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AXA AFFIN LIFE INSURANCE BERHAD (723739W) (Incorporated in Malaysia)

DIRECTORS' REPORT The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITY The Company is principally engaged in the underwriting of life insurance business, including investment-linked business. There have been no significant changes in the principal activity of the Company during the financial year.

RESULTS RM'000 Net profit for the financial year 1,698

DIVIDENDS No dividend has been paid or declared by the Company since 31 December 2009. The Directors do not recommend any dividend in respect of the financial year ended 31 December 2010.

RESERVES AND PROVISIONS All material transfers to and from reserves and provisions during the financial year are shown in the financial statements.

PROVISION FOR INSURANCE LIABILITIES Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM") for insurers.

BAD AND DOUBTFUL DEBTS Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps to ensure that proper action had been taken in relation to the writing off of bad debts and the making of the 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.

At the date of this report, the Directors are not aware of any circumstances that would render the amounts written off for bad debts or the amounts of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

CURRENT ASSETS Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps to ensure that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

VALUATION METHODS At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES At the date of this report, there does not exist:

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

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

CHANGE OF CIRCUMSTANCES 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 of the Group and the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE The results of the operations of the Group and the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the Directors, to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

SHARE CAPITAL There was no issuance of shares in the Company during the financial year.

DIRECTORS The Directors who have held office during the period since the date of the last report are: Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid, Tan Sri Dato' Che Lodin Bin Wok Kamaruddin, David William Matthews, Dato' Mustafa Bin Mohamad Ali, Dato' Mohd Sallehuddin Bin Othman, Loke Kah Meng

CORPORATE GOVERNANCE Statement of compliance with the Prudential Framework of Corporate Governance for Insurers - JPI/GPI 25 The Board of Directors ("the Board") is satisfied that the Group and the Company have taken concerted steps to ensure compliance with BNM Prudential Framework of Corporate Governance (JPI/GPI 25) (Consolidated) for Insurers and its best practice applications.

Board Responsibility and Oversight The Board affirms its overall responsibility for the Group's and the Company's system of internal controls and risk management, and for reviewing the adequacy and integrity of these systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and accordingly, they can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of the Group's business objectives throughout the year under review and up to the date of this report. This process is regularly reviewed by the Board via the Audit and Compliance Committee and the Risk Management Committee.

The Board has generally complied with BNM's Minimum Standards for Prudential Management of Insurers (JPI/GPI 1) (Consolidated).

The Board currently has six (6) members, comprising two (2) Independent Non-Executive Directors, three (3) Non-Executive Directors and an Executive Director. Together, the Directors come from various fields with a balance of skills and experiences which are necessary to enable the Company to achieve its corporate objectives and fulfill all its fiduciary duties. The roles and activities of the Chairman and the Chief Executive Officer are distinct and separate.

All the members of the Board have complied with the requirements of serving on the Board of not more than 15 group of companies.

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

The Board meets at least six (6) times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2010, the Board met six (6) 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 principal responsibilities of the Board include reviewing and approving a strategic plan, overseeing the Group and Company businesses, formalising documentation on matters specifically reserved for its decision and ensuring that the Group and Company internal controls and reporting procedures are adequate.

The composition of the Board during the period since the date of the last report and the number of meetings attended by each existing Director during the financial year ended 31 December 2010 are as follows:

Table with 2 columns: Name of Directors, No. of Attendance. Lists Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid, Tan Sri Dato' Che Lodin Bin Wok Kamaruddin, David William Matthews, Dato' Mustafa Bin Mohamad Ali, Dato' Mohd Sallehuddin Bin Othman, Loke Kah Meng with attendance counts.

The Board has established a number of Board committees and senior management committees. Each committee operates within defined term of reference. Board committees are the Audit and Compliance Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the Investment Committee. Senior management committees include the Malaysia Leadership Team, the Local Management Audit and Compliance Committee, the Local Product and Management Committee and the Local Management Investment Committee.

Audit and Compliance Committee The members of the Audit and Compliance Committee are as follows: Dato' Mustafa Bin Mohamad Ali, Dato' Mohd Sallehuddin Bin Othman, David William Matthews

The Audit and Compliance Committee is chaired by an Independent Non-Executive Director. The Audit and Compliance Committee was established as a sub-committee of the Board 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 principal duties and responsibilities are:
i) To review financial reports with management and the external auditors;
ii) To recommend to the Board as to the appointment of external auditors;
iii) To review on a regular basis the management activity in relation to audit findings;
iv) To approve the annual internal audit plan;
v) To review management activity in relation to internal audit findings;
vi) To review the effectiveness of the system for monitoring compliance with laws and regulations;
vii) To review the findings of any examination by a regulatory agency and any auditor observations;
viii) To review and monitor the fraud and anti-money laundering policies of the Company;
ix) To report on a regular basis to the Board on Committee activities; and
x) To perform any other activities according to the applicable requirements within the guidelines from BNM.

Other responsibilities of the Audit and Compliance Committee are prescribed within the Terms of Reference of the Committee approved by the Board.

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

Table with 2 columns: Name of Directors, No. of Attendance. Lists Dato' Mustafa Bin Mohamad Ali, Dato' Mohd Sallehuddin Bin Othman, David William Matthews with attendance counts.

During the financial year ended 31 December 2010, the Audit and Compliance Committee had reviewed the annual financial statements, approved the external audit plan and annual internal audit plan. The plan is designed to cover key operational areas, financial activities and information systems that are significant to the overall performance of the Company on a cyclical basis.

Nomination Committee The members of the Nomination Committee are as follows: Dato' Mohd Sallehuddin Bin Othman, Dato' Mustafa Bin Mohamad Ali, Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid, Tan Sri Dato' Che Lodin Bin Wok Kamaruddin, David William Matthews, Loke Kah Meng

The Nomination Committee is chaired by an Independent Non-Executive Director. In consideration of 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 Group and the Company to achieve its corporate objectives and fulfill 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 the Nomination Committee are:

- i) To recommend to the Board on the selection and appointment of Non-Executive Directors and the Chief Executive Officer;
ii) To review the effectiveness of the Board, Board committees and the performance of the Chief Executive Officer;
iii) To consider the required competencies of new Directors having regard to the mix of skills, experience and other qualities of existing Directors;
iv) To establish a mechanism for review of the performance of the Board, the Chairman and the Board committees;
v) To ensure that an appropriate process for the orientation and induction of new Directors is carried out and that the process reflects the background and experience of each new Director;
vi) To review the Board and senior executive succession plans; and
vii) To perform other activities according to the application requirements in the guidelines from BNM.

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

Table with 2 columns: Name of Directors, No. of Attendance. Lists Dato' Mohd Sallehuddin Bin Othman, Dato' Mustafa Bin Mohamad Ali, Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid, Tan Sri Dato' Che Lodin Bin Wok Kamaruddin, David William Matthews, Loke Kah Meng with attendance counts.

In the opinion of the Nomination Committee, the Board has a good mix of skills and experiences appropriate for the business of the Company.

Remuneration Committee The members of the Remuneration Committee are as follows: Dato' Mohd Sallehuddin Bin Othman, Dato' Mustafa Bin Mohamad Ali, Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid, Tan Sri Dato' Che Lodin Bin Wok Kamaruddin, David William Matthews, Loke Kah Meng

The Remuneration Committee is chaired by an Independent Non-Executive Director. The Remuneration Committee is responsible for developing a remuneration policy that is sufficient to attract and retain Directors, the Chief Executive Officer and key senior officers of caliber needed to manage the Company successfully.

The Remuneration Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of the Remuneration Committee are to assist the Board in:

- i) Recommending a framework for the remuneration of the Directors, the Chief Executive Officer and key senior officers to:
a) Attract, motivate and retain high performing senior executives;
b) Align remuneration with business performance; and
c) Motivate Directors and management to pursue the long-term growth and success of the Company with an appropriate control framework.
ii) Ensuring the highest standards of governance and disclosure in relation to remuneration.
iii) The Remuneration Committee also has responsibilities for:
a) Strategy and policy for remuneration of the Company;
b) Directors' remuneration;
c) Chief Executive Officer employment and separation terms;
d) Senior executives long term incentive plan;
e) Remuneration budget in relation to base salary review, team and other incentive payments;
f) Appropriate governance and disclosure policy in respect of remuneration and performance;
g) Performing other activities according to the applicable requirements in the guidelines from BNM; and
h) Performing other activities related to these terms and reference as requested by the Board.

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

Table with 2 columns: Name of Directors, No. of Attendance. Lists Dato' Mohd Sallehuddin Bin Othman, Dato' Mustafa Bin Mohamad Ali, Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid, Tan Sri Dato' Che Lodin Bin Wok Kamaruddin, David William Matthews, Loke Kah Meng with attendance counts.

Risk Management Committee The members of the Risk Management Committee are as follows: Dato' Mohd Sallehuddin Bin Othman, Dato' Mustafa Bin Mohamad Ali, Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid, David William Matthews

The Risk Management Committee is chaired by an Independent Non-Executive Director and constantly reviews the risk factors of the Company to ensure risks at all levels are managed effectively. It will also review risk management policies, action plans and evaluate 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 review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
ii) To review and assess the adequacy of risk management policies, and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
iii) To ensure adequate infrastructure, resources and systems are in place for effective risk management; and
iv) To review the periodic reports on risk exposure, risk portfolio composition and risk management activities.

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

Table with 2 columns: Name of Directors, No. of Attendance. Lists Dato' Mustafa Bin Mohamad Ali, Dato' Mohd Sallehuddin Bin Othman, Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid, David William Matthews with attendance counts.

Investment Committee The members of the Investment Committee are as follows: David William Matthews, Tan Sri Dato' Che Lodin Bin Wok Kamaruddin, Dato' Mustafa Bin Mohamad Ali, Loke Kah Meng

The Investment Committee is chaired by a Non-Independent Non-Executive Director. The Committee is responsible to review and approve the strategies recommended by the Local Management Investment Committee as well as to establish investment objectives, policies and guidelines for the insurance funds. The Committee discusses investment strategies, asset allocation to monitor and evaluate the performance of the assets, as well as review the portfolio performance against benchmarks. The Committee also ensures that the investment management of the insurance funds complies with relevant authorities' guidelines and internal investment mandates.

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

Table with 2 columns: Name of Directors, No. of Attendance. Lists David William Matthews, Tan Sri Dato' Che Lodin Bin Wok Kamaruddin, Dato' Mustafa Bin Mohamad Ali, Loke Kah Meng with attendance counts.

Management Accountability Organisational Structure The organisational structure of the Company depicts clear lines of reporting responsibility and authority for all levels of staff of the Company. Authority is delegated by the Board to the Chief Executive Officer and the Malaysia Leadership Team for the implementation of strategy and management of the Company. The Company has in place a well-documented organisational structure, allocation of duties and responsibilities for all of its employees.

Communication To support an effective flow of information within the Company and to ensure that important information reaches the appropriate personnel in a timely manner, the Company has in place the following practices: - documentation of important policies and procedures in the form of operating manuals/workflows; - regular meetings to discuss issues of common concern; and - induction programs for all new staff upon joining the Company.

Corporate Independence The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (JPI/GPI 19) 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 transactions has also been obtained.

Internal Controls and Operational Risk Management The Board recognises the importance of having in place a risk management framework to identify principal risks and to implement appropriate controls to manage such risks as an integral part of the Company's operations.

The Company's key internal control processes include the following: Underwriting The Company exercises control over underwriting exposures covering both risks accepted and reinsured. Exposure limits are reviewed annually.

Operational authority limits covering underwriting of risks, claims settlement, and capital expenditures are reviewed and updated regularly.

Financial Position The business plans and budgets are submitted to the Board for approval.

Investment The Investment Committee is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. Detailed procedures and controls, including investment guidelines are documented to safeguard the interest of the Company.

Information System The Information Technology ("IT") Committee, whose members are represented by the Malaysia Leadership Team of the Company, is responsible for establishing effective plans and directions, authorising IT related expenditure above pre-defined limits and monitoring the progress of approved projects. The requirements of BNM's Guidelines on Management of IT environment GPIS1 and GPI 26 - Internet Security have been substantially met.

Internal Audit The Internal Audit function undertakes regular reviews of the Company's operations and system of internal controls. It provides continuous monitoring of controls and risk management procedures. Internal audit findings are discussed at management level and actions are taken in response to the internal audit recommendations. The Audit Committee reviews all internal audit findings and management responses. The requirements of BNM's Guidelines on Audit Committees and Internal Auditor Departments for Insurance Companies (JPI/JPI 13) have been met.

Products New products launched in financial year 2010 were MaxxSaver, Cash Plus, MedPlus Plan, Global Consumer & Income Plan (GCIPI), AssureCare, WholeLife Care, MoneyBack Cover, ValueMax, Secure Saver, Accident Protector Plus Rider, Accelerated Critical Illness Rider, Income Shield Rider, Group Credit Term Insurance, ProCredit and SaverPlus. They were duly deliberated by the Senior Management and approved in accordance with the established procedures.

Public Accountability The Company complies with the provisions relating to policies under Parts XII and XIII of the Insurance Act, 1996. Each member of the staff and agency force is also required to adhere to LIAM's Code of Ethics and Conduct when dealing with customers.

Members of the public are aware of avenues for appeal against the Company's practices or decisions. A policy contract issued to any policy owner contains a written disclosure alerting them to the existence of the Financial Mediation Bureau ("FMB") and Customer Services Bureau ("CSB"). In addition, notices containing the same information are exhibited in the Head Office and all the Company's branches. The Company's letter to any claimant on the rejection of a claim also includes similar information for appeal to FMB and CSB.

Financial Reporting Due care and diligence is exercised by the Company in ensuring compliance with the requirements of statutory reporting to BNM and the accuracy of information contained in the reports submitted to BNM as well as the maintenance of appropriate accounting records. The external auditors are appointed according to the provision of the Insurance Act, 1996. They provide an independent opinion that the financial statements have been prepared in accordance with Financial Reporting Standards which are the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, modified by Bank Negara Malaysia, so as to give a true and fair view of the Company's financial position as at 31 December 2010 and of the financial performance and cash flows of the Company for the financial year then ended.

DIRECTORS' BENEFIT During and at the end of the financial year, no arrangements subsisted with 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 other than share options granted pursuant to the Employee Share Option Scheme ("ESOS") of AFFIN Holdings Berhad, substantial shareholders' of the Company.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' remuneration and other employee benefits received or due and receivable by Directors from the Company's related corporations) 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 substantial financial interest.

DIRECTORS' INTERESTS According to the register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year held in shares of the related corporations were as follows:

Table showing Number of Ordinary Shares of RM1 each and Number of Ordinary Shares of RM0.50 each for Tan Sri Dato' Che Lodin Bin Wok Kamaruddin and Dato' Mustafa Bin Mohamad Ali.

Table showing Number of Warrants 2000/2010 for Tan Sri Dato' Che Lodin Bin Wok Kamaruddin and Dato' Mustafa Bin Mohamad Ali.

David William Matthews 1. AXA Asia Pacific Holdings Limited - Allocation rights 273,700, - Performance rights 6,700, - Shares held in trust by nominee company ^ 21,678,500, ^A Shares held under own name: 4,444,099, 26,122,599

^ Acquisition of REIT on 21 April 2010. ^A Single tier dividend on RPS for financial year ended 31 December 2010 received in December 2010.

Table showing Number of Warrants 2000/2010 for Tan Sri Dato' Che Lodin Bin Wok Kamaruddin and Dato' Mustafa Bin Mohamad Ali.

Each of the above Warrants 2000/2010 entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in AFFIN Holdings Berhad at any time from the date of issue of 8 July 2000 at the exercise price of RM3.10 per share. The exercise period of AFFIN Warrants 2000/2010 will expire on 7 July 2010.

Other than the above, none of the other Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company or its related corporations during the financial year.

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 14 March 2011.

Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid Loke Kah Meng DIRECTOR DIRECTOR

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AXA AFFIN LIFE INSURANCE BERHAD (Incorporated in Malaysia) (Company No. 723739-W)

On 14 March 2011, we reported on the statutory financial statements of AXA AFFIN Life Insurance Berhad for the financial year ended 31 December 2010. In that report we stated that: -

REPORT ON THE FINANCIAL STATEMENTS We have audited the financial statements of AXA AFFIN Life Insurance Berhad, which comprise the balance sheets as at 31 December 2010, and the income statements, statement of comprehensive income, statement of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in this report.

Directors' Responsibility for the Financial Statements The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards which are the Malaysian Accounting Standard Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, modified by Bank Negara Malaysia, and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

Opinion In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards which are the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, modified by Bank Negara Malaysia, and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2010 and of the financial performance and cash flows for the financial year then ended.

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.
(b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.



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(c) The audit reports on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report. Other than the non-publication of all the notes to the financial statements, except for the notes relating to investments, life insurance contract liabilities, provision for outstanding claims, cash flows, capital commitments, regulatory capital requirements and insurance funds, the financial statements reproduced herein are similar in all material respects to those reported by us.

Accordingly, for a fuller appreciation 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 financial year ended on that date, reference should be made to the statutory financial statements of AXA AFFIN LIFE INSURANCE BERHAD for the financial year ended 31 December 2010, in which context our report of 14 March 2011 was made.

PRICEWATERHOUSECOOPERS
(No. AF: 1148)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/10 (JJ))
Chartered Accountant

BALANCE SHEETS AS AT 31 DECEMBER 2010

Note	Group			Company		
	2010	2009	2008	2010	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Property and equipment	2,801	3,144	2,610	2,801	3,144	3,026
Investment properties	13,100	13,800	27,610	13,100	13,800	27,610
Intangible assets	105,201	104,986	103,124	105,201	104,986	103,124
Investments	610,920	413,633	271,639	610,920	413,633	271,639
AFS financial assets	116,860	54,664	56,966	116,860	54,664	56,966
FVTPL financial assets - designated upon initial recognition	135,781	117,029	122,559	135,781	117,029	122,559
FVTPL - held for trading	295,740	137,701	24,596	295,740	137,701	24,596
Loans and receivables	62,539	104,239	67,518	62,539	104,239	67,518
Investment in subsidiary	-	-	-	-	971	971
Reinsurance assets	8,739	3,806	-	8,739	3,806	-
Insurance receivables	1,867	1,389	842	1,867	1,389	842
Assets held for sale	7,700	10,032	1,062	7,700	8,970	-
Other receivables	5,944	5,048	4,842	5,944	5,139	4,921
Tax recoverable	1,574	1,010	251	1,574	1,010	251
Deferred tax assets	-	-	1,120	-	-	1,120
Cash and bank balances	22,844	21,381	3,130	22,844	21,381	3,130
TOTAL ASSETS	780,690	578,229	416,646	780,690	578,229	416,634
Equity, policyholders' funds and liabilities						
Share capital	252,000	252,000	237,000	252,000	252,000	237,000
Accumulated losses	(38,113)	(39,811)	(46,671)	(38,113)	(39,811)	(46,671)
Available-for-sale reserve	4,855	5,485	(3,014)	4,855	5,485	(3,014)
Total equity	218,742	217,674	187,315	218,742	217,674	187,315
Insurance contract liabilities	2	504,503	318,092	210,710	504,503	318,092
Provision for outstanding claims	3	2,497	1,785	457	2,497	1,785
Deferred tax liabilities	7	718	106	43	718	106
Insurance payables	31,790	27,695	6,828	31,790	27,695	6,828
Tax payable	962	198	861	962	198	861
Other payables	21,478	12,679	10,632	21,478	12,679	10,620
Total liabilities	561,948	360,555	229,331	561,948	360,555	229,319
Total equity, policyholders' funds and liabilities	780,690	578,229	416,646	780,690	578,229	416,634

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

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Group and Company	2010		2009	
	RM'000	RM'000	RM'000	RM'000
Operating revenue	288,752	187,003		
Gross earned premiums	268,869	177,674		
Premiums ceded to reinsurers	(5,681)	(3,397)		
Net earned premiums	262,988	174,277		
Reinsurance commission income	1,609	367		
Investment income	20,083	9,329		
Realised gains and losses	6,188	9,636		
Fair value gains and losses	13,459	6,026		
Other operating revenue	1,750	1,292		
Other revenue	43,069	26,650		
Gross benefits and claims paid	(56,805)	(44,048)		
Claims ceded to reinsurers	1,945	1,793		
Gross change to contract liabilities	(180,800)	(101,524)		
Change to contract liabilities ceded to reinsurers	4,933	3,906		
Net claims	(230,727)	(139,973)		
Commission and agency expense	(19,831)	(13,137)		
Management expenses	(51,982)	(40,469)		
Other operating expense	(688)	(528)		
Other expenses	(72,499)	(54,134)		
Profit before taxation	2,831	6,820		
Taxation	(1,133)	40		
Net profit for the financial year	1,698	6,860		
Basic earnings per share (sen)	0.68	2.75		

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

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

Group and Company	2010		2009	
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year	1,698	6,860		
Other comprehensive income:				
Available-for-sale reserves	-	-	-	-
Net (loss)/gain arising during the financial year	(841)	10,327		
Tax effects thereon	211	(1,829)		
	(630)	8,499		
Total comprehensive income for the financial year	1,068	15,359		

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

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

	Share Capital	-- Non-Distributable --		Accumulated Losses	Total Equity
		RM'000	Value Reserves*		
At 1 January 2009	237,000	-	(3,014)	(46,671)	187,315
Issuance of shares during the financial year	15,000	-	-	-	15,000
	252,000	-	(3,014)	(46,671)	202,315
Total comprehensive income for the financial year	-	-	8,499	6,860	15,359
At 31 December 2009	252,000	-	5,485	(39,811)	217,674
At 1 January 2010	252,000	-	5,485	(39,811)	217,674
Total comprehensive income for the financial year	-	-	(630)	1,698	1,068
At 31 December 2010	252,000	-	4,855	(38,113)	218,742

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

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Note	2010		2009	
	RM'000	RM'000	RM'000	RM'000
Operating Activities*				
Cash generated (used in)/from operating activities	4	(14,768)	2,221	
Dividend/distribution income received	-	11,805	1,761	
Interest/profit income received	-	8,637	7,119	
Rental income on investment properties received	-	556	112	
Income tax paid	-	(615)	(2,024)	
Net cash flows from operating activities	5,815	9,189		
Investing Activities				
Proceeds from disposal of property and equipment	-	140	2	
Purchase of property and equipment	-	(1,011)	(1,009)	
Purchase of intangibles	-	(3,281)	(4,931)	
Net cash flows used in investing activities	(4,152)	(5,938)		

Financing Activities		2010	2009
		RM'000	RM'000
Proceeds from issuance of share capital	-	-	15,000
Dividends paid to equity holders	-	-	-
Net cash flows from financing activities	-	-	15,000
Net increase in cash and cash equivalents	1,463	18,251	
Cash and cash equivalents at the beginning of financial year	21,381	3,130	
Cash and cash equivalents at the end of financial year	22,844	21,381	

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

1. INVESTMENTS
The Group's and the Company's financial instruments are summarised by categories as follows:

	2010	2009	2008
	RM'000	RM'000	RM'000
Available-for-sale ("AFS") financial assets	116,860	54,664	56,966
FVTPL financial assets - designated upon initial recognition	135,781	117,029	122,559
FVTPL financial assets - held for trading ("HFT")	295,740	137,701	24,596
Loans and receivables	62,539	104,239	67,518
	610,920	413,633	271,639

The following financial instruments mature after 12 months:

	2010	2009	2008
	RM'000	RM'000	RM'000
AFS financial assets	61,668	-	-
FVTPL financial assets - designated upon initial recognition	135,781	117,029	122,559
FVTPL financial assets - held for trading	6,362	6,812	6,670
Loans and receivables	203,811	123,841	129,229

(a) AFS financial assets

	2010	2009	2008
	RM'000	RM'000	RM'000
Malaysian government securities	22,460	-	-
Debt securities quoted in Malaysia	39,208	-	5,000
Equity securities quoted in Malaysia	30,942	26,351	19,981
Investment-linked funds (seed money)	16,715	28,313	31,985
Unit trust funds quoted in Malaysia	7,535	-	-
	116,860	54,664	56,966

(b) FVTPL financial assets - designated upon initial recognition

	2010	2009	2008
	RM'000	RM'000	RM'000
Malaysian government securities	55,894	36,803	35,649
Debt securities quoted in Malaysia	79,887	80,226	86,910
	135,781	117,029	122,559

(c) FVTPL financial assets - held for trading

	2010	2009	2008
	RM'000	RM'000	RM'000
Malaysian government securities	-	-	1,005
Unit trust funds quoted in Malaysia	-	-	651
Unit trust funds quoted outside Malaysia	-	-	1,093
Equity securities quoted in Malaysia	11,855	14,593	11,626
Equity securities quoted outside Malaysia	3,941	12,932	10,221
Structured investments quoted outside Malaysia	279,944	110,176	-
	295,740	137,701	24,596

(d) Loans and receivables ("LAR")

	2010	2009	2008
	RM'000	RM'000	RM'000
Policy loans	6,203	6,620	6,452
Mortgage loans	190	214	247
Fixed and call deposits	56,146	97,405	60,819
	62,539	104,239	67,518

(e) Carrying values of financial instruments

	AFS	FVTPL	HFT	LAR	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	56,966	122,559	24,596	67,518	271,639
Purchases	16,234	-	143,273	-	159,507
Disposals	(35,002)	(5,330)	(38,624)	-	(80,156)
Fair value gains/(losses) recorded in:					
Income statement	-	-	9,456	-	9,456
Other comprehensive income	10,327	-	-	-	10,327
Insurance contract liabilities	6,139	-	-	-	6,139
Increase in fixed and call deposits	-	-	-	36,586	36,586
Increase in loans	-	-	-	135	135
At 31 December 2009	54,664	117,029	137,701	104,239	413,633
Purchases	68,037	21,106	179,847	-	268,990
Disposals	(10,708)	(4,693)	(33,985)	-	(49,386)
Fair value gains/(losses) recorded in:					
Income statement	-	2,339	12,177	-	14,516
Other comprehensive income	(841)	-	-	-	(841)
Insurance contract liabilities	6,065	-	-	-	6,065
Impairment loss	(357)	-	-	-	(357)
Decrease in fixed and call deposits	-	-	-	(41,259)	(41,259)
Decrease in loans	-	-	-	(441)	(441)
At 31 December 2010	116,860	135,781	295,740	62,539	610,920

(f) Fair values of financial instruments
The Company's basis of estimations of fair values of financial instruments is as follows:
(a) Malaysian government securities are based on the indicative market prices;
(b) Unquoted corporate debt securities are based on the indicative market yields obtained from financial managers; and
(c) Quoted equity securities of corporations, quoted unit trusts, quoted debt securities and investment-linked funds are based on quoted market prices.

2. LIFE INSURANCE CONTRACT LIABILITIES
Life insurance fund is as follows:

	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities	177,229	(8,739)	168,490	154,323	(3,806)	150,517
Unallocated surplus	10,992	-	10,992	12,002</		