment properties and those financial instruments that have been measured at their fair values, and insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital ("RBC") Framework for insurers issued by BNM.

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

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

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(a) **Basis of preparation** (continued)

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

Compliance with regulatory requirements

As described in Note 36 to the financial statements, the Company has not complied with the minimum supervisory target level capital adequacy ratio ("CAR") requirements prescribed under the RBC Framework as at 31 December 2010.

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

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

(i) a bonus revision of RM420 million to reduce the non-guaranteed future liabilities of the Life Par fund as at 31 December 2010;
(ii) the assignment of surplus assets of RM159 million from the Life Non-Par fund to the Par fund, and RM89 million, consisting of RM18 million from the Life Non-Par fund and RM71 million from the Shareholders' fund, to the Life Annuity fund as at 31 December 2010.

BNM's approval is however subject to the Company and the proposed buyer ensuring within 3 months of the completion of the proposed disposal, that the bonus revision above is reduced to RM205 million and any shortfall in assets over liabilities in the life insurance funds is made good.

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

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

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

The following are the significant standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company for the current financial year:

(i) FRS 101(R) Presentation of Financial Statements
(ii) FRS 139 Financial Instruments: Recognition and Measurement
(iii) Amendments to FRS 139 Reclassification of Financial Assets
(iv) FRS 4 Insurance Contract
(v) FRS 7 Financial Instruments: Disclosures
(vi) FRS 117 Leases

All changes in the accounting policies have been made in accordance with the transitional provision in the respective standards. All standards adopted by the Company require retrospective application other than FRS 139 and FRS 7.

The effects of applying the aforementioned accounting standards are described in Note 35 to the financial statements.

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) The new accounting standards, amendments and improvements to published standards and interpretation that are effective and not applicable for the Company's financial year beginning on or after 1 January 2010 are as follows:

- FRS 8 "Operating Segments"
- FRS 123 "Borrowing Costs"
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendment to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" – Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 13 "Customer Loyalty Programme"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset. Minimum Funding Requirements and The Interaction"

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

FRSs/Interpretations	Effective date
Amendment to FRS 132 "Financial instruments: Presentation on classified of rights issues	1 March 2010
FRS 3 (revised) "Business combinations"	1 July 2010
FRS 127 (revised) "Consolidated and separate financial statements"	1 July 2010
IC Interpretation 12 "Service concession arrangements"	1 July 2010
IC Interpretation 16 "Hedges of a net investment in a foreign operation"	1 July 2010
Amendment to FRS 2 "Share-based payment Group cash-settled share-based payment transactions"	1 January 2011
Amendments to FRS 7 "Financial Instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards"	1 January 2011
IC Interpretation 4 "Determining whether an arrangement contains a lease"	1 January 2011
IC Interpretation 18 "Transfers of assets from customers"	1 January 2011
IC Interpretation 19 "Extinguishing financial liabilities with equity instruments"	1 July 2011
Amendments to IC Interpretation 14 "FRS 119 – The limit on a defined benefit assets, minimum funding requirements and their interaction"	1 July 2011
FRS 124 (revised) "Related party disclosures"	1 January 2012
IC Interpretation 15 "Agreements for construction of real estates"	1 January 2012
Improvements to FRSs:	
• FRS 5 "Non-current assets held for sale and discontinued operations"	1 July 2010
• FRS 2	1 July2010
• IC Interpretation 9	1 July 2010
• FRS 3	1 January 2011
• FRS 101 "Presentation of financial statements"	1 January 2011
• FRS 138 "Intangible Assets"	1 July 2011

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

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

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

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

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

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

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

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

The annual depreciation rates are as follows:

Leasehold land	Over the remaining leasehold period
Buildings	2%
Furniture, fittings and equipment	10% - 20%
Motor vehicles	10%
Renovation	10%

The residual values and useful life of assets are reviewed and adjusted if appropriate at date of the statement of financial position.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(j) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the income statement. On disposal of revalued assets, any amounts in asset revaluation reserve account relating to those assets are transferred to the statement of comprehensive income and/or shown as a separate component in insurance contract liabilities.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases

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

(e) 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 Company.

Investment properties are initially stated at cost including related and incidental expenditure incurred and are subsequently carried at fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company 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 Company. 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 the asset revaluation reserve account 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 the asset revaluation reserve account is transferred to the statement of comprehensive income and/or shown as a separate component in insurance contract liabilities.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

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

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of five years.

(g) Non-current assets (or disposal group) held for sale and Discontinued Operations

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

A component of the Company 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 plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

(h) Investments and other financial assets

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and other financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market but does not include insurance receivables. These assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the asset. All transaction costs directly attributable to the acquisition are also included in the cost of the asset. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment.

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

Refer to Note 2(l) to the financial statements for further details on the accounting policy on loans.

The accounting policy on loans that was applied in the previous financial year is described in Note 35 to the financial statements.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other assets categories. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, available-for-sale financial assets are remeasured at fair value.

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

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

(i) 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 the date of the statement of financial position.

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Fair value of financial instruments (continued)

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate, over-night and time 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 similiar instruments at the date of the statement of financial position.

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.

(j) 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 amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

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

(k) Impairment of financial assets

The Company assesses at each date of the statement of financial position, whether a financial asset or group of financial assets is impaired.

(a) Financial assets carried at amortised cost

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (continued)

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

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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. The impairment assessment is performed at date of the statement of financial position.

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

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, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss 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.

(b) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss 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. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

(l) 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 loan is established when there is objective evidence that the Company 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 asset's 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 litigation. The amount of the allowance is recognised in the income statement.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Loans (continued)

Where the collateral is property, the net realisable value of 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 for shares, it is based on the last transacted price. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets, adjusted if necessary, for any difference in nature, location or condition of specific asset or discounted cash flow projections. The sensitivity analysis is described in Note 8 to the financial statements.

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

The accounting policy on loans that was applied in the previous financial year is described in Note 35 to the financial statements.

(m) 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 Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers 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(k).

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

The accounting policy on insurance receivables that was applied in the previous financial year is described in Note 35 to the financial statements.

(n) Financial instruments - derecognition of financial assets

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

(o) Equity instruments

Ordinary Share Capital

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Equity instruments (continued)

Dividends on Ordinary Share Capital

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

(p) Product classification

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

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

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (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 Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Investment contracts are those contracts that do not transfer significant insurance risk.

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

Insurance and investment contracts 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 specified 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 company, fund or other entity that issues the contract.

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Product classification (continued)

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

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

The Company defines insurance risk 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 contract in force. Based on this definition, all policy contracts issued by the Company are considered insurance contracts as at the date of this statement of financial position.

(q) Reinsurance

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

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company 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 Company will receive from the reinsurers. The impairment loss is recorded in the income statement.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(r) **Life insurance underwriting results**

The surplus transferable from the Life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long term insurance 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 fund is made in the financial year of the actuarial valuation.

Premium Income

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

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

At the end of the financial year, all due premiums are accounted 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 a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

Reinsurance Premiums

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

Benefits, Claims and Expenses

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

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose; the amounts payable under a policy are recognised as follows:
- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on DPF policy upon its declaration.

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

Commission and Agency Expenses

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) General insurance underwriting results

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

Gross Premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period. Premiums from direct business are recognised during the financial period upon the issuance of insurance policies. Premiums in respect of risks incepted for which insurance policies have not been raised as of the date of the statement of financial position 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 refer to the higher of:

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

UPR represents 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 period.

In determining the UPR at the date of the statement of financial position, the method that most accurately reflects the actual unearned premium is used, as follows:
- 25% method for marine and aviation cargo, and transit business;
- 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and
- time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) General insurance underwriting results (continued)

Claims and Expenses

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

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the date of the statement of financial position.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at date of the statement of financial position, using a mathematical method of estimation.

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.

(t) Insurance contract liabilities

(i) Life actuarial liabilities

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

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

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are 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 Company.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(t) **Insurance 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.

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

(ii) Surplus in insurance contracts

Surpluses in DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the Insurance Act 1996. The Company, however, has the discretion over the amount and timing of these surpluses to policyholders and shareholders. Surpluses on non-DPF are attributable wholly to the shareholders, and the amount and timing of the distribution to the shareholders is subject to the advice of the Company's appointed actuary.

As required under the BNM Guidelines on Financial Reporting for Insurers, the unallocated surpluses of the DPF and non-DPF funds, where the amount of surplus allocation attributable to either policyholders or shareholders has yet to be determined at the end of the financial year, are held within the insurance contract liabilities.

(iii) General (Non-Life) Insurance Contract Liabilities

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

These liabilities comprise outstanding claims provision and premium liabilities.

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

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

At each reporting date, the Company 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 Company engaged an independent external actuary to perform the claims liabilities estimation. A number of methods were employed initially in the estimation of ultimate claims reserves using the Company's own historical experience and other relevant market quantitative and qualitative information. The valuation methods used include the Incurred Claim Development method, the Paid Claim Development method, the Bornhuetter-Ferguson Method, the Mack's Method and Stanard-Buhlmann's Method. The final estimates were selected after due consideration was given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin was also incorporated into the ultimate claims estimates. The provision for adverse deviation is set at 75 per cent confidence level as required by BNM.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(u) **Other revenue recognition**

Interest Income

Interest income is recognised on an accrual basis using the effective yield method. When a receivable is impaired, the Company 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 assets.

Dividend Income

Dividend income is recognised as investment income when the Company's right to receive payment is established.

Rental Income

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 straight line basis over the lease term.

Realised Gains and Losses on Investments

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

Fees and Commission Income

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

(v) **Foreign currencies**

The financial statements are presented in Ringgit Malaysia which is also the functional currency of the Company.

Foreign currency transactions in the Company are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the date of the statement of financial position. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax.

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted at the date of the statement of financial position.

Current tax are recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, either in other comprehensive income or directly in equity.

Deferred Tax

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position 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 date of the statement of financial position 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 measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

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

Deferred tax is recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, either in other comprehensive income or directly in equity.

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

(x) Provisions

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

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. 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.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Employee benefits

Short Term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined Contribution Plans

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

A defined contribution plan is a pension plan under with the Company pays 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 the employee service in the current and preceding financial years.

The Company's contributions to defined contribution plans, including the Employees' Provident Fund, are recognised as an expense in the income statement as incurred. Once the contributions have been paid, the Company has no further payment obligations.

(z) Provision for life agents' retirement benefits

The Company operates a retirement benefits scheme for its eligible life agents, calculated in accordance with the terms and conditions as per the respective Agent Retirement Plan Arrangement.

The retirement benefits earned by the eligible life agents on and subsequent to 2001 were funded through investments in an investment-linked fund managed by the Company.

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

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

(aa) 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, 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.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Contingent liabilities and contingent assets

The 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 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 Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(ac) Cash and cash equivalents

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

(ad) Financial instruments

Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise 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.

(ae) Segment reporting

For management purposes, the Company is organised into operating segments based on their products and services. The management regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would be available to an unrelated third party. Segment revenue, expenses and results include transfers between business segments.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Critical accounting estimates and assumptions

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

(i) Valuation of life insurance contract liabilities

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

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

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

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

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

(ii) Valuation of general insurance contract liabilities

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

Provision is made for the estimated cost of claims incurred but not settled at the date of the statement of financial position, 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 Company at the date of the statement of financial position and for the expected ultimate cost of claims incurred but not yet reported to the Company at the date of the statement of financial position. The estimated cost of claims includes both direct and indirect expenses that are expected to be incurred in settling those claims.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

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

(a) Critical accounting estimates and assumptions (continued)

(ii) Valuation of general insurance contract liabilities (continued)

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 in the statement of financial position.

The Company engaged an independent external actuary to perform the claims liabilities estimation. A number of methods were employed initially in the estimation of ultimate claims reserves using the Company's own historical experience and other relevant market quantitative and qualitative information. The final estimates were selected after due consideration was given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin was also incorporated into the ultimate claims estimates.

Due to the fact that the ultimate claims liability is dependent upon the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation, there is an inherent uncertainty in any estimate of ultimate claims liability. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

(iii) Impairment assessment of available-for-sale financial assets

The Company performs an impairment review when changes in circumstances indicate that the carrying amounts of available-for-sale financial assets may not be recoverable. The recoverable amount represents the current fair value or present value of the estimated future cash flows discounted at the original effective interest rate expected to arise from the affected financial assets. In arriving at the current fair value or estimated future cash flows, management exercises judgement in estimating the collectible or realisable amounts including the extent of credit loss.

(iv) Impairment assessment on non-performing loans

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

There has been no significant addition to the loan portfolio held by the Company. For the current financial year, the Company has assessed the non-performing loans individually for impairment, and for loans which borrowers have no agreed settlements with the Company, the assigned values as determined for these loans are discounted over two to four years depending on the recovery process.

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

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

(a) Critical accounting estimates and assumptions (continued)

(v) Fair value of an investment property

The Company's investment properties are stated at fair value, as stated in Note 2(e) of the significant accounting policies to the financial statements.

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

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

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

(vi) Impairment assessment on insurance receivables

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold land	Freehold and leasehold buildings	Furniture, fittings and equipment	Motor vehicles	Renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation						
At 1 January 2008	67,354	272,390	80,349	9,168	53,741	483,002
Additions	-	260	2,444	76	4,022	6,802
Transfer to non-current assets held for sale	-	-	(22,926)	(3,012)	(8,336)	(34,274)
Disposals	(297)	(3,150)	(6)	(2,142)	(22)	(5,617)
At 31 December 2008	67,057	269,500	59,861	4,090	49,405	449,913
Additions	-	-	1,287	-	1,561	2,848
Transfer from non-current assets held for sale	-	-	1,862	-	-	1,862
Transfer to investment property (Note 6)	(77)	(217)	-	-	-	(294)
Disposals	(3,319)	(5,350)	(20)	(194)	-	(8,883)
At 31 December 2009	63,661	263,933	62,990	3,896	50,966	445,446
Additions	14,543	49,111	2,836	1,148	2,669	70,307
Transfer from non-current assets held for sale	-	-	7,722	2,533	3,604	13,859
Disposals	(15,392)	(61,455)	(70)	(2,906)	(698)	(80,521)
At 31 December 2010	62,812	251,589	73,478	4,671	56,541	449,091
Accumulated depreciation						
At 1 January 2008	841	16,211	68,252	4,539	40,034	129,877
Charge for the year	63	5,336	3,995	1,327	3,687	14,408
Transfer to non-current assets held for sale	-	-	(20,407)	(1,493)	(7,106)	(29,006)
Disposals	(6)	(70)	(1)	(911)	(4)	(992)
At 31 December 2008	898	21,477	51,839	3,462	36,611	114,287
Charge for the year	46	5,154	2,670	470	3,720	12,060
Transfer from non-current assets held for sale	-	-	1,599	-	-	1,599
Transfer to investment property (Note 6)	-	(20)	-	-	-	(20)
Disposals	(284)	(542)	(2)	(106)	-	(934)
At 31 December 2009	660	26,069	56,106	3,826	40,331	126,992
Charge for the year	35	5,038	2,986	318	3,121	11,498
Transfer from non-current assets held for sale	-	-	5,699	1,398	2,803	9,900
Disposals	-	(6,559)	(49)	(2,186)	(332)	(9,126)
At 31 December 2010	695	24,548	64,742	3,356	45,923	139,264

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold and leasehold land	Freehold and leasehold buildings	Furniture, fittings and equipment	Motor vehicles	Renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated impairment loss						
At 1 January 2008	-	29,928	-	-	-	29,928
Impairment loss	138	3,201	-	-	-	3,339
Disposals	-	-	-	-	-	-
At 31 December 2008	138	33,129	-	-	-	33,267
Impairment loss	-	1,944	-	-	-	1,944
Disposals	-	(237)	-	-	-	(237)
At 31 December 2009	138	34,836	-	-	-	34,974
Disposals	-	(4,731)	-	-	-	(4,731)
At 31 December 2010	138	30,105	-	-	-	30,243
Net carrying amount:						
At 31 December 2008	66,021	214,894	8,022	628	12,794	302,359
At 31 December 2009	62,863	203,028	6,884	70	10,635	283,480
At 31 December 2010	61,979	196,936	8,736	1,315	10,618	279,584

The Company's land and buildings were revalued in previous years by independent valuers where the fair values were determined by reference to observable prices in an active market or recent market transactions on arm's length terms, adjusted if necessary, for any differences in the nature, location or condition of the specific asset.

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

	31.12.2010	31.12.2009
	RM'000	RM'000
Freehold land	57,462	58,295
Leasehold land	3,522	3,558
Freehold buildings	187,529	193,088
Leasehold buildings	7,255	7,463
	255,768	262,404

As at 31 December 2010, the titles to certain properties amounting to RM24,905,000 (2009: RM25,446,000), are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the authorities for transfer of legal titles and is awaiting the process and finalisation of these transfers to be completed.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

5. INTANGIBLE ASSETS

	31.12.2010 RM'000	31.12.2009 RM'000
Cost		
At 1 January	11,477	9,368
Additions from internal developments	2,151	1,515
Transferred from non-current assets held for sale	5,017	594
At 31 December	18,645	11,477
Accumulated amortisation		
At 1 January	7,654	5,178
Amortisation	2,901	1,890
Transferred from non-current assets held for sale	3,495	586
At 31 December	14,050	7,654
	4,595	3,823

The intangible assets consists mainly of development costs and costs that are directly associated with identifiable software systems controlled by the Company, that do not form the integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year.

6. INVESTMENT PROPERTIES

	31.12.2010 RM'000	31.12.2009 RM'000
At 1 January	577,342	592,098
Additions from acquisitions	2,935	-
Additions from subsequent expenditure	2,007	3,862
Transferred from property, plant and equipment (Note 4)	-	274
Disposals	(45,289)	(18,160)
Fair value changes	(24,708)	(732)
At 31 December	512,287	577,342
Comprising:		
Freehold land and buildings	374,234	406,312
Leasehold land and buildings	138,053	171,030
	512,287	577,342

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

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

The titles to certain investment properties amounting to RM80,157,000 (2009: RM89,186,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these investment properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the authorities for transfer of legal titles and is awaiting the process and finalisation of these transfers to be completed.

7. INVESTMENTS

	31.12.2010 RM'000	31.12.2009 RM'000
Malaysian Government Securities/Government Investment Issues	247,813	185,374
Corporate debt securities	3,718,589	3,343,758
Equity securities	876,304	711,714
Unit trusts	37,956	17,206
Investment-linked units	10,957	11,210
Loans	650,254	784,351
Fixed and call deposits	249,624	215,091
	5,791,497	5,268,704

The Company's financial investments are summarised by measurement category as follows:

	31.12.2010 RM'000	31.12.2009 RM'000
Available-for-sale financial assets	3,790,913	3,387,086
Financial assets at fair value through profit or loss	1,100,706	882,176
Loans and receivables (Note 8)	899,878	999,442
	5,791,497	5,268,704

The following investments mature after 12 months:

	31.12.2010 RM'000	31.12.2009 RM'000
Available-for-sale financial assets	3,512,610	3,227,675
Financial assets at fair value through profit or loss	167,316	133,564
Loans and receivables (Note 8)	23,091	56,007
	3,703,017	3,417,246

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

7. **INVESTMENTS** (CONTINUED)

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

	31.12.2010 RM'000	31.12.2009 RM'000
Unquoted:		
Equity securities	3,364	3,367
Corporate debt securities	3,551,424	3,203,517
Malaysian Government Securities/Government Investment Issues	236,125	180,202
	3,790,913	3,387,086

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

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

	31.12.2010 RM'000	31.12.2009 RM'000
Held-for-trading:		
Quoted:		
Equity securities	483,932	356,063
Unit trusts	24,456	7,039
Corporate debt securities	21,802	25,400
Unquoted:		
Investment-linked units	6,245	6,436
	536,435	394,938
Designated at fair value through profit or loss:		
Quoted:		
Equity securities	389,008	352,284
Unit trusts	13,500	10,167
Corporate debt securities	-	742
Unquoted:		
Corporate debt securities	145,363	114,099
Investment-linked units	4,712	4,774
Malaysian Government Securities/ Government Investment Issues	11,688	5,172
	564,271	487,238
	1,100,706	882,176

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

7. **INVESTMENTS** (CONTINUED)

(c) **Carrying value of financial instruments**

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

	Available-for-sale RM'000	Fair value through profit/loss RM'000	Total RM'000
At 1 January 2009	3,221,594	425,802	3,647,396
Purchases	1,481,849	814,701	2,296,550
Disposals (sale and redemptions)	(1,327,366)	(546,475)	(1,873,841)
Fair value gains/(losses) recorded in:			
Income statement	-	189,910	189,910
Other comprehensive income	4,483	-	4,483
Insurance contract liabilities - available-for-sale reserves	(21,190)	-	(21,190)
Movement in impairment allowance	(12,701)	(2,195)	(14,896)
Amortisation/interest adjustment	40,417	433	40,850
At 31 December 2009	3,387,086	882,176	4,269,262
At 1 January 2010			
Purchases	870,548	527,488	1,398,036
Transfer from non-current assets held for sale	315,077	28,692	343,769
Disposals (sale and redemptions)	(951,748)	(528,008)	(1,479,756)
Fair value gains recorded in:			
Income statement	-	189,539	189,539
Other comprehensive income	9,185	-	9,185
Insurance contract liabilities - available-for-sale reserves	123,605	-	123,605
Movement in impairment allowance	(2,942)	(54)	(2,996)
Amortisation/interest adjustment	40,102	873	40,975
At 31 December 2010	3,790,913	1,100,706	4,891,619

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

7. **INVESTMENTS** (CONTINUED)

(d) **Fair values of financial investments**

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

	Available-for-sale	Fair value through profit/loss	Total
	RM'000	RM'000	RM'000
31 December 2010			
Quoted market price	-	932,697	932,697
Valuation techniques - market observable inputs	3,754,240	155,987	3,910,227
Valuation techniques - non-market observable inputs	36,673	12,022	48,695
	3,790,913	1,100,706	4,891,619
31 December 2009			
Quoted market price	-	751,694	751,694
Valuation techniques - market observable inputs	3,346,314	118,025	3,464,339
Valuation techniques - non-market observable inputs	40,772	12,457	53,229
	3,387,086	882,176	4,269,262

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

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

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

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8. LOANS AND RECEIVABLES

	31.12.2010 RM'000	31.12.2009 RM'000
Loans arising from:		
Policy loans	351,849	350,740
Mortgage loans	246,745	314,861
Other secured loans	183,629	196,625
Unsecured loans	1,144	494
	783,367	862,720
Allowance for impairment	(133,113)	(78,369)
Net loans	650,254	784,351
Fixed and call deposits with:		
Licensed banks	28,227	78,378
Other corporations	221,397	136,713
	249,624	215,091
	899,878	999,442

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

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

	31.12.2010 RM'000	31.12.2009 RM'000
Receivables within 12 months:		
Net loans	633,981	766,302
Fixed and call deposits	242,806	177,133
	876,787	943,435
Receivables after 12 months:		
Net loans	16,273	18,049
Fixed and call deposits	6,818	37,958
	23,091	56,007
	899,878	999,442

Included in the total loans portfolio net of allowance for impairment as at 31 December 2010, are several NPL amounting to approximately RM279,377,000 (2009: RM411,400,000). These NPL were collateralised by properties and/or shares as pledged by the borrowers. The Company has assessed the value of the collaterals or agreed settlement plans and has made appropriate allowances for impairment where appropriate. Should the market value or adjusted value of the collateral deviate by 10% or the recovery process be delayed by a year, particularly those loans with properties as collateral, there may be a potential shortfall of approximately RM21 million for the NPL.

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8. LOANS AND RECEIVABLES (CONTINUED)

The net loans can be analysed as follows:

	31.12.2010 RM'000	31.12.2009 RM'000
(i) Outstanding loans before allowance for impairment analysed by loan type are as follows:		
Policy loans	351,849	350,740
Other term loans	406,331	488,608
Housing loans	23,717	23,013
Staff loans	1,470	359
	783,367	862,720
(ii) Outstanding loans before allowance for impairment analysed by type of customers are as follows:		
Policyholders	361,240	362,174
Business enterprises	369,285	443,064
Staff	2,504	1,492
Agents	941	1,263
Individuals	49,397	54,727
	783,367	862,720
(iii) Outstanding loans before allowance for impairment analysed by economic purpose are as follows:		
Policy loans	351,849	350,740
Construction	68,770	68,593
Purchase of landed properties/securities	296,604	319,703
Fixed assets other than land & building	688	263
Personal use	79	117
Working capital	65,377	123,304
	783,367	862,720
(iv) Movements of NPL before allowance for impairment are as follows:		
Outstanding loans before allowance for impairment at the beginning of year	485,400	547,818
Classified as non-performing during the year	13,943	5,836
Recovered during the year	(86,746)	(63,391)
Bad debts written off	(4,351)	(5,733)
Interest movement	4,244	870
	412,490	485,400

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8. LOANS AND RECEIVABLES (CONTINUED)

	31.12.2010 RM'000	31.12.2009 RM'000
(v) Movements in the allowance for impairment for NPL are as follows:		
Balance at the beginning of year		
- as previously reported	74,000	70,130
- changes in accounting policies:-		
- retained earnings	2,226	-
- life insurance contract liabilities		
- unallocated deficit	63,042	-
	65,268	70,130
- as restated	139,268	70,130
Classified from/(to) to performing loans	4,369	(4,016)
(Write back of)/allowance made during the year	(10,524)	7,886
	133,113	74,000
(vi) NPL before allowance for impairment analysed by loan type are as follows:		
Other term loans	406,331	479,027
Housing loans	6,159	6,373
	412,490	485,400
(vii) NPL before allowance for impairment analysed by type of customers are as follows:		
Policyholders	3,981	4,929
Business enterprises	369,285	443,063
Agents	631	634
Individuals	38,593	36,774
	412,490	485,400
(viii) NPL before allowance for impairment analysed by economic purpose are as follows:		
Construction	68,770	68,593
Purchase of landed properties/securities	278,320	293,481
Personal use	22	22
Working capital	65,378	123,304
	412,490	485,400

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

8. LOANS AND RECEIVABLES (CONTINUED)

	31.12.2010 RM'000	31.12.2009 RM'000
(ix) Aging of NPL before allowance for impairment is as follows:		
Up to 1 year	10,265	5,910
1 to 5 years	172,166	404,187
More than 5 years	230,059	75,303
	412,490	485,400

The fair value of the collaterals held as at the date of the statement of financial position was RM813 million (2009: RM942 million)

9. REINSURANCE ASSETS

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Reinsurers' share of insurance contract liabilities (Note 15, 19)	222,343	24,886	19,780

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

10. INSURANCE RECEIVABLES

	31.12.2010 RM'000	31.12.2009 RM'000
Due premiums including agents/brokers and co-insurers balances	74,679	35,837
Due from reinsurers and cedants	11,182	-
	85,861	35,837
Allowance for impairment	(8,710)	-
	77,151	35,837

11. OTHER RECEIVABLES

	31.12.2010 RM'000	31.12.2009 RM'000
Outstanding proceeds from disposal of investments	3,153	15,466
Assets held under Malaysian Motor Insurance Pool	6,868	-
Deposits, repayment and other receivables	33,969	29,974
	43,990	45,440

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

12. DEFERRED TAXATION

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

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	31.12.2010			31.12.2009		
	Life fund	General and share-holders' funds	Total	Life fund	General and share-holders' funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	-	1,900	1,900	4,333	3,398	7,731
Deferred tax liabilities	(13,601)	(1,876)	(15,477)	(3,269)	-	(3,269)
	(13,601)	24	(13,577)	1,064	3,398	4,462
At 1 January						
- as previously stated	1,064	3,398	4,462	26,422	7,887	34,309
- change in accounting policies (Note 35)	5,043	557	5,600	(10,074)	(1,010)	(11,084)
- as restated	6,107	3,955	10,062	16,348	6,877	23,225
(Charged)/credited to income statement (Note 29):						
- property, plant and equipment	379	(129)	250	913	862	1,775
- investments and loans	(13,389)	(1,299)	(14,688)	(18,118)	(7,486)	(25,604)
- investment properties	1,029	-	1,029	18	552	570
- others	-	(367)	(367)	-	(286)	(286)
- unabsorbed losses	-	-	-	-	(741)	(741)
	(11,981)	(1,795)	(13,776)	(17,187)	(7,099)	(24,286)
Charged to other comprehensive income:						
- available-for-sale fair value reserves	-	(2,136)	(2,136)	-	(1,022)	(1,022)
(Charged)/credited to insurance contract liabilities:						
- asset revaluation reserves	5	-	5	16	-	16
- available-for-sale reserves	(7,732)	-	(7,732)	1,887	-	1,887
	(7,727)	-	(7,727)	1,903	-	1,903
Transfer from non-current assets held-for-sale	-	-	-	-	4,642	4,642
At 31 December	(13,601)	24	(13,577)	1,064	3,398	4,462

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

12. DEFERRED TAXATION (CONTINUED)

	31.12.2010			31.12.2009		
	Life fund	General and share-holders' funds	Total	Life fund	General and share-holders' funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Subject to income tax:						
Deferred tax assets (before offsetting)						
- property, plant and equipment	3,845	2,103	5,948	3,464	2,234	5,698
- investments and loans	13,800	4,091	17,891	10,711	3,491	14,202
- investment properties	4,666	-	4,666	3,637	-	3,637
- others	-	474	474	-	841	841
	22,311	6,668	28,979	17,812	6,566	24,378
Offsetting	(22,311)	(4,768)	(27,079)	(13,479)	(3,168)	(16,647)
Deferred tax assets after offsetting	-	1,900	1,900	4,333	3,398	7,731
Deferred liabilities (before offsetting)						
- asset revaluation reserves	(138)	-	(138)	(143)	-	(143)
- available-for-sale reserves	(15,918)	(4,112)	(20,030)	(8,187)	(1,978)	(10,165)
- investments and loans	(19,856)	(2,160)	(22,016)	(8,418)	(818)	(9,236)
- investment properties	-	(372)	(372)	-	(372)	(372)
	(35,912)	(6,644)	(42,556)	(16,748)	(3,168)	(19,916)
Offsetting	22,311	4,768	27,079	13,479	3,168	16,647
Deferred tax liabilities after offsetting	(13,601)	(1,876)	(15,477)	(3,269)	-	(3,269)

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

13. SHARE CAPITAL

	31.12.2010 RM'000	31.12.2009 RM'000
Authorised ordinary shares of RM1 each:		
At beginning and end of the financial year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:		
At beginning and end of the financial year	150,000	150,000

14. RESERVES

(a) Retained earnings

The retained earnings ordinarily represent the amount available for dividend distribution to the equity shareholders of the Company. However, as part of the Company's action plans to ensure compliance with the regulatory requirements mentioned in Note 2(a) to the financial statements under "Compliance with regulatory requirements", the Company is not allowed to distribute any dividends to its shareholder until such time that the regulatory requirements have been adequately addressed.

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 the shareholders. Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or on 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank all of its retained earnings at 31 December 2010, if paid out as dividends.

(b) Other reserves

Other reserves consist of available-for-sale reserves and asset revaluation reserve.

The available-for-sale reserves represent the fair value gains or losses from available-for-sale financial assets of the Company, except for those arising from the life insurance business, where such fair value changes are included as part of insurance contract liabilities.

The asset revaluation reserve represents the surplus arising from the revaluation of self-occupied freehold land and buildings and leasehold buildings of the Company, except for those arising from the life insurance business, where such surpluses arising are included as part of insurance contract liabilities.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

15. INSURANCE CONTRACT LIABILITIES

		31.12.2010			31.12.2009		
	Note	Gross	Re-insurance	Net	Gross	Re-insurance	Net
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Life insurance	15(a)	5,458,461	(28,920)	5,429,541	5,540,645	(24,886)	5,515,759
General insurance	15(b)	727,302	(193,423)	533,879	-	-	-
General insurance (Discontinued operations)	15(b)	-	-	-	698,819	(229,069)	469,750
		6,185,763	(222,343)	5,963,420	6,239,464	(253,955)	5,985,509

	1.1.2009		
	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000
Life insurance	5,386,761	(19,780)	5,366,981
General insurance (Discontinued operations)	625,548	(210,577)	414,971
	6,012,309	(230,357)	5,781,952

(a) Life Insurance

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

	31.12.2010			31.12.2009		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities:						
Liability for future policyholders' benefits	4,494,277	(18,196)	4,476,081	4,786,020	(19,596)	4,766,424
Net asset value attributable to unitholders	747,175	-	747,175	641,809	-	641,809
	5,241,452	(18,196)	5,223,256	5,427,829	(19,596)	5,408,233
Claim liabilities	45,561	(10,724)	34,837	41,462	(5,290)	36,172
	5,287,013	(28,920)	5,258,093	5,469,291	(24,886)	5,444,405
Unallocated deficit	(13,491)	-	(13,491)	(24,980)	-	(24,980)
Available-for-sale reserves	183,347	-	183,347	94,683	-	94,683
Asset revaluation reserves	1,592	-	1,592	1,651	-	1,651
	5,458,461	(28,920)	5,429,541	5,540,645	(24,886)	5,515,759

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities							
At 1 January 2009							
- as restated	3,766,125	1,680,348	5,446,473	(4,010)	(9,343)	(13,353)	5,433,120
Benefit and claims experience variation	157,047	(99,031)	58,016	54	(6,297)	(6,243)	51,773
Change due to valuation basis:							
Model enhancement	12,829	352	13,181	-	-	-	13,181
Yield movement	236,276	(38,854)	197,422	-	-	-	197,422
Assumption changes	13,122	(13,703)	(581)		-	-	(581)
Bonus revision	(426,827)	-	(426,827)	-	-	-	(426,827)
Net asset value attributable to unitholders	-	140,145	140,145	-	-	-	140,145
At 31 December 2009	3,758,572	1,669,257	5,427,829	(3,956)	(15,640)	(19,596)	5,408,233
Benefit and claims experience variation	(151,037)	(173,129)	(324,166)	934	466	1,400	(322,766)
Change due to valuation basis:							
Model enhancement	5,622	33	5,655	-	-	-	5,655
Yield movement	-	13,354	13,354	-	-	-	13,354
Assumption changes	2,671	10,743	13,414		-	-	13,414
Net asset value attributable to unitholders	-	105,366	105,366	-	-	-	105,366
At 31 December 2010	3,615,828	1,625,624	5,241,452	(3,022)	(15,174)	(18,196)	5,223,256
Claims liabilities							
At 1 January 2009	12,134	18,628	30,762	(3,195)	(3,232)	(6,427)	24,335
Movement in claim provisions	4,198	6,502	10,700	508	629	1,137	11,837
At 31 December 2009	16,332	25,130	41,462	(2,687)	(2,603)	(5,290)	36,172
Movement in claim provisions	4,756	(657)	4,099	(2,182)	(3,252)	(5,434)	(1,335)
At 31 December 2010	21,088	24,473	45,561	(4,869)	(5,855)	(10,724)	34,837

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life Insurance (continued)

	31.12.2010			31.12.2009		
	With DPF	Without DPF	Total	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unallocated surplus/(deficit)						
At 1 January						
- as previously reported	(323,075)	298,095	(24,980)	314,491	-	314,491
- change in accounting policies (Note 35)	(37,559)	(10,511)	(48,070)	(689,043)	166,404	(522,639)
- as restated	(360,634)	287,584	(73,050)	(374,552)	166,404	(208,148)
Premium received	261,384	697,613	958,997	275,992	741,755	1,017,747
Payments due to death, surrenders, benefits and claims	(601,004)	(749,609)	(1,350,613)	(359,015)	(697,558)	(1,056,573)
Net investment income	261,690	214,838	476,528	205,502	213,817	419,319
Management expenses and commissions	(47,787)	(127,797)	(175,584)	(58,689)	(119,382)	(178,071)
Change in life assurance fund actuarial liabilities	141,810	43,167	184,977	7,499	17,388	24,887
Change in claims liabilities	(2,574)	3,909	1,335	(4,706)	(7,131)	(11,837)
Tax expense	(20,567)	(15,573)	(36,140)	(15,289)	(17,198)	(32,487)
Net (deficit)/surplus for the year	(7,048)	66,548	59,500	51,294	131,691	182,985
Transfer of revaluation surplus on disposal of property, net of tax	59	-	59	183	-	183
At 31 December	(367,623)	354,132	(13,491)	(323,075)	298,095	(24,980)
Available-for-sale reserves						
At 1 January	74,071	20,612	94,683	102,764	13,076	115,840
Net gain/(loss) arising during the year	88,379	35,226	123,605	(29,931)	8,741	(21,190)
Net realised gain transferred to income statement	(13,608)	(13,601)	(27,209)	(1,304)	(550)	(1,854)
	74,771	21,625	96,396	(31,235)	8,191	(23,044)
Deferred tax effects	(6,026)	(1,706)	(7,732)	2,542	(655)	1,887
	68,745	19,919	88,664	(28,693)	7,536	(21,157)
At 31 December	142,816	40,531	183,347	74,071	20,612	94,683

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life Insurance (continued)

	31.12.2010			31.12.2009		
	With DPF	Without DPF	Total	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Asset valuation reserves						
At 1 January	1,228	423	1,651	1,411	423	1,834
Reversal of revaluation surplus on disposal of property	(64)	-	(64)	(199)	-	(199)
Deferred tax effects	5	-	5	16	-	16
At 31 December	1,169	423	1,592	1,228	423	1,651

(b) General Insurance

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

	31.12.2010			31.12.2009		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	342,888	(123,329)	219,559	328,584	(138,822)	189,762
Provision for incurred but not reported claims ("IBNR")	172,985	(31,188)	141,797	148,017	(30,673)	117,344
Claim liabilities	515,873	(154,517)	361,356	476,601	(169,495)	307,106
Premium liabilities	211,429	(38,906)	172,523	222,218	(59,574)	162,644
	727,302	(193,423)	533,879	698,819	(229,069)	469,750
Claims liabilities						
At 1 January	476,601	(169,495)	307,106	461,881	(161,685)	300,196
Claims incurred in the current accident year	239,735	(69,148)	170,587	213,908	(79,829)	134,079
Other movements in claims incurred in prior accident years	43,073	10,544	53,617	51,201	(11,287)	39,914
Claims paid during the year (Note 26)	(268,504)	74,098	(194,406)	(273,385)	87,209	(186,176)
Movement in IBNR reserves	24,968	(516)	24,452	22,996	(3,903)	19,093
At 31 December	515,873	(154,517)	361,356	476,601	(169,495)	307,106

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General Insurance (continued)

	31.12.2010			31.12.2009		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Premium Liabilities						
At 1 January	222,218	(59,574)	162,644	163,667	(48,892)	114,775
Premium written in the year (Note 21(a))	510,943	(112,594)	398,349	476,144	(147,923)	328,221
Premium earned during the year	(521,732)	133,262	(388,470)	(417,593)	137,241	(280,352)
At 31 December	211,429	(38,906)	172,523	222,218	(59,574)	162,644

16. OTHER LIABILITIES

	31.12.2010	31.12.2009
	RM'000	RM'000
Investment creditors	33,477	7,891
Cash collaterals held for performance bond underwritten	45,489	-
Unclaimed monies	15,334	10,284
Rental deposits	5,265	3,858
Accrued interest payables	38,330	41,660
Accrued for unutilised staff leave	1,666	1,020
Other payables and accruals	93,049	51,804
	232,610	116,517
Repayable within 12 months	207,818	116,517
Repayable after 12 months	24,792	-
	232,610	116,517

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

17. INSURANCE PAYABLES

	31.12.2010	31.12.2009
	RM'000	RM'000
Due to agents and intermediaries	777,919	674,795
Due to reinsurers and cedants	39,806	4,974
Reinsurer's deposits withheld	12,593	-
Premium deposits	13,673	7,967
	843,991	687,736

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

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All amounts are payable within one year.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

18. PROVISION FOR LIFE AGENTS' RETIREMENT BENEFITS

	31.12.2010 RM'000	31.12.2009 RM'000
At 1 January	2,780	3,104
Additional provision	100	152
Utilisation of provision	(177)	(476)
At 31 December	2,703	2,780
Repayable within 12 months	478	895
Repayable after 12 months	2,225	1,885
	2,703	2,780

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

	31.12.2010 RM'000	31.12.2009 RM'000
Present value of funded obligations	29,146	25,750
Fair value of plan assets	(29,146)	(25,750)
Status of funded plan	-	-
Present value of unfunded obligations	2,703	2,780
Liability in the statement of financial position	2,703	2,780

The expense recognised in the Life Insurance revenue account under commission and agency expenses is analysed as follows:

	31.12.2010 RM'000	31.12.2009 RM'000
Current service cost	(39)	20
Interest cost	139	132
	100	152

The actual return on plan asset was RM2,864,000 (2009: RM1,973,000).

The present value of funded obligations is always equal to the fair value of plan assets of the funded retirement benefit scheme as the actual payment to agents is based on actual fair value of plan assets at the time of retirement. The Company assumes that all agents who have served the Company for more than 10 years would continue to serve the Company until their age of retirement and will be eligible for the retirement benefit.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

19. NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

The non-current assets and the associated liabilities held for sale were in respect of the proposed disposal of the General Insurance Business following the signing of a non-binding memorandum of understanding ("MOU") in 2008 between the Company and AMG Insurance Berhad ("AMG") for the disposal of the entire General Insurance Business of Company to AMG ("the Proposed Disposal") at a price of RM274.8 million (subject to adjustments). The completion of the disposal was conditional, amongst others, on the approval of regulatory authorities.

On 5 January 2010, BNM granted approval for the Proposed Disposal pursuant to Section 130 of the Insurance Act, 1996 with a revised headline price of RM180 million ("Disposal Consideration") (subject to adjustments) and the Securities Commission approved the Proposed Disposal via its letter dated 10 February 2010.

On 16 December 2010, MAA Holdings Berhad, on behalf of the Company announced that both parties had mutually agreed to discontinue discussions on the Proposed Disposal. Consequently, the requirements of FRS 5 are no longer applicable, and previously identified assets and liabilities related to the discontinued sale have been presented in the respective statement of financial position line items as at 31 December 2010.

The components of assets and liabilities held for sale and the related net cash flows attributed to the discontinued operations as at 31 December 2009 are as follows:

(a) Non-current assets held for sale comprise:

	31.12.2009 RM'000
Property, plant and equipment	3,959
Intangible assets	1,522
Investments (i)	400,814
Available-for-sale financial assets	315,077
Financial assets at fair value through profit or loss	28,692
Loans and receivables (ii)	57,045
Reinsurance assets (Note 15(b))	229,069
Insurance receivables (iii)	48,083
Other receivables (iv)	4,722
Cash and banks balances	96,821
	784,990

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19. NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

(a) Non-current assets held for sale comprise: (continued)

	31.12.2009 RM'000
(i) Investments	
Malaysian Government Securities/Government Investment Issues	78,657
Corporate debt securities	236,420
Equity securities	28,692
Loans	1,065
Fixed and call deposits	55,980
	400,814
The Company's financial investments are summarised by measurement category in the following presentations:	
Available-for-sale financial assets	315,077
Financial assets at fair value through profit or loss	28,692
Loans and receivables	57,045
	400,814
(a) Available-for-sale financial assets	
Malaysian Government Securities/Government Investment Issues	78,657
Corporate debt securities – unquoted	236,420
	315,077
(b) Financial assets at fair value through profit or loss	
Equity securities:	
Quoted in Malaysia	28,692
(ii) Loans and receivables	
Loans arising from:	
Mortgage loans	953
Other secured loans	73
Unsecured loans	39
	1,065
Fixed and call deposits	55,980
	57,045

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

19. NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

(a) Non-current assets held for sale comprise: (continued)

	31.12.2009 RM'000
(iii) Insurance receivables	
Due premiums including agents, brokers and co-insurers balances	58,283
Due from reinsurers and cedants	11,729
	70,012
Allowance for impairment	(21,929)
	48,083
(iv) Other receivables	
Outstanding proceeds from disposal of investments	1,238
Assets held under Malaysian Motor Insurance Pool	3,484
	4,722

(b) Liabilities directly associated with non-current assets held for sale comprise:

	31.12.2009 RM'000
Insurance contract liabilities (Note 15(b))	698,819
Other liabilities (i)	70,726
Insurance payables (ii)	77,453
	846,998
(i) Other liabilities	
Other payables and accruals	15,120
Cash collaterals held for performance bond underwritten	51,010
Unclaimed monies	3,332
Accruals for unutilised staff leave	1,264
	70,726
Repayable within 12 months	57,781
Repayable after 12 months	12,945
	70,726

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19. NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

(b) Liabilities directly associated with non-current assets held for sale comprise: (continued)

	31.12.2009 RM'000
(ii) Insurance payables	
Due to agents and intermediaries	32,983
Due to reinsurers and cedants	26,827
Reinsurers' deposit withheld	17,643
	77,453

(c) Net cash flows attributable to the operating and investing activities of the discontinued operations comprise:

	31.12.2009 RM'000
Net inflow from operating activities	214
Net outflow from investing activities	(1,389)
Total cash flows	(1,175)

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

20. OPERATING REVENUE

	31.12.2010 RM'000	31.12.2009 RM'000
Gross earned premiums (Note 21(a))	1,517,583	1,470,786
Investment income (Note 22)	307,490	285,904
	1,825,073	1,756,690

21. NET EARNED PREMIUMS

	31.12.2010 RM'000	31.12.2009 RM'000
(a) Gross Premiums		
Insurance contracts:		
Life (Note 15(a))	995,851	1,053,193
General (Note 15(b))	510,943	476,144
	1,506,794	1,529,337
Change in premium liabilities provision	10,789	(58,551)
	1,517,583	1,470,786
(b) Premiums Ceded		
Insurance contracts:		
Life (Note 15(a))	(36,854)	(35,446)
General (Note 15(b))	(112,594)	(147,923)
	(149,448)	(183,369)
Change in premium liabilities provision	(20,668)	10,682
	(170,116)	(172,687)
Net Earned Premiums	1,347,467	1,298,099

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

22. INVESTMENT INCOME

	31.12.2010 RM'000	31.12.2009 RM'000
Financial assets at fair value through profit or loss		
Interest/profit income:		
- Malaysian Government Securities/ Government Investment Issues	604	47
- corporate debt securities	7,047	8,441
Dividend/distribution income:		
- equity securities quoted in Malaysia	32,455	19,031
- unit trusts	-	17
Accretion of discounts/(amortisation of premiums):		
- Malaysian Government Securities/ Government Investment Issues	(72)	(15)
- corporate debt securities	668	564
	40,702	28,085
Available-for-sale financial assets		
Interest/profit income:		
- Malaysian Government Securities/ Government Investment Issues	9,400	16,182
- corporate debt securities	151,866	138,388
Dividend/distribution income:		
- equity securities quoted in Malaysia	70	98
Accretion of discounts/(amortisation of premiums):		
- Malaysian Government Securities/ Government Investment Issues	(1,396)	(2,094)
- corporate debt securities	42,525	41,312
	202,465	193,886
Loans and receivables		
Interest/profit income:		
- policy loans	24,653	21,241
- mortgage loans	2,095	9,913
- other secured and unsecured loans	712	1,560
- fixed and call deposits	21,331	19,743
	48,791	52,457
Properties		
Gross rental income	34,616	29,154
Less: Rates and maintenance	(19,084)	(17,678)
	15,532	11,476
	307,490	285,904

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

23. REALISED GAINS AND LOSSES

	31.12.2010 RM'000	31.12.2009 RM'000
Financial assets at fair value through profit or loss		
Realised gains:		
- corporate debt securities	785	216
- equity securities quoted in Malaysia	6,524	13,142
- unit trusts	26	1
Realised losses:		
- Malaysian Government Securities/ Government Investment Issues	(7)	-
- corporate debt securities	(33)	(251)
- equity securities quoted in Malaysia	(2,414)	(1,181)
- unit trusts	(9)	-
	4,872	11,927
Available-for-sale financial assets		
Realised gains:		
- Malaysian Government Securities/ Government Investment Issues	630	1,001
- corporate debts securities	10,761	1,179
Realised losses:		
- Malaysian Government Securities/ Government Investment Issues	(103)	(2,232)
- corporate debt securities	(2,636)	(1,360)
Amount transferred on sale of investments from:		
- Statement of Comprehensive Income	642	403
- Life insurance contract liabilities - available-for-sale reserves	27,209	1,854
	36,503	845
Loans and receivable		
Realised losses:		
- fixed and call deposits	(56)	(306)
Realised gains:		
- investment properties	1,093	3,869
- property, plant and equipment	624	-
Realised losses:		
- investment properties	(547)	-
- property, plant and equipment	(90)	(194)
	1,080	3,675
	42,399	16,141

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

24. FAIR VALUE GAINS AND LOSSES

	31.12.2010 RM'000	31.12.2009 RM'000
Financial assets at fair value through profit or loss		
Net fair value gains:		
- Malaysian Government Securities/ Government Investment Issues	105	15
- corporate debt securities	4,226	14,704
- equity securities quoted in Malaysia	179,872	169,354
- unit trusts	5,336	5,837
	189,539	189,910
Loans and receivables		
Net fair value gain:		
- fixed and call deposits	793	2,987
Net fair value loss:		
- investment properties	(24,708)	(732)
Impairment loss:		
- financial assets at fair value through profit or loss	(54)	(2,195)
- available-for-sale financial assets	(2,942)	(12,701)
- property, plant and equipment		
- self occupied properties	-	(1,944)
Loans and receivables		
- write back of/(allowances for) impairment	10,524	(8,205)
	173,152	167,120

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25. FEES AND COMMISSION INCOME

	31.12.2010 RM'000	31.12.2009 RM'000
Policy administration and investment management services	9,060	7,045
Surrender charges and other contract fees	2,140	856
Reinsurance commission income	34,247	40,274
	45,447	48,175

26. NET BENEFITS AND CLAIMS

		31.12.2010 RM'000	31.12.2009 RM'000
(a) Gross Benefits and Claims Paid			
Insurance contracts:	Life	(1,360,483)	(1,071,475)
	General (Note 15(b))	(268,504)	(273,385)
		(1,628,987)	(1,344,860)
(b) Claims Ceded to Reinsurers			
Insurance contracts:	Life	9,870	14,902
	General (Note 15(b))	74,098	87,208
		83,968	102,110
(c) Gross Change in Contract Liabilities			
Insurance contracts:	Life	182,278	7,944
	General	(39,272)	(14,720)
		143,006	(6,776)
(d) Change in Contract Liabilities ceded to Reinsurers			
Insurance contracts:	Life	4,034	5,106
	General	(14,978)	7,810
		(10,944)	12,916

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

27. MANAGEMENT EXPENSES

	31.12.2010 RM'000	31.12.2009 RM'000
Staff costs:		
- salaries and bonus	61,047	56,324
- staff and retirement benefits	12,823	11,795
	73,870	68,119
Depreciation of property, plant and equipment	11,498	12,060
Amortisation of intangible assets	2,901	1,890
Impairment loss on property, plant and equipment	-	2,502
Auditors' remuneration:		
- statutory audit	600	594
- under provision in prior financial year	-	74
Fees paid to a company in which certain Directors have an interest	197	137
Write back of allowance for impairment	(13,219)	(2,073)
Bad debts written off	10,646	-
Office rental	12,731	7,756
Rental of office equipment	1,430	1,266
Training expenses	3,427	2,531
Repairs and maintenance	8,084	7,145
EDP expenses	10,410	11,369
Advertising, promotional and entertainment expenses	10,006	8,290
Motor club expenses	5,393	1,875
Motor vehicle and travelling expenses	3,201	4,168
Printing and stationery	8,768	6,905
Postage, telephone and fax	3,523	3,127
Management fees	4,971	4,640
Other expenses	18,652	16,195
	103,219	90,451
	177,089	158,570

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

	31.12.2010 RM'000	31.12.2009 RM'000
Non-executive Directors:		
- fees	254	279
- allowances	67	63
	321	342

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

27. MANAGEMENT EXPENSES (Continued)

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

Range of Remuneration	Non-Executive Directors
RM10,001 to RM50,000	1
RM50,001 to RM100,000	2
RM100,001 to RM150,000	1

There were no estimated monetary value of benefits provided to Directors during the financial year by way of usage of the Company's assets.

There was no remuneration or benefits-in-kind attributable to the Chief Executive Officer ("CEO") of the Company during the financial year ended 31 December 2010 (2009: Nil). However, on 19 January 2011, the Board of Directors of the Company approved the payment of remuneration to MAA Holdings Berhad ("MAAH") for the provision of CEO to the Company effective from 16 August 2007. The total remuneration payable to MAAH for the said provision as at 31 December 2010 has been included in the above staff costs (31 December 2010 – RM731,000; 31 December 2009 – RM731,000).

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

Tan Sri Ahmad bin Mohd Don
Muhamad Umar Swift
Yeo Took Keat
Datuk Razman Md. Hashim
Dr. Zaha Rina Zahani
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (resigned on 8 June 2010)

28. OTHER OPERATING EXPENSES - NET

	31.12.2010	31.12.2009
	RM'000	RM'000
Loans and receivables		
- bad debts written off	(4,351)	(5,768)
Unreconciled differences in insurance receivables written off	6,078	-
Finance costs	(40)	(39)
Other miscellaneous (expenses)/revenue	(3,356)	275
	(1,669)	(5,532)

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

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29. TAXATION

	31.12.2010	
	Life fund RM'000	General and shareholders' funds RM'000
Current tax	24,159	12,894
Deferred tax (Note 12)	11,981	1,795
Tax expense	36,140	14,689
Current tax		
Current financial year	26,770	13,001
Over provision in prior years	(2,611)	(107)
Deferred tax		
Origination and reversal of temporary differences	11,981	1,795
	36,140	14,689

	31.12.2009	
	Life fund RM'000	General and shareholders' funds RM'000
Current tax	15,300	830
Deferred tax (Note 12)	17,187	7,099
Tax expense	32,487	7,929
Current tax		
Current financial year	17,125	2,996
Under provision in prior years	(1,825)	(2,166)
Deferred tax		
Origination and reversal of temporary differences	17,187	6,358
Benefit from previously unrecognised tax loss	-	741
	32,487	7,929

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

29. TAXATION

Numerical reconciliation between average effective tax rate and the Malaysian tax rate for the general and shareholders' funds is as follows:

	31.12.2010 RM'000	31.12.2009 RM'000
Malaysian tax rate	25	25
Tax effects of:		
- expenses not deductible for tax purposes	(1)	(4)
- over accrual in prior years	-	6
Benefit from previously unrecognised tax loss	-	(2)
Origination and reversal of temporary differences	1	(2)
Average effective tax rate	**25**	**23**

The taxation charge on the life insurance business is based on the method prescribed under the Income Tax Act, 1967 for life business where income tax of the life business is calculated at 8% on investment income.

30. DIVIDENDS

The Directors do not recommend any dividend for the current financial year.

31. EARNINGS PER SHARE

The basic earnings per ordinary share has been calculated by dividing the Company's net profit for the financial year of RM43,812,000 (2009: RM26,463,000) over the number of shares of the Company in issue of 150,000,000 (2009: 150,000,000) shares.

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

32. CASH FLOWS

	Note	31.12.2010 RM'000	31.12.2009 RM'000
Profit after tax		43,812	26,463
Life fund's surplus after taxation		59,500	182,985
Investment income	22	(307,490)	(285,904)
Realised gains recorded in profit or loss	23	(42,399)	(16,141)
Fair value gains recorded in profit or loss	24	(173,152)	(167,120)
Purchases of investment properties	6	(4,942)	(4,136)
Proceeds from sale of investment properties		45,835	22,024
Purchases of financial assets at fair value through profit or loss	7(c)	(527,488)	(814,701)
Proceeds from sale of financial assets at fair value through profit or loss		532,882	593,779
Purchases of available-for-sale financial assets	7(c)	(870,548)	(1,481,849)
Proceeds from sale and redemption of available-for-sale financial assets		864,187	1,165,710
Decrease in loans and receivables		165,309	80,752
Non-cash items:			
Depreciation of property, plant and equipment	4	11,498	12,060
Amortisation of intangible assets	5	2,901	1,890
Impairment losses on intangible assets		-	2,502
Increase in provision for agents' retirement benefits	18	100	152
Utilisation of agents' retirement benefits	18	(177)	(476)
Unrealised loss/(gain) on foreign exchange		-	138
Decrease in allowance for impairment on insurance receivables	27	(13,219)	(2,073)
Bad debts written off	27	10,646	-
Tax expense	29	50,829	40,416
Changes in working capital:			
Decrease/(increase) in reinsurance assets		31,612	(23,598)
Decrease in insurance receivables		9,342	17,710
Decrease/(increase) in other receivables		9,934	(13,752)
(Decrease)/increase in insurance contract liabilities		(105,475)	169,159
Increase in other liabilities		38,139	42,808
Increase in insurance payables		78,804	78,700
Cash utilised in operating activities		(89,560)	(372,502)

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of benefits and claims incurred for insurance contracts, which are classified under operating activities.

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33. CAPITAL AND OTHER COMMITMENTS

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

	31.12.2010 RM'000	31.12.2009 RM'000
Authorised and contracted for:		
- investment properties	13,531	15,090

34. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Significant related party transactions

The significant related party transactions during the financial year with unrelated parties, are as follows:

	31.12.2010 RM'000	31.12.2009 RM'000
Transactions with MAA International Assurance Ltd:		
Reinsurance premiums paid	43,066	56,260
Reinsurance claims recovered	(33,262)	(31,767)
Reinsurance commissions received	(12,991)	(16,547)
Transactions with MAA Takaful Berhad:		
Co-insurance premiums received	(907)	(906)
Co-insurance commissions paid	158	183
Rental income received/receivable from related parties:		
MAA Holdings Berhad	(318)	(278)
MAAKL Mutual Bhd	(840)	(790)
Maagnet Systems Sdn Bhd	(420)	(400)
MAA International Assurance Ltd	(150)	(150)
MAA Takaful Berhad	(772)	(419)
MAA Corporate Advisory Sdn Bhd	(148)	(183)
Wira Security Services Sdn Bhd	(158)	(277)
MAA Corporation Sdn Bhd	(560)	(543)
Menang Bernas Sdn Bhd	(107)	(107)
Meridian Asset Management Sdn Bhd	(172)	(107)
MAA Universal Sdn Bhd	-	(61)
Melewar Group Berhad	(80)	(67)
Trace Management Services Sdn Bhd	(135)	(121)
Melewar Integrated Engineering Sdn Bhd	(410)	(485)
Mithril Berhad	(59)	(1,214)
Melewar Industrial Group Berhad	(299)	(256)
Melewar Apex Sdn Bhd	-	(54)
Melewar Equities Sdn Bhd	(108)	-
MAA Bancwell Trustee Berhad	(51)	-

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34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

	31.12.2010 RM'000	31.12.2009 RM'000
Other transactions with related parties:		
Property management and services paid to:		
- Malaysian Alliance Property Services Sdn Bhd	3,047	2,893
Software development, system support and maintenance fees paid to:		
- Maagnet Systems Sdn Bhd	6,630	6,071
Security service charges paid to:		
- MAA Holdings Berhad	838	838
- Wira Security Services Sdn Bhd	3,898	3,815
Payment of remuneration to MAA Holdings Berhad for the provision of CEO to the Company	731	731
Parking charges paid to:		
- Chelsea Parking Services Sdn Bhd	300	275
Rental expenses paid to:		
- Mithril Berhad	-	9,907
Company secretarial and related fees paid to:		
- Trace Management Services Sdn Bhd	197	137
Purchase of air tickets and travel packages from:		
- Mitra Malaysia Sdn Bhd	2,747	1,441
Car park management fees paid to:		
- Chelsea Parking Services Sdn Bhd	214	214
Breakdown services assistance charges paid to:		
- Multioto Services Sdn Bhd	5,347	2,256
Purchase of food and beverage vouchers paid to:		
- Menang Bernas Sdn Bhd	451	468
Advisory fee in respect of proposed disposal of General Insurance Business paid to:		
- MAA Corporate Advisory Sdn Bhd	240	560
Additional retirement benefit fund managed by:		
- MAA Bancwell Trustee Berhad	437	377
Purchase of computer equipments from:		
- Maagnet Systems Sdn Bhd	1,301	1,589
Outsourcing fees received from:		
- MAA Takaful Berhad	(6,298)	(5,428)
Sale of shares in Mycron Steel Bhd	(502)	-
Sale of shares in M3nergy Bhd	(8,652)	-
Sale of investment property to MAA-Medicare Sdn Bhd	(10,673)	-

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34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party balances

Included in the statement of financial position of the Company are:

	31.12.2010 RM'000	31.12.2009 RM'000
(i) Related party balances		
MAA International Assurance Ltd:		
- Reinsurance balances receivable	1,197	437
- Reinsurance balances payable	(493)	(1,279)
MAA Takaful Berhad		
- Co-insurance balances payables	(41)	(166)
- Outsourcing fees receivable	1,452	1,344
Melewar Integrated Engineering Sdn Bhd:		
- Rental balance receivable	-	76
MAA Holdings Berhad		
- Payment of remuneration for the provision of CEO to the Company	(2,467)	(1,736)
Multioto Services Sdn Bhd		
- Breakdown services assistance charge payable	(2,790)	(372)
(ii) Investments in related parties		
At fair value:		
Financial assets at fair value through profit or loss:		
Equity securities quoted in Malaysia:		
- Mycron Steel Berhad	1,218	1,523
- M3nergy Berhad	-	6,735
- Melewar Industrial Group Berhad	4,695	3,665
Unquoted investment-linked units:		
- MAA International Assurance Ltd	10,957	11,210
	16,870	23,133

Notes:

i. MAA Holdings Berhad ("MAAH") is the ultimate holding company of the Company.

ii. MAA Corporation Sdn Bhd and MAA Takaful Berhad are subsidiary companies of MAAH.

iii. MAA-Medicare Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd, MAA International Assurance Ltd, MAAKL Mutual Berhad, MAA Corporate Advisory Sdn Bhd, Wira Security Services Sdn Bhd, Maagnet Systems Sdn Bhd, Meridian Asset Management Sdn Bhd, Chelsea Parking Services Sdn Bhd, Multioto Services Sdn Bhd, MAA Universal Sdn Bhd and Menang Bernas Sdn Bhd are subsidiary companies of MAA Corporation Sdn Bhd.

iv. MAA Bancwell Trustee Berhad is an associated company of MAAH.

v. As at 31 December 2010, Mithril Berhad is no longer an associated company of MAAH. Mithril Berhad ceased to be an associated company of MAAH on 7 September 2010.

vi. The other related parties listed above are related through companies controlled by certain Directors of MAAH or controlled by persons connected to certain Directors of MAAH.

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34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

Directors and key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Company's key management personnel as well as fees and allowances paid to Directors were as follows:

	31.12.2010 RM'000	31.12.2009 RM'000
Salaries and other short-term employee benefits	4,498	4,144
Defined contribution retirement benefits	660	604
	5,158	4,748

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

	31.12.2010 RM'000	31.12.2009 RM'000
Amount receivable from mortgage loans	250	316

The amount receivable from mortgage loans is secured against properties pledged with fixed terms and bearing interest at the rates ranging from 5% to 8.5% per annum (2009: 5% to 8.5% per annum).

There was no remuneration or benefits-in-kind attributable to the Chief Executive Officer ("CEO") of the Company during the financial year ended 31 December 2010 (2009: Nil). However, on 19 January 2011, the Board of Directors of the Company approved the payment of remuneration to MAA Holdings Berhad ("MAAH") for the provision of CEO to the Company effective from 16 August 2007. The total remuneration payable to MAAH for the said provision as at 31 December 2010 has been included in the management expenses of the Company under staff costs (31 December 2010 – RM731,000; 31 December 2009 – RM731,000).

35. CHANGE IN ACCOUNTING POLICIES

During the financial year, the Company changed the following accounting policies upon adoption of new accounting standards, amendments and improvements to published standards and interpretations:

- FRS 101 (revised) : Presentation of Financial Statements (Note (a))
- FRS 7: Financial Instruments – Disclosures (Note (a))
- FRS 4: Insurance Contracts (Note (b))
- FRS 139: Financial Instruments – Recognition and Measurement (Note (c)); and
- FRS 117: Leases (Note (a))

The following describes and discloses the impact of the above FRS to the financial statements of the Company.

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35. CHANGE IN ACCOUNTING POLICIES (continued)

(a) FRS 101(R) and FRS 7

The adoption of FRS 101 (R) effective for the financial year ended 31 December 2010 resulted in the following:

(i) the income statement for the year ended 31 December 2009 has been re-presented as two statements, namely income statement and statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Comparative information has been re-presented so that it also is in conformity with the revised standard; and

(i) a statement of financial position at the beginning of the earliest comparative period, i.e. 1 January 2009 has been included following the change in the comparative figures for 31 December 2009 to conform with the current year's presentation arising from those changes in accounting policies with retrospective application. Similarly, a three year comparison is disclosed for those affected notes to the financial statements with retrospective changes.

This change in accounting policy only impacts the presentation aspect, and thus there is no impact on earnings per share.

FRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments. FRS 7 does not require comparative disclosures when the standard is first applied.

(b) FRS 4 Insurance Contracts

The adoption of FRS 4: Insurance Contracts has resulted in a change in accounting policy relating to the presentation of insurance liabilities, i.e. premiums liabilities and claims liabilities. Prior to 1 January 2010, insurance liabilities were offset with the corresponding recoverable reinsurance assets.

Upon the adoption of FRS 4, the offsetting of insurance liabilities and the corresponding reinsurance assets is prohibited. Consequently, the corresponding reinsurance assets are required to be shown separately on the face of the statement of financial position. This change in the presentation has been accounted for retrospectively and the comparative figures as at 31 December 2009 have been restated.

In addition, the adoption of FRS 4: Insurance Contracts has resulted in a change in accounting policy relating to the method of assessing impairment loss on insurance receivables. Prior to 1 January 2010, an allowance was made for any premiums, including agents' and reinsurers' balances, which remained outstanding for more than six months from the date on which they became receivable, except for outstanding motor premiums for which an allowance is made for amounts outstanding for more than 30 days.

Upon the adoption of FRS 4, if there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The objective evidence of impairment is deemed to exist where the insurance receivables are past due for more 90 days or 3 months.

The effects of this change in accounting standards are applied retrospectively according to the transitional provision of the accounting standard.

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35. CHANGE IN ACCOUNTING POLICIES (continued)

(c) FRS 139 Financial Instruments: Recognition and Measurement

The main principals of FRS 139 in relation to the valuation of assets had been addressed by Part D: Valuation of Assets and Liabilities prescribed under the Risk-Based Capital ("RBC") Framework which the Company had applied in the previous financial year. However, the valuation principals prescribed in the RBC Framework had not addressed the basis of impairment of loans and receivables. The Financial Reporting Standard prescribes a new set of rules on impairment assessment of loans and receivables balances, i.e. taking into account the timing of receipt of expected cash flows.

In the previous financial year, loans and receivables (other than insurance receivables) are stated at cost less any allowance for bad and doubtful debts. A provision for impairment of loan is established when there was objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision was the difference between the asset's carrying amount and the net realisable value of the collateral held for the non-performing loan secured on property and/or shares. Loans were classified as non-performing when repayments were in arrears for more than six months from the first day of default or after maturity date.

Following the adoption of FRS 139, the Company adopted a new accounting policy on loans and receivables as described in Note 2(l) to the financial statements. This change in accounting policy is applied prospectively, following the transitional provision of the accounting standard, to the opening retained earnings of the Company as at 1 January 2010.

(d) FRS 117: Leases

Following the adoption of the improvement to FRS 117: Leases, leasehold land, which the Company has substantially all the risks and rewards incidental to ownership, has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. The comparative figures for financial year ended 31 December 2009 have been restated following the change in accounting policy.

Effects of changes in accounting policies on the Company's statement of financial position at 1 January 2009, 31 December 2009 and 31 December 2010

The following tables disclose the adjustments that have been made in accordance with the transitional and new provisions of the respective FRSs to each of the line items in the Company's statement of financial position as at 1 January 2009, 31 December 2009 and 31 December 2010.

				1.1.2009
	As previously reported*	Effects of FRS 4	Effects of FRS 117	Restated balance
	RM'000	RM'000	RM'000	RM'000
Statement of financial position				
Asset:				
Property, plant and equipment	297,110	-	5,249	302,359
Investments - loans and receivables	1,102,380	-	-	1,102,380
Reinsurance assets				
- Life insurance	-	19,780	-	19,780
Other receivables	45,506	-	(5,249)	40,257
Deferred tax assets	23,347	-	-	23,347
Assets classified as held for sale	538,370	210,577	-	748,947
- Reinsurance assets	-	210,577	-	210,577

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

35. CHANGE IN ACCOUNTING POLICIES (continued)

Effects of changes in accounting policies on the Company's statement of financial positions at 1 January 2009, 31 December 2009 and 31 December 2010 (continued)

				1.1.2009
	As previously reported*	Effects of FRS 4	Effects of FRS 117	Restated balance
	RM'000	RM'000	RM'000	RM'000
Statement of financial position (continued)				
Equity:				
Retained earnings	29,892	-	-	29,892
Liabilities:				
Insurance contract liabilities				
- Life insurance	5,366,981	19,780	-	5,386,761
Deferred tax liabilities	122	-	-	122
Current tax liabilities	30,675	-	-	30,675
Liabilities classified as held for sale	560,328	210,577	-	770,905
- Insurance contract liabilities				
- General insurance	414,971	210,577	-	625,548

				31.12.2009
	As previously reported	Effects of FRS 4	Effects of FRS 117	Restated balance
	RM'000	RM'000	RM'000	RM'000
Statement of financial position				
Asset:				
Property, plant and equipment	279,922	-	3,558	283,480
Investments - loans and receivables	999,442	-	-	999,442
Reinsurance assets				
- Life insurance	-	24,886	-	24,886
Other receivables	48,998	-	(3,558)	45,440
Deferred tax assets	7,731	-	-	7,731
Assets classified as held for sale	555,921	229,069	-	784,990
- Reinsurance assets	-	229,069	-	229,069
Equity:				
Retained earnings	56,355	-	-	56,355
Liabilities:				
Insurance contract liabilities				
- Life insurance	5,515,759	24,886	-	5,540,645
Deferred tax liabilities	3,269	-	-	3,269
Current tax liabilities	23,259	-	-	23,259
Liabilities classified as held for sale	617,929	229,069	-	846,998
- Insurance contract liabilities				
- General insurance	469,750	229,069	-	698,819

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35. CHANGE IN ACCOUNTING POLICIES (continued)

Effects of changes in accounting policies on the Company's statement of financial positions at 1 January 2009, 31 December 2009 and 31 December 2010 (continued)

	1.1.2010			31.12.2010
	As previously reported	Effects of FRS 139	Restated balance	Effects of FRS as at 31.12.2010
	RM'000	RM'000	RM'000	RM'000
Statement of financial position				
Asset:				
Property, plant and equipment	283,480	-	283,480	-
Investments - loans and receivables	999,442	(49,087)	950,355	10,524
Reinsurance assets	24,886	-	24,886	222,343
- Life insurance	24,886	-	24,886	28,920
- General insurance	-	-	-	193,423
Other receivables	45,440	-	45,440	-
Deferred tax assets	7,731	4,073	11,804	-
Equity:				
Retained earnings	56,355	2,373	58,728	(324)
Liabilities:				
Insurance contract liabilities	5,540,645	(48,070)	5,492,575	(222,343)
- Life insurance	5,540,645	(48,070)	5,492,575	(28,920)
- General Insurance	-	-	-	(193,423)
Deferred tax liabilities	3,269	(1,527)	1,742	324
Current tax liabilities	23,259	2,210	25,469	-
Liabilities classified as held for sale	846,998	-	846,998	-
- Insurance contract liabilities				
- General insurance	698,819	-	698,819	-

* Balances as at 1 January 2009 prior to adjusting for the effects of FRS 117 and FRS 4 were arrived at after taking into account adjustments arising from the implementation of the Risk-Based Capital Framework effective from 1 January 2009.

Effects of changes in accounting policies on the Company's income statement/statement of comprehensive income for the financial year ended 31 December 2010.

The following tables disclose the adjustments effects of the respective FRSs to each of the items in the Company's income statement/statement of comprehensive income for the financial year ended 31 December 2010.

	Increase/(decrease) for the financial year ended 31.12.2010		
	Effects of FRS 139	Effects of FRS 4	Total
	RM'000	RM'000	RM'000
Net claims and claims:			
- Claims ceded to reinsurers	-	(350)	(350)
Management expenses:			
- Write back of impairment of insurance receivables	-	(13,219)	(13,219)
- Bad debts written-off	-	10,646	10,646
Fair value gains and losses:			
- Write back of impairment	10,524	-	10,524
Earnings per share (sen)	7	2	9

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

36. RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Company's risk governance structure and risk reporting requirement is incorporated in the Company's Risk Management Framework. The Framework explains the underlying approach and defines an on-going and consistent process for identifying, analyzing, evaluating, treating, monitoring and reporting significant risks faced by the business units, divisions, the stakeholders and ultimately, the Company. It also outlines the key aspects of the risks management process and identifies the main reporting procedures.

The adoption of the framework is the responsibility of the Board with some of the responsibilities delegate to the Risk Management Committee. The Company has established senior management committees which act as platform for two-way communication between the Management and the Board. The Committees are the Investment Committee, Risk Based Capital Committee, IT Steering Committee and Executive Committee. All these committees are chaired by the Chief Executive Officer.

They are responsible to oversee the development and assess the effectiveness of risk management policies, review risk exposure and portfolio composition and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

Regulatory Framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment policy rests with the respective Board. The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital Management

The Company's capital management policy is to create shareholder value, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the Risk-based Capital Framework regulated by Bank Negara Malaysia is 130% for each insurance entity. The Company did not comply with the minimum CAR as at 31 December 2010 as disclosed in Note 2(a) under to the financial statements "Compliance with regulatory requirements".

The regulated capital of the Company as at 31 December 2010 comprised Available Capital of RM408 million (2009: RM 276 million).

The capital structure of the Company as at 31 December 2010, as prescribed under the RBC Framework, is shown below:

	2010 RM'000	2009 RM'000
Tier 1 Capital		
Paid-up share capital	150,000	150,000
Retained profits	102,540	56,355
Valuation surplus of non-participating life insurance fund maintained in the insurance fund	354,132	298,095
	606,672	504,450

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36. RISK MANAGEMENT FRAMEWORK

Capital Management (continued)

	2010 RM'000	2009 RM'000
Tier 2 Capital		
Revaluation reserves	423	423
Available-for-sale reserves	52,865	26,539
	53,288	26,962
Less:		
Deferred tax assets	(4,585)	(8,059)
Assignment of assets to support par and annuity par funds	(247,776)	(247,776)
	(252,361)	(255,835)
Total Capital Available	407,599	275,577

37. INSURANCE RISK

The risk underlying any insurance contract is the likelihood of the insured event occurring and the uncertainty in the amount of the resulting claims. This risk is random and therefore unpredictable.

For a portfolio of insurance contracts, the principal risk that the Company 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.

Life Insurance Contracts

Life insurance contracts offered by the Company include whole life, term assurance, endowments, annuity contracts, investment link contracts and medical and health riders. The Company currently does not offer any investment contracts with DPF.

The main risks that the Company is exposed to are the following:-

- Mortality risk – risk of loss arising due to policyholders' death experience being worse than expected
- Morbidity risk – risk of loss arising due to policyholders' health experience being worse than expected
- Longevity risk – risk of loss arising due to annuitants living longer than expected
- Investment return/Interest rate risk – risk of loss arising from actual returns being lower than expected
- Expense risk – risk of loss arising from expense experience being higher than expected
- Lapse risk – risk of loss arising due to policyholder surrender experience deviate from that expected

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

The Company'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, use of medical screening to ensure that pricing reflects policyholders' health condition and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims procedures.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

37. INSURANCE RISK (CONTINUED)

Life Insurance Contracts (continued)

The table below shows the concentration of the liabilities for future policyholders' benefits by type of contract.

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2010							
Life Contracts							
Whole life	1,676,334	66,393	1,742,727	(1,947)	(723)	(2,670)	1,740,057
Endowment	469,230	603,585	1,072,815	(495)	(1,250)	(1,745)	1,071,070
Term-Mortgage	522	133,763	134,285	-	(8,219)	(8,219)	126,066
Term-Others	439,664	51,754	491,418	(580)	(4,971)	(5,551)	485,867
Term-Medical & Health	-	22,460	22,460	-	-	-	22,460
Term- Other plans	-	494	494	-	(11)	(11)	483
Annuity Contracts							
Immediate annuities	525	-	525	-	-	-	525
Deferred annuities	1,029,553	-	1,029,553	-	-	-	1,029,553
Total life insurance	3,615,828	878,449	4,494,277	(3,022)	(15,174)	(18,196)	4,476,081
31 December 2009							
Life Contracts							
Whole life	1,610,398	66,246	1,676,644	(2,519)	(848)	(3,367)	1,673,277
Endowment	461,979	775,849	1,237,828	(643)	(1,397)	(2,040)	1,235,788
Term-Mortgage	547	139,345	139,892	-	(7,785)	(7,785)	132,107
Term-Others	438,870	25,319	464,189	(794)	(5,600)	(6,394)	457,795
Term-Medical & Health	-	19,970	19,970	-	-	-	19,970
Term - Other plans	-	719	719	-	(10)	(10)	709
Annuity Contracts							
Immediate annuities	524	-	524	-	-	-	524
Deferred annuities	1,246,254	-	1,246,254	-	-	-	1,246,254
Total life insurance	3,758,572	1,027,448	4,786,020	(3,956)	(15,640)	(19,596)	4,766,424

As all of the business is derived from Malaysia, and the entire life liabilities are in Malaysia.

Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

37. **INSURANCE RISK** (CONTINUED)

Life Insurance Contracts (continued)

Key Assumptions (continued)

The table below shows the key underlying assumptions used for valuation of life insurance contract liabilities:-

Assumptions	Description
Valuation Method	Gross Premium Valuation For Participating Fund, the method that produces the higher reserves of: (i) Fund based yield for total benefits (i.e. guaranteed and non-guaranteed cash flows), and (ii) For guaranteed cash flows, weighted average of Malaysia Government Bond zero coupon spot yields (as outlined below). For Ordinary Life Non Participating business, only (ii) is applicable.
Interest Rate	Weighted average of Malaysia Government bond yields determined based on the following: (i) For cash flows with duration less than 15 years, weighted average of Malaysia Government Bond zero coupon spot yields of matching duration. (ii) For cash flows with duration 15 years or more, weighted average of Malaysia Government Bond zero coupon spot yields of 15 years to maturity. The weighting is based on 30% weights for yields at date of valuation and 70% weights of the simple average of yields in the preceding seven quarters prior to the date of valuation. Following the recent update of Regulation, spot yields would no longer be weighted effective from 1 January 2011. *Data source: Weighted average of Malaysia Government Bond zero coupon spot yield from Bondweb, a bond pricing agency.*
Mortality, Disability, Dread disease, Expense, Lapse and Surrenders	Participating Fund, the method that produces the higher reserves of: (i) Best estimates for total benefits (i.e. guaranteed and non-guaranteed cash flows), and (ii) Best estimates plus provision for risk of adverse deviation (PRADs) for guaranteed cash flows only. Non-Participating and unit reserves of Investment Linked Fund: Best estimates plus provision for risk of adverse deviation (PRADs). Data source: Internal experience studies.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

37. INSURANCE RISK (CONTINUED)

Life Insurance Contracts (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions	Impact on life insurance liabilities	
		Gross	Net
	%	RM'000	RM'000
31 December 2010			
Mortality/morbidity	+10	58,408	58,150
Longevity	-10	(59,211)	(58,949)
Expenses	+10	31,572	31,432
Lapse and surrender rates	+10	(76,555)	(76,217)
Investment return	+1	(278,704)	(277,472)
Investment return	-1	340,687	339,181
Discount rate	+1	(83,915)	(83,544)
Discount rate	-1	121,676	121,138
31 December 2009			
Mortality/morbidity	+10	56,575	56,321
Longevity	-10	(57,125)	(56,868)
Expenses	+10	32,881	32,734
Lapse and surrender rates	+10	(84,679)	(84,299)
Investment return	+1	(313,629)	(312,221)
Investment return	-1	376,170	374,481
Discount rate	+1	(72,581)	(72,255)
Discount rate	-1	94,176	93,753

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period.

General Insurance Contracts

The risk inherent in general insurance contracts are reflected in the insurance contract liabilities which include premium and claims liabilities, as set out under Note 15(b) to the financial statements. Premium liabilities comprise reserves for unexpired risks, whilst claims liabilities comprise loss reserves which include provisions for both outstanding claims notified and outstanding claims incurred but not reported.

The Company sets to manage its insurance risks for general insurance policies 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 individuals' capacity in the underwriting process;
- Mitigating insurance risks through purchase of both proportional and non-proportional reinsurance treaties; and
- Regular monitoring of claims experience and comparing actual experience against that implied in pricing.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

37. **INSURANCE RISK** (CONTINUED)

General Insurance Contracts (continued)

The concentration of the general insurance claims liabilities in relation to the type of insurance contracts accepted is as summarised below:

	31.12.2010			31.12.2009		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fire	45,080	(33,584)	11,496	50,811	(41,406)	9,405
Motor Vehicle	264,231	(37,987)	226,244	224,676	(38,511)	186,165
Motor Cycle	90,401	(13,592)	76,809	82,111	(15,235)	66,876
Marine Cargo, Aviation Cargo & Transit	23,691	(17,034)	6,657	25,358	(19,660)	5,698
Miscellaneous	92,470	(52,320)	40,150	93,645	(54,683)	38,962
At 31 December	515,873	(154,517)	361,356	476,601	(169,495)	307,106

Key Assumptions

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 Company 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 Company 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 Company.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

37. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Sensitivities

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

Motor Third Party Bodily Injury ("TPBI") claims is one of the main components contributing to the Company's general insurance claims liabilities. TPBI has a longer risk exposure compared to other classes which will result in volatile impact to the change in key assumptions.

The analysis below is performed on the Company's TPBI portfolio for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation among assumptions could have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Impact on change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2010					
Average claim cost	+10%	9,707	9,319	(494)	(372)
Average number of claims	+10%	11,373	10,918	(2,094)	(1,572)
Average claim settlement period	24 months to 18 months	8,118	7,794	1,031	776
31 December 2009					
Average claim cost	+10%	8,276	7,945	(421)	(317)
Average number of claims	+10%	8,435	8,098	(575)	(433)
Average claim settlement period	24 months to 18 months	6,921	6,645	879	661

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 date of the statement of financial position, together with cumulative payments to-date.

In setting provisions for claims, the Company 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.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

37. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Gross General Insurance Contract Liabilities for 2010:

	Note	Before 2004	2004	2005	2006	2007	2008	2009	2010	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year										
At end of accident year		266,123	244,493	236,775	257,019	273,029	234,016	358,517	346,182	
One year later		274,404	244,253	237,631	261,888	267,676	256,206	296,855	-	
Two years later		277,792	240,751	243,177	263,908	284,567	240,947	-	-	
Three years later		283,354	245,556	246,593	275,929	275,610	-	-	-	
Four years later		289,293	248,780	249,302	262,578	-	-	-	-	
Five years later		292,275	251,580	242,524	-	-	-	-	-	
Six years later		289,486	249,342	-	-	-	-	-	-	
Seven years later		312,051	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		312,051	249,342	242,524	262,578	275,610	240,947	296,855	346,182	
At end of accident year		(102,092)	(99,405)	(89,022)	(94,155)	(111,328)	(72,173)	(103,716)	(96,008)	
One year later		(194,335)	(172,982)	(168,590)	(184,335)	(191,449)	(165,041)	(191,071)	-	
Two years later		(225,481)	(194,941)	(188,137)	(209,285)	(218,928)	(190,511)	-	-	
Three years later		(246,709)	(211,412)	(199,765)	(226,481)	(235,000)	-	-	-	
Four years later		(262,584)	(220,291)	(220,015)	(240,628)	-	-	-	-	
Five years later		(271,948)	(229,046)	(229,512)	-	-	-	-	-	
Six years later		(278,483)	(236,485)	-	-	-	-	-	-	
Seven years later		(291,001)	-	-	-	-	-	-		
Cumulative payments to-date		(291,001)	(236,485)	(229,512)	(240,628)	(235,000)	(190,511)	(191,071)	(96,008)	
Gross General Insurance contract liabilities per statement of financial position	15(b)	21,050	12,857	13,012	21,950	40,610	50,436	105,784	250,174	515,873

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37. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2010:

	Note	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year										
At end of accident year		215,004	190,111	176,998	203,769	191,473	174,407	269,392	258,314	
One year later		214,795	182,123	173,523	196,601	183,003	188,067	213,495	-	
Two years later		217,745	182,576	177,273	196,984	198,617	169,068	-	-	
Three years later		222,018	186,360	180,423	205,200	187,615	-	-	-	
Four years later		226,128	188,018	185,333	190,182	-	-	-	-	
Five years later		228,352	191,410	176,289	-	-	-	-	-	
Six years later		225,754	188,181	-	-	-	-	-	-	
Seven years later		236,313	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		236,313	188,181	176,289	190,182	187,615	169,068	213,495	258,314	
At end of accident year		(78,453)	(75,349)	(71,213)	(75,635)	(68,300)	(57,092)	(80,659)	(75,253)	
One year later		(151,335)	(131,133)	(127,463)	(137,375)	(126,332)	(115,754)	(138,503)	-	
Two years later		(176,126)	(148,187)	(141,975)	(154,955)	(146,512)	(134,074)	-	-	
Three years later		(192,422)	(161,752)	(151,621)	(166,712)	(159,394)	-	-	-	
Four years later		(204,927)	(168,812)	(160,870)	(174,024)	-	-	-	-	
Five years later		(212,153)	(176,154)	(168,133)	-	-	-	-	-	
Six years later		(217,033)	(182,413)	-	-	-	-	-		
Seven years later		(226,307)	-	-	-	-	-	-		
Cumulative payments to-date		(226,307)	(182,413)	(168,133)	(174,024)	(159,394)	(134,074)	(138,503)	(75,253)	
Net General Insurance contract liabilities per statement of financial position	15(b)	10,006	5,768	8,156	16,158	28,221	34,994	74,992	183,061	361,356

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

38. FINANCIAL RISK

The Company 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 its 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 Company manages these positions within an Asset Liability Management ("ALM") framework that has been developed 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 Company has not changed the processes used to manage its risks from previous periods.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other classes of financial assets and liabilities not directly associated with insurance liabilities. The note below explains how financial risks are managed using the categories utilised in the Company'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 Company's management disclosure with respect to credit risk, liquidity risk, interest rate risk, and price risk.

Credit Risk

The Company has exposure to 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 Company is mainly exposure to credit risk through (i) investment in cash and private debt securities, (ii) corporate/individuals 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.

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 Company however intends to maintain a minimum rating of A/A2 in the overall bond portfolio under current returns objectives. The Company 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 is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company issues unit-linked investment policies. 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 policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company 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 impairment/specific provision in made on those securities/loans (or part of remaining amount) where the level of security has been impaired. Refer to Note 8 – Loans and Receivables for more details on assessment and disclosure of credit risk on loan borrowers.

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.

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38. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure (continued)

	Note	Insurance and Shareholders' Funds RM'000	Unit-Linked RM'000	Total RM'000
31 December 2010				
Available-for-sale financial assets:	7(a)			
Corporate debt securities		3,551,424	-	3,551,424
Equity securities		3,364	-	3,364
Financial assets at fair value through profit or loss:	7(b)			
Corporate debt securities		21,802	145,363	167,165
Loans and receivables:	8			
Loans		650,254	-	650,254
Fixed and call deposits		199,424	50,200	249,624
Reinsurance assets	9	222,343	-	222,343
Insurance receivables	10	77,151	-	77,151
Cash and bank balances		480,188	139,087	619,275
		5,205,950	334,650	5,540,600

	Note	Insurance and Shareholders' Funds Continuing Operations RM'000	Insurance and Shareholders' Funds Discontinued Operations RM'000	Insurance and Shareholders' Funds Total RM'000	Unit-Linked RM'000	Total M'000
31 December 2009						
Available-for-sale financial assets:	7(a)					
Corporate debt securities		3,203,517	236,420	3,439,937	-	3,439,937
Equity securities		3,367	-	3,367	-	3,367
Financial assets at fair value through profit or loss:	7(b)					
Corporate debt securities		25,400	-	25,400	114,841	140,241
Loans and receivables:	8					
Loans		784,351	1,065	785,416	-	785,416
Fixed and call deposits		161,253	55,980	217,233	53,838	271,071
Reinsurance assets	9	24,886	229,069	253,955	-	253,955
Insurance receivables	10	35,837	48,083	83,920	-	83,920
Cash and bank balances		272,070	96,821	368,891	100,742	469,633
		4,510,681	667,438	5,178,119	269,421	5,447,540

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

38. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating

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.

	Neither past-due nor impaired							
	Investment grade		Non-Investment grade	Not Rated	Unit-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 2010								
Available-for-sale financial assets:								
Corporate debt securities	676,075	2,841,345	694	-	-	-	33,310	3,551,424
Equity securities	-	-	-	3,364	-	-	-	3,364
Financial assets at fair value through profit or loss:								
Corporate debt securities	-	21,802	-	-	145,363	-	-	167,165
Loans and receivables:								
Loans	-	-	-	370,877	-	4,529	274,848	650,254
Fixed and call deposits	-	199,424	-	-	50,200	-	-	249,624
Reinsurance assets	-	99,741	-	122,602	-	-	-	222,343
Insurance receivables	-	1,365	-	33,230	-	42,556	-	77,151
Cash and bank balances	-	480,188	-	-	139,087	-	-	619,275
	676,075	3,643,865	694	530,073	334,650	47,085	308,158	5,540,600
31 December 2009								
Available-for-sale financial assets:								
Corporate debt securities	643,064	2,758,934	533	-	-	-	37,406	3,439,937
Equity securities	-	-	-	3,367	-	-	-	3,367
Financial assets at fair value through profit or loss:								
Corporate debt securities	-	25,400	-	-	114,841	-	-	140,241
Loans and receivables:								
Loans	-	-	-	374,015	-	131,284	280,117	785,416
Fixed and call deposits	-	217,233	-	-	53,838	-	-	271,071
Reinsurance assets	-	107,412	-	146,543	-	-	-	253,955
Insurance receivables	-	162	-	35,850	-	47,908	-	83,920
Cash and bank balances	-	368,891	-	-	100,742	-	-	469,633
	643,064	3,478,032	533	559,775	269,421	179,192	317,523	5,447,540

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

38. 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 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.

RM'000	Government Guaranteed 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	Unit -linked RM'000	Impaired RM'000	Total
31 December 2010									
Available-for-sale financial assets:									
Corporate debt securities	676,075	2,293,363	547,982	-	694	-	-	33,310	3,551,424
Equity securities	-	-	-	-	-	3,364	-	-	3,364
Financial assets at fair value through profit or loss:									
Corporate debt securities	-	-	21,802	-	-	-	145,363	-	167,165
Loans and receivables:									
Loans	-	-	-	-	-	375,406	-	274,848	650,254
Fixed and call deposits	-	199,424	-	-	-	-	50,200	-	249,624
Reinsurance assets	-	99,355	-	386	-	122,602	-	-	222,343
Insurance receivables	-	2,369	-	-	-	74,782	-	-	77,151
Cash and bank balances	-	480,188	-	-	-	-	139,087	-	619,275
	676,075	3,074,699	569,784	386	694	576,154	334,650	308,158	5,540,600
31 December 2009									
Available-for-sale financial assets:									
Corporate debt securities	643,064	2,246,501	480,317	32,116	533	-	-	37,406	3,439,937
Equity securities	-	-	-	-	-	3,367	-	-	3,367
Financial assets at fair value through profit or loss:									
Corporate debt securities	-	-	25,400	-	-	-	114,841	-	140,241
Loans and receivables:									
Loans	-	-	-	-	-	505,299	-	280,117	785,416
Fixed and call deposits	-	217,233	-	-	-	-	53,838	-	271,071
Reinsurance assets	-	107,108	-	304	-	146,543	-	-	253,955
Insurance receivables	-	180	-	-	-	83,740	-	-	83,920
Cash and bank balances	-	368,891	-	-	-	-	100,742	-	469,633
	643,064	2,939,913	505,717	32,420	533	738,949	269,421	317,523	5,447,540

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38. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The credit risk analysis for the unit-linked business was not provided as the Company 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 institutions issuing the financial instruments.

During the financial year, the Company made additional allowance for one defaulted corporate debt security due to shortfall in fair value of collaterals. The allowances were offset with a write back of allowance of a defaulted corporate debt security which was fully recovered during the financial year.

In total, there are seven remaining occurrence of rating default events to date since financial year end 2005. During the financial year, no credit default was encountered by the Company and one of the corporate debt securities was fully recovered. The Company received court judgement sum at approximately RM10.7 million for one of its defaulted corporate debt securities of which the Company has made full impairment charge. However, as there is an open appeal by the parties concerned, this amount has not been recognised as a reversal of prior impairment charges in the financial statements. As for the other six corporate debts securities, the bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers.

During the year, no credit exposure limits were exceeded.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Age Analysis of Financial Assets Past-Due But Not Impaired

	Up to 3 Months	3 Months to 6 Months	7 Months to 12 Months	> 12 Months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2010					
Loans and receivables	-	736	41	3,752	4,529
Insurance receivables	24,879	13,995	3,682	-	42,556
	24,879	14,731	3,723	3,752	47,085
31 December 2009					
Loans and receivables	-	43	5,511	125,730	131,284
Insurance receivables	30,718	17,190	-	-	47,908
	30,718	17,233	5,511	125,730	179,192

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

38. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impaired Financial Assets

At 31 December 2010, based on a individual assessment of receivables, there are impaired insurance receivables of RM8,710,000 (2009: RM21,929,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than three (3) months for insurance receivables and more than six (6) months for loans and receivables. In addition, full impairment were made on outstanding debts exceeding twelve months, outstanding debts with terminated status, closed accounts, commuted, winding-up under legal action, accounts written or those served letter of demand. This applies similarly to reinsurance assets, particularly reinsurance recoverable on outstanding claims. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for loans and receivables and insurance receivables in separate allowance for impairment loss accounts.

A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	Insurance Receivables	
	31.12.2010	31.12.2009
	RM'000	RM'000
At 1 January	21,929	24,002
Write back of impairment of insurance receivables	(13,219)	(2,073)
At 31 December	8,710	21,929

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. This situation arises when the Company is unable to convert its financial assets into cash when needed. Demands for funds can usually be met through ongoing normal operations, premiums 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 of similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combined 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 policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, 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 existence of surrender penalty in life insurance contracts also protects the Company 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 contracts, the Company'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 Company's financial liabilities based on outstanding term to maturity still remaining.

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38. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

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 these carry no maturity values. Products with no maturity dates are annuity and whole life plans.

Unearned premiums have been excluded from the analysis as they are not contractual obligations.

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2010								
Insurance contract liabilities:								
Life insurance with DPF	3,255,650	44,019	31,851	43,440	368,618	17,920	2,749,802	3,255,650
Life insurance without DPF	1,422,697	1,122,238	59,691	26,422	28,201	123,577	62,568	1,422,697
General insurance	515,873	214,231	171,826	88,366	41,450	-	-	515,873
Provision for agents' retirement	2,703	478	508	666	948	103	-	2,703
Insurance payables	843,991	843,991	-	-	-	-	-	843,991
Other liabilities	232,610	207,818	23,315	1,477	-	-	-	232,610
	6,273,524	2,432,775	287,191	160,371	439,217	141,600	2,812,370	6,273,524
31 December 2009								
Insurance contract liabilities:								
Life insurance with DPF	3,401,400	53,756	30,209	38,235	354,121	16,684	2,908,395	3,401,400
Life insurance without DPF	1,490,070	1,126,050	147,136	20,394	31,591	103,241	61,658	1,490,070
General insurance	476,601	207,550	162,065	75,446	31,540	-	-	476,601
Provision for agents' retirement	2,780	895	672	644	522	47	-	2,780
Insurance payables	765,189	765,189	-	-	-	-	-	765,189
Other liabilities	187,243	174,298	12,823	122	-	-	-	187,243
	6,323,283	2,327,738	352,905	134,841	417,774	119,972	2,970,053	6,323,283

The table below summarises the current/non-current classification of assets:

	Current*	Non-current	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2010				
Property, plant and equipment	-	279,584	-	279,584
Intangible assets	-	4,595	-	4,595
Investment properties	-	512,287	-	512,287
Financial assets:				
Available-for-sale	278,303	3,512,610	-	3,790,913
At fair value through profit or loss	536,435	-	564,271	1,100,706
Loans and receivables	833,405	16,273	50,200	899,878
Reinsurance assets	136,274	86,069	-	222,343
Insurance receivables	77,151	-	-	77,151
Other receivables	39,611	-	4,379	43,990
Tax recoverable	25,134	-	1,802	26,936
Deferred tax assets	1,900	-	-	1,900
Cash and bank balances	480,188	-	139,087	619,275
	2,408,401	4,411,418	759,739	7,579,558

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

38. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
31 December 2009				
Property, plant and equipment	-	287,439	-	287,439
Intangible assets	-	5,345	-	5,345
Investment properties	-	577,342	-	577,342
Financial assets:				
Available-for-sale	171,537	3,530,626	-	3,702,163
At fair value through profit or loss	423,630	-	487,238	910,868
Loans and receivables	984,600	18,049	53,838	1,056,487
Reinsurance assets	163,347	90,608	-	253,955
Insurance receivables	83,920	-	-	83,920
Other receivables	49,309	-	853	50,162
Tax recoverable	24,438	-	4,003	28,441
Deferred tax assets	7,610	-	121	7,731
Cash and bank balances	368,891	-	100,742	469,633
	2,277,282	4,509,409	646,795	7,433,486

* Expected recovery or settlement within 12 months from the date of the statement of financial position.

Market Risk

Market risk is the risk of loss in the Company investment's valuation 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 Company 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 Company'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 Company 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 Company's exposure to market risk on this business is limited to the extent of income arising from asset management charges based on the value of the assets in the funds.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

38. FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Insurance Act, 1996, and hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

The Company'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 Company 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 Company investment's fair valuation and reinvestment issues to the Company. The Investment Committee actively monitors such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch as 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 Company 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 of Equity (that reflects adjustments to Profit before Tax and re-valuing fixed rate/yield AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed in an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on Equity*	
	31 Dec 2010 RM'000	31 Dec 2009 RM'000
Interest Rate		
+ 100 basis points - loss	(14,906)	(12,492)
- 100 basis points - gain	16,265	13,406

* Impact on Equity reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

38. 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 Company is exposed to movements in equity markets. The Company monitors its equity price risk through regular stress testing. In addition, the Company monitors and manages the equity exposure against policies set and agreed by the Investment Committee. These policies include monitoring the equity exposure against benchmark set and single security exposure of the portfolio against the limits set. The Company 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 Company uses derivative financial instruments (index future contracts) as a means of hedging against the impact of negative market movements on the value of assets in the portfolio so as to reduce and eliminate risks. The Company's policy is to trade in derivatives only to hedge existing financial market risk and not for the purpose of speculation.

In respect of risk associated with the use of derivative financial instruments, price risk is controlled through the settling of exposure limits, which are subjected to detailed monitoring and review.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit before Tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in Income Statement) and Equity (that reflects adjustments to Profit before Tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on Profit before Tax		Impact on Equity*	
	31 Dec 2010 RM'000	31 Dec 2009 RM'000	31 Dec 2010 RM'000	31 Dec 2009 RM'000
Change in variables:				
FTSE Bursa Malaysia				
- FBM KLCI + 15% - gain	9,097	5,350	6,823	4,012
- FMM KLCI - 15% - loss	(9,097)	(5,350)	(6,823)	(4,012)

The potential impacts arising from other market indices are deemed insignificant as the Company'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 the previous year.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

39. 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 Company has developed comprehensive Standard Operating Procedures ("SOP") to enable all relevant departments to implement measures, monitor and control the risk in order to avoid or reduce future losses. The Risk Management Department is assigned to facilitate the relevant departments in identifying and evaluating their operational risks and control weaknesses via structured risk assessment process.

40. 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 (i.e. BNM, Persatuan Insurans Am Malaysia ("PIAM"), Life Insurance Association of Malaysia ("LIAM")) governing the insurance industry, products and activities.

Consequently, the exposure to this risk can damage the Company's reputation, lead to legal or regulatory sanctions and /or financial loss.

The Governance and Quality Department is assigned to look into all compliance aspects in observing the regulatory requirements (i.e. BNM, PIAM, LIAM). It has developed internal policies and procedures (i.e. Anti-Money Laundering Framework, Whistle-blowing Framework, Introduction of New Products Framework, Outsourcing Framework) to align with the law and guidelines issued by the authority.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

41. INSURANCE FUNDS

The Company's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products for different markets. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's principal operations are organised into Life insurance, General insurance and Shareholders' segments.

The Life insurance business offers a wide range of participating and non-participating whole life, term assurance, endowments, medical and health riders, annuity products as well as investment-linked products.

The General insurance business offers general insurance products which include motor, fire, marine, aviation and transit ("MAT"), health and surgical and miscellaneous products.

The businesses written for both Life insurance and General insurance are all Malaysian businesses.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

41. INSURANCE FUNDS (continued)

Statement of Financial Position by Funds
As at 31 December 2010

	Life Fund RM'000	General Fund RM'000	Shareholders' Fund RM'000	Total RM'000
Assets				
Property, plant and equipment	214,108	3,048	62,428	279,584
Intangible assets	3,283	1,312	-	4,595
Investment properties	492,409	16,943	2,935	512,287
Investments	5,132,248	554,626	104,623	5,791,497
Available-for-sale financial assets	3,236,960	465,202	88,751	3,790,913
Financial assets at fair value through profit or loss	1,033,847	66,859	-	1,100,706
Loans and receivables	861,441	22,565	15,872	899,878
Reinsurance assets	28,920	193,423	-	222,343
Insurance receivables	33,178	43,973	-	77,151
Other receivables	34,269	9,456	265	43,990
Tax recoverable	12,081	2,999	11,856	26,936
Deferred tax assets	-	-	1,900	1,900
Cash and cash equivalents	475,490	107,928	35,857	619,275
Total assets	**6,425,986**	**933,708**	**219,864**	**7,579,558**
Equity, policyholders' funds and liabilities				
Share capital	-	-	150,000	150,000
Retained earnings	-	-	102,540	102,540
Other reserves	-	12,275	59	12,334
Total equity	**-**	**12,275**	**252,599**	**264,874**
Insurance contract liabilities	5,458,461	727,302	-	6,185,763
Deferred tax liabilities	13,601	1,876	-	15,477
Other liabilities	147,492	84,450	668	232,610
Insurance payables	789,233	54,758	-	843,991
Provision for life agents' retirement benefits	2,703	-	-	2,703
Current tax liabilities	13,069	10,942	10,129	34,140
Total liabilities	**6,424,559**	**879,328**	**10,797**	**7,314,684**
Total equity, policyholders' funds and liabilities	**6,424,559**	**891,603**	**263,396**	**7,579,558**
Inter-fund balances	**1,427**	**42,105**	**(43,532)**	**-**

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

41. INSURANCE FUNDS (continued)

Statement of Financial Position by Funds
As at 31 December 2009

	Life Fund RM'000	General Fund RM'000	Shareholders' Fund RM'000	Total RM'000
Assets				
Property, plant and equipment	219,664	63,816	-	283,480
Intangible assets	3,822	1	-	3,823
Investment properties	551,855	25,487	-	577,342
Investments	5,110,148	85,504	73,052	5,268,704
Available-for-sale financial assets	3,257,996	56,518	72,572	3,387,086
Financial assets at fair value through profit or loss	870,393	11,783	-	882,176
Loans and receivables	981,759	17,203	480	999,442
Reinsurance assets	24,886	-	-	24,886
Insurance receivables	35,837	-	-	35,837
Other receivables	41,742	2,972	726	45,440
Tax recoverable	13,421	2,763	12,257	28,441
Deferred tax assets	4,333	1,731	1,667	7,731
Cash and cash equivalents	359,656	-	13,156	372,812
Assets classified as held for sale	-	784,990	-	784,990
Total assets	6,365,364	967,264	100,858	7,433,486
Equity, policyholders' funds and liabilities				
Share capital	-	-	150,000	150,000
Retained earnings	-	-	56,355	56,355
Other reserves	-	5,843	84	5,927
Total equity	-	5,843	206,439	212,282
Insurance contract liabilities	5,540,645	-	-	5,540,645
Deferred tax liabilities	3,269	-	-	3,269
Other liabilities	115,491	1,026	-	116,517
Insurance payables	687,736	-	-	687,736
Provision for life agents' retirement benefits	2,780	-	-	2,780
Current tax liabilities	11,819	1,128	10,312	23,259
Liabilities classified as held for sale	-	846,998	-	846,998
Total liabilities	6,361,740	849,152	10,312	7,221,204
Total equity, policyholders' funds and liabilities	6,361,740	854,995	216,751	7,433,486
Inter-fund balances	3,624	112,269	(115,893)	-

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

41. INSURANCE FUNDS (continued)

Income Statement by Funds
For the financial year ended 31 December 2010

	Life Fund RM'000	General Fund RM'000	Shareholders' Fund RM'000	Total RM'000
Operating revenue	**1,269,119**	**547,901**	**8,053**	**1,825,073**
Gross earned premiums	995,851	521,732	-	1,517,583
Premiums ceded to reinsurers	(36,854)	(133,262)	-	(170,116)
Net earned premiums	**958,997**	**388,470**	**-**	**1,347,467**
Investment income	273,268	26,169	8,053	307,490
Realised gains and losses	39,787	1,895	717	42,399
Fair value gains and losses	163,473	8,751	928	173,152
Fee and commission income	19,082	26,365	-	45,447
Other revenue	**495,610**	**63,180**	**9,698**	**568,488**
Gross benefits and claims paid	(1,360,483)	(268,504)	-	(1,628,987)
Claims ceded to reinsurers	9,870	74,098	-	83,968
Gross change to contract liabilities	182,278	(39,272)	-	143,006
Change in contract liabilities ceded to reinsurers	4,034	(14,978)	-	(10,944)
Net claims	**(1,164,301)**	**(248,656)**	**-**	**(1,412,957)**
Fee and commission expense	(98,108)	(71,991)	-	(170,099)
Management expenses	(90,907)	(83,703)	(2,479)	(177,089)
Other operating (expenses)/revenue - net	(5,651)	5,141	(1,159)	(1,669)
Other expenses	**(194,666)**	**(150,553)**	**(3,638)**	**(348,857)**
Surplus/profit before taxation	**95,640**	**52,441**	**6,060**	**154,141**
Taxation of life insurance fund	(36,140)	-	-	(36,140)
Surplus after taxation/profit before taxation	**59,500**	**52,441**	**6,060**	**118,001**
Surplus retained in life insurance fund	(59,500)	-	-	(59,500)
Profit before taxation	**-**	**52,441**	**6,060**	**58,501**
Taxation	-	(13,326)	(1,363)	(14,689)
Profit for the financial year	**-**	**39,115**	**4,697**	**43,812**

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

41. INSURANCE FUNDS (continued)

Income Statement by Funds
For the financial year ended 31 December 2009

	Life Fund RM'000	General Fund RM'000	Shareholders' Fund RM'000	Total RM'000
Operating revenue	**1,308,032**	**446,119**	**2,539**	**1,756,690**
Gross earned premiums	1,053,193	417,593	-	1,470,786
Premiums ceded to reinsurers	(35,446)	(137,241)	-	(172,687)
Net earned premiums	**1,017,747**	**280,352**	**-**	**1,298,099**
Investment income	254,840	28,526	2,538	285,904
Realised gains and losses	11,573	4,539	29	16,141
Fair value gains and losses	152,906	14,214	-	167,120
Fee and commission income	15,969	32,206	-	48,175
Other revenue	**435,288**	**79,485**	**2,567**	**517,340**
Gross benefits and claims paid	(1,071,475)	(273,385)	-	(1,344,860)
Claims ceded to reinsurers	14,902	87,208	-	102,110
Gross change to contract liabilities	7,944	(14,720)	-	(6,776)
Change in contract liabilities ceded to reinsurers	5,106	7,810	-	12,916
Net claims	**(1,043,523)**	**(193,087)**	**-**	**(1,236,610)**
Fee and commission expense	(101,067)	(63,796)	-	(164,863)
Management expenses	(87,659)	(70,899)	(12)	(158,570)
Other operating expenses - net	(5,314)	(198)	(20)	(5,532)
Other expenses	**(194,040)**	**(134,893)**	**(32)**	**(328,965)**
Surplus/profit before taxation	**215,472**	**31,857**	**2,535**	**249,864**
Taxation of life insurance fund	(32,487)	-	-	(32,487)
Surplus after taxation/profit before taxation	**182,985**	**31,857**	**2,535**	**217,377**
Surplus retained in life insurance fund	(182,985)	-	-	(182,985)
Profit before taxation	**-**	**31,857**	**2,535**	**34,392**
Taxation	-	(9,043)	1,114	(7,929)
Profit for the financial year	**-**	**22,814**	**3,649**	**26,463**

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

41. INSURANCE FUNDS (continued)

General Insurance Fund Revenue Account by Classes
For the financial year ended 31 December 2010

	Fire	Motor vehicles	Motor cycles	Marine, Aviation & transit	Misce-llaneous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	46,450	207,225	85,669	39,244	143,144	521,732
Premiums ceded to reinsurers	(27,387)	(15,126)	(23,856)	(30,079)	(36,814)	(133,262)
Net earned premiums	**19,063**	**192,099**	**61,813**	**9,165**	**106,330**	**388,470**
Gross commission paid	(8,209)	(25,332)	(7,207)	(2,752)	(28,136)	(71,636)
Commission received from reinsurers	9,465	1,144	972	2,996	11,788	26,365
Net Commissions	1,256	(24,188)	(6,235)	244	(16,348)	(45,271)
Gross benefits and claims paid	(28,336)	(151,687)	(38,414)	(6,776)	(43,291)	(268,504)
Claims ceded to reinsurers	23,339	23,608	5,456	6,008	15,687	74,098
Gross change to contract liabilities	5,731	(39,351)	(8,495)	1,667	1,176	(39,272)
Change in contract liabilities ceded to reinsurers	(7,822)	(1,061)	(1,106)	(2,626)	(2,363)	(14,978)
Net Claims	**(7,088)**	**(168,491)**	**(42,559)**	**(1,727)**	**(28,791)**	**(248,656)**
Underwriting surplus/(deficit) before management expenses	**13,231**	**(580)**	**13,019**	**7,682**	**61,191**	**94,543**
Management expenses						(83,703)
Underwriting surplus						**10,840**
Investment income						26,169
Realised gains						1,895
Fair value gains						8,751
Other operating revenue – net						4,786
Profit before taxation						**52,441**
Taxation						(13,326)
Profit for the financial year						**39,115**

Company No.

8029	A

MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

41. INSURANCE FUNDS (continued)

General Insurance Fund Revenue Account by Classes
For the financial year ended 31 December 2009

	Fire	Motor vehicles	Motor cycles	Marine, Aviation & transit	Miscellaneous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	57,855	170,026	41,498	24,731	123,483	417,593
Premiums ceded to reinsurers	(34,786)	(39,926)	6,103	(22,177)	(46,455)	(137,241)
Net earned premiums	**23,069**	**130,100**	**47,601**	**2,554**	**77,028**	**280,352**
Gross commission paid	(8,069)	(20,832)	(6,661)	(4,087)	(23,906)	(63,555)
Commission received from reinsurers	10,346	4,610	1,306	4,432	11,512	32,206
Net commissions	**2,277**	**(16,222)**	**(5,355)**	**345**	**(12,394)**	**(31,349)**
Gross benefits and claims paid	(46,174)	(151,040)	(35,395)	(6,898)	(33,878)	(273,385)
Claims ceded to reinsurers	36,553	27,100	5,084	5,645	12,826	87,208
Gross change to contract liabilities	4,135	(1,861)	(13,514)	(3,212)	(268)	(14,720)
Change in contract liabilities ceded to reinsurers	(539)	(3,794)	3,594	4,202	4,347	7,810
Net Claims	**(6,025)**	**(129,595)**	**(40,231)**	**(263)**	**(16,973)**	**(193,087)**
Underwriting surplus/(deficit) before management expenses	**19,321**	**(15,717)**	**2,015**	**2,636**	**47,661**	**55,916**
Management expenses						(70,899)
Underwriting deficit						**(14,983)**
Investment income						28,526
Realised gains						4,539
Fair value gains						14,214
Other expenses – net						(439)
Profit before taxation						**31,857**
Taxation						(9,043)
Profit for the financial year						**22,814**

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

41. INSURANCE FUNDS (continued)

Investment-linked Fund
Statement of Financial Position as at 31 December

	2010 RM'000	2009 RM'000
Assets		
Investments	614,471	541,076
Financial assets at fair value through profit or loss	564,271	487,238
Loans and receivables	50,200	53,838
Other receivables	4,379	853
Tax recoverable	1,802	4,003
Deferred tax assets	-	121
Cash and bank balances	139,087	100,742
Total assets	**759,739**	**646,795**
Liabilities		
Insurance contract liabilities	747,175	641,809
Deferred tax liabilities	8,638	3,269
Other liabilities	4,974	1,117
Current tax liabilities	1,681	370
Total liabilities	**762,468**	**646,565**
Inter-fund balances	(2,729)	230
Net asset value of funds	**759,739**	**646,795**

Investment-linked Fund Income Statement
For the financial year ended 31 December

	2010 RM'000	2009 RM'000
Investment income	25,169	21,582
Realised gains and losses	1,391	3,395
Fair value gains and losses	98,288	114,465
	124,848	139,442
Fees and commission expenses	(9,610)	(7,881)
Management expenses	(30)	(37)
Other operating revenue/(expenses) – net	3,313	(97)
Surplus before taxation	**118,521**	**131,427**
Taxation	(9,640)	(10,077)
Surplus after taxation for the financial year	**108,881**	**121,350**

Company No.

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MALAYSIAN ASSURANCE ALLIANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONTINUED)

41. INSURANCE FUNDS (continued)

Information on Cash Flow by Funds
As at 31 December

	Life Fund RM'000	General Fund RM'000	Shareholders' Fund RM'000	Total RM'000
2010				
Cash flows from:				
Operating activities	120,097	(51,551)	86,356	154,902
Investing activities	(4,263)	62,658	(63,655)	(5,260)
Net increase in cash and cash equivalents	115,834	11,107	22,701	149,642
Cash and cash equivalents:				
At beginning of financial year	359,656	96,821	13,156	469,633
At end of financial year	**475,490**	**107,928**	**35,857**	**619,275**
2009				
Cash flows from:				
Operating activities	(63,442)	214	(67,910)	(131,138)
Investing activities	1,770	(1,389)	-	381
Net decrease in cash and cash equivalents	(61,672)	(1,175)	(67,910)	(130,757)
Cash and cash equivalents:				
At beginning of financial year	421,328	97,996	81,066	600,390
At end of financial year	**359,656**	**96,821**	**13,156**	**469,633**

APPENDIX II

AUDITED FINANCIAL STATEMENTS OF THE IDENTIFIED SUBSIDIARIES FOR THE FYE 31 DECEMBER 2010 AND THE AUDITORS' REPORT THEREON

b. MULTIOTO

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010

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Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITY

The principal activity of the Company is providing motor vehicle breakdown assistance services. There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM
Profit for the financial year	1,304,985

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous financial year were as follows:

	RM
In respect of financial year ended 31 December 2010 :	
First interim dividend of 56.5776 sen per share less 25% tax, paid on 30 August 2010	212,166
Second interim single tier dividend of 17.5668 sen per share, paid on 13 September 2010	87,834
Third interim single tier dividend of 100 sen per share, paid on 7 February 2011	500,000
	800,000

The Directors do not recommend any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves and 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 last report are:

Yeo Took Keat
Cheng Seng Yee

In accordance with the Company's Articles of Association, Yeo Took Keat retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the ultimate holding company, MAA Holdings Berhad, are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2010	Acquired	Disposed	At 31.12.2010
Yeo Took Keat	80,000	-	-	80,000
Cheng Seng Yee	8,798	-	-	8,798

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares in, and debentures of, the Company and 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 has received or become entitled to receive a benefit (other than those disclosed as Directors' remuneration and benefits in Note 5 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 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 has 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 including their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

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

(a) any charge on the assets of the 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 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 Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Company's operations for the financial year in which this report is made.

IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANY

The immediate holding company is MAA Corporation Sdn Bhd. The Directors regard MAA Holdings Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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 13 May 2011.

YEO TOOK KEAT
DIRECTOR

CHENG SENG YEE
DIRECTOR

Kuala Lumpur

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Yeo Took Keat and Cheng Seng Yee, the two Directors of Multioto Services Sdn Bhd, state that, in our opinion, the financial statements set out on pages 8 to 29 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2010 and of its results and the cash flows for the financial year ended on that date in accordance with the Financial Reporting Standards, being the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 13 May 2011.

YEO TOOK KEAT
DIRECTOR

CHENG SENG YEE
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Cheng Seng Yee, the Director primarily responsible for the financial management of Multioto Services Sdn Bhd, do solemnly and sincerely declare that the financial statements set out on pages 8 to 29 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.

CHENG SENG YEE

Subscribed and solemnly declared by the abovenamed Cheng Seng Yee at Kuala Lumpur on 13 May 2011, before me.

PESURUHJAYA SUMPAH
No: W 327
Mohd Radzi
Bin Yasin
MALAYSIA

COMMISSIONER FOR OATHS

No. 86, Tingkat Bawah
Jalan Putra
50350 KUALA LUMPUR

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)
(Company No. 584018-K)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Multioto Services Sdn Bhd, which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out financial on pages 8 to 29.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MULTIOTO SERVICES SDN BHD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 584018-K)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
13 May 2011

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

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

	Note	2010 RM	2009 RM
Revenue	3	4,237,698	2,346,959
Other operating income	4	32,237	15,840
Operating expenses		(2,519,226)	(1,920,558)
Profit from operations	5	1,750,709	442,241
Finance costs	6	(2,940)	(4,097)
Profit before taxation		1,747,769	438,144
Taxation	7	(442,784)	(120,293)
Profit/comprehensive income for the financial year		1,304,985	317,851

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

Company No.
584018 | K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 RM	2009 RM
NON-CURRENT ASSETS			
Property, plant and equipment	9	53,595	70,698
Intangible assets	10	256,000	-
		309,595	70,698
CURRENT ASSETS			
Inventories	11	12,942	7,604
Loans and receivables	12	1,480,512	397,137
Deferred tax assets	13	-	4,200
Fixed and call deposits with a licensed bank	14	819,861	1,286,610
Cash and bank balances	14	9,455	5,477
		2,322,770	1,701,028
LESS: CURRENT LIABILITIES			
Trade and other payables	15	681,845	496,491
Hire purchase creditor	16	17,957	16,800
Deferred tax liabilities	13	59,240	-
Current taxation liabilities		159,840	31,980
		918,882	545,271
NET CURRENT ASSETS		1,403,888	1,115,757
LESS: NON-CURRENT LIABILITY			
Hire purchase creditor	16	19,113	37,070
		1,694,370	1,189,385
CAPITAL AND RESERVE			
Share capital	17	500,000	500,000
Retained earnings	18	1,194,370	689,385
		1,694,370	1,189,385

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

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

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

	Note	Issued and fully paid ordinary shares of RM1 each Number of shares	Nominal value RM	Distributable Retained earnings RM	Total RM
2010					
At 1 January		500,000	500,000	689,385	1,189,385
Comprehensive income for the financial year		-	-	1,304,985	1,304,985
Interim dividends	8	-	-	(800,000)	(800,000)
At 31 December		500,000	500,000	1,194,370	1,694,370
2009					
At 1 January		500,000	500,000	390,284	890,284
Comprehensive income for the financial year		-	-	317,851	317,851
Interim dividend	8	-	-	(18,750)	(18,750)
At 31 December		500,000	500,000	689,385	1,189,385

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

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	1,304,985	317,851
Adjustments for non-cash items:		
Property, plant and equipment		
- depreciation	29,862	28,547
Intangible asset		
- amortisation	64,000	-
Interest income	(32,237)	(15,840)
Interest expense	2,940	4,097
Taxation	442,784	120,293
Operating profit before changes in working capital	1,812,334	454,948
(Increase)/decrease in inventories	(5,338)	4,492
Increase in loans and receivables	(1,083,114)	(79,911)
Decrease in trade and other payables	(314,646)	(4,160)
Cash generated from operations	409,236	375,369
Interest received	31,976	16,525
Interest paid	(2,940)	(4,097)
Income tax paid	(251,484)	(75,426)
Net cash inflow from operating activities	186,788	312,371
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12,759)	(2,100)
Purchase of intangible asset	(320,000)	-
Net cash outflow from investing activities	(332,759)	(2,100)

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

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Note	2010 RM	2009 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Hire purchase instalments paid		(16,800)	(15,643)
Dividend paid		(300,000)	(18,750)
Net cash outflow from financing activities		(316,800)	(34,393)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(462,771)	275,878
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,292,087	1,016,209
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	14	829,316	1,292,087

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

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company, a private limited liability company domiciled in Malaysia, was incorporated to principally engage in providing motor vehicle breakdown assistance services. There has been no significant change in the nature of this activity during the financial year.

The registered office and principal place of business of the Company are located at:

Registered office

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

Principal place of business

Suite 21.01, 21st Floor
Menara MAA
12 Jalan Dewan Bahasa
50460 Kuala Lumpur

The immediate holding company is MAA Corporation Sdn Bhd. The Directors regard MAA Holdings Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 May 2011.

2 SUMMARY OF 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.

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies and comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS"), which are the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, in all material aspects.

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

Company No.

584018	K

MULTIOTO SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of financial statements (continued)

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and adopted from 1 January 2010

- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company will apply this standard from financial periods beginning on 1 January 2010.

- The following standards will be effective for annual periods beginning on or after 1 January 2010. The Company has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Company.

  - FRS 101(R) Presentation of Financial Statements
  - FRS 7 Financial Instruments: Disclosures

There were no significant changes to the Company's accounting policies as a result of adopting the aforementioned financial reporting standards. FRS 139 'Financial Instruments : Recognition and Measurement' came into effect from 1 January 2010. The Company had early adopted the financial reporting standard since the financial year ended 31 December 2005.

The new amendments to published standards and interpretations to existing standards issued by the MASB effective for financial period subsequent to 1 January 2010 are not relevant to the Company.

2 (b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is provided so as to allocate the cost to the residual value of each asset over the estimated useful lives of the assets. The annual depreciation rates are as follows:

Computer systems	20%
Furniture and fittings	20%
Office equipment	20%
Motor vehicles	20%
Communication equipment	20%
Tools and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of statement of financial position.

At each date of statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2 (c) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income.

(c) Intangible assets – 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, ranging between 5 to 10 years.

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 Company, which do not form an integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

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

(d) 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 amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Impairment of non-financial assets (continued)

An impairment loss is charged to the statement of comprehensive income immediately.

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

(e) Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of service tax, returns, rebates and discounts. Revenue is recognised as follows:

Rendering of services

Income from rendering of services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sale of car batteries

Sales are recognised upon delivery of and customer acceptance of car batteries.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Income taxes

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax 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 nor taxable profit or loss.

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

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted at the date of statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and fixed deposits, net of overdraft balances.

(h) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the allowance on is recognised in the statement of comprehensive income.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average method. The cost of finished goods excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Employee benefits

Short term employee benefits

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

Post-employment benefits

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

(k) Assets acquired under hire purchase agreements

Assets financed by hire purchase agreements which transfer substantially all the risks and rewards of ownership to the 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 statement of comprehensive income over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase liabilities.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Contingent liabilities and contingent assets

The 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 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 Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(m) Financial instruments

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

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

The carrying amounts of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 REVENUE

Operating revenue of the Company represents income from provision of motor vehicle breakdown and accident assistance services invoiced at fixed rates and the sale of car batteries, net of credit notes.

	2010 RM	2009 RM
Provision of motor vehicle breakdown and accident assistance services	4,177,379	2,293,644
Sale of car batteries	60,319	53,315
	4,237,698	2,346,959

4 OTHER OPERATING INCOME

Interest income	32,237	15,840

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

5 PROFIT FROM OPERATIONS

The following items have been charged/(credited) in arriving at profit from operations:

	2010 RM	2009 RM
Staff costs (including Executive Director):		
- salaries, bonus and other staff related expenses	1,159,290	1,188,955
- defined contribution retirement plan	131,317	141,438
Accrual for unutilised staff leave	373	(738)
Auditors' remuneration		
- current financial year	6,000	6,000
- under accrual in prior financial year	-	250
Property, plant and equipment:		
- depreciation	29,862	28,547
Intangible asset		
- amortisation	64,000	-
Office rental payable to a related company	45,828	45,828
Office rental payable to immediate holding company	29,842	28,568
Management fee payable to ultimate holding company	212,642	156,000
Staff amenities	1,119	1,262
Other rental charges	3,740	3,740
Cost of finished goods purchased	41,494	44,625
Changes in inventories of finished goods	(5,338)	4,492

Included in staff costs were emoluments receivable by Executive Director of the Company during the financial year:

	2010 RM	2009 RM
Salaries and bonus	192,852	183,674
Defined contribution retirement plans	23,220	22,068
	216,072	205,742

The estimated monetary value of benefits-in-kind provided to a Director during the financial year by way of usage of the Company's assets amounted to RM4,800 (2009: RM4,800).

6 FINANCE COSTS

	2010 RM	2009 RM
Hire purchase interest	2,940	4,097

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

7 TAXATION

	2010 RM	2009 RM
Current tax		
- current financial year	378,400	115,400
- under provision in prior year	944	5,293
Deferred tax (Note 13)	63,440	(400)
	442,784	120,293

Numerical reconciliation between the tax expense and the product of accounting profit multiplied by the Malaysian tax rate

	2010 RM	2009 RM
Profit before taxation	1,747,769	438,144
Tax calculated at the Malaysian tax rate 25% (2009: 25%)	436,942	109,536
Tax effects of:		
- expenses not deductible for tax purposes	4,898	5,464
- under provision in prior financial year	944	5,293
Tax expense	442,784	120,293

8 DIVIDEND

	2010		2009	
	Gross dividend per share Sen	Amount of net dividend RM	Gross dividend per share Sen	Amount of net dividend RM
First interim dividend paid, less tax at 25%	56.5776	212,166	5.0000	18,750
Second interim single tier dividend paid	17.5668	87,834	-	-
Third interim single tier dividend declared	100.0000	500,000	-	-
	174.1444	800,000	5.0000	18,750

The Company paid the first and second interim dividends on 3 August 2010 and 13 September 2010 respectively.

Subsequent to the financial year end, the Company paid the third interim dividend on 7 February 2011.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT

	Computer systems RM	Furniture and fittings RM	Office equipment RM	Motor vehicles RM	Communication equipment RM	Tools and equipment RM	Total RM
Net book value							
At 1 January 2010	1,680	438	7,737	56,346	-	4,497	70,698
Additions at cost	3,100	-	1,659	-	8,000	-	12,759
Depreciation charge for the financial year	(1,040)	(351)	(4,490)	(20,288)	(1,600)	(2,093)	(29,862)
At 31 December 2010	3,740	87	4,906	36,058	6,400	2,404	53,595
At 31 December 2010							
Cost	44,772	8,084	44,799	503,883	8,000	24,990	634,528
Accumulated depreciation	(41,032)	(7,997)	(39,893)	(467,825)	(1,600)	(22,586)	(580,933)
Net book value	3,740	87	4,906	36,058	6,400	2,404	53,595

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer systems RM	Furniture and fittings RM	Office equipment RM	Motor vehicles RM	Tools and equipment RM	Total RM
Net book value						
At 1 January 2009	42	797	12,773	76,635	6,898	97,145
Addition at cost	2,100	-	-	-	-	2,100
Depreciation charge for the financial year	(462)	(359)	(5,036)	(20,289)	(2,401)	(28,547)
At 31 December 2009	1,680	438	7,737	56,346	4,497	70,698
At 31 December 2009						
Cost	41,672	8,084	43,140	503,883	24,990	621,769
Accumulated depreciation	(39,992)	(7,646)	(35,403)	(447,537)	(20,493)	(551,071)
Net book value	1,680	438	7,737	56,346	4,497	70,698

The net book value of assets acquired under hire purchase was RM 36,058 (2009: RM 54,871).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

10 INTANGIBLE ASSETS

	Computer software RM
2010	
Net book value	
Additions, at cost	320,000
Amortisation charge for the financial year	(64,000)
At 31 December 2010	256,000
At 31 December 2010	
Cost	320,000
Accumulated amortisation	(64,000)
Net book value	256,000

11 INVENTORIES

	2010 RM	2009 RM
At cost:		
Car batteries	12,942	7,604

12 LOANS AND RECEIVABLES

Trade receivables	1,460,645	378,023
Rental deposits	5,693	5,693
Investment income due and accrued	448	187
Other receivables	13,726	13,234
	1,480,512	397,137

The credit terms range from 30 days to 60 days (2009: 30 days to 60 days).

Trade receivables represent amounts due from related companies amounting to RM1,460,460 (2009: RM377,138).

Included in rental deposits are rental deposits due from a related company amounting to RM3,843 (2009: RM3,843).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

13 DEFERRED TAXATION

	2010 RM	2009 RM
Deferred tax (liabilities)/assets	(59,240)	4,200
At 1 January:	4,200	3,800
(Charged)/credited to statement of comprehensive income (Note 7)		
- property, plant and equipment	(63,440)	400
At 31 December	(59,240)	4,200
Subject to income tax:		
Deferred tax (liabilities)/asset (before/after offsetting)		
Property, plant and equipment	(59,240)	4,200

14 CASH AND CASH EQUIVALENTS

	2010 RM	2009 RM
Fixed and call deposits with a licensed bank	819,861	1,286,610
Cash and bank balances	9,455	5,477
	829,316	1,292,087

The effective weighted average interest rate of fixed deposits with a licensed bank during the financial year was 2.02% (2009: 3.18%) per annum.

Fixed and call deposits have an average maturity period of 7 days (2009: 30 days). Cash and bank balances are deposits held at call with banks.

15 TRADE AND OTHER PAYABLES

	2010 RM	2009 RM
Accrual for unutilised staff leave	39,490	39,117
Other payables and accruals	142,355	130,174
Amount due to ultimate holding company	-	327,200
Amount due to immediate holding company	500,000	-
	681,845	496,491

The amounts due to ultimate and immediate companies are unsecured, interest free and have no fixed repayment terms.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

16 HIRE PURCHASE CREDITOR

	2010 RM	2009 RM
Hire purchase creditor		
- Amount due within 1 year	17,957	16,800
- Amount due between 2 and 5 years	19,113	37,070
	37,070	53,870

The hire purchase creditor at the statement of financial date is due in the following period:

	2010 RM	2009 RM
Amount due within 1 year	19,740	19,740
Amount due between 2 and 5 years	19,740	39,480
	39,480	59,220
Less: future finance charges	(2,410)	(5,350)
Present value	37,070	53,870

The hire purchase loans bear interest at 3.50% (2009: 3.50%) per annum.

17 SHARE CAPITAL

	2010 RM	2009 RM
Ordinary shares of RM1 each		
Authorised:		
At beginning and end of the financial year	500,000	500,000
Issued and fully paid:		
At beginning and end of the financial year	500,000	500,000

18 RETAINED EARNINGS

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

As at 31 December 2010, subject to agreement with the tax authorities, the Company has tax credit under Section 108 of the Income Tax Act, 1967 amounting to Nil (2009 : RM70,722).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

19 RELATED PARTY DISCLOSURES

The related parties of, and their relationships with the Company as at 31 December 2010, are as follows:

Related parties	Relationship
MAA Holdings Berhad	Ultimate holding company
MAA Corporation Sdn Bhd	Immediate holding company
Malaysian Assurance Alliance Berhad	Subsidiary of ultimate holding company
MAA Takaful Berhad	Subsidiary of ultimate holding company

Related party balances

The related party balances as at 31 December 2010 are disclosed in Notes 12 and 15 to the financial statements.

Significant related party transactions

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

	2010 RM	2009 RM
Transactions with MAA Holdings Berhad:		
Management fee payable	212,642	156,000
Transactions with Malaysian Assurance Alliance Berhad:		
Provision of motor vehicle breakdown and accident assistance services	(3,957,995)	(2,256,997)
Office rental payable	45,828	45,828
Transactions with MAA Takaful Berhad :		
Provision of motor vehicle breakdown and accident assistance services	(219,384)	(37,218)

Other than remuneration for services rendered by a Director as disclosed in Note 5 to the financial statements, there is no remuneration paid to other Directors or key management personnel.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, which include credit risk, liquidity risk and interest rate risk.

The Company carries out its financial risk management through internal control systems and standard operating procedures.

(a) Credit risk

Credit risk is the risk of loss from the default by a debtor or counter party. Financial instruments involved are mainly trade and other receivables, which arise directly from the Company's operations.

It is the Company's policy to monitor the financial standing of these counter parties on a going concern basis to ensure that the Company is exposed to minimal credit risk.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

The Company currently does not have any significant exposure to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. To avoid such occurrences, an adequate cushion in the form of cash and very liquid investments are always maintained to ensure that the Company is exposed to minimal liquidity risk.

Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances presented on the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

	Up to 1 year RM	1 to 2 years RM	2 to 3 years RM	3 to 5 years RM	Over 5 years RM	Total contractual undiscounted cash flows RM	Total carrying amount RM
As at 31 December 2010							
Financial liabilities:							
Amount due to immediate holding company	500,000	-	-	-	-	500,000	500,000
Hire purchase creditor	19,740	19,740	-	-	-	39,480	37,070
Other payables and accruals	181,845	-	-	-	-	181,845	181,845
	701,585	19,740	-	-	-	721,325	718,915

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	Up to 1 year RM	1 to 2 years RM	2 to 3 years RM	3 to 5 years RM	Over 5 years RM	Total contractual undiscounted cash flows RM	Total carrying amount RM
As at 31 December 2009							
Financial liabilities:							
Amount due to ultimate holding company	327,200	-	-	-	-	327,200	327,200
Hire purchase creditor	19,740	39,480	-	-	-	59,220	53,870
Other payables and accruals	169,291	-	-	-	-	169,291	169,291
	516,231	39,480	-	-	-	555,711	550,361

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

Interest rate risk is the market risk due to movements in interest rates and may affect valuation and reinvestment issues to the Company.

The Company actively monitors such developments to minimise its exposure to market risk.

The Company currently does not have any significant exposure to interest rate risk.

(d) Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may or may not pay dividends to shareholders, return capital to shareholders or issue new shares or other instruments.

21 FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of the financial assets and liabilities of the date of statement of financial position approximated their fair values except as set out below:

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM
Hire purchase creditor				
- Amount due between 2 and 5 years	19,113	18,752	37,070	34,500

APPENDIX II

AUDITED FINANCIAL STATEMENTS OF THE IDENTIFIED SUBSIDIARIES FOR THE FYE 31 DECEMBER 2010 AND THE AUDITORS' REPORT THEREON

c. MAPS

Company No.

184230	H

MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010

Company No.

184230	H

MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010

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Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITY

The Company is principally engaged in the business of providing property management services. There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM
Profit for the financial year	2,961

DIVIDENDS

Dividend paid of declared by the Company since the end of the previous financial year was as follows:

	RM
In respect of the financial year ended 31 December 2010:	
- Interim dividend of 130 sen per share, less tax of 25%, Paid on 7 February 2011	243,750

RESERVES AND PROVISIONS

All material transfers to or from reserves and 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:

Yeo Took Keat
Yeoh Hai Yong
Tan Chin Kooi

In accordance with the Company's Articles of Association, Yeoh Hai Yong retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the ultimate holding company, MAA Holdings Berhad, are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2010	Acquired	Disposed	At 31.12.2010
Yeo Took Keat	80,000	-	-	80,000
Yeoh Hai Yong	94,866	-	(30,000)	64,866

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares in, and 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 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 including their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
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DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

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

(a) any charge on the assets of the 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 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 Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Company's operations for the financial year in which this report is made.

IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANY

The immediate holding company is MAA Corporation Sdn Bhd. The Directors regard MAA Holdings Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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 13 May 2011.

YEO TOOK KEAT
DIRECTOR

TAN CHIN KOOI
DIRECTOR

Kuala Lumpur

Company No.

184230	H

MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Yeo Took Keat and Tan Chin Kooi, the two Directors of Malaysian Alliance Property Services Sdn Bhd, state that, in the opinion of the Directors, the financial statements set out on pages 8 to 29 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2010 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the Financial Reporting Standards, being the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 13 May 2011.

YEO TOOK KEAT
DIRECTOR

TAN CHIN KOOI
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Tan Chin Kooi, the Director primarily responsible for the financial management of Malaysian Alliance Property Services Sdn Bhd, do solemnly and sincerely declare that the financial statements set out on pages 8 to 29 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.

TAN CHIN KOOI

Subscribed and solemnly declared by the abovenamed Tan Chin Kooi at Kuala Lumpur in Malaysia on 13 May 2011, before me.

PESURUHJAYA SUMPAH
No: W398
Nama: ZULKIFLY BIN ABDULLAH
KMN, BCK
MALAYSIA

COMMISSIONER FOR OATHS

Lot 2.42, Tingkat 2, The Mall
100, Jalan Putra
50350 Kuala Lumpur, Malaysia
H/P: 019-283 9000

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)
(Company 184230 H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Malaysian Alliance Property Services Sdn Bhd, which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 29.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(CONTINUED)
(Incorporated in Malaysia)
(Company 184230 H)

REPORT ON THE FINANCIAL STATEMENTS (continued)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
13 May 2011

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

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

	Note	2010 RM	2009 RM
Revenue	3	2,974,799	3,003,207
Other operating income	4	202,916	184,334
Operating expenses		(3,128,688)	(3,174,945)
Profit from operations	5	49,027	12,596
Finance costs	6	(5,449)	(7,711)
Profit before taxation		43,578	4,885
Taxation	7	(40,617)	(130,180)
Profit/comprehensive income/(loss) for the financial year		2,961	(125,295)
Gross dividend per share (sen)	8	130	125

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

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 RM	2009 RM
NON-CURRENT ASSET			
Property, plant and equipment	9	321,555	409,118
CURRENT ASSETS			
Loans and receivables	10	117,624	371,860
Tax recoverable		18,736	-
Fixed and call deposits with a licensed bank	14	381,235	340,119
Cash and bank balances	14	152,817	140,906
		670,412	852,885
LESS: CURRENT LIABILITIES			
Other payables and accruals	11	441,991	407,313
Hire purchase creditor	12	43,151	42,119
Current tax liabilities		-	21,806
		485,142	471,238
NET CURRENT ASSETS		185,270	381,647
LESS: NON-CURRENT LIABILITIES			
Hire purchase creditor	12	48,542	91,693
Deferred tax liabilities	13	18,000	18,000
		66,542	109,693
TOTAL NET ASSETS		440,283	681,072
CAPITAL AND RESERVES			
Share capital	15	250,000	250,000
Retained earnings	16	190,283	431,072
		440,283	681,072

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

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

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

	Note	Issued and fully paid ordinary shares of RM1 each: Number of shares	Issued and fully paid ordinary shares of RM1 each: Nominal value RM	Distributable: Retained earnings RM	Total RM
2010					
At 1 January		250,000	250,000	431,072	681,072
Comprehensive income for the financial year		-	-	2,961	2,961
Interim dividend for the financial year ended 2010	8	-	-	(243,750)	(243,750)
At 31 December		250,000	250,000	190,283	440,283
2009					
At 1 January		250,000	250,000	790,742	1,040,742
Comprehensive loss for the financial year		-	-	(125,295)	(125,295)
Interim dividend for the financial year ended 2009	8	-	-	(234,375)	(234,375)
At 31 December		250,000	250,000	431,072	681,072

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

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) for the financial year	2,961	(125,295)
Adjustments for non-cash items:		
Property, plant and equipment		
- depreciation	88,835	97,196
- loss on disposal	409	569
- write off	3,159	3,510
Allowance for doubtful debts	48,000	420,000
Interest income	(9,425)	(6,689)
Interest expense	5,449	7,711
Taxation	40,617	130,180
Operating profit before changes in working capital	180,005	527,182
Decrease / (increase) in loans and receivables	21,054	(26,921)
Increase in amount due from related companies	(49,488)	(182,315)
(Decrease) / increase in other payables and accruals	(11,895)	139,136
Increase in amount due to immediate holding company	243,750	-
Decrease / (increase) in amount due from immediate holding company	234,670	(234,670)
(Decrease) / increase in amount due to ultimate holding company	(197,177)	197,177
Cash generated from operating activities	420,919	419,589
Interest paid on hire purchase	(5,449)	(7,711)
Interest received	9,425	6,689
Income tax paid	(81,159)	(139,474)
Net cash inflow from operating activities	343,736	279,093
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,411)	(14,977)
Proceed from disposal of property, plant and equipment	571	6,249
Net cash outflow from investing activities	(4,840)	(8,728)

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

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Note	2010 RM	2009 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Hire purchase instalments paid		(42,119)	(39,856)
Dividend paid		(243,750)	(234,375)
Net cash outflow from financing activities		(285,869)	(274,231)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		53,027	(3,866)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		481,025	484,891
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	14	534,052	481,025

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

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company, a private limited liability company domiciled in Malaysia, was incorporated to principally engage in the business of providing property management services. There has been no significant change in the nature of this activity during the financial year.

The registered office and principal place of business of the Company are located at:

Registered office

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

Principal place of business

Suite 21.01A, 21st Floor
Menara MAA
12 Jalan Dewan Bahasa
50460 Kuala Lumpur

The immediate holding company is MAA Corporation Sdn Bhd. The Directors regard MAA Holdings Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 May 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies and comply with the provisions of the Companies Act, 1965 and the Financial Reporting Standards ("FRS"), which are the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, in all material aspects.

The preparation of financial statements in conformity with FRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of financial statements (continued)

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and adopted from 1 January 2010

- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company will apply this standard from financial periods beginning on 1 January 2010.

- The following standards will be effective for annual periods beginning on or after 1 January 2010. The Company has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Company.

  - FRS 101(R) Presentation of Financial Statements
  - FRS 7 Financial Instruments: Disclosures

There were no significant changes to the Company's accounting policies as a result of adopting the aforementioned financial reporting standards. FRS 139 'Financial Instruments: Recognition and Measurement came into effect from 1 January 2010. The Company had early adopted the financial reporting standard since the financial year ended 31 December 2005.

The new amendments to published standards and interpretations to existing standards issued by the MASB effective for financial period subsequent to 1 January 2010 are not relevant to the Company

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is provided so as to allocate the cost to the residual value of each asset over the estimated useful lives of the assets. The annual depreciation rates are as follows:

Motor vehicles	10%
Office equipment	10%
Computers	20%
Renovation	10%

Depreciation on assets under construction commences when the assets are ready for their intended use.

At each date of statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2 (c) on impairment of assets.

The assets' residual values and useful lives are reviewed at each date of statement of financial position and adjusted, if appropriate

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are credited or charged to the statement of comprehensive income.

(c) 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 amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to the statement of comprehensive income immediately.

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

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue recognition

Revenue comprises the fair value for the provision of services. Revenue is recognised as follows:

Provision of services
Revenue from management fees and accounts and administration fees is recognised when the services are provided.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method.

(e) Income taxes

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax 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 nor taxable profit or loss.

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

Deferred tax is determined using tax rates (and tax laws) enacted or substantially enacted by the statement of financial position date and expected to apply when related deferred tax asset is realised or the deferred tax liability is settled.

(f) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and fixed deposits, net of overdraft balances.

(g) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Allowance for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the allowance is recognised in the statement of comprehensive income.

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Employee benefits

Short term employee benefits

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

Post-employment benefits

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

(i) Assets acquired under hire purchase agreements

Assets financed by hire purchase agreements which transfer substantially all the risks and rewards of ownership to the 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 statement of comprehensive income over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase liabilities.

(j) Contingent liabilities and contingent assets

The 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 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 Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(k) Financial instruments

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

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

The carrying amounts of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

3 REVENUE

	2010 RM	2009 RM
Property management fees	2,974,799	3,003,207

4 OTHER OPERATING INCOME

	2010 RM	2009 RM
Sundry income	25,899	10,214
Interest on fixed and call deposits	9,081	6,545
Accounts and administration fees	168,000	168,000
Interest on staff loan	344	144
Loss on disposal of fixed asset	(408)	(569)
	202,916	184,334

5 PROFIT FROM OPERATIONS

The following items have been charged in arriving at profit from operations:

	2010 RM	2009 RM
Staff costs :		
- salaries, bonus and other staff related expenses	1,289,798	1,274,254
- defined contribution retirement plans	201,373	194,991
- (write back of) / allowance for unutilised staff leave	(6,439)	5,487
Office rental payable to immediate holding company	65,069	62,292
Property, plant and equipment		
- depreciation	88,835	97,196
- written off	3,159	3,510
- loss on disposal	409	569
Auditors' remuneration:		
- current financial year	6,000	6,000
- under accrual in prior financial years	-	250
Management fees payable to ultimate holding company	258,000	258,000
Custodian fee payable to ultimate holding company	1,527	-
Human resource and payroll services payable to ultimate holding company	18,000	-
Human resource technical fee payable to ultimate holding company	1,190	1,793
Introduction fee payable	16,090	14,563
Allowance for doubtful debts	48,000	420,000

Company No.

184230	H

MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

6 FINANCE COSTS

	2010 RM	2009 RM
Hire purchase interest	5,449	7,711
	5,449	7,711

7 TAXATION

	2010 RM	2009 RM
Current tax:		
- current financial year	42,000	129,000
- (over) / under accrual in prior financial years	(1,383)	180
Deferred tax (Note 13)	-	1,000
	40,617	130,180

Numerical reconciliation between the tax expense and the product of accounting profit multiplied by the Malaysia tax rate:

	2010 RM	2009 RM
Profit before taxation	43,578	4,885
Tax calculated at the Malaysian tax rate 25% (2009: 25%)	10,895	1,221
Tax effects of:		
- expenses not deductible for tax purposes	31,105	128,779
- (over) / under accrual in prior financial years	(1,383)	180
Tax expense	40,617	130,180

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

8 DIVIDEND

	2010		2009	
	Gross dividend per share Sen	Amount of net dividend RM	Gross dividend per share Sen	Amount of net dividend RM
Interim dividend paid less tax at 25%	-	-	125	234,375
Interim dividend declared	130	243,750	-	-

On 30 December 2010, the Company declared an interim gross dividend of 130 sen per share totalling RM325,000 in respect of the current financial year.

Subsequent to the financial year end, the Company paid the interim dividend on 7 February 2011.

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RM	Office equipment RM	Computers RM	Renovation RM	Total RM
Net book value					
At 1 January 2010	271,178	30,241	16,244	91,455	409,118
Additions at cost	-	1,826	3,585	-	5,411
Disposal at net book value	-	-	(980)	-	(980)
Write off at net book value	(340)	(1,999)	(820)	-	(3,159)
Depreciation charge for the financial year	(59,874)	(5,516)	(6,154)	(17,291)	(88,835)
At 31 December 2010	210,964	24,552	11,875	74,164	321,555
At 31 December 2010					
Cost	635,040	58,625	74,707	172,909	941,281
Accumulated depreciation	(424,076)	(34,073)	(62,832)	(98,745)	(619,726)
Net book value	210,964	24,552	11,875	74,164	321,555

AUDITED FINANCIAL STATEMENTS

APPENDIX II

Company No.
184230 | H

MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM	Office equipment RM	Computers RM	Renovation RM	Asset under construction RM	Total RM
Net book value						
At 1 January 2009	331,392	42,023	19,504	108,746	-	501,665
Additions at cost	6,800	1,518	6,659	-	-	14,977
Disposal at net book value	-	(6,818)	-	-	-	(6,818)
Write off at net book value	(3,510)	-	-	-	-	(3,510)
Depreciation charge for the financial year	(63,504)	(6,482)	(9,919)	(17,291)	-	(97,196)
At 31 December 2009	271,178	30,241	16,244	91,455	-	409,118
At 31 December 2009						
Cost	635,040	65,380	108,071	172,909	1,215,560	2,196,960
Accumulated depreciation	(363,862)	(35,139)	(91,827)	(81,454)	-	(572,282)
Accumulated impairment losses	-	-	-	-	(1,215,560)	(1,215,560)
Net book value	271,178	30,241	16,244	91,455	-	409,118

The net book value of asset acquired under hire purchase was RM91,693 (2009: 194,562).

Company No.

184230	H

MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

10 LOANS AND RECEIVABLES

	2010 RM	2009 RM
Amounts due from related companies	68,046	486,559
Less: Allowance doubtful debts	-	(420,000)
	68,046	66,559
Amount due from immediate holding company	-	234,670
Deposits receivables	20,348	20,348
Prepayments	17,775	23,389
Interest income due and accrual	486	-
Other receivables	10,969	26,894
	117,624	371,860

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

11 OTHER PAYABLES AND ACCRUALS

	2010 RM	2009 RM
Amount due to ultimate holding company	-	197,177
Amount due to immediate holding company	243,750	-
Defined contribution retirement plan payable	35,952	34,952
Accrual for unutilised staff leave	31,955	38,394
Other payables and accruals	130,334	136,790
	441,991	407,313

12 HIRE PURCHASE CREDITOR

	2010 RM	2009 RM
Hire purchase creditor		
- Amount due within 1 year	43,151	42,119
- Amount due between 2 and 5 years	48,542	91,693
	91,693	133,812

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

12 HIRE PURCHASE CREDITOR (CONTINUED)

The hire purchase creditor at the statement of financial position date is due in the following period:

	2010 RM	2009 RM
Amount due within 1 year	46,337	47,568
Amount due between 2 and 5 years	50,154	96,491
	96,491	144,059
Less: future finance charge	(4,798)	(10,247)
Present value	91,693	133,812

The hire purchase loans bear interest at the rates ranging from 2.3% to 3.9% (2009: 2.3% to 3.90%) per annum.

13 DEFERRED TAXATION

	2010 RM	2009 RM
Deferred tax liabilities	18,000	19,000
At 1 January	18,000	17,000
Credited to statement of comprehensive income (Note 7):		
- property, plant and equipment	-	1,000
At 31 December	18,000	18,000
Subject to income tax:		
Deferred tax liabilities (before/after offsetting)		
Property, plant and equipment	18,000	18,000

14 CASH AND CASH EQUIVALENTS

	2010 RM	2009 RM
Fixed and call deposits with a licensed bank	381,235	340,119
Cash and bank balances	152,817	140,906
	534,052	481,025

The weighted average effective interest rate of fixed and call deposits with a licensed bank during the current financial year was ranging from 1.47% to 2.2% (2009: 1.45%) per annum.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

15 SHARE CAPITAL

	2010 RM	2009 RM
Ordinary shares of RM1 each:		
Authorised:		
At beginning and end of the financial year	500,000	500,000
Issued and fully paid:		
At beginning and end of the financial year	250,000	250,000

16 RETAINED EARNINGS

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

As at 31 December 2010, subject to agreement with the tax authorities, the Company has tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM888,747 (2009: RM888,747).

17 RELATED PARTY DISCLOSURES

The related parties of, and their relationships with the Company as at 31 December 2010, are as follows:

Related parties	Relationship
MAA Holdings Berhad	Ultimate holding company
MAA Corporation Sdn Bhd	Immediate holding company
Malaysian Assurance Alliance Berhad	Subsidiary of ultimate holding company
Menang Bernas Sdn Bhd	Subsidiary of immediate holding company
Chelsea Parking Services Sdn Bhd	Subsidiary of immediate holding company

Related party balances

The related party balances as at 31 December 2010 are disclosed in Notes 9 and 10 to the financial statements.

Company No.
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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

17 RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	2010 RM	2009 RM
Transaction with Malaysian Assurance Alliance Berhad:		
Property management fees	(2,968,282)	(2,765,185)
Transactions with MAA Corporation Sdn Bhd:		
Project consultancy fees	-	(234,000)
Office rental payable	65,069	62,292
Transactions with MAA Holdings Berhad:		
Management fee payable	258,000	258,000
Custodian fee payable	1,527	-
Human resource technical fee payable	1,190	1,793
Human resource and payroll services payable	18,000	-
Transactions with Menang Bernas Sdn Bhd:		
Accounts and administration fees	(48,000)	(48,000)
Allowance for doubtful debts made	48,000	420,000
Transaction with Chelsea Parking Services Sdn Bhd:		
Accounts and administration fees	(84,000)	(84,000)

There were no identified key management personnel in the Company.

18 CAPITAL COMMITMENTS

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

	2010 RM	2009 RM
Authorised and contracted for:		
- Property, plant and equipment	-	1,550,662

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, which include credit risk, liquidity risk and interest rate risk.

The Company carries out its financial risk management through internal control systems and standard operating procedures.

(a) Credit risk

Credit risk is the risk of loss from the default by a debtor or counter party. Financial instruments involved are mainly other receivables, which arise directly from the Company's operations.

It is the Company's policy to monitor the financial standing of these counter parties on a going concern basis to ensure that the Company is exposed to minimal credit risk.

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. To ensure and avoid such occurrences, an adequate cushion in the form of cash and very liquid investments is always maintained to ensure that the Company is exposed to minimal liquidity risk.

Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances presented on the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

	Up to 1 year RM	1 to 2 years RM	2 to 3 years RM	3 to 5 years RM	Over 5 years RM	Total contractual undiscounted cash flows RM	Total carrying amount RM
As at 31 December 2010							
Financial liabilities:							
Other payables and accruals	441,991	-	-	-	-	441,991	441,991
Hire purchase creditor	46,337	33,456	16,698	-	-	96,491	91,693
	488,328	33,456	16,698	-	-	538,482	533,684
As at 31 December 2009							
Financial liabilities:							
Other payables and accruals	407,313	-	-	-	-	407,313	407,313
Hire purchase creditor	47,568	46,337	33,456	16,698	-	144,059	133,812
	454,881	46,337	33,456	16,698	-	551,372	541,125

Company No.

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MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

Interest rate risk is the market risk due to movements in interest rates and may affect valuation and reinvestment issues to the Company.

The Company actively monitors such developments to minimise its exposure to market risk.

(d) Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may or may not pay dividends to shareholders, return capital to shareholders or issue new shares or other instruments.

20 FINANCIAL INSTRUMENTS

Fair Values

The carrying amounts of the financial assets and liabilities of the Company at the date of statement of financial position approximated their fair values except as set out below:

		2010		2009
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Hire purchase creditor - Amount due between 2 and 5 years	48,542	48,102	91,693	87,072

APPENDIX II

AUDITED FINANCIAL STATEMENTS OF THE IDENTIFIED SUBSIDIARIES FOR THE FYE 31 DECEMBER 2010 AND THE AUDITORS' REPORT THEREON

d. MAAGNET

Company No.

552035	T

MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010

Company No.

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MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010

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Company No.

552035	T

MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are providing information technology consultancy services and general trading in computer hardware and software.

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

FINANCIAL RESULTS

	RM
Profit for the financial year	195,991

DIVIDENDS

No dividend has been paid or declared since the end of the previous financial year.

The Directors do not recommend any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves and 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 last report are:

Yeo Took Keat
Yeoh Hai Yong
Tan Chin Kooi

In accordance with the Company's Articles of Association, Yeo Took Keat retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

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MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the ultimate holding company, MAA Holdings Berhad, are as follows:

	Number of ordinary shares of RM1 each			
	At 01.01.2010	Acquired	Disposed	At 31.12.2010
Yeo Took Keat	80,000	-	-	80,000
Yeoh Hai Yong	94,866	-	(30,000)	64,866

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares in, and debentures of the Company and 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 has received or become entitled to receive a benefit (other than those disclosed as Directors' remuneration and benefits in Note 5 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 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 including their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

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MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

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

(a) any charge on the assets of the 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 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 Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

Company No.

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MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANY

The immediate holding company is MAA Corporation Sdn Bhd. The Directors regard MAA Holdings Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

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 13 May 2011.

YEO TOOK KEAT
DIRECTOR

YEOH HAI YONG
DIRECTOR

Kuala Lumpur

Company No.

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MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Yeo Took Keat and Yeoh Hai Yong, the two Directors of Maagnet Systems Sdn Bhd, state that, in our opinion, the financial statements set out on pages 8 to 29 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2010 and of its results and the cash flows for the financial year ended on that date in accordance with the Financial Reporting Standards, being the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 13 May 2011.

YEO TOOK KEAT
DIRECTOR

YEOH HAI YONG
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Yeoh Hai Yong, the Director primarily responsible for the financial management of Maagnet Systems Sdn Bhd, do solemnly and sincerely declare that the financial statements set out on pages 8 to 29 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.

YEOH HAI YONG

Subscribed and solemnly declared by the abovenamed Yeoh Hai Yong at Kuala Lumpur on 13 May 2011, before me.

PESURUHJAYA SUMPAH
No: W 327
Mohd Radzi
Bin Yasin
MALAYSIA

COMMISSIONER FOR OATHS

No: 88, Tingkat Bawah
Jalan Putra

pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)
(Company No. 552035 T)

We have audited the financial statements of Maagnet Systems Sdn Bhd, which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 29.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MAAGNET SYSTEMS SDN BHD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 552035 T)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
13 May 2010

Company No.

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MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

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

	Note	2010 RM	2009 RM
Revenue	3	10,685,784	11,300,980
Other operating income	4	20,481	20,503
Operating expenses		(10,640,174)	(11,241,932)
Profit before taxation	5	66,091	79,551
Taxation	6	129,900	(71,876)
Profit/comprehensive income for the financial year		195,991	7,675

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

Company No.

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MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 RM	2009 RM
NON-CURRENT ASSETS			
Property, plant and equipment	8	684,676	798,901
Investment in subsidiary company	9	2,500	2,500
		687,176	801,401
CURRENT ASSETS			
Inventories	10	230,861	290,639
Loans and receivables	11	1,579,282	1,954,295
Tax recoverable		366,444	172,160
Fixed and call deposits with a licensed bank	12	481,242	674,474
Cash and bank balances	12	342,105	31,292
		2,999,934	3,122,860
LESS: CURRENT LIABILITIES			
Trade and other payables	13	1,464,654	1,827,796
Deferred tax liabilities	14	34,000	104,000
		1,498,654	1,931,796
NET CURRENT ASSETS		1,501,280	1,191,064
		2,188,456	1,992,465
CAPITAL AND RESERVE			
Share capital	15	500,000	500,000
Retained earnings		1,688,456	1,492,465
		2,188,456	1,992,465

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

Company No.

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MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

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

	Note	Issued and fully paid ordinary shares of RM1 each		Distributable	
		Number of shares	Nominal value RM	Retained earnings RM	Total RM
2010					
At 1 January		500,000	500,000	1,492,465	1,992,465
Comprehensive income for the financial year		-	-	195,991	195,991
At 31 December		500,000	500,000	1,688,456	2,188,456
2009					
At 1 January		500,000	500,000	1,503,540	2,003,540
Comprehensive income for the financial year		-	-	7,675	7,675
Interim dividend	7	-	-	(18,750)	(18,750)
At 31 December		500,000	500,000	1,492,465	1,992,465

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

Company No.

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MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year		195,991	7,675
Adjustments for non-cash items:			
Property, plant and equipment			
- depreciation		241,963	252,161
- written off		-	2,579
Interest income		(20,481)	(20,345)
Other income		-	(158)
Taxation		(129,900)	71,876
Operating profit before changes in working capital		287,573	313,788
Decrease/(increase) in inventories		59,778	(111,064)
Decrease/(increase) in loans and receivables		352,538	(324,197)
Decrease in amount due from subsidiary company		22,475	61,058
(Decrease)/increase in trade and other payables		(363,142)	477,270
Cash flows generated from operations		359,222	416,855
Interest received		20,481	20,345
Other income		-	158
Income tax paid		(134,384)	(394,734)
Net cash inflow from operating activities		245,319	42,624
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(127,738)	(204,942)
Dividend paid		-	(18,750)
Net cash outflow from investing activities		(127,738)	(223,692)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		117,581	(181,068)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		705,766	886,834
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	12	823,347	705,766

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

Company No.

552035	T

MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company, a private limited liability company domiciled in Malaysia, was incorporated to principally engage in providing information technology consultancy services and general trading in computer hardware and software. There have been no significant changes in the nature of these activities during the financial year.

The registered office and principal place of business of the Company are located at:

Registered office

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

Principal place of business

11th Floor
Menara MAA
12 Jalan Dewan Bahasa
50460 Kuala Lumpur

The immediate holding company is MAA Corporation Sdn Bhd. The Directors regard MAA Holdings Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 May 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and comply with the provisions of the Companies Act 1965 and Financial Reporting Standards ("FRS"), being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, in all material aspects.

The preparation of financial statements in conformity with FRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ.

Company No.	
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MAAGNET SYSTEMS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of financial statements (continued)

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and adopted from 1 January 2010

- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company will apply this standard from financial periods beginning on 1 January 2010.

- The following standards will be effective for annual periods beginning on or after 1 January 2010. The Company has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Company.

  - FRS 101(R) Presentation of Financial Statements
  - FRS 7 Financial Instruments: Disclosures

There were no significant changes to the Company's accounting policies as a result of adopting the aforementioned financial reporting standards. FRS 139 'Financial Instruments: Recognition and Measurement' came into effect from 1 January 2010. The Company had early adopted the financial reporting standard since the financial year ended 31 December 2005.

The new amendments to published standards and interpretations to existing standards issued by the MASB effective for financial period subsequent to 1 January 2010 are not relevant to the Company.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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

Depreciation of property, plant and equipment is provided so as to allocate the cost to the residual value of each asset on a straight line basis over the estimated useful lives of the assets. The annual depreciation rates are as follows:

Motor vehicles	10%
Furniture, fittings and equipment	10% - 20%
Renovation	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2 (c) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to the statement of comprehensive income immediately.

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

(d) Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of service tax, returns, rebates and discounts. Revenue is recognised as follows:

Rendering of services

Services are recognised in the accounting period in which they are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sale of computer hardware

Sales are recognised upon delivery and customer acceptance of computer hardware.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income taxes

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax 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 nor taxable profit or loss.

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

Deferred tax is determined using tax rates (and tax laws) enacted or substantially enacted by the date of the statement of financial position and expected to apply when related deferred tax asset is realised or the deferred tax liability is settled.

(f) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and fixed deposits, net of overdraft balances.

(g) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. An allowance for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the allowance is recognised in the statement of comprehensive income.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Unearned income

Unearned income comprises mainly of receipts from rendering of services for support and maintenance for undelivered elements for which the revenue will only be recognised when the services meet the revenue recognition criteria.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits

Short term employee benefits

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

Post-employment benefits

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

(k) Contingent liabilities and contingent assets

The 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 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 Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(l) Financial instruments

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

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

The carrying amounts of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

3 REVENUE

Operating revenue of the Company represents sale of computer hardware, software programs and the provision of information technology consultancy services.

	2010 RM	2009 RM
Sales of goods:		
Computer hardware	1,711,387	2,223,350
Software programs	367,530	707,677
	2,078,917	2,931,027
Rendering of services	8,606,867	8,369,953
	10,685,784	11,300,980

4 OTHER OPERATING INCOME

	2010 RM	2009 RM
Interest income	20,481	20,345
Other income	-	158
	20,481	20,503

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

5 PROFIT FROM OPERATIONS

The following items have been charged/(credited) in arriving at profit from operations:

	2010 RM	2009 RM
Staff costs (including Executive Director):		
- salaries, bonus and other staff related expenses	4,567,723	4,155,837
- defined contribution retirement plans	812,378	722,932
Accrual for unutilised staff leave	5,504	11,270
Auditors' remuneration		
- current financial year	6,250	6,000
- under accrual in prior financial year	500	250
Property, plant and equipment:		
- depreciation	241,963	252,161
- written off	-	2,579
Office rental payable to a related company	420,661	399,072
Management fee payable to ultimate holding company	600,000	600,000
Internal audit service fee payable to ultimate holding company	-	8,768
Service contract charges	1,010,780	1,005,390
Staff amenities	203,466	146,871
Other rental charges	35,050	31,307
Cost of hardware and software purchased	1,861,452	3,319,407
Changes in inventories of hardware	59,778	(110,064)

Included in staff costs were emoluments receivable by Executive Director of the Company during the financial year as follows:

	2010 RM	2009 RM
Salaries and bonus	420,316	394,426
Defined contribution retirement plans	65,147	61,588
Other emoluments	1,330	2,178
	486,793	458,192

The estimated monetary value of benefits-in-kind provided to a Director during the financial year by way of usage of the Company's assets amounted to RM 6,500 (2009: RM6,500).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

6 TAXATION

	2010 RM	2009 RM
Current tax:		
- current financial year	5,100	65,000
- (over)/under accrual in prior years	(65,000)	5,876
Deferred tax (Note 14)		
- current financial year	(1,000)	1,000
- over accrual in prior years	(69,000)	-
	(129,900)	71,876

Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate :

	2010 RM	2009 RM
Profit before taxation	66,091	79,551
Tax calculated at the Malaysian tax rate 25% (2009: 25%)	16,523	19,888
Tax effects of:		
- expenses not deductible for tax purposes	15,425	46,112
- (over)/under accrual in prior financial years	(134,000)	5,876
- effect of income exempted from tax	(11,090)	-
- current year's deductible temporary differences not recognised	17,314	-
- benefits from previously unrecognized deductible Temporary differences	(34,072)	-
Tax (income)/expense	(129,900)	71,876

The Company was accorded Multimedia Super Corridor ("MSC") Status on 4 March 2010 which includes Pioneer Status, thus exempting 100% of the Company's statutory business income from taxation for a period of 5 years for approved activities. The Pioneer Status period accorded to the Company is effective from 27 November 2008 to 27 October 2013.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

7 DIVIDEND

	2010		2009	
	Gross dividend per share	Amount of net dividend	Gross dividend per share	Amount of net dividend
	Sen	RM	Sen	RM
Interim dividend paid, less tax at 25%	-	-	5	18,750

On 24 December 2009, the Company declared and paid an interim gross dividend of 5 sen per share totalling RM25,000 in respect of that financial year.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

8 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RM	Furniture, fittings and equipment RM	Renovation RM	Total RM
Net book value				
At 1 January 2010	220,066	459,282	119,553	798,901
Additions at cost	-	127,738	-	127,738
Depreciation charge for the financial year	(29,328)	(194,469)	(18,166)	(241,963)
At 31 December 2010	190,738	392,551	101,387	684,676
At 31 December 2010				
Cost	293,278	1,954,750	181,650	2,429,678
Accumulated depreciation	(102,540)	(1,562,199)	(80,263)	(1,745,002)
Net book value	190,738	392,551	101,387	684,676
Net book value				
At 1 January 2009	249,394	496,794	102,511	848,699
Additions at cost	-	169,735	35,207	204,942
Disposals at net book value	-	(2,579)	-	(2,579)
Depreciation charge for the financial year	(29,328)	(204,668)	(18,165)	(252,161)
At 31 December 2009	220,066	459,282	119,553	798,901
At 31 December 2009				
Cost	293,278	1,827,010	181,650	2,301,938
Accumulated depreciation	(73,212)	(1,367,728)	(62,097)	(1,503,037)
Net book value	220,066	459,282	119,553	798,901

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

9 INVESTMENT IN SUBSIDIARY COMPANY

	2010 RM	2009 RM
Unquoted shares, at cost	2,500	2,500

Name of company	Country of incorporation	Equity Interest 2010 %	Equity Interest 2009 %	Principal activities
MAAGNET-SSMS Sdn Bhd	Malaysia	100	100	Provision of information technology consultancy services and general trading in computer hardware and software

10 INVENTORIES

	2010 RM	2009 RM
At cost:		
Computer equipment	230,861	290,639

11 LOANS AND RECEIVABLES

	2010 RM	2009 RM
Trade receivables	1,007,674	1,370,490
Other receivables	202,064	110,373
Staff loans	138,104	139,620
Rental deposits	117,426	112,532
Amount due from a related company	-	84,791
Amount due from subsidiary company	114,014	136,489
	1,579,282	1,954,295

The credit terms range from 30 days to 60 days (2009: 30 days to 60 days).

Included in trade receivables are amounts due from related companies amounting to RM1,001,666 (2009: RM1,346,653).

Included in rental deposits are rental deposits due from a related company amounting to RM117,426 (2009: RM112,532).

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

12 CASH AND CASH EQUIVALENTS

	2010 RM	2009 RM
Fixed and call deposits with a licensed bank	481,242	674,474
Cash and bank balances	342,105	31,292
	823,347	705,766

The effective weighted average interest rate of fixed and call deposits with a licensed bank during the financial year was 1.95% (2009: 1.45%) per annum.

13 TRADE AND OTHER PAYABLES

	2010 RM	2009 RM
Trade payables	130,157	187,777
Defined contribution retirement plan payable	120,364	117,364
Accrual for unutilised staff leave	202,250	196,747
Unearned income	299,918	538,463
Payroll liabilities	250,710	227,370
Other payables and accruals	461,255	560,075
	1,464,654	1,827,796

The credit terms range from 30 days to 60 days (2009: 30 days to 60 days).

14 DEFERRED TAXATION

	2010 RM	2009 RM
Deferred tax liabilities	34,000	104,000
At 1 January:	104,000	103,000
Charged/(credited) to statement of comprehensive Income (Note 6):		
- property, plant and equipment		
- current year	(1,000)	1,000
- overaccrual in prior financial years	(69,000)	-
At 31 December	34,000	104,000
Subject to income tax:		
Deferred tax liabilities (before/after offsetting)		
Property, plant and equipment	34,000	104,000

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

15 SHARE CAPITAL

	2010 RM	2009 RM
Ordinary shares of RM1 each		
Authorised:		
At beginning and end of the financial year	500,000	500,000
Issued and fully paid:		
At beginning and end of the financial year	500,000	500,000

16 RETAINED EARNINGS

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

As at 31 December 2010, subject to agreement with the tax authorities, the Company has tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM232,827 (2009: RM232,827).

17 RELATED PARTY DISCLOSURES

The related parties of, and their relationships with the Company as at 31 December 2010, are as follows:

Related parties	Relationship
MAA Holdings Berhad	Ultimate holding company
MAA Corporation Sdn Bhd	Immediate holding company
Malaysian Assurance Alliance Berhad	Subsidiary of ultimate holding company
MAAKL Mutual Bhd	Subsidiary of immediate holding company
Malaysian Alliance Property Services Sdn Bhd	Subsidiary of immediate holding company
Wira Security Services Sdn Bhd	Subsidiary of immediate holding company
Menang Bernas Sdn Bhd	Subsidiary of immediate holding company
MAA Takaful Berhad	Subsidiary of ultimate holding company

Related party balances

The related party balances as at 31 December 2010 are disclosed to the Notes 11 and 13 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

17 RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

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

	2010 RM	2009 RM
Transaction with MAA Holdings Berhad:		
Management fee payable	600,000	600,000
Transactions with Malaysian Assurance Alliance Berhad:		
Sale of:		
Computer hardware	(1,300,959)	(1,753,115)
Software program	(331,530)	(511,600)
Services	(6,385,971)	(6,324,710)
Office rental payable	420,661	399,072
Transactions with MAAKL Mutual Bhd:		
Sale of:		
Computer hardware	(71,244)	(47,359)
Software program	(36,000)	(114,000)
Services	(591,599)	(585,739)
Transactions with MAA International Assurance Ltd:		
Sales of computer hardware and services	(69,832)	(58,430)
Transactions with MAA Takaful Berhad:		
Sale of:		
Computer hardware	(175,000)	(220,080)
Services	(997,661)	(1,159,423)
Transactions with MAAGNET-SSMS Sdn Bhd		
Sale of:		
Computer hardware	(15,160)	-
Services contract charges	(79,200)	-
Services	144,000	144,000

Other than remuneration for services rendered by a Director as disclosed in Note 5 to the financial statements, there are no remuneration paid to other Directors or key management personnel.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, which include credit risk, liquidity risk and interest rate risk.

The Company carries out its financial risk management through internal control systems and standard operating procedures.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk

Credit risk is the risk of loss from the default by a debtor or counter party. Financial instruments involved are mainly trade and other receivables, which arise directly from the Company's operations.

It is the Company's policy to monitor the financial standing of these counter parties on a going concern basis to ensure that the Company is exposed to minimal credit risk.

Credit risk is the risk of loss from the default by a debtor or counter party. Financial instruments involved are mainly loans and receivables, which arise directly from the Company's operations.

The Company currently does not have any significant exposure to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. To ensure and avoid such occurrences, an adequate cushion in the form of cash and very liquid investments is always maintained to ensure that the Company is exposed to minimal liquidity risk.

Maturity analysis of financial liabilities on an undiscounted basis.

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances presented on the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	Up to 1 year RM	1 to 2 years RM	2 to 3 years RM	3 to 5 years RM	Over 5 years RM	Total contractual undiscounted cash flows RM	Total carrying amount RM
As at 31 December 2010							
Financial liabilities:							
Other payables and accruals	461,255	-	-	-	-	461,255	461,255
	461,255	-	-	-	-	461,255	461,255
As at 31 December 2009							
Financial liabilities:							
Other payables and accruals	560,075	-	-	-	-	560,075	560,075
	560,075	-	-	-	-	560,075	560,075

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

Interest rate risk is the market risk due to movements in interest rates and may affect valuation and reinvestment issues to the Company.

The Company actively monitors such developments to minimise its exposure to market risk.

The Company does not currently have any significant exposure to liquidity risk.

(d) Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may or may not pay dividends to shareholders, return capital to shareholders or issue new shares or other instruments.

19 FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of the financial assets and liabilities of the Company with maturity period of less than one year as at the Statement of financial position date approximate their fair values.

APPENDIX II

AUDITED FINANCIAL STATEMENTS OF THE IDENTIFIED SUBSIDIARIES FOR THE FYE 31 DECEMBER 2010 AND THE AUDITORS' REPORT THEREON

e. MAAGNET-SSMS

Company No.

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(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010

Company No.

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MAAGNET-SSMS SDN BHD
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STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010

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Company No.

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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in providing information technology consultancy services including the option to build, operate and transfer computer systems and software, and general trading in computer hardware. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM
Profit for the financial year	27,991

DIVIDENDS

No dividend has been paid or declared since the end of the previous financial year.

The Directors do not recommend any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves and 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
Shareena Binti Abdul Ghani
Datuk Ramlan Bin Abdul Rashid (resigned on 1 April 2011)

In accordance with the Company's Articles of Association, Shareena Binti Abdul Ghani retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

Company No.	
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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the ultimate holding company, MAA Holdings Berhad, are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2010	Acquired	Disposed	At 31.12.2010
Tunku Dato' Ya'acob Bin Tunku Tan Sri Abdullah				
- Direct	1,237,500	-	(1,237,500)	-
- Indirect *	104,539,584	1,237,500	-	105,777,084
Shareena Binti Abdul Ghani	21,332	-	-	21,332

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

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares in, and debentures of, the Company and 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 has received or become entitled to receive a benefit 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 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 Company have been written down to an amount which they might be expected so to realise.

Company No.

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MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

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

(a) any charge on the assets of the 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 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 Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANY

The immediate holding company is Maagnet Systems Sdn Bhd. The Directors regard MAA Holdings Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

Company No.

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MAAGNET-SSMS SDN BHD
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DIRECTORS' REPORT (CONTINUED)

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 13 May 2011.

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

SHAREENA BINTI ABDUL GHANI
DIRECTOR

Kuala Lumpur

Company No.

734405	U

MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tunku Dato' Ya'acob Bin Tunku Tan Sri Abdullah and Shareena Binti Abdul Ghani, being two of the Directors of MAAGNET-SSMS Sdn Bhd, state that, in the opinion of the Directors, the financial statements set out on pages 8 to 21 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2010 and of its results and cash flows of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 13 May 2011.

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

SHAREENA BINTI ABDUL GHANI
DIRECTOR

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Shareena Binti Abdul Ghani, the Director primarily responsible for the financial management of MAAGNET-SSMS Sdn Bhd, do solemnly and sincerely declare that the financial statements set out on pages 8 to 21 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.

SHAREENA BINTI ABDUL GHANI

Subscribed and solemnly declared by the abovenamed Shareena Binti Abdul Ghani at Kuala Lumpur, Malaysia on 13 May 2011, before me.

PESURUHJAYA SUMPAH
No: W398
Nama: ZULKIFLY BIN ABDULLAH
KMN, BCK
MALAYSIA

COMMISSIONER FOR OATHS

Lot 2.42, Tingkat 2, The Mall
100, Jalan Putra
0350 Kuala Lumpur, Malaysia
H/P: 019-283 9000

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)
(Company No. 734405 U)

We have audited the financial statements of MAAGNET-SSMS Sdn Bhd which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the financial year end then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 21.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility:

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MAAGNET-SSMS SDN BHD (CONTINUED)
(Incorporate in Malaysia)
(Company No. 734405 U)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
13 May 2011

Company No.

734405	U

MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

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

	Note	2010 RM	2009 RM
Revenue	3	255,190	198,751
Expenses		(227,199)	(120,568)
Profit before taxation	4	27,991	78,183
Tax expense	5	-	-
Profit/comprehensive income for the financial year		27,991	78,183

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

Company No.

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MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 RM	2009 RM
CURRENT ASSETS			
Trade receivables	6	20,970	6,000
Loans and other receivables	7	4,793	-
Cash and bank balances	8	98,668	18,652
		124,431	24,652
LESS : CURRENT LIABILITIES			
Trade and other payables		94,360	-
Amount due to immediate holding company	9	114,014	136,489
Other payables and accruals	10	5,147	5,244
		213,521	141,733
NET CURRENT LIABILITIES		(89,090)	(117,081)
CAPITAL AND RESERVE			
Share capital	11	2,500	2,500
Accumulated losses		(91,590)	(119,581)
		(89,090)	(117,081)

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

Company No.

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MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

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

	Issued and fully paid ordinary shares of RM1 each		Distributable	
	Number of shares	Nominal value RM	Retained earnings RM	Total RM
2010				
At 1 January 2010	2,500	2,500	(119,581)	(117,081)
Comprehensive income for the financial year	-	-	27,991	27,991
At 31 December 2010	2,500	2,500	(91,590)	(89,090)
2009				
At 1 January 2009	2,500	2,500	(197,764)	(195,264)
Comprehensive income for the financial year	-	-	78,183	78,183
At 31 December 2009	2,500	2,500	(119,581)	(117,081)

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

Company No.

734405	U

MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Comprehensive income for the financial year		27,991	78,183
(Increase)/decrease in trade receivables		(19,763)	39,000
Increase/(decrease) in other payables and accruals		94,263	(38,064)
Net cash inflow from operating activities		102,491	79,119
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in amount due to immediate holding company		(22,475)	(61,057)
Net cash outflow from financing activities		(22,475)	(61,057)
NET INCREASE IN CASH AND CASH EQUIVALENTS		80,016	18,062
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		18,652	590
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	8	98,668	18,652

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

Company No.

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MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company, a private limited liability company domiciled in Malaysia, was incorporated to principally engage in providing information technology consultancy services including the option to build, operate and transfer computer systems and software, and general trading in computer hardware. There have been no significant changes in the nature of these activities during the financial year.

The registered office and principal place of business of the Company are located at:

Registered office

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

Principal place of business

11th Floor, Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

The immediate holding company is Maagnet Systems Sdn Bhd. The Directors regard MAA Holdings Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 May 2011.

2 SUMMARY OF 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.

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS"), being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, in all material aspects.

The preparation of financial statements in conformity with FRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ.

The Company has net current liabilities of RM89,090 and a deficit in its shareholder's equity of RM89,090 as at 31 December 2010.

Company No.

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MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of financial statements (continued)

The immediate holding company has confirmed its intention to provide the Company with the necessary financial support in order to enable it to meet its obligations as and when they fall due.

In view of the above, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and adopted from 1 January 2010

- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company will apply this standard from financial periods beginning on 1 January 2010.

- The following standards will be effective for annual periods beginning on or after 1 January 2010. The Company has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Company.

  - FRS 101(R) Presentation of Financial Statements
  - FRS 7 Financial Instruments: Disclosures

There were no significant changes to the Company's accounting policies as a result of adopting the aforementioned financial reporting standards. FRS 139 'Financial Instruments: Recognition and Measurement' came into effect from 1 January 2010. The Company had early adopted the financial reporting standard since the date of its incorporation in 2006.

The new amendments to published standards and interpretations to existing standards issued by the MASB effective for financial period subsequent to 1 January 2010 are not relevant to the Company.

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MAAGNET-SSMS SDN BHD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of service tax, returns, rebates and discounts.

Income from rendering of services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sale of computer hardware is recognised upon delivery of and customer acceptance of computer hardware.

(c) Income taxes

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax 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 nor taxable profit or loss.

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

Deferred tax is determined using tax rates (or tax laws) enacted or substantially enacted by the date of the statement of financial position and expected to apply when related deferred tax asset is realised or the deferred tax liability is settled.

(d) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and short term funds, with an original maturity of one month, net of overdraft balances.

(e) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the allowance is recognised in the statement of comprehensive income.

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MAAGNET-SSMS SDN BHD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Employee benefits

Short term employee benefits

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

Post-employment benefits

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

(g) Contingent liabilities and contingent assets

The 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 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 Company. The Company does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(h) Financial instruments

The carrying amounts of financial assets and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 REVENUE

	2010 RM	2009 RM
Sale of computer hardware	16,340	-
Rendering of services	238,850	198,751
	255,190	198,751

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MAAGNET-SSMS SDN BHD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

4 PROFIT BEFORE TAXATION

The following items have been charged/(credited) in arriving at profit before taxation:

	2010 RM	2009 RM
Staff costs		
- Salaries, bonus and other staff related expenses	104,752	100,252
- Defined contribution retirement plans	16,672	11,897
(Write back of)/accrual for unutilised staff leave	(1,056)	296
Auditors' remuneration		
- current financial year	2,300	2,300
- under provision in prior financial year	-	200

5 TAXATION

	2010 RM	2009 RM
Current tax	-	-

Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate :

	2010 RM	2009 RM
Profit before taxation	27,991	78,183
Tax calculated at the Malaysian tax rate 25% (2009: 25%)	6,998	19,546
Tax effects of:		
- expenses not deductible for tax purposes	1,378	308
- utilisation of tax loss	(8,376)	(19,854)
Tax expense	-	-

The amount of deductible temporary differences for which no deferred tax asset is recognised in the statement of financial position is as follows:

	2010 RM	2009 RM
Unutilised tax losses	56,327	89,829

Company No.

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MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

6 TRADE RECEIVABLES

	2010 RM	2009 RM
Trade receivables	20,970	6,000

7 LOANS AND OTHER RECEIVABLES

	2010 RM	2009 RM
Staff loan	3,600	-
Other receivables	1,193	-
	4,793	-

8 CASH AND CASH EQUIVALENTS

	2010 RM	2009 RM
Cash and bank balances	98,668	18,652

9 RELATED PARTY DISCLOSURES

The related parties of, and their relationships with the Company as at 31 December 2010, are as follows:

Related parties	Relationship
MAA Holdings Berhad	Ultimate holding company
Maagnet Systems Sdn Bhd	Immediate holding company

Related party balances

The related party balances as at 31 December 2010 are disclosed in the statement of financial position.

The amount due to immediate holding company for payment of expenses on behalf is unsecured, interest free and has no fixed repayment terms.

Company No.

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MAAGNET-SSMS SDN BHD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

9 RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	2010 RM	2009 RM
Services rendered to Maagnet Systems Sdn Bhd	144,000	144,000

There were no identified key management personnel in the Company.

10 OTHER PAYABLES AND ACCRUALS

	2010 RM	2009 RM
Accruals	5,147	5,244

11 SHARE CAPITAL

	2010 RM	2009 RM
Ordinary shares of RM1 each:		
Authorised:		
At beginning and end of the financial year	100,000	100,000
Issued and fully paid:		
At beginning and end of the financial year	2,500	2,500

Company No.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, which include credit risk and liquidity risk.

The Company carries out its financial risk management through internal control systems and standard operating procedures.

(a) Credit risk

Credit risk is the risk of loss from the default by a debtor or counter party. Financial instruments involved are mainly trade and other receivables, which arise directly from the Company's operations.

It is the Company's policy to monitor the financial standing of these counter parties on a going concern basis to ensure that the Company is exposed to minimal credit risk.

The Company currently does not have any significant exposure to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. To ensure and avoid such occurrences, an adequate cushion in the form of cash and very liquid investments is always maintained to ensure that the Company is exposed to minimal liquidity risk.

Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances presented on the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Company No.

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MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	Up to 1 year RM	1 to 2 years RM	2 to 3 years RM	3 to 5 years RM	Over 5 years RM	Total contractual undiscounted cash flows RM	Total carrying amount RM
As at 31 December 2010							
Financial liabilities:							
Amount due to immediate holding company	114,014	-	-	-	-	114,014	114,014
Other payables and accruals	5,147	-	-	-	-	5,147	5,147
	119,161	-	-	-	-	119,161	119,161
As at 31 December 2009							
Financial liabilities:							
Amount due to ultimate holding company	136,489	-	-	-	-	136,489	136,489
Other payables and accruals	5,244	-	-	-	-	5,244	5,244
	141,733	-	-	-	-	141,733	141,733

Company No.

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MAAGNET-SSMS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may or may not pay dividends to shareholders, return capital to shareholders or issue new shares or other instruments.

13 FAIR VALUES

The carrying amounts of the financial assets and liabilities of the Company at the date of the statement of financial position approximated their fair values.

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The Board of Directors
MAA Holdings Berhad
21st Floor, Menara MAA
No. 12, Jalan Dewan Bahasa
50460 Kuala Lumpur

26 August 2011

PwC/SN/awhc/maah11-ra

Dear Sirs,

Report on Pro Forma Consolidated Statement of Financial Position

1 We report on the Pro Forma Consolidated Statement of Financial Position of MAA Holdings Berhad ("MAAH" or "the Company") and its subsidiaries ("the Group") as at 31 December 2010, as set out in Appendix I (which we have stamped for the purpose of identification), which have been prepared for the inclusion in the Circular to the Shareholders of MAAH to be dated 29 August 2011, in connection with the proposed disposal of Malaysian Assurance Alliance Berhad, Multioto Services Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd, and MAAGNET Systems Sdn Bhd (including MAAGNET-SSMS Sdn Bhd, a wholly-owned subsidiary of MAAGNET Systems Sdn Bhd), being wholly-owned subsidiary companies of MAAH (herein after referred to as "the Proposed Disposal"), to Zurich Insurance Company Ltd.

2 The Pro Forma Consolidated Statement of Financial Position has been prepared, for illustrative purposes only, to show the effects of the Proposed Disposal on the audited consolidated statement of financial position of the Group as at 31 December 2010 had the Proposed Disposal been effected on that date.

Responsibilities

3 It is the sole responsibility of the Directors of the Company to prepare the Pro Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon.

4 It is our responsibility to form an opinion on the Pro Forma Consolidated Statement of Financial Position.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the preparation of the Pro Forma Consolidated Statement of Financial Position nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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The Board of Directors
MAA Holdings Berhad
PwC/SN/awhc/maah11-ra
26 August 2011

Basis of opinion

5 We conducted our work in accordance with the approved standard for assurance engagements in Malaysia, ISAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". Our work, which involved no independent examination of any of the underlying financial information, consisted of comparing the unadjusted information with the audited consolidated financial statements of the Group, considering the evidence supporting the adjustments and discussing the Pro Forma Consolidated Statement of Financial Position with the Directors of the Company.

6 We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Consolidated Statement of Financial Position has been properly prepared on the basis stated.

7 As the Pro Forma Consolidated Statement of Financial Position is prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Proposed Disposal on the financial position of the Group had the transaction or event occurred at the date of the statement of financial position. Further, such information does not purport to predict the Group's future financial position.

Our opinion

8 In our opinion, the Pro Forma Consolidated Statement of Financial Position has been properly prepared on the basis set out in the notes thereon.

9 Without qualifying our opinion above, we draw attention to Note 3.4 of the Notes to the Pro Forma Consolidated Statement of Financial Position as at 31 December 2010, which states that the consideration for the Proposed Disposal is subject to various potential adjustments, either upwards or downwards, which is dependent on the Completion Accounts as set out in the provisions of the Sales and Purchase Agreement. The risk of a downward adjustment continues to subsist until such time the Completion Accounts are drawn up. In addition, the Consideration for the Proposed Disposal is further subject to unresolved issues relating to the Hold Back being successfully settled.

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The Board of Directors
MAA Holdings Berhad
PwC/SN/awhc/maah11-ra
26 August 2011

Other matters

10 This report is issued for the sole purpose of inclusion in the Circular to the Shareholders of MAAH, in connection with the Proposed Disposal and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the Proposed Disposal.

Yours faithfully,

PricewaterhouseCoopers
(AF 1146)
Chartered Accountants

Sridharan Nair
(No. 2656/05/12 (J))
Chartered Accountant

APPENDIX I

MAA HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

The Pro Forma Consolidated Statement of Financial Position of MAA Holdings Berhad ("MAAH" or "the Company") and its subsidiaries ("MAAH Group") as set out below has been prepared solely for illustrative purposes to show the effects of the Proposed Disposal on the audited consolidated statement of financial position of MAAH Group as at 31 December 2010 on the assumption that the Proposed Disposal described in Note 1 below had been effected as at that date, and should be read together with the notes set out herein.

	As at 31 December 2010 (Audited) RM'000	Pro forma after the effects of the Proposed Disposal RM'000
Assets		
Property, plant and equipment	8,387	7,327
Investment properties	11,601	11,601
Intangible assets	8,271	8,015
Investments	415,284	415,142
- Financial assets at fair value through profit or loss	154,353	154,353
- Available for sale financial assets	224,335	224,335
- Loans and receivables	36,596	36,454
Associated companies	49,404	49,404
Reinsurance assets	123,897	123,897
Insurance receivables	68,807	68,807
Trade and other receivables	58,187	221,397
Tax recoverable	4,554	4,164
Deferred tax assets	1,602	1,602
Cash and cash equivalents	252,579	248,274
Assets classified as held for sale	7,597,399	3,935
Total assets	**8,599,972**	**1,163,565**
Equity, policyholders' funds and liabilities		
Liabilities		
Insurance contract liabilities	517,350	517,350
Investment contract liabilities	40,538	40,538
Financial liabilities:		
Borrowings:		
- Medium terms notes – secured	170,000	30,000
- Revolving credits – secured	36,300	-
- Bank overdrafts – unsecured	9,905	9,905
Insurance payable	58,899	58,899
Trade and other payables	79,829	78,263
Current tax liabilities	631	471
Deferred tax liabilities	3,322	3,196
Liabilities directly associated with assets classified as held for sale	7,363,214	-
Total liabilities	**8,279,988**	**738,622**

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MAA HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	As at 31 December 2010 (Audited)	Pro forma after the effects of the Proposed Disposal
	RM'000	RM'000
Equity		
Share capital	304,354	304,354
(Accumulated losses) / retained earnings	(16,728)	88,231
Reserves	(981)	(981)
Total equity attributable to owners of the Company	286,645	391,604
Minority interest	33,339	33,339
Total equity	**319,984**	**424,943**
Total equity, policyholders' funds and liabilities	**8,599,972**	**1,163,565**
Net tangible assets ("NTA") attributable to ordinary shareholders	278,374	383,589
Net assets ("NA") attributable to ordinary shareholders	286,645	391,604
Number of ordinary shares of RM1.00 each	304,354	304,354
NTA per ordinary share (sen)	91.5	126.0
NA per ordinary share (sen)	94.2	128.7

NTA attributable to ordinary shareholders comprise the total equity attributable to owners of the Company, less intangible assets.

NA attributable to ordinary shareholders comprise the total equity attributable to owners of the Company.

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MAA HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

1. Proposed Disposal

1.1 On 16 December 2010, MAA Holdings Berhad ("MAAH" or "the Company") announced that the Company had entered into an agreement with Zurich Insurance Company Ltd ("Zurich") pursuant to which the parties will evaluate and negotiate a possible transaction involving the acquisition of an interest in the Company's wholly-owned subsidiary, Malaysian Assurance Alliance Berhad ("MAAB"). On 11 April 2011, the Company submitted an application to Bank Negara Malaysia ("BNM") for the approval of the Minister of Finance ("MOF") pursuant to Section 67 of the Insurance Act, 1996 of Malaysia to enter into an agreement with Zurich for the disposal of the following subsidiaries ("the Identified Subsidiaries") to Zurich for a total cash consideration of RM344 million ("the Proposed Disposal").

(i) its 100% equity interest held in the capital of MAAB comprising 150,000,000 ordinary shares of RM1.00 each in MAAB;

(ii) its 100% equity interest held in the capital of Multioto Services Sdn Bhd ("Multioto") held vide MAA Corporation Sdn Bhd ("MAAC"), comprising 500,000 ordinary shares of RM1.00 each in Multioto;

(iii) its 100% equity interest held in the capital of Malaysian Alliance Property Services Sdn Bhd ("MAPS"), held vide MAAC, comprising 250,000 ordinary shares of RM1.00 each in MAPS; and

(iv) its 100% equity interest held in the capital of MAAGNET Systems Sdn Bhd ("MAAGNET"), held vide MAAC, comprising 500,000 ordinary shares of RM1.00 each in MAAGNET, (including its 100% equity interest held in the capital of MAAGNET-SSMS Sdn Bhd ("MAAGNET-SSMS"), comprising 2,500 ordinary shares of RM1.00 each in MAAGNET-SSMS.

On 8 June 2011, MAAH announced that the MOF through BNM has approved the disposal of 100% equity interest in MAAB to Zurich pursuant to Section 67 of the Insurance Act, 1996.

On 20 June 2011, MAAH and Zurich entered into a Sales and Purchase Agreement ("SPA") in relation to the Proposed Disposal.

On 21 June 2011, HwangDBS Investment Bank Berhad ("HwangDBS"), on behalf of the Board of Directors, announced further information pursuant to the announcement made on 20 June 2011.

On 1 August 2011, MAAH announced that BNM had vide its letter dated 29 July 2011 granted an extension of time in relation to the Proposed Disposal of MAAB until 30 September 2011.

On 18 August 2011, HwangDBS, on behalf of the Board of Directors, announced that the Company and MAAC had on 17 August 2011 entered into a Side Letter with Zurich in relation to the SPA on the Proposed Disposal.

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MAA HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

1. **Proposed Disposal (continued)**

1.2 Consideration

(a) The consideration for the Proposed Disposal is RM344 million ("Consideration") which is subject to adjustments as set out in paragraph 1.3 below. The Consideration shall be paid on the last business day of the month in which the Purchaser notifies the Seller that all the conditions have been satisfied or the first business day of the next following month or where the notification is received less than five (5) business days prior to the relevant month end, on the last business day of the next following month ("Completion").

(b) The Consideration is to be paid in cash at Completion in the following manner:

- a payment to Public Bank Berhad for the sum of RM36,388,413.43 (or such amount as Public Bank Berhad shall notify DBS Bank Ltd, Labuan Branch as the amount payable by the Seller on the applicable date as agreed by the Seller and the Purchaser) being repayment of the revolving credit facility ("RC") (**"Public Bank Payment"**);
- a payment to DBS for the sum of RM3,800,000 being repayment for the restructuring fees (**"DBS Payment"**);
- remittance to the Medium Term Notes' (" MTN") facility agent cash account the sum of RM140,000,000 being the repayment for redemption of the MTNs (**"MTN Payment"**);
- remittance of RM344,000,000 (after deducting for the Public Bank Payment, DBS Payment and MTN Payment) ("Escrow Payment") to an interest bearing deposit account to be opened and operated in accordance with an escrow agreement to be entered into between MAAH and Zurich, subject to adjustments as set out in Notes 1.3 1.4 below: and
- MAAH shall be entitled to receive an amount not exceeding RM6 million on the first funds release date which is the date falling six (6) months from the date of Completion and release an amount not exceeding RM3 million on each funds release date which is a date falling three (3) months after the first funds release date until the release date which is two (2) years from the date of Completion of the SPA ("Release Date"). Provided that there are no warranty and indemnity claim or other claims by Zurich under the SPA, any balance monies in the escrow account shall be released to MAAH on the Release Date.

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MAA HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

1. Proposed Disposal (continued)

1.3 Adjustments to the Consideration

As provided for in the SPA, following Completion, the Consideration will be varied by an amount equal to the difference between the aggregate net asset value of the Identified Subsidiaries (being the aggregate value of their recognised assets less the aggregate value of their recognised liabilities and provisions for liabilities and charges) as at 30 September 2010 being RM416,675,000 ("Initial Aggregate Net Asset Value") and the final aggregate net asset value of the Identified Subsidiaries (being the aggregate value of their recognised assets less the aggregate value of their recognised liabilities and provisions for liabilities and charges) determined in accordance with the accounts to be drawn up following Completion in respect of each of the Identified Subsidiaries ("Completion Accounts") ("Final Aggregate Net Asset Value") such that:

a) If the Final General Fund / Shareholders' Fund Amount of MAAB as at Completion is less than the Initial General Fund / Shareholders' Fund amount of RM250,749,000 of MAAB as at 30 September 2010, then the Consideration shall be reduced (on an RM for RM basis) by an amount equal to that shortfall;

b) If the Final General Fund / Shareholders' Fund Amount of MAAB as at Completion is more than the Initial General Fund / Shareholders' Fund Amount of RM250,749,000 of MAAB as at 30 September 2010, then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer, for each RM1 basis) by an amount equal to that difference;

c) If the Final Life Funds Amount of MAAB as at Completion is less than the Initial Life Funds Amounts of RM162,708,000 of MAAB as at 30 September 2010, then the Consideration shall be reduced (on a Ringgit for Ringgit basis) by an amount equal to that shortfall, reduced by 25 percent (being the corporate tax rate payable by MAAB) of the decrease in the fund surplus for funds in surplus. When performing this calculation, the Annuity Fund will be capped at a maximum increase of RM48 million[1] and the Participating Fund at a surplus of RM90 million[2]. There will be no caps for the Non-Participating Fund and the Investment-Linked Fund;

d) If the Final Life Funds Amount of MAAB as at Completion is more than the Initial Life Funds Amount of RM162,708,000 of MAAB as at 30 September 2010, then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer, for each RM1 basis) by an amount equal to that difference, reduced by 25 percent (being the corporate tax rate payable by MAAB) of the increase in the fund surplus for funds in surplus. When performing this calculation, the Annuity Fund will be capped at a maximum increase of RM48 million[1] and the Participating Fund at a surplus of RM90 million[2]. There will be no caps for the Non-Participating Fund and the Investment-Linked Fund;

e) If the net asset value of Multioto as at Completion ("Final Multioto Amount") is less than the net asset value of Multioto Amount of RM1,724,000 as at 30 September 2010 ("Initial Multioto Amount"), then the Consideration shall be reduced (on an RM for RM basis) by an amount equal to that shortfall;

f) If the Final Multioto Amount is more than the Initial Multioto Amount of RM1,724,000 as at 30 September 2010, then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer, for each RM1 basis) by an amount equal to that difference;

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MAA HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

1. Proposed Disposal (continued)

1.3 Adjustments to the Consideration (continued)

g) If the net asset value of MAPS as at Completion ("Final MAPS Amount") is less than the net asset value of MAPS of RM542,000 as at 30 September 2010 ("Initial MAPS Amount"), then the Consideration shall be reduced (on an RM for RM basis) by an amount equal to that shortfall;

h) If the Final MAPS Amount is more than the Initial MAPS Amount of RM542,000 as at 30 September 2010, then the Consideration shall be increased (on a RM 0.997, after deducting for stamp duty for the shares transfer, for each RM 1 basis) by an amount equal to that difference;

i) If the aggregate net asset value of MAAGNET and MAAGNET-SSMS as at Completion ("Final MAAGNET Amount") is less than the aggregate net asset value of MAAGNET and MAAGNET-SSMS of RM953,000 as at 30 September 2010 ("Initial MAAGNET Amount") then the Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall; and

j) If the Final MAAGNET Amount is more than the Initial MAAGNET Amount of RM953,000 as at 30 September 2010 then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer, for each RM1 basis) by an amount equal to that difference.

In accordance with the provisions of SPA, MAAH shall be entitled to receive, by way of additional consideration, RM0.997 (after deducting for stamp duty for the shares transfer), for each RM1 by which the Final Aggregate Net Asset Value exceeds the Initial Aggregate Net Asset Value up to a maximum aggregate amount of RM200 million, which sum shall be paid on the dates and in the manner specified in the SPA (Adjustments to Consideration).

In accordance with the provisions of the SPA, if the Final Aggregate Net Asset Value is less than the Initial Aggregate Net Asset Value, MAAH shall be required to repay to Zurich RM1 for each RM1 by which the Final Aggregate Net Asset Value falls short of the Initial Aggregate Net Asset Value, which sum shall be paid by MAAH on the date and in the manner specified in the SPA (Adjustments to Consideration).

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MAA HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

1. Proposed Disposal (continued)

Notes:

1 *This means that the Consideration will only be increased on a RM for RM basis for the first RM48,000,000 that the annuity fund deficit decreases in the Completion Accounts compared to unaudited financial statements as at 30 September 2010. There will be no change to the Consideration for any amount that the annuity fund deficit decreases by more than RM48,000,000 or if it moves into surplus in the Completion Accounts. For the avoidance of doubt, if the annuity fund deficit increases in the Completion Accounts compared to the unaudited financial statements as at 30 September 2010, there will be a RM for RM decrease to the Consideration.*

2 *This means that the Consideration will only be increased on a RM for RM basis by the amount that the par fund deficit decreases in the Completion Accounts compared to the unaudited financial statements as at 30 September 2010. There will be no change to the Consideration for any amount that the par fund goes into a surplus greater that RM90,000,000 in the Completion Accounts. For the avoidance of doubt if the par fund deficit increases in the Completion Accounts compared to the unaudited financial statements as at 30 September 2010, there will be a RM for RM decrease to the Consideration.*

The amount of RM48,000,000 and RM90,000,000 were proposed by the Purchaser and agreed to by the Seller. These are the amounts required to bring the funds from a deficit position to a surplus position, where necessary.

1.4 On 17 August 2011, MAAH, MAAC and Zurich entered into the Side Letter in relation to the SPA. As spelt out in Section 3(viii), Part A of the Circular, the Side Letter will have the effect of varying the terms and conditions of the SPA and in particular will have the following effect on the matters as follows:

At Completion, the Purchaser shall be entitled to hold back the sum of RM69,690,000 (the "Hold Back") from the Consideration to address unresolved issues relating to certain Conditions Precedent as set out below. The Hold Back shall result in a corresponding deduction in the amount of the Escrow Payment payable by the Purchaser pursuant to the terms of the SPA and shall comprise:

(a) RM50,170,000 in relation to Prima Avenue Klang ("**PAK**")

This amount less applicable tax and reasonable costs and expenses will be paid into the Escrow Account by the Purchaser for its treatment in accordance with the terms of the Escrow Agreement if MAAB resolves the current title issues in relation to PAK, in particular the disclaimer or release of the charge taken by Malayan Banking Berhad over PAK within 2 years following Completion.

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MAA HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

1. Proposed Disposal (continued)

(b) RM19,520,000 (subject to adjustment to reflect the actual net book value at Completion) in relation to Mithril's 3% 8-year redeemable convertible secured loan stocks ("**Mithril RCSLS**") (the "**RCSLS Actual Value**") maturing in April 2012.

This amount less applicable tax and reasonable costs and expenses will be paid into the Escrow Account by the Purchaser for its treatment in accordance with the terms of the Escrow Agreement if MAAB receives any repayment of amounts outstanding under the Mithil RCSLS from Mithril or the sale proceeds of any disposal of the Mithril RCSLS within 2 years following Completion.

If and to the extent any amounts received by MAAB from Mithril in respect of its repayment of amounts outstanding under the Mithril RCSLS exceed the RCSLS Actual Value, the Purchaser shall pay such amounts (in each case less applicable tax and reasonable costs and expenses) into the Escrow Account or from the sale proceeds of any disposal of the Mithril RCSLS by MAAB but only insofar as such amounts do not accrue in the par fund and/or in the annuity fund.

The Purchaser shall procure that MAAB shall not, within 2 years following Completion, sell, assign or dispose the Mithril RCSLS below the RCSLS Actual Value without MAAH's prior written agreement, such agreement not to be unreasonably withheld or delayed.

(c) MAAB is seeking a stamp duty exemption in relation to the life reinsurance commutation agreement and the general insurance reinsurance commutation agreement ("**Application for Stamp Duty Exemption**") and MAAB shall accrue the estimated respective stamp duties in its accounts ("**Accrued Estimated Stamp Duties**") which will result in adjustments to the Consideration if the agreements are not duly stamped or stamp duty exemption is not obtained at Completion.

1.5 As spelt out in Section 3(vi) in the Circular to the Shareholders of MAAH, the Termination rights of Zurich, include amongst others, the following:

i) If, before the completion, Zurich receives evidence whether from MAAH or otherwise that the Capital Adequacy Ratio ("CAR") of MAAB has fallen to a level below 50%; or

ii) If, before the completion, the amount of capital injection (forming part of the capital injection of RM515,000,000 expected to be made by Zurich in relation to MAAB following Completion) to be contributed to the Participating Fund exceeds RM200 million.

1.6 The completion of the Proposed Disposal is conditional upon the conditions set out in Section 3(iv) in the Circular to the Shareholders of MAAH being fulfilled, including approvals being obtained from the shareholders of the Company and other authorities, if any.

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MAA HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

2. Basis of preparation

2.1 The Pro Forma Consolidated Statement of Financial Position of MAAH Group as at 31 December 2010 has been prepared based on the audited consolidated statement of financial position of MAAH Group as at 31 December 2010, reported on by the auditors, PricewaterhouseCoopers, with an emphasis of matter in relation to the status of compliance by MAAB with the regulatory requirements under the Risk Based Capital Framework, and MAAH's loan commitments as at the date of the statement of financial position. The auditors stated that compliance by MAAB with the regulatory requirements stated above and MAAH's ability to meet its loan repayment commitments are dependent on the successful completion of the Proposed Disposal of MAAB by the stipulated deadline.

2.2 The Pro Forma Consolidated Statement of Financial Position of MAAH Group has been prepared based on the accounting policies and bases consistent with those previously adopted in the preparation of the audited consolidated financial statements of MAAH Group for the financial year ended 31 December 2010.

2.3 The balances relating to 'Assets Classified as Held for Sale' and 'Liabilities Directly Associated with Assets Classified as Held for Sale' of RM7,597,399,000 and RM7,363,214,000 respectively disclosed in the audited consolidated statement of financial position of MAAH Group as at 31 December 2010 include the assets and liabilities of MAAB of RM7,593,464,000 and RM7,363,214,000 respectively, which were classified in accordance with the requirements of FRS 5 "Non-current Assets held for Sale and Discontinued Operations" at that date.

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MAA HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

3. Effects of the Proposed Disposal on the Pro Forma Consolidated Statement of Financial Position

3.1 The Pro Forma Consolidated Statement of Financial Position of MAAH Group incorporates the effects of the Proposed Disposal as set out in Note 1 above, on the audited consolidated statement of financial position of MAAH Group as at 31 December 2010 on the assumption that the Proposed Disposal had been effected on that date.

3.2 The Proposed Disposal has the following effects on MAAH Group's financial position as at 31 December 2010:

	RM'000
Consideration	344,000
Less: Net assets of MAAB	(230,250)
Less: Net assets of Multioto, MAPS, MAAGNET and MAAGNET-SSMS	(2,871)
Less: Related selling expenses[1]	(2,120)
Pro forma gain on Proposed Disposal to MAAH Group	108,759
Reserves movements:	
Accumulated losses as per audited financial statements	(16,728)
Add: Pro forma gain on Proposed Disposal	108,759
Less: Restructuring fees	(3,800)
Retained earnings as per Pro Forma Consolidated Statement of Financial Position	88,231

Notes:

[1] Total related selling expenses are estimated to be RM9 million, of which RM6.88 million relates to fee payable to MAACA Corporate Services Sdn Bhd, a wholly-owned subsidiary of MAAC. The remaining expenses of RM2.12 million have been adjusted to retained earnings in the Pro Forma Consolidated Statement of Financial Position.

3.3 For the purpose of illustration of this Pro Forma Consolidated Statement of Financial Position, the pro forma gain on the Proposed Disposal above has been calculated based on the assumption that the Consideration is RM344 million, with no adjustments to the Consideration arising from the matters set out in Note 1.3 and Note 1.4 above.

3.4 As disclosed in Note 1.3 above, the Consideration for the Proposed Disposal is subject to various potential adjustments, either upwards or downwards, which is dependent on the Completion Accounts as set out in the provisions of the SPA. The risk of a downward adjustment continues to subsist until such time the Completion Accounts are drawn up. In addition, as disclosed in Note 1.4 above, the Consideration for the Proposed Disposal is further subject to the unresolved issues relating to the Hold Back being successfully settled.

3.5 For purposes of the Pro Forma Consolidated Statement of Financial Position, RM176.40 million and RM3.8 million of the Consideration have been shown as utilised for the repayment of borrowings and related interest cost, and payment of restructuring fees respectively (see Note 3.6) whilst the remaining portion of the Consideration of RM163.8 million has been included in "Trade and other receivables". The effects of discounting the RM163.8 million have not been included as interest income will be accrued over this amount at market rates.

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3. Effects of the Proposed Disposal on the Pro Forma Consolidated Statement of Financial Position (continued)

3.6 For purposes of the Pro Forma Consolidated Statement of Financial Position, the cash proceeds from the Proposed Disposal will be utilised in the following manner as at 31 December 2010:

Purpose	Notes	Estimated time frame for utilisation	RM'000
Repayment of MTNs	1	Immediately upon the date of receipt of the proceeds from the Proposed Disposal	140,000
Repayment of borrowings and payment of related interest cost	2	Immediately upon the date of receipt of the proceeds from the Proposed Disposal	36,400
Payment of restructuring fees	3	Immediately upon the date of receipt of the proceeds from the Proposed Disposal	3,800
General working capital requirements	4	Within 24 months from the date of receipt of the proceeds from the Proposed Disposal	163,800
Total			**344,000**

Notes:

1. *RM140 million will be deposited into the debt service reserve account of MTN for full settlement.*
2. *The borrowing and payment of obligations comprised an outstanding Revolving Credit facility of approximately RM36.3 million and related interest cost amounting to approximately RM100,000. Any shortfall or excess in funds allocated for these purposes will be funded from or used for working capital purposes.*
3. *Payment of restructuring fees of RM3.8 million to DBS is in relation to the fees payable for the standby letter of credit ("SBLC")o facility. Any shortfall or excess in funds allocated for these purposes will be funded from or used for working capital purposes.*
4. *The allocated proceeds shall be used to recapitalise and finance the day-to-day operations of the MAAH Group, estimated at RM21 million per annum. The proceeds may also be used for the additional capitalisation of MAA Takaful Berhad and expansion of MAA Takaful Berhad's and MAA KL Mutual Berhad's business where the capital outlay for new branches is expected to approximate RM38 million. Given that the final amount of the balance cash proceeds can only be ascertained at a later date where a substantial portion of its receipts is being deferred for a period of 2 years from completion in accordance with the terms of the SPA including the terms of the Side Letter as set out in Section 3(viii) in the Circular, MAAH is unable to provide further breakdown of its proposed utilisation at this juncture.*

Adopted and approved in accordance with a resolution of the Board of Directors dated 26 August 2011.

Director

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1. RESPONSIBILITY STATEMENT

The Directors have seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular. They confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

2. CONSENT

HwangDBS and TA Securities have given and have not subsequently withdrawn their consent to the inclusion in this Circular of their names and all references thereon in the form and context in which they appear.

PwC has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and letter on the proforma consolidated statement of financial position and all references thereon in the form and context in which they appear.

3. DECLARATION OF CONFLICT OF INTERESTS

HwangDBS is not aware of any circumstances or relationships which exist or are likely to exist to give rise to a possible conflict of interest in relation to its role as the Principal Adviser for the Proposed Disposal.

However, for disclosure purposes, DBS, a major shareholder of HwangDBS has given an unconditional and irrevocable guarantee in relation to MAAH's MTNs and issued a SBLC in relation to MAAH's RM36.3 million revolving credit facility obtained from Public Bank Berhad. Collectively, as at the LPD, DBS has a total credit exposure of approximately RM176.3 million to MAAH. HwangDBS is of the view that the credit exposure to MAAH does not give rise to a conflict of interest situation in relation to HwangDBS' role as the Principal Adviser after having considered the following factors:

(i) HwangDBS or its immediate holding company HwangDBS (Malaysia) Berhad do not have any credit exposure to the MAAH Group;

(ii) The business relationship as described above between DBS and MAAH is in the ordinary course of business. Furthermore, DBS' total credit exposure of approximately RM176.3 million to MAAH is not significant as it represent only approximately 0.06% of DBS' total loan and advances to customers based on the audited financial statements of DBS as at 31 December 2010; and

(iii) Neither HwangDBS, nor DBS has been mandated by MAAH to advise the Company on the sale process, or to solicit buyers for or to make a recommendation to the Board on the Proposed Disposal, nor involved whatsoever with the negotiation process on the sell-side in relation to the Proposed Disposal.

TA Securities is not aware of any circumstances or relationships which exist or are likely to exist to give rise to a possible conflict of interest in relation to its role as the Independent Adviser to the shareholders of MAAH for the Proposed Disposal.

PwC is not aware of any circumstances or relationships which exists or are likely to exist to give rise to a possible conflict of interest in relation to its role as the Reporting Accountants for the Proposed Disposal.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 Material commitments

Save as disclosed below, there are no material commitments incurred by the Group as at the LPD that has not been provided for, which upon becoming enforceable, may have a material effect on the financial position or results of the Group:

	RM'000
Approved and contracted for:	
- investment properties	13,154

4.2 Contingent liabilities

In the normal course of business, the insurance subsidiaries of the Company incur certain liabilities in the form of performance bonds and guarantees on behalf of customers. No material losses are anticipated as a result of these transactions.

Save as disclosed below, there are no contingent liabilities incurred or known to be incurred by the Group as at the LPD that has not been provided for, which upon becoming enforceable, may have a material effect on the financial position or results of the Group:

	RM'000
Performance bonds and guarantees	355,920

During the FYE 31 December 2005, Meridian Asset Management Sdn Bhd (**"MAM"**), a subsidiary of MAAC, had commenced legal proceedings against a custodian of its fund under management to recover, inter alia, the loss of investment moneys of its clients, MAAB and Kumpulan Wang Amanah Pencen (**"KWAP"**) of RM19.6 million and RM7.3 million respectively placed with the custodian (**"Custodian"**). MAM had also during FYE 2005 commenced legal proceedings against its former employee and other related parties to the former employee to recover, inter alia, the loss of investment moneys of its clients, MAAB and KWAP together with interest and general damages.

MAAB had during the FYE 31 December 2006 commenced legal proceedings against the Custodian for negligence to recover, inter alia, its loss of investment moneys amounting to RM19.6 million. MAM was subsequently brought in as a Third Party to the legal proceedings by the Custodian.

In November 2007, KWAP had commenced legal proceedings against MAM to recover, inter alia, its loss of investment moneys amounting to RM7.3 million together with interest.

The solicitors are of the opinion that MAM has a good case against the Custodian and that the Custodian does not have a favourable case against MAM in MAAB's suit. The solicitors are also of the opinion that MAM has a good defence to the case taken by KWAP against MAM. However, for prudence purposes, MAAB has made full allowance of RM19.6 million relating to its investments in the financial year ended 31 December 2005. This allowance remains in the current financial year.

For further details of the cases, please refer to para (i) – (iv) under Material Litigation, Section 6 below.

5. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by MAAH or any of its subsidiaries within the past two (2) years immediately preceding the date of this Circular:

(i) On 9 January 2007, MAAH entered into the ISDA 2002 Master Agreement together with Term Sheet and Confirmation with Deutsche Bank (Malaysia) Berhad ("**Deutsche Bank**") in relation to the undertaking of a 7-year Interest Rate Swap Transaction ("**IRST**") for a notional principal amount of RM200 million effective 12 January 2007. The IRST involves the exchange of interest obligations with Deutsche Bank without exchanging the underlying notional principal. The termination date of the IRST is due on 8 January 2014. The IRST was subsequently restructured and a new Term Sheet was entered into on 5 July 2007. With effective from 6 July 2007, the original IRST was unwound and a new interest rate swap ("**Restructured IRST**") came in existence. The termination date of the Restructured IRST remains unchanged.

On 10 December 2009, Deutsche Bank and MAAH had entered into a Termination and Payment Agreement to terminate the Restructured IRST which was entered into on 5 July 2007. The termination cost of RM4.5million is payable together with interest, in five (5) equal annual instalments of RM979,146 per annum, commencing 8 January 2010.

(ii) On 10 November 2008, the Company entered into a non-binding memorandum of understanding with MAAB (its wholly-owned subsidiary) and AmG Insurance Berhad ("**AmG**") to formalise discussions on the disposal of the general insurance business of MAAB to AmG at a headline price of RM274.8 million (subject to adjustments) and the acquisition of a 4.9% stake in MAAT by AmG for a total consideration of RM16.2 million. The headline disposal price was subsequently revised to RM180.0 million (subject to adjustments) on 17 November 2009. The revised headline disposal price was arrived at after taking into consideration the standalone value of the general insurance business without a strategic co-operation arrangement on the takaful business with MAAH.

Bank Negara Malaysia had granted its approval on the proposed scheme of transfer of the general insurance business from MAAB to AmG via its letter dated 5 January 2010.

The SC had approved the revised indicative disposal consideration of up to RM180.0 million and subsequently granted an extension of time to complete the proposed disposal of general insurance business via its letters dated 10 February 2010 and 27 July 2010 respectively.

On 16 December 2010, the Company announced that the Company, MAAB and AmG had mutually agreed to discontinue discussion on the proposed disposal of general insurance business by MAAB.

(iii) On 16 December 2010, the Company announced that it had entered into an agreement with Zurich pursuant to which, the parties would evaluate and negotiate a possible transaction involving the acquisition of an interest in MAAB. BNM had no objection in principle for both parties to commence preliminary negotiation.

On 11 April 2011, the Company had submitted an application to BNM for the approval of the Minister of Finance pursuant to Section 67 of the Insurance Act 1996 to enter into an agreement with Zurich for the proposed disposal by the Company of its entire equity interest held in the capital of MAAB and the following subsidiaries, held vide MAAC, to Zurich:

1. Multioto;
2. MAPS;
3. MAAGNET;
4. MAAGNET-SSMS (a wholly-owned subsidiary of MAAGNET).

BNM had granted its approval on the proposed disposal by the Company of its entire equity interest held in the capital of MAAB to Zurich via its letter dated 8 June 2011.

On 20 June 2011, the Company and MAAC had entered into the SPA in connection with the sale and purchase of the shares in MAAB, Multioto, MAPS and MAAGNET (including MAAGNET-SSMS) for a consideration of RM344 million (subject to adjustments).

(iv) On 5 July 2011, MAAB and MAAIA had entered into a Commutation and Release Agreement to fully commute their liabilities and obligations under the reinsurance contracts between the parties in respect of the MAAB's general fund at an agreed release sum of approximately RM21.8 million and balance payment of approximately RM 14.8 million subject to the terms and conditions therein.

(v) On 5 July 2011, MAAB and MAAIA had entered into a Commutation and Release Agreement to fully commute their liabilities and obligations under the reinsurance contracts between the parties in respect of the MAAB's life non-participating fund and participating fund at nominal sum and by transferring value of the entire assets of the participating fund as at 31 May 2011 which shall be liquidated as cash respectively and subject to the terms and conditions therein.

(vi) On 17 August 2011, MAAB and MAAC had entered into the Side Letter with Zurich in relation to the SPA on the Proposed Disposal.

6. MATERIAL LITIGATION

Save as disclosed below, MAAH Group is not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position or business of MAAH Group and the Board is not aware of any proceedings pending or threatened against the MAAH Group or of any other facts likely to give rise to any proceedings which may materially affect the financial position or business of the MAAH Group.

(i) MALAYSIAN ASSURANCE ALLIANCE BERHAD v AM TRUSTEE BERHAD (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D3-22-102-2006)

On 25 January 2006, MAAB instituted legal proceedings against Am Trustee Berhad (**"Defendant"**) for alleged negligence as custodian of MAAB's fund managed by Meridian Asset Management Sdn Bhd ("MAM"). MAAB has alleged that the Defendant had negligently permitted the transfer of funds to an unauthorised account and had wrongly recorded the transaction amounting to RM19,640,178.83. The Writ of Summons and Statement of Claim was served on the Defendant on 24 March 2006. The Defendant entered its Defence on 5 May 2006. MAAB filed a Reply to the Statement of Defence on 6 June 2006.

The Defendant had filed an application for leave to issue Third Party Notice on MAM under Order 16 of the Rules of High Court 1980. The application for leave to issue Third Party Notice was allowed by the High Court on 2 November 2006 and the Third Party Notice was served on MAM on 20 December 2006. MAM duly entered Appearance to the Third Party Proceedings. On 2 March 2007, the Defendant served its Statement of Claim on MAM and MAM had on 12 March 2007 filed its Defence and Counter Claim. On 26 March 2007, the Defendant filed its Reply to Defence and

Counter Claim and MAM had on 23 April 2007 filed its Reply to the Reply to Defence and Counter Claim.

On 16 September 2008, the High Court exercised its power pursuant to Order 4 Rule 1 of the Rules of High Court 1980 and ordered the case to be tried together with Civil Suit No. D3-22-1797-2005 (where MAM is suing the Defendant). On 10 November 2010, the Defendant filed for a stay of proceedings ('**Stay Application**') pending the disposal of a criminal suit against one employee of MAM ("**Criminal Suit**"). The Stay Application was dismissed by the High Court on 1 December 2010. The Defendant proceeded to file an appeal against the dismissal of the Stay Application in the Court of Appeal ("**Appeal**"). In the meantime, the Defendant filed for a stay of proceedings in the High Court on 17 December 2010 pending the Appeal ("**Second Stay of Proceedings**"). The Second Stay of Proceedings was granted by the High Court on the undertaking by the Defendant's solicitors that they will write to the Court of Appeal for an earlier hearing on the Appeal.

The matter was previously fixed for case management on 25 May 2011 and tentative trial dates were fixed on 29 June 2011, 30 June 2011 and 1 July 2011 pending the disposal of the Appeal.

MAAB had also filed an application to amend the Statement of Claim to plead fiduciary duty by the Defendant ("**Application**"). On 28 March 2011, the Application was stayed pending the disposal of the Defendant's Appeal.

On 24 May 2011, the Court of Appeal allowed the Defendant's Appeal thereby allowing the Defendant's earlier Stay Application. As a result thereof, the earlier trial dates have been vacated and a case management date has been fixed on 1 September 2011.

The matter is stayed pending the disposal of the Criminal Suit.

The Solicitors are of the opinion that MAAB has a good prospect of success in the suit if MAAB and MAM are able to lead evidence to show that they did not issue any instructions to the Defendant to transfer any funds from any of its account to any account with TA Futures Sdn Bhd. The claim by MAAB against MAM is RM19,640,178.83 and the counter claim by MAM against the Defendant is for RM36,967,166.84.

(ii) MERIDIAN ASSET MANAGEMENT SDN BHD v ONG KHENG HOE & OTHER (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D6-22-1394-2005)

On 26 September 2005, Meridian Asset Management Sdn Bhd ("**MAM**") instituted legal proceedings against its former employee, Ong Kheng Hoe ("**First Defendant**"), and 3 other persons ("**Other Defendants**") (collectively the "**Defendants**") for loss and damage amounting to approximately RM27,606,169.65 for breach of good faith and fidelity of the employment of the First Defendant with MAM.

MAM had, also, on 26 September 2005 filed an injunction to restrain the First Defendant and Other Defendants from transferring and disposing off their assets up to the value of RM27,606,169.65 and for disclosure on the disbursement of the sum of RM27,606,196.65 belonging to MAM's clients. On 28 September 2005, the Court granted a Mareva Injunction to restrain the Defendants from disposing of their assets up to the value of RM27,606,169.65 but refused MAM's application to require the First Defendant and Other Defendants to disclose the disbursement of the sum of RM27,606,169.65 belonging to MAM's clients.

MAM had on 16 November 2006 filed an Appeal against the High Court Decision given on 28 September 2005. On 14 March 2008, the Court of Appeal allowed MAM's Appeal in part, as the Court of Appeal set aside the High Court Decision against the First Defendant but upheld the High Court Decision for the 2nd to 4th Defendants. On 11 April 2008 a Notice of Motion for leave to appeal to the Federal Court was filed and leave was obtained on 7 July 2008. MAM proceeded to file the Notice of Appeal on 18 July 2008. On 21 December 2009, the Federal Court allowed MAM's appeal with costs. The 2nd to 4th Defendants would have to disclose the disbursement of the said sum as well.

The matter was fixed for case management on 21 May 2010 and for trial from 28 June 2010 to 1 July 2010. On 28 June 2010, the Defendants decided not to defend their case and Judgment was obtained against the Defendants. The amount of the claim is RM27,606,169.65.

(iii) MERIDIAN ASSET MANAGEMENT SDN BHD v AM TRUSTEE BERHAD (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D3-22-1797-2005)

On 12 December 2005, Meridian Asset Management Sdn Bhd ("**MAM**") instituted legal proceedings against Am Trustee Berhad ("**Defendant**") for alleged negligence as custodian for the funds managed by MAM. MAM alleged that the Defendant had negligently transferred funds belonging to MAM's clients for an amount of RM27,606,169.65 to an unauthorized account and the Defendant had failed to provide true and accurate fund flow reports of the transferred funds. The Defendant entered its Defence on 26 January 2006. MAM had on 17 March 2006 filed a Reply to the Defence.

The Solicitors for MAM had advised MAM to amend the Writ of Summons and Statement of Claim to particularize the damages suffered by MAM and to include a related company of the Defendant, AmMerchant Bank Berhad, as a second defendant. An Application to amend the Writ of Summons and Statement of Claim was heard on 17 October 2008 and the Court Registrar dismissed MAM's application for leave to amend the Statement of Claim with cost. MAM filed an Appeal to the High Court Judge on 21 October 2008 for the leave to amend the Statement of Claim. On 23 January 2009, the High Court Judge allowed MAM's application for the leave to amend the Statement of Claim to include both specific and general damages, thereby increasing MAM's claim to RM36,967,166.84 but disallowed the amendment to include the proposed second defendant. No further appeal was filed by MAM.

On 16 September 2008, the High Court exercised its power pursuant to Order 4 Rule 1 of the Rules of High Court 1980 and ordered the case to be tried together with Civil Suit No. D3-22-102-2006. On 10 November 2010, the Defendant filed for a stay of proceedings ("**Stay Application**") pending the disposal of a criminal suit against one employee of MAM ("**Criminal Suit**"). The Stay Application was dismissed by the High Court on 1 December 2010. The Defendant proceeded to file an appeal against the dismissal of the Stay Application in the Court of Appeal ("**Appeal**"). In the meantime, the Defendant filed for a stay of proceedings in the High Court on 17 December 2010 pending the Appeal ("**Second Stay of Proceedings**"). The Second Stay of Proceedings was granted by the High Court on the undertaking by the Defendant's solicitors that they will write to the Court of Appeal for an earlier hearing on the Appeal.

The matter was previously fixed for case management on 25 May 2011 and tentative trial dates were fixed on 29 June 2011, 30 June 2011 and 1 July 2011 pending the disposal of the Appeal.

On 24 May 2011, the Court of Appeal allowed the Defendant's Appeal thereby allowing the Defendant's earlier Stay Application. As a result thereof, the earlier trial dates have been vacated and a case management date has been fixed on 1 September 2011.

The matter is stayed pending the disposal of the Criminal Suit.

The Solicitors are of the opinion that the Plaintiff has a good case against the Defendant as the Defendant was negligent in its reports to the Plaintiff, and that the reports made by the Defendant do not reflect the position of the funds held by the Defendant. The amount of the claim is RM36,967,166.84.

(iv) KUMPULAN WANG PERSARAAN (DIPERBADANKAN) v MERIDIAN ASSET MANAGEMENT SDN BHD (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D5-22-1457-2007)

On 26 October 2007, a civil suit was brought by Kumpulan Wang Persaraan (Diperbadankan) ("**KWAP**") against Meridian Asset Management Sdn Bhd ("**MAM**") for loss and damages suffered by KWAP due to an alleged breach by MAM of the Investment Management Agreement entered between KWAP and MAM. KWAP's claim is for a refund of the sum of RM7,254,050.42. KWAP alleges that a sum of RM30,000,000.00 was deposited into the account of MAM with AM Trustee Berhad ("ATB") but a sum of RM7,254,050.42 was placed into Amanah Short Deposits by MAM without the knowledge of KWAP. MAM filed its Defence on 31 December 2007.

On 16 January 2008, KWAP filed an application for Summary Judgment under O14 of the Rules of High Court ("**O14 Application**"). On 4 February 2008, MAM filed an Affidavit in Reply to the O14 Application. The O14 Application was heard on 15 September 2008 and on 23 September 2008, the Court dismissed the O14 Application on the grounds that there were triable issues.

On 8 June 2009, MAM filed a Third Party application to include ATB as a Third Party to the suit. On 20 July 2009, the Court granted an Order to allow MAM to file and serve a Third Party Notice against ATB. On 4 June 2010, ATB filed an application to strike off the Third Party Application. On 1 November 2010, ATB's application was allowed by the Court. On 30 November 2010 MAM filed an appeal against the decision made by the Court on 1 November 2010. On 14 July 2011, MAM withdrew its appeal after the hearing was heard as the Court was of the view that there was duplicity of action based on the fact that MAM has another suit against ATB. The matter is now fixed for pre trial case management on 11 August 2011.

The Solicitors are of the opinion that MAM has a good chance of succeeding in their defence. The estimated maximum exposure to liability is RM7,254,050.42. Nevertheless even if the Court decides otherwise, the Solicitors are confident that the Court would allow MAM's claim against ATB. The estimated maximum exposure to liability is RM7,254,050.42.

(v) NEW REGIONAL TECHNOLOGIES SDN BHD v. GOH CHENG KANG & MALAYSIAN ASSURANCE ALLIANCE BERHAD (PENANG HIGH COURT CIVIL SUIT NO. MT3-22-11-2003)

On 10 January 2003, a civil suit was brought by New Regional Technologies Sdn Bhd ("**Plaintiff**") against one of the agents of MAAB, Goh Cheng Kang ("**First Defendant**") and MAAB as the Second Defendant for loss and damages suffered to certain machineries due to flood and lightning. The adjusters' report revealed that one of the machines ('**Machine**') was not damaged by lightning. The report also came to the conclusion that the most probable cause of damage was the breakdown of the Machine due to improper cleaning and drying following the flooding on 5th & 6th September 1999. The Plaintiff claimed for special damages amounting to RM7,901,502.80, general damages, interest and cost. MAAB rejected the claim on the ground, inter alia, that the First Defendant had exceeded his authority in issuing the cover notes to the Plaintiff and that the loss and damage suffered were not within the scope of the insurance. The total sum insured for the cover notes issued was RM2,109,432.80.

The Solicitors are of the opinion that the Plaintiff may not be able to establish that the damage to the Machine is within the scope of the insurance in the absence of evidence to the contrary. The estimated maximum exposure to liability is RM7,901,502.80.

MAAB has on 23 December 2004, filed an application to strike out the Plaintiff's claim on grounds that the Plaintiff's action is scandalous, frivolous and/or vexatious and/or an abuse of the process of the Court as the Plaintiff has on 18 May 2004 entered a final judgment against the First Defendant (who is the agent). MAAB's application to strike out the Plaintiff's claim was allowed by the learned Registrar with cost on the 26[th] May 2005. The Plaintiff has since filed a Notice of Appeal to the Judge in Chambers against the decision, and the appeal was fixed for decision/clarification on 8 April 2009 but was deferred to 29 July 2009. On 29 July 2009, the Learned Judge dismissed the Plaintiff's appeal with costs.

Court Of Appeal Civil Appeal No.: P-03-252-2009

On 12 August 2009, the Plaintiff filed an appeal in the Court of Appeal (**"COA"**) against the decision of the High Court Judge in dismissing the Plaintiff's appeal. The Plaintiff/Appellant filed the Record of Appeal on 30 October 2009 and Supplementary Record of Appeal on 17 March 2010. The Court of Appeal has yet to fix any case management or hearing dates of the Appellant's appeal.

The Solicitors are of the view that the Plaintiff/Appellant may have an uphill task in their attempt to overturn the High Court decision in the Court of Appeal as the Court of Appeal will be slow to disturb the exercise of discretion by the High Court.

(vi) HUATLAND DEVELOPMENT SDN BHD v LOW KENG HUAT BERHAD AND MALAYSIAN ASSURANCE ALLIANCE BERHAD & OTHERS (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D2-22-1201-2006)

Huatland Development Sdn. Bhd. (**"the Plaintiff"**) is the developer of a housing project known as "Cadangan membina Rumah Teres 3 Tingkat di atas sebahagian Lot 37861, Bukit Jalil, Mukim Petaling, Wilayah Persekutuan" (**"the Project"**). The Plaintiff appointed a Civil and Structural Engineering Consultant and a Main Contractor for the Project. The Main Contractor purchased a Contractor's All Risk Insurance Cover from MAAB. On 28 October 2002, the Plaintiff lodged an insurance claim against MAAB, for alleged defects and faults that occurred in the crib wall amounting to RM3,358,678.83. On 19 June 2003, MAAB engaged a firm of adjusters who concluded that the design of the crib wall and its foundation system were not compatible to its required use. As such, MAAB claimed that any failure was due to defective design and workmanship, perils of which are not covered by the policy.

On 28 November 2006, the Plaintiff served a Writ of Summons and Statement of Claim on MAAB, naming MAAB as the Second Defendant. The Plaintiff claimed, among others, for damages amounting to RM9,640,934.25. MAAB filed its Defence on 21 February 2007.

Application to strike out the Claim & Application to amend the Statement of Claim

On 27 February 2007, MAAB filed an application to strike out the Plaintiff's Writ of Summons and Statement of Claim (**"MAAB's Application"**). On 27 February 2007 the Plaintiff also filed an application to amend its Statement of Claim (**"the Plaintiff's Amendment Application"**).

On 23 May 2008, the Senior Assistant Registrar ("**SAR**") dismissed MAAB's application with costs and allowed the Plaintiff's Amendment Application with costs. On 28 May 2008, MAAB lodged an appeal to the Judge in Chambers in respect of the dismissal of MAAB's Application and also lodged an appeal against the decision to allow the Plaintiff's Amended Application. Both appeals were dismissed on 26 March 2009 and 1 September 2009 respectively.

Thereafter, on 20 April 2009 an appeal was filed to the Court of Appeal against the decision of the Judge in MAAB's Application and was fixed for hearing on 8 March 2011. On 29 September 2009 MAAB filed an appeal to the Court of Appeal against the Judge's decision in respect of the Plaintiff's Amendment Application.

The appeal on the Plaintiff's Amendment Application was withdrawn on 7 December 2009 and on 8 March 2011, the appeal on the MAAB's Application was dismissed by the Court of Appeal with cost of RM5,000.00 as the Court of Appeal was of the view that there are issues to be tried.

The main suit is now fixed for Pre-Trial Case Management on 6 September 2010 pending disposal of the Third Party Proceedings by the First Defendant. The High Court adjourned the case management on 6 September 2010 to 17 December 2010 pending for the 3rd and 5th Defendants to file their respective applications to amend their Statement of Defence. The Court then fixed the matter for trial on 5 September 2011 to 7 September 2011 and directed the parties to file the bundle of documents and witness statements prior to the trial. On 1 July 2011 the Court requested all parties for an appointment before Y.A Dato' Asmabi Binti Mohamad on 13 July 2011 following the 3rd Defendant's application for a postponement of the trial. On 13 July 2011, the Court fixed the matter for trial on 19 December 2011 to 23 December 2011.

In the event the Plaintiff succeeds in its claim, the possible liability is approximately RM9.6 million.

(vii) UPTOWN PROPERTIES SDN BHD v PENTADBIR TANAH WILAYAH PERSEKUTUAN, JAWATANKUASA EKSEKUTIF TANAH BAGI WILAYAH PERSEKUTUAN, KERAJAAN MALAYSIA, LIPTOWN PROPERTIES SDN BHD, TRISCENIC SDN BHD AND MALAYSIAN ASSURANCE ALLIANCE BERHAD AND OTHERS (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. S6-21-69-2006)

On 31 March 2006, Uptown Properties Sdn Bhd ("**Plaintiff**") instituted legal proceedings against Pentadbir Tanah Wilayah Persekutuan, Jawatankuasa Eksekutif Tanah bagi Wilayah Persekutuan, Kerajaan Malaysia, Liptown Properties Sdn Bhd and Trisenic Sdn Bhd ("**Borrower**") and MAAB as the Sixth Defendant (the "**Main Suit**"). The Plaintiff is seeking a declaration that it is the rightful owner of a certain property which has been charged by the Borrower to MAAB as security for a loan granted by MAAB to the Borrower. The Plaintiff claims that the transfer and the charge are null and void. MAAB filed its Defence on 30 May 2006.

The Plaintiff filed an application for Summary Judgment under Order 14A of the Rules of High Court 1980 ("**O14A Application**") and on 23 February 2009, the Court dismissed the application with costs. The matter was set for full trial on 22 November 2010 to 24 November 2010, 16 February 2011 to 17 February 2011 and 24 March 2011.

MAAB's solicitors have filed a Notice Claiming Indemnity/Contribution ("**Notice**") against the first defendant, second defendant, third defendant and fifth defendant who have in turn filed applications to strike out MAAB's Summons For Direction ("**SFD**") in respect of the said Notice. The SFD was fixed for case management on 10 November 2010 whereby MAAB's solicitors withdrew the SFD against the fifth defendant and the fifth defendant withdrew its application to strike out the SFD.

The Main Suit proceeded for full trial and was adjourned to 11 July 2011 for submission by counsels. The parties were directed to finalize their written submission within 7 weeks from the last trial date. The Court has now fixed the date for all counsels to submit orally before the High Court Judge on 22 August 2011. The Solicitors are of the opinion that MAAB has a good defence to the case. The estimated maximum exposure of liability is RM10,500,000.00.

Malaysian Assurance Alliance Berhad vs Triscenic Sdn Bhd and V. Alexander a/l Chako Varghese (Kuala Lumpur High Court Suit No. S6-111-2008)

Triscenic Sdn Bhd ("**Borrower**") defaulted in servicing a loan of RM10,500,000.00 ("**Loan**"). The Loan is secured by a 1st legal charge over a parcel of land located off Jalan Telok Panglima Garang 2, Kuala Lumpur and a personal guarantee by one Alexander a/l Chako Varghese ("Guarantor"). MAAB filed a suit against the Borrower and the Guarantor claiming for the loan with interest thereon. On 5 January 2010 upon MAAB's application, summary judgement was granted against the Borrower and Guarantor. The matter is pending MAAB's instruction on execution of the judgement.

The matter is related to the suit by Uptown Properties and hence the reason why there is no foreclosure action

(viii) MALAYSIAN ASSURANCE ALLIANCE BERHAD v TAN SRI MOHAN SWAMI (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D-22-1594-2008) (KUALA LUMPUR HICH COURT BANKRUPTCY NO.:D-29-450-2011)

On 22 August 2008, MAAB initiated legal proceedings against its borrower, Tan Sri Mohan Swami ("**Borrower**") for the sum of RM42,709,098.20 when the Borrower defaulted in his payment obligations under a Facility Agreement dated 4 December 2003. The facility granted under the Facility Agreement was secured against three (3) charges over two (2) pieces of leasehold quarry lands identified as HS (D) 100332, PT 11384 and HS (D) 92363 PT 10782 situated in the Mukim of Sentul, District of Seremban, Negeri Sembilan, and over two (2) pieces of vacant leasehold lands in Taman Duta identified as PN 4489, Lot No. 37714 and HS (D) 79675, PT 41 in the Mukim of Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan. The Borrower entered Appearance on 5 December 2008 and filed his Defence on 22 January 2009. MAAB filed and served its Reply to the Defence on 19 February 2009. The matter was fixed for mediation before the High Court Judge on 27 April 2010.

On 27 April 2010, the Borrower agreed to a full and final settlement sum of RM39,000,000.00 to be paid by 30 November 2010. On 31 May 2010, MAAB and the Borrower entered into a Consent Order for settlement of the outstanding amount of RM39,000,000.00. The Borrower made some payments under the Consent Order but eventually defaulted on payment terms. MAAB is entitled to recover the sum of RM53,545,590.97 with interest on the RM42,709,098.20 at the rate of 11% from 1 June 2010. Upon the Borrower's default MAAB took out bankruptcy proceedings on 9 February 2011. MAAB and the Borrower have since entered into further arrangements to settle the outstanding amount pursuant to which the Borrower is to make full settlement within 120 days from 16 May 2011.

Kualiti Johan Sdn Bhd had charged its lands in Kuala Lumpur (the "Duta Lands") to MAA as security for Tan Sri Mohan Swami's facility granted under Facility Agreement dated 4 December 2003. Kualiti Johan Sdn Bhd has entered into a sale and purchase agreement on 13 May 2011 with a third party to sell the Duta Lands for RM18,000,000.00. The parties executed a Supplementary Agreement on 18 May 2011 to increase the purchase price to RM20,000,000.00. To date MAA has received RM2,000,000.00 being the 10% deposit from the said sale. The balance purchase price is to be paid not later than 120 days from 18 May 2011 ie. 18 September 2011. Upon completion of the sale and if the balance purchase price of RM18,000,000.00 is paid to MAA there will be a balance outstanding of RM28,222,198.87 as at 18 September 2011 which will be outstanding from Tan Sri Mohan Swami to MAA. In this regard Tan Sri Mohan Swami was supposed to have submitted a detailed repayment plan to MAA by 15 June 2011 which he has failed to on the ground that he was unwell and unable to attend to the matter. MAA is currently considering its options.

(a) Malaysian Assurance Alliance Berhad v Kualiti Johan Sdn Bhd
Kuala Lumpur High Court OSNo. S-24-162-2009

(b) Malaysian Assurance Alliance Berhad v Dayang Emas Sdn Bhd.
Seremban High Court via Originating Summons No.: 24-118-2009

(c) Kualiti Johan Sdn Bhd v Malaysian Assurance Alliance Berhad
Court of Appeal Civil Appeal No. W-02-2154-2009

(d) Malaysian Assurance Alliance Berhad v Kualiti Johan Sdn Bhd
Kuala Lumpur High Court Application for Execution No. 38-423-2011

Simultaneously with the action against the Borrower, MAAB initiated foreclosure proceedings in respect of the lands charged as security for the facility. MAAB has filed two (2) separate order for sale applications, one at the Kuala Lumpur High Court against Kualiti Johan Sdn Bhd and the other at the Seremban High Court against Dayang Emas Sdn Bhd.

In relation to the foreclosure proceedings against Kualiti Johan Sdn Bhd, the High Court granted an Order for Sale on 24 September 2009 with the auction date fixed for 14 December 2009. Kualiti Johan Sdn Bhd appealed against the decision and requested for a stay of execution. On 7 December 2009, the Court dismissed the stay of execution but postponed the auction to 21 June 2010 to allow the Kualiti Johan Sdn Bhd to file its appeal in the Court of Appeal. On 7 March 2011, the Court fixed the auction date on 25 May 2011 for Kualiti Johan Sdn Bhd.

In relation to the foreclosure proceedings against Dayang Emas Sdn Bhd a Letter of Demand was issued on 21 February 2011 to commence the foreclosure action.

All legal proceedings have been held in abeyance pending full settlement by the Borrower.

(ix) MALAYSIAN ASSURANCE ALLIANCE BERHAD v MUJUR ZAMAN PROPERTIES SDN BHD (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. S2-22-1520-2005)

On 30 December 2005, MAAB instituted legal proceedings against its borrower, Mujur Zaman Properties Sdn Bhd ("Borrower") and one Karuppannan a/l Palaniappan for default in servicing the loan of RM50,000,000.00 ("**Loan**") granted by MAAB. The Loan was secured by a charge over a parcel of development land located in Mukim Ijok, Selangor, a personal guarantee by one Karuppannan a/l Palaniappan ("**Guarantor**") and a memorandum of deposit of 50 million shares of Fountain View Development Bhd.

On 21 September 2007, MAAB obtained Summary Judgment against the Borrower and the Guarantor for RM55,336,650.45. Both the Borrower and the Guarantor appealed to the Judge in Chambers and the appeal was dismissed with cost. They then appealed to the Court of Appeal. Meanwhile the Borrower was subsequently wound up by CIMB Bank Bhd on 4 March 2008 and MAAB filed its Proof of Debt. The Guarantor was adjudged a bankrupt on 7 September 2010. The appeal to the Court of Appeal came up for disposal on 17 June 2010 wherein the Official Assignee, who has stepped in for the Borrower and Guarantor, withdrew the appeal.

The Solicitors are of the view that since the Borrower had been wound-up, bankruptcy proceedings should be initiated against the Guarantor to recover the Judgment Sum.

(x) MALAYSIAN ASSURANCE ALLIANCE BERHAD v PRIME UTILITIES BHD (SHAH ALAM HIGH COURT CIVIL SUIT NO. S3-22-501-2007)

On 16 May 2007, MAAB instituted legal proceedings against its borrower, Prime Utilities Bhd ("**Borrower**") when the Borrower defaulted in servicing the loan of RM33,500,000.00 ("**Loan**") granted by MAAB. The Loan was secured by a charge over a parcel of vacant development land located in Mukim Ijok, Selangor. On 9 July 2007, MAAB obtained Judgment in Default ("**Judgment**") against the Borrower for the sum of RM38,993,650.20. Notice under Section 218 of the Companies Act 1965 was served on the Borrower on 10 December 2009. On 8 March 2010 the Borrower filed an application to set aside the Judgment and filed an application for stay of execution (collectively as "**Borrower's Applications**").The Borrower's Applications were heard on 26 August 2010 and were dismissed with costs. MAAB also filed an Originating Summons for the foreclosure ("**OS Application**") of the charged properties on 11 July 2007.

MAAB has subsequently withdrawn the OS Application in view that the parties have entered into a Settlement Agreement. The Solicitors are of the view that since the Borrower had been wound-up, bankruptcy proceedings should be initiated against the Guarantor to recover the Judgment Sum.

(xi) MALAYSIAN ASSURANCE ALLIANCE BERHAD v ARB LANDSCAPE MAINTENANCE AND CONSTRUCTION SDN BHD & CHIN CHAN LEONG (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D8-22-1614-2007)

On 26 November 2007, MAAB instituted legal proceedings against its borrower, ARB Landscape Maintenance and Construction Sdn Bhd ("**Borrowers**") and one Chin Chan Leong for default by the Borrowers in servicing a loan of RM73,820,000.00 ("**Loan**"). The Loan was secured by a charge over a parcel of development land located in Mukim Ijok, Selangor and a personal guarantee by one, Chin Chan Leong ("**Guarantor**").

On 29 May 2008, MAAB filed an Application for Summary Judgment ("**O14 Application**"). On 16 September 2009, the Court dismissed the O14 Application and MAAB has since filed an appeal. The matter is pending a date to be fixed by the Court. On 5 March 2010 the High Court informed the parties that the matter is fixed for mediation before the Learned Judge on 10 March 2010. On 10 March 2010, the Court further fixed the matter on 26 August 2010 for the parties to decide on the mediation. On 26 August 2010, the Court adjourned the mediation to 23 September 2010 for the parties to finalise the settlement terms.

MAAB has subsequently withdrawn the Appeal in view that the parties have entered into a Settlement Agreement. The amount of the claim is RM71,610,521.24. The Solicitors are of the view that MAAB has a good chance of succeeding in its claim against the Defendants.

(xii) MALAYSIAN ASSURANCE ALLIANCE BERHAD v EUREKA FOUNTAIN SDN BHD & CHIN CHAN LEONG (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D7-22-1634-2007)

MAAB instituted legal proceedings against its borrower, Eureka Fountain Sdn Bhd ("Borrower") and one Chin Chan Leong when the Borrower defaulted in servicing a loan RM39,165,170.98 ("**Loan**"). The Loan was secured by a charge over a parcel of development land located in Mukim Ijok, Selangor and a personal guarantee by one Chin Chan Leong ("**Guarantor**").

On 29 May 2008, MAAB filed an application for Summary Judgment ("**O14 Application**") and on 30 July 2009, MAAB obtained Summary Judgment against the Borrower and the Guarantor for the sum of RM52,101,520.89. The Borrower and Guarantor had on 27 August 2009 filed an Appeal with the Court of Appeal. The matter is pending a date to be fixed by the Court.

The Appeal was withdrawn in view that the parties had entered into a Settlement Agreement. The amount of the claim is RM52,101,520.89. The Solicitors are of the view that MAAB has a good chance of succeeding in its claim against the Defendants.

The parties involved in the suits listed above in items (ix) – (xii) have entered into a Supplemental Global Redemption Agreement, in settlement of facilities owed by the group of companies namely Prime Utilities Berhad, Mujur Zaman Properties Sdn Bhd (In Liquidation), ARB Landscape Maintenance & Construction Sdn Bhd and Eureka Fountain Sdn Bhd. The agreement has been executed by all parties except that the Official Assignee's consent for Mujur Zaman Properties Sdn Bhd to enter into this contract is still outstanding.

(xiii) MALAYSIAN ASSURANCE ALLIANCE BERHAD AND OTHERS v PESAKA ASTANA SDN BHD AND OTHERS (KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D6(D8)-22-1810-2005)

On 14 December 2005, MAAB together with 9 other Plaintiffs instituted legal proceedings against:

Pesaka Astana Sdn Bhd ("**First Defendant**"),
Mayban Trustee Berhad ("**Second Defendant**"),
KAF Discount Berhad ("**Third Defendant**"),
Dato' Mohd Rafie Bin Sain ("**Fourth Defendant**"),
Datin Murnina Binti Dato' Sujak (**Fifth Defendant**"),
Amdec Automotive Sdn Bhd (**Sixth Defendant**"),
Amdec Holdings Sdn Bhd (**Seventh Defendant**"),
Amdec Capital Sdn Bhd (**Eight Defendant**"),
Amdec Technologies Sdn Bhd (**Nineth Defendant**"),
Amdec Resources Sdn Bhd (**Tenth Defendant**"),
Amdec Engines Sdn Bhd (**Eleventh Defendant**") and
Amdec Daesung Sdn Bhd (**Twelfth Defendant**")

(collectively referred to as the "**Defendants**") for alleged breach of contract and trust.

MAAB and the other Plaintiffs alleged that the First Defendant had acted in breach of contract in failing to deposit the proceeds of the government contracts into the revenue account with the Second Defendant as the sole signatory. The First Defendant has allegedly breached the contract when it failed to redeem the 1st series of bonds when they matured on 30 September 2005 and subsequently on 30 September 2006. As such, the entire indebtedness of the First Defendant to the Plaintiffs is RM157,815,000.00. MAAB being the seventh plaintiff has a claim of approximately RM10,000,000.00.

On 12 January 2007, the Federal Court had granted a Mareva Injunction in favour of the Plaintiffs restraining the Defendants or its agents from removing, disposing or dealing with any of their assets including all monies in all banks and financial institution up to the value of RM157,000,000.00 until the Plaintiffs claim against the Defendants is resolved.

On 2 February 2007, the First, Fourth and Sixth to Twelfth Defendants filed an application in the High Court for a Variation of the Mareva Injunction. On 4 April 2007, the High Court allowed the Variation with costs. The order is that the First, Fourth and Sixth to Twelfth Defendants is allowed to spend in excess of RM10.0 million of monies frozen under the Mareva Injunction (**"Variation Decision"**).

On 27 April 2007, the Plaintiffs filed a Notice of Appeal to Court of Appeal against the Variation Decision. On 26 July 2007, the Court of Appeal allowed the Plaintiffs' Variation Appeal. On 20 August 2007, the First, Fourth and Sixth to Twelfth Defendants filed their application in the Federal Court for Leave to Appeal against the decision of the Court of Appeal on the Plaintiff's Variation Appeal (**"Variation Leave Application"**). On 28 November 2007, the Court of Appeal dismissed with costs the First, Fourth and Sixth to Twelfth Defendants' application for a stay of the decision of the Court of Appeal on the Variation pending their Variation Leave Application. On 30 November 2007, the First, Fourth and Sixth to Twelfth Defendants filed a further application to vary the terms of the Mareva Injunction re-instated by the Court of Appeal on 18 December 2006 (**"2nd Variation Application"**).

In the meantime, the Fifth Defendant filed an application to strike off the Plaintiffs' claim. On 4 January 2008, the High Court dismissed with cost the Fifth Defendant's application to strike out the Plaintiffs' claim. On 30 January 2008, the Fifth Defendant filed a Notice of Appeal to the Court of Appeal against the decision. On 27 March 2008, the Fifth Defendant discontinued the Appeal in the Court of Appeal.

On 28 January 2008, the Plaintiffs and the First, Fourth and Sixth to Twelfth Defendants entered into a Consent Order on the 2nd Variation Application. The First, Fourth and Sixth to Twelfth Defendants proceeded to withdraw their Committal Application against the Plaintiffs. On 24 April 2008, the First, Fourth and Sixth to Twelfth Defendants withdrew their Variation Leave Application.

On 7 July 2008, the Plaintiffs entered Consent Judgment for the sum of RM157,815,000.00 with the First Defendant with the removal of the Mareva Injunction. The Plaintiffs have yet to execute the Consent Judgment.

The trial against the Second and Third Defendants was heard on 13 - 23 July 2009 and 24 - 28 August 2009. The decision fixed on 30 June 2010, found the Court in favour of the Plaintiffs and Judgment was entered against the Second and Third Defendants.

The Second Defendant has made payment in the sum of RM4,270,885.53 and RM6,415,057.75 on 20 July 2010 and 21 July 2010 respectively and these amounts represent MAAB's share in the total judgement. This is based on MAAB's respective share of the holding in the bonds. The judgement sum is currently placed in an interest bearing account pending the appeal.

The Second and Third Defendants have since filed an Appeal against the decision. The case management for the Appeal was fixed for hearing on 5 April 2011 in the Court Of Appeal and on that date another date was set from 20 – 30 September 2011.

(xiv) MALAYSIAN ASSURANCE ALLIANCE BERHAD v TRIDENT HILL SDN BHD (SHAH ALAM HIGH COURT CIVIL SUIT NO. MT3-22-1002-2008)

On 20 June 2008, Malaysian Assurance Alliance Berhad ("**MAAB**") instituted legal proceedings against its borrower, Trident Hill Sdn Bhd ("**Borrower**") and one Krishna Kumar a/l T.N. Sharma ("**Guarantor**") for the sum of RM33,604,048.53 and interests and costs. The Borrower has defaulted in servicing two (2) term loan facilities amounting to RM29,000,000.00 ("**Loan**") which is secured by a charge over two (2) parcels of land located in North East District, Penang and four (4) stories of office space in Wisma Central, Macalister Road, Penang (collectively referred to as the '**Properties**") and a personal guarantee by one Krishna Kumar a/l T.N. Sharma ("**Guarantor**").

The Borrower and the Guarantor had on 25 July 2008 filed a Memorandum of Appearance. Subsequently they entered into a Settlement Agreement and agreed that a consent judgment will be recorded on 8 July 2010. On 8 July 2010 the matter was postponed to 19 April 2011.

In the meantime on 12 August 2009, MAAB filed foreclosure proceedings on the charged Properties via Penang High Court Suits No.MT4-24-1342-2009 and No. MT4-24-1345-2006. MAAB had subsequently withdrawn the foreclosure proceedings with liberty to file afresh in view that the parties had entered into a Settlement Agreement.

However, following the Borrower's failure to comply with the Settlement Agreement, MAAB had since recommenced the foreclosure proceedings and has applied for a new date for Summons for Direction which is pending extraction.

In respect of the application for Summary Judgement the Court has fixed 5 October 2011 to hear the application for Summary Judgement. By this date the 1st defendant/ Borrower will be appointing new solicitors to defend them whilst the 2nd defendant/ Guarantor is to file all the necessary documents with the insolvency office in order for the insolvency office to process his application for sanction. The amount outstanding as at 30 June 2011 is RM32,278,629.00 and RM13,472,757.00 with interest thereon.

The Solicitors are of the opinion that, MAAB has a good chance of succeeding in its claim against the Defendants.

(xv) MALAYSIAN ASSURANCE ALLIANCE BERHAD v SHENCOURT SDN BHD (KUALA LUMPUR HIGH COURT CIVIL SUIT: D3-22-1599- 2008)

MAAB has initiated legal proceeding against its borrower, Shencourt Sdn Bhd ("**Borrower**") and one Clarence Lee upon the Borrower's default in the settlement of a loan amounting to RM60,413,642.54 ("**Loan**"). The Loan was secured by a charge ranking parri passu with the Supplementary Syndicated Lenders over the project land held under title H.S.(D) 28668 P.T. 15752, Mukim of Ampang, District of Hulu Langat, Selangor known as Galaxy Ampang Shopping Centre ("**Project**"), The 1st and 2nd debentures covering the 1st fixed and floating charge over all assets of the Project and of the Borrower's assets, joint and several guaranteed by one Dato' Richard Lee Kam Yoong and another by Clarence Lee ("**Guarantors**").

MAAB filed a Writ of Summons and Statement of Claim against the Borrower and one of its Guarantors on 22 August 2008. On 6 May 2009 MAAB filed for Summary Judgment and the hearing was fixed for 22 February 2010. The Court granted Judgment in MAAB's favour for all sums claimed including interest and costs of RM350.00.

On 6 July 2010 the Borrower obtained a Restraining Order against MAAB under Section 176 of the Companies Act 1965. On 23 December 2010, MAAB agreed to stay the execution of the Summary Judgment for a period of 2 years to facilitate the ongoing case between the Borrower and the other syndicate lenders.

The Solicitors are of the view that MAAB will see, at least, partial recovery as the Loan is secured. The amount of the claim is RM 60,413,642.57.

(xvi) MALAYSIAN ASSURANCE ALLIANCE BERHAD v HOLIDAY PLAZA SDN BHD & KWAN PING SUM (KUALA LUMPUR HIGH COURT SUIT NO. D-22NCC-876-2010)

MAAB instituted legal proceedings against its borrower, Holiday Plaza Sdn Bhd ("**Borrower**") and one Kwan Ping Sum upon the Borrower's default in servicing a loan of RM14,398,191.00 ("**Loan**"). The Loan was secured by way of charge over a land located in Mukim Ijok, Selangor, two pieces of land in Mukim Pelentong, Johor Bahru, five condominium units and a personal guarantee by one Kwan Ping Sum ("**Guarantor**").

On 5 May 2010, MAAB filed a Writ of Summons against the Borrower and the Guarantor (collectively referred to as the "**Defendants**"). On 1 September 2010, MAAB obtained Judgment in Default against the Defendants. MAAB has yet to execute the Judgment as the parties are negotiating a settlement agreement.

Claim against Mujur Zaman Sdn Bhd and Loh Chen Yook

Summary Judgement was obtained against Mujur Zaman Sdn Bhd ("**Mujur**"), the Third Party Chargor. Mujur appealed the Summary Judgement but the notice was filed out of time. Mujur is now applying to extend the time for filing of the appeal.

In respect of Loh Chen Yook, Judgement in Default has been entered.

Foreclosure proceedings were commenced against Mujur and Loh Chen Yook. However MAAB has now instructed to withhold further action pending submission of a restructuring scheme.

(xvii) COMSA FARMS BERHAD v MALAYSIAN ASSURANCE ALLIANCE BERHAD KUALA LUMPUR HIGH COURT SUIT NO. D4-22-1200-2007 ("WRIT SUIT") AND SUIT NO. D4-24-264-2007 ("OS SUIT")

Two (2) civil suits were brought by Comsa Farms Berhad ("**Plaintiff**") against MAAB ("**Defendant**") alleging that MAAB had breached the loan agreement ("**Loan Agreement**") by refusing to release the second, third and fourth tranches of the loan. The Plaintiff also alleges that the Defendant fraudulently misled the Plaintiff to believe that the Defendant will disburse the loan upon the Plaintiff executing the Loan Agreement and further that the Defendant had fraudulently lured the Plaintiff to allow the Defendant to secure its charge over properties belonging to the Plaintiff's subsidiary. The Defendant's grounds for not releasing the second, third and fourth tranches are that the Plaintiff failed to disclose material facts before the Loan Agreement was entered into and that therefore there was a material change in circumstances to justify the Defendant from refusing to release the remaining tranches.

The Plaintiff's claim, among other things, in the Writ Suit, is for RM150,000,000.00 in damages (seems to flow from the prayer for rescission) and RM150,000,000.00 in damages for breach of the loan agreement (may be a prayer in the alternative but is not clear in the prayers of the Statement of Claim). The Plaintiff also claims for a rescission of the Loan Agreement or in the alternative that the Plaintiff be discharged from the Loan Agreement by reason of the Defendant's breach of the Loan Agreement. The Plaintiff also claims for an order to compel the Defendant to lodge a discharge on the charge and an injunction restraining the Defendant from dealing with the charged properties. On 17 September 2007, the Plaintiff obtained an ex-parte Order injuncting the Defendant from dealing with the charged properties. The inter parte injunction was fixed for hearing on 12 March 2008.

In the OS Suit, the Plaintiff alleges that the Defendant by suddenly refusing to release the remaining tranches has raised a bona fide dispute as to the amount owing to the Defendant. The Plaintiff alleges that there are ongoing negotiations between the Plaintiff and the Defendant on the sale of some lands to repay the loan prior to the issuance of the notice under S.218 of the Companies Act 1965. Plaintiff therefore prays for an injunction against the Defendant from filing a winding up petition pursuant to the Section 218 of the Companies Act 1965 and an order that the Defendant be stopped from proceeding with any petition to wind up the Plaintiff based on the notice dated 10 August 2007. The Plaintiff also obtained an ex-parte Order injuncting the Defendant from filing or proceeding with any petition to wind up the Plaintiff. The hearing of the inter parte application was fixed for 12 March 2008.

On 13 November 2008, the Court dismissed both the Plaintiff's applications for injunction against the Defendant in both the Writ Suit and the OS Suit. The Plaintiff is appealing against the dismissal but no date has been fixed for the appeal thus far. The Plaintiff had also filed an application to amend the Writ Suit and to join several other defendants. The application was vacated as it was on the same date as the injunction application. No new date has been fixed to date for the application to amend the Writ Suit.

On 20 March 2009, the Defendant filed a Winding-Up Petition against the Plaintiff via Suit No.: D10-28-184-2009 and the petition was fixed for hearing on 25 June 2009. Plaintiff was wound-up on 3 December 2009 with the Official Receiver being appointed the Liquidator.

The solicitors are of the view that the Defendant should be able to succeed in defending this claim.

Plaintiff was wound up in Tawau on 3 December 2009 after this suit was filed and the matter has not progressed since. The winding up was in respect of the RHB v Comsa Farms Berhad suit in the Tawau High Court Winding Up Petition No. T(28)-7-2008. Datuk Kour who is a contributory and director of the Plaintiff and MAAB had applied to nominate their nominees as Liquidator in place of the Official Receiver. Both applications were dismissed. MAAB has appealed this decision to the Court of Appeal but Datuk Kour has not. In the meanwhile, attempts are being made to have the Insolvency Department call for the 1st Meeting of Creditors.

(xviii) MALAYSIAN ASSURANCE ALLIANCE BERHAD v COMSA PROPERTIES SDN BHD (KUALA LUMPUR HIGH COURT WINDING UP PETITION NO. D-28-NCC-283-2009)

Comsa Properties Sdn Bhd ("**Comsa Properties**") is a subsidiary of a subsidiary of another company within the Comsa group of companies. Comsa Properties charged its lands to secure Comsa Farm's borrowings from MAAB. Since both Comsa Farms and Comsa Properties are unable to settle the borrowings from MAAB, MAAB filed a winding up petition against Comsa Properties. The KL High Court dismissed MAAB's winging up petition against Comsa Properties. MAAB filed an appeal to the Court of Appeal against the dismissal. This Appeal was fixed for hearing on 4 January 2011 together with another winding up petition against Comsa Properties by El Nutrition. Both Appeals were allowed. On 20 April 2011 Comsa Properties obtained permission to appeal to the Federal Court on limited grounds relating to the Court of Appeal's jurisdiction. On 15 July 2011, the Federal Court allowed Comsa Properties' appeal and decided that the decision by the Court of Appeal is null and void. MAAB's solicitors will be writing to the President of the Court of Appeal to have the appeal fixed for hearing.

The solicitors are of the view that MAAB stands a fairly good chance of succeeding at the substantive appeal to the Federal Court and even if the appeal is decided against MAAB they think that the matter should be properly sent back to the Court of Appeal for decision but this time without having regard to the appeal by El Nutrition.

The estimate of the maximum exposure of liabilities is RM150,000,000 excluding interests and costs.

In a related matter in the Kota Kinabalu High Court Winding Up Petition No. K28-09-2010-111 where El Nutrition has filed a claim against Comsa Properties. El Nutrition filed a winding up petition against Comsa Farms after the dismissal of MAAB's winding up petition in the KL High Court. MAAB appeared at the hearing and asked for their nominee to be appointed the Liquidator. This was rejected and order in terms was given of the El Nutrition winding up petition and El-Nutrition's nominee was appointed as the Liquidator for Comsa Properties. MAAB appealed and this appeal was heard together with El Nutrition's appeal on the 4 January 2011 and both appeals were allowed by the Court of Appeal. On 15 July 2011, the Federal Court allowed El Nutrition's appeal and decided that the decision by the Court of Appeal is null and void. MAAB's solicitors will be writing to the President of the Court of Appeal to have the appeal fixed for hearing.

(xix) OSK TRUSTEES BERHAD V ENGLOTECHS HOLDINGS BERHAD (KUALA LUMPUR HIGH COURT SUIT NO. D-24NCC-59-2009)

MAAB holds part of a Murabahah Medium Term Notes Programme (MTN) bond with OSK Trustee Bhd ("**OSK Trustee**") as trustee for the holders. The total issuance is RM50,000,000.00 with MAAB holding RM10,000,000. The security is by a charge over a factory located in Kulim, Kedah. Englotechs Holdings Berhad ("**Englotechs**") has defaulted on 27 March 2009 and legal action commenced.

On 23 September 2009, a notice under Section 218 Companies Act 1965 was served and the Winding up order was obtained on 20 April 2010. Englotechs has applied for a stay of the winding up order. Case management was fixed on 27 December 2010 and the hearing of the stay application was fixed on 5 January 2011. The application was subsequently dismissed.

<u>OSK Trustees Berhad v Malwira Manufacturing Sdn Bhd (Kuala Lumpur High Court Suit No. 22-708-2009)</u>

Malwira Manufacturing Sdn Bhd, a third party, has pledged a property in Kulim as security. On 29 June 2009, a Letter of Demand was issued. An application for an order for sale was made at the Kulim Land Office in respect of property held under H.S.(M) 104, PT 300, Tempat Padang, Meha, Pekan Sungai Karangan, Daerah Kulim, Negeri Kedah Darul Aman. An Oder for Sale was granted on 20 July 2010. The auction was fixed for 20 April 2011 and was thereafter fixed on 7 July 2011 as there was no successful bidders on both auction dates. The lawyers are applying for a new auction date.

<u>OSK Trustees Berhad v Dato' Eng Hock Sing (Kuala Lumpur High Court Suit No. 28-151-2009)</u>

The Writ and Statement of Claim by way of substituted service was served on Dato' Eng Hock Sing ("Guarantor"). The Guarantor was required to file his Notice of Appearance by 1 October 2010 but had not done so. On 4 October 2010, OSK Trustees had filed the affidavit of service together with the draft Judgment in Default. On 16 November 2010, OSK Trustees served the sealed Judgment in Default (JID). Since the judgment sum has not been settled, OSK Trustees will now commence bankruptcy proceedings.

OSK Trustees Berhad v Eng Hock Sing
Penang High Court Suit No. 22-708-2009

OSK Trustees commenced a civil action against Eng Hock Sing pursuant to a guarantee and indemnity date 26 February 2009 executed by Eng Hock Sing in favour of OSK Trustees Berhad to pay on demand all sums of monies due and owing by Englotechs. Judgement in default was obtained on 8 October 2010.

OSK Trustees Berhad v Eng Hock Sing
Penang High Court Bankruptcy No. 29-122-2011

With the Judgement in Default obtained in the Penang High Court civil suit OSK Trustees commenced bankruptcy proceedings against Eng Hock Sing. Eng Hock Sing has filed an application to set aside the bankruptcy notice and this is fixed for hearing on 24 June 2011. On 24 June 2011, the application to set aside the bankruptcy notice was dismissed with cost. The lawyers are in the midst of serving the bankruptcy notice on Eng Hock Sing.

OSK Trustees Berhad v Englotechs Holdings Berhad
Penang High Court Companies (Winding Up) No. 28-151-2009
Englotechs Holdings Berhad v OSK Trustees Berhad
Court of Appeal Civil Appeal No. P-02-1328-10

OSK Trustees filed a winding up petition against Englotechs and the Court had on 9 April 2010 dismissed Englotechs's application to strike out the winding up action with costs. A winding up order was granted by the High Court on 20 April 2010 to OSK Trustees. Englotechs filed an appeal to the Court of Appeal and no date has been fixed for the appeal. Englotechs also filed a stay of the winding up order in the High Court and this stay was dismissed on 5 January 2011 with costs.

(xx) ISKANDAR SHAH BIN ABDULLAH V ABDUL JALIL BIN HASHIM & MALAYSIAN ASSURANCE ALLIANCE BERHAD (KUALA LUMPUR HIGH COURT CIVIL SUIT NO:S22-839-2009)

On 24 Nov 2009, Iskandar Shah Bin Abdullah ("Plaintiff") initiated a civil action against an agent, Abdul Jalil Bin Hashim, ("First Defendant") and MAAB as the second defendant. The Plaintiff claimed that he has invested RM650,000.00 in an investment scheme known as Maaster Al-Ummah, Investment Linked Regular Premium Plan ('the Scheme') on the persuasion and representation of the First Defendant which promised, assured and guaranteed investment return of 16% per annum and the Plaintiff would also receive insurance coverage for his entire family for an amount of RM50,000.00 each.

The Plaintiff alleged that the representation by the First Defendant was false as the Plaintiff's investment was not producing any returns as promised, and the Plaintiff further claimed that he had filed a complaint to MAAB and MAAB had reimbursed the Plaintiff a sum of RM489,000.00. Further in the Writ of Summons, the Plaintiff alleged fraudulent misrepresentation and is now seeking a total of RM5,000,000.00 for general, compensatory and aggravated and exemplary damages, together with special damages, interests and such other relief as the Court may deem fit and just. MAAB has since filed the Statement of Defence on 10 February 2010.

This matter is fxed for case management on 21 October 2011.

The solicitors are of the opinion that MAAB has a good prospect of success if both First Defendant and MAAB are able to lead evidence to show that there was no fraudulent representation. The Plaintiff will also have to prove damages suffered.

(xxi) PEMBORONG BUMIJAYA SDN BHD v MALAYSIAN ASSURANCE ALLIANCE BERHAD (HIGH COURT OF SABAH & SARAWAK AT TAWAU SUIT NO. CST(22) 73 OF 2009 and ANWAR YEO ABDULLAH v MALAYSIAN ASSURANCE ALLIANCE BERHAD (KUALA LUMPUR HIGH COURT SUIT NO. S-22-824-2009)

There are 2 suits pending, one in the KL High Court i.e. KLHC Civil Suit NO S-22-824-2009M ("the KLHC Suit") and the other in the High Court of Sabah & Sarawak in Tawau i.e. Tawau High Court Suit NO. CST (22) 73 OF 2009 ("the Tawau Suit").

The KLHC Suit is between Anwar Yeo Abdullah and MAAB in respect of a portion of the land held under PL106261205. The Plaintiff's claim is premised upon an alleged sale and purchase agreement pertaining to the purported sale of a piece of land at Jalan Apas, Tawau Sabah (the "Land"), which was purportedly entered into by MAAB through MAA Corporated Advisory Sdn Bhd ("MAAC"). The action is for specific performance of the sale and purchase agreement and an order directing MAAB to execute the sale and purchase agreement or alternatively for damages.

The Plaintiff filed an application for interlocutory injunction to prevent MAAB from selling charging and/or dealing in any manner with the Land. On 7 December 2009 the Court granted an ad interim injunction pending the disposal of the Plaintiff's application for interlocutory injunction. On 4 February 2010 the Court heard the application and it was dismissed with costs to be in the cause.

In the meantime MAAB filed an application to strike out the Plaintiff's claim. On 4 February 2010 the Court dismissed MAAB's application to strike out the Plaintiff's claim with costs in the sum of RM500.00 to be paid by MAAB to the Plaintiff. The Plaintiff has filed an appeal to the Court of Appeal against the High Court Judge's decision in dismissing its application for injunction. The matter is pending a hearing date to be fixed by the Court of Appeal. The Solicitors have filed the Statement of Defence and Counterclaim of MAAB. The matter is fixed for case management on 14 November 2011.

In the Tawau Suit, Pemborong Bumijaya Sdn Bhd has filed an action against MAAB seeking specific performance of an alleged sale and purchase agreement over a parcel of land registered in the name of MAAB. MAAB's case is that the alleged representor of certain representations namely that the Sales and Purchase Agreement ("**SPA**") need not be returned executed, was not an agent of MAAB and had no authority to make such representations. Further it is MAAB's case that the SPA required the payment of 8% of the balance deposit upon signing of the SPA and this was not done by the Plaintiff.

The trial was fixed to commence on 14 March 2011 but was postponed to 9 June 2011 and 10 June 2011. The postponement was necessitated by the Plaintiff's summons in chambers to amend the Statement of Claim.

The land was sold to Highglobal Properties Sdn Bhd via a Sale and Purchase Agreement dated 3 November 2009. By an application made by Highglobal Properties Sdn Bhd, the Court has allowed it to intervene the Suit by adding it as a second defendant on the ground that its interest will be directly affected by the decision of the Suit. The Plaintiff has filed its re-re-amended statement of claim on 17 June 2011 and Highglobal Properties Sdn Bhd has filed its defence and counterclaim on 6 July 2011

The trial dates have been scheduled for 29th November 2011 to 30th November 2011 and 1st December 2011 to 2nd December 2011.

It is MAAB's solicitor's opinion that MAAB has a fair chance of resisting the Plaintiff's claim and a fair chance of succeeding in its counterclaim for the balance 8% deposit.

Both suits are being defended by MAAB's solicitors.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies of them are available for inspection during normal business hours at the registered office of MAAH at Suite 20.03, 20th Floor, Menara MAA, 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM:

(i) The Memorandum and Articles of Association of MAAH;
(ii) The Memorandum and Articles of Association of the Identified Subsidiaries;
(iii) The audited consolidated financial statements of MAAH for two (2) financial years ended 31 December 2009 and 2010 and the unaudited financial statements of MAAH for the three (3)-month FPE 31 March 2011;
(iv) The audited financial statements of the Identified Subsidiaries for two (2) financial years ended 31 December 2009 and 2010 and the unaudited financial statements of the Identified Subsidiaries for the three (3)-month FPE 31 March 2011;
(v) The proforma consolidated statement of financial position of the MAAH Group as at 31 December 2010 together with the notes and the Reporting Accountants' letter referred to in Appendix III of this Circular;
(vi) The letters of consent referred to in Section 2 of this Appendix;
(vii) The material contracts referred to in Section 5 of this Appendix;
(viii) The relevant cause papers in respect of material litigation information referred to in Section 6 of this Appendix;
(ix) CCM's approval letters dated 27 April 2011 and 19 July 2011, on the use of the name MAA Group Berhad; and
(x) The SPA in relation to the Proposed Disposal.

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MAA HOLDINGS BERHAD

(Company No.: 471403-A)
(Incorporated in Malaysia under the Companies Act, 1965

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of MAA Holdings Berhad ("**MAAH**" or the "**Company**") will be held at The Auditorium, Podium 1, Menara MAA, No. 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur on Thursday, 22 September 2011 at 2.00 p.m. for the purpose of considering and if thought fit, passing the following special resolutions, without modifications:

SPECIAL RESOLUTION 1

PROPOSED DISPOSAL OF ENTIRE ISSUED AND PAID UP SHARE CAPITAL OF:

MALAYSIAN ASSURANCE ALLIANCE BERHAD ("MAAB");
MULTIOTO SERVICES SDN BHD ("MULTIOTO");
MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD ("MAPS") ; AND
MAAGNET SYSTEMS SDN BHD ("MAAGNET") INCLUDING MAAGNET-SSMS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MAAGNET ("MAAGNET-SSMS)
(COLLECTIVELY, THE "IDENTIFIED SUBSIDIARIES"),

TO ZURICH INSURANCE COMPANY LTD (" ZURICH").

"**THAT**, subject to the approvals of the relevant authorities being obtained, approval be and is hereby given to the Company (in relation to MAAB) and its wholly-owned subsidiary, MAA Corporation Sdn Bhd ("**MAAC**") (in relation to Multioto, MAPS and MAAGNET (including MAAGNET-SSMS)), as applicable, to dispose of the entire equity interest in the Identified Subsidiaries, details of which are listed below, for a total cash consideration of RM344,000,000 to Zurich subject to the terms and conditions of the Sale and Purchase Agreement dated 20 June 2011 and any other terms and conditions that may be mutually agreed by the relevant parties:

(i) MAAB comprising 150,000,000 ordinary shares of RM1.00 each fully paid up;
(ii) Multioto comprising 500,000 ordinary shares of RM1.00 each fully paid up;
(iii) MAPS comprising 250,000 ordinary shares of RM1.00 each fully paid up;
(iv) MAAGNET comprising 500,000 ordinary shares of RM1.00 each fully paid up (including MAAGNET-SSMS comprising 2,500 ordinary shares of RM1.00 each full paid up);

(hereby collectively referred to as the "**Proposed Disposal**").

AND THAT the Board of Directors of the Company and MAAC, as applicable, be and are hereby authorised to give effect to the Proposed Disposal with full power to assent to any condition, modification, variation and/or amendment as may be required by the relevant authorities and to take all such steps and to enter into all such agreements, arrangements, undertakings, indemnities, transfers, assignments and guarantees with any party or parties as may be required by any relevant authorities and/or consequent thereto in order to implement, finalise and give full effect to the Proposed Disposal which is in the best interests of the Company."

SPECIAL RESOLUTION 2

PROPOSED CHANGE OF NAME

"THAT the name of the Company be changed from "MAA Holdings Berhad" to "MAA Group Berhad" with effect from the date of Certificate of Incorporation on Change of Name of the Company to be issued by the Companies Commission of Malaysia, **AND THAT** all references in the Memorandum and Articles of Association of the Company to the name "MAA Holdings Berhad", whenever the same may appear, shall be deleted and substituted with "MAA Group Berhad" , **AND THAT** the Directors and/or the Company Secretary be and are hereby authorised to carry out all necessary formalities to effect the Proposed Change of Name of the Company."

By Order of the Board
MAA HOLDINGS BERHAD

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

Kuala Lumpur
29 August 2011

Notes:

1. *Applicable to shares held through a nominee account.*
2. *A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company, and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*
4. *A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account.*
5. *The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 20.03, 20th Floor, Menara MAA, No. 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Any alteration in the form of proxy must be initialed.*
8. *Form of Proxy sent through facsimile transmission shall not be accepted.*
9. *For the purpose of determining a member who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 51(b), 51(c) and 51(d) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 15 September 2011 Only a depositor whose name appears on the Record of Depositors as at 15 September 2011 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*

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NOTICE
There will be no distribution of door gifts

No. of ordinary shares held

FORM OF PROXY

(please refer to the notes below)

MAA HOLDINGS BERHAD

(Co. Reg No. 471403-A)
(Incorporated In Malaysia)

I/We .... NRIC No./Co. No./CDS No. : ....
(Full Name in block letters)

of...
(Full address)

being a member/members of **MAA HOLDINGS BERHAD** hereby appoint * Chairman of the meeting or

.... of .... or failing him/her
(Name of proxy, NRIC No.) (Address)

.... of .... as *my/our proxy
(Name of proxy, NRIC No.) (Address)

to vote for *me/us and on *my/our behalf at the Extraordinary General Meeting of the Company to be held The Auditorium, Podium 1, Menara MAA, No. 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur on Thursday, 22 September 2011 at 2.00 p.m. or at any adjournment thereof, in the manner as indicated below :

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
Special Resolution 1	Proposed Disposal				
Special Resolution 2	Proposed Change of Name				

(Please indicate with a "√" or "X" 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%**

In case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf. *Strike out whichever is not desired.

Dated this .... day of 2011

....
Signature of Shareholder(s)/Common Seal

NOTES: -

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Please strike out whichever is not desired.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Secretary
MAA HOLDINGS BERHAD
Suite 20.03, 20th Floor, Menara MAA
No. 12, Jalan Dewan Bahasa
50460 Kuala Lumpur

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NOTICE
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