AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT AND STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

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(Incorporated in Malaysia)

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AXA AFFIN LIFE INSURANCE BERHAD
(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.

The subsidiary is dormant and is now under members' voluntary liquidation.

RESULTS

	RM'000
Group and Company	
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 statement 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 statement 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 statement 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.

No contingent or other liability of the Group and the Company 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 substantially affect the ability of the Group and the Company to meet its obligations as and when they fall due.

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, except for the changes in accounting policies as disclosed in Note 2.4 to the financial statements.

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 for Insurers (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 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 groups 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.

CORPORATE GOVERNANCE (CONTINUED)

Board responsibility and oversight (continued)

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:

Name of Directors	**No. of Attendance**
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	6/6
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	5/6
David William Matthews	6/6
Dato' Mustafa Bin Mohamad Ali	6/6
Dato' Mohd Sallehuddin Bin Othman	6/6
Loke Kah Meng	6/6

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.

CORPORATE GOVERNANCE (CONTINUED)

Audit and Compliance Committee

The members of the Audit and Compliance Committee are as follows:

Dato' Mustafa Bin Mohamad Ali	Chairman (Independent Non-Executive)
Dato' Mohd Sallehuddin Bin Othman	Member (Independent Non-Executive)
David William Matthews	Member (Non-Independent Non-Executive)

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:

Name of Directors	No. of Attendance
Dato' Mustafa Bin Mohamad Ali	4/4
Dato' Mohd Sallehuddin Bin Othman	4/4
David William Matthews	4/4

CORPORATE GOVERNANCE (CONTINUED)

Audit and Compliance Committee (continued)

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 developed 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	Chairman (Independent Non-Executive)
Dato' Mustafa Bin Mohamad Ali	Member (Independent Non-Executive)
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	Member (Non-Independent Non-Executive)
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	Member (Non-Independent Non-Executive)
David William Matthews	Member (Non-Independent Non-Executive)
Loke Kah Meng	Member (Non-Independent Executive)

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, the Chairman, 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.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (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
Dato’ Mohd Sallehuddin Bin Othman	1/1
Dato’ Mustafa Bin Mohamad Ali	1/1
Jeneral (B) Tan Sri Dato’ Seri Abdul Rahman Bin Abdul Hamid	1/1
Tan Sri Dato’ Che Lodin Bin Wok Kamaruddin	1/1
David William Matthews	1/1
Loke Kah Meng	1/1

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	Chairman (Independent Non-Executive)
Dato’ Mustafa Bin Mohamad Ali	Member (Independent Non-Executive)
Jeneral (B) Tan Sri Dato’ Seri Abdul Rahman Bin Abdul Hamid	Member (Non-Independent Non-Executive)
Tan Sri Dato’ Che Lodin Bin Wok Kamaruddin	Member (Non-Independent Non-Executive)
David William Matthews	Member (Non-Independent Non-Executive)
Loke Kah Meng	Member (Non-Independent Executive)

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.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee (continued)

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:

Name of Directors	No. of Attendance
Dato' Mohd Sallehuddin Bin Othman	3/3
Dato' Mustafa Bin Mohamad Ali	3/3
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	3/3
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	2/3
David William Matthews	3/3
Loke Kah Meng	3/3

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee

The members of the Risk Management Committee are as follows:

Dato' Mustafa Bin Mohamad Ali	Chairman (Independent Non-Executive)
Dato' Mohd Sallehuddin Bin Othman	Member (Independent Non-Executive)
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	Member (Non-Independent Non-Executive)
David William Matthews	Member (Non-Independent Non-Executive)

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:

Name of Directors	No. of Attendance
Dato' Mustafa Bin Mohamad Ali	4/4
Dato' Mohd Sallehuddin Bin Othman	4/4
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	4/4
David William Matthews	4/4

CORPORATE GOVERNANCE (CONTINUED)

Investment Committee

The members of the Investment Committee are as follows:

David William Matthews	Chairman (Non-Independent Non-Executive)
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	Member (Non-Independent Non-Executive)
Dato' Mustafa Bin Mohamad Ali	Member (Independent Non-Executive)
Loke Kah Meng	Member (Non-Independent Executive)

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:

Name of Directors	**No. of Attendance**
David William Matthews	6/6
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	5/6
Dato' Mustafa Bin Mohamad Ali	6/6
Loke Kah Meng	6/6

CORPORATE GOVERNANCE (CONTINUED)

Management Accountability

Organisational Structure

The organisation 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 risk accepted and reinsured. Exposure limits are reviewed annually.

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

Financial Position

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Internal Controls and Operational Risk Management (continued)

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 systems 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/GPI 13) have been met.

Products

New products launched in financial year 2010 were MaxxSaver, Cash Plus, MedPlus Plan, Global Consumer and Income Plan (“GCIP”), 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 Local Management Product Committee ("LPMC") and Regional Product Approval Committee ("RPAC") in accordance with the Product Approval Framework, with the Board providing bi-monthly oversight and annual attestation of the Company's compliance with BNM Guidelines on Introduction of New Products for Insurance Companies and Takaful Operators.

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.

CORPORATE GOVERNANCE (CONTINUED)

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 BNM, 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' 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 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 as disclosed in Note 24(a) to the financial statements 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 within 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:

		|----Number of Ordinary Shares of RM1 each----|			
		As at 1.1.2010	**Acquired**	**Sold**	**As at 31.12.2010**
	<u>Tan Sri Dato' Che Lodin Bin Wok Kamaruddin</u>				
1.	AFFIN Holdings Berhad ^	808,714	-	-	808,714
2.	Boustead Heavy Industries Corporation Berhad ^	2,000,000	-	-	2,000,000
3.	Al-Hadharah Boustead REIT ^	200,000	50,000*	-	250,000
4.	Boustead Petroleum Sdn Bhd (Ordinary shares of RM1 each)	5,766,465	150,000**	-	5,916,465
5.	Boustead Petroleum Sdn Bhd (Redeemable Preference Shares of RM1 each)	50	-	-	50

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

		|--Number of Ordinary Shares of RM0.50 each--|			
		As at 1.1.2010	**Acquired**	**Sold**	**As at 31.12.2010**
	Tan Sri Dato' Che Lodin Bin Wok Kamaruddin				
1.	Boustead Holdings Berhad ^^	26,122,599	-	-	26,122,599
	Dato' Mustafa Bin Mohamad Ali				
1.	Boustead Holdings Berhad	10,000	-	-	10,000

		|--------------Number of Ordinary Shares-------------|			
		As at 1.1.2010	**Acquired**	**Sold**	**As at 31.12.2010**
	David William Matthews				
1.	AXA Asia Pacific Holdings Limited				
	- Allocation rights	273,700	-	-	273,700
	- Performance rights	6,700	-	-	6,700

^ Shares held in trust by nominee company

^^	Shares held in trust by nominee company:	21,678,500
	Shares held under own name:	4,444,099
		26,122,599

* Acquisition of REIT on 21 April 2010.

** Single tier dividend on RPS for financial year ended 31 December 2010 received in December 2010.

		|-----------Number of Warrants 2000/2010--------|			
		As at 1.1.2010	**Acquired**	**Sold**	**As at 31.12.2010**
	Tan Sri Dato' Che Lodin Bin Wok Kamaruddin				
1.	AFFIN Holdings Berhad	1,500	-	-	-

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 had expired 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.

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 14 March 2011.

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

Kuala Lumpur

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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid and Loke Kah Meng, two of the Directors of AXA AFFIN Life Insurance Berhad, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 20 to 78 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2010 and of the financial performance and cash flows of the Group and the Company for the financial year ended on that date 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, and the provisions of the Companies Act, 1965.

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 DIRECTOR	Loke Kah Meng DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Kang Yu Fen, being the officer primarily responsible for the financial management of AXA AFFIN Life Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 20 to 78 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.

KANG YU FEN

Subscribed and solemnly declared by the above named Kang Yu Fen at Kuala Lumpur in Wilayah Persekutuan on 14 March 2011, before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

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 statements of income, comprehensive income, changes in equity and cash flow for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 78.

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 pursuant to the Insurance Act, 1996, 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.

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

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, as modified by Bank Negara Malaysia pursuant to the Insurance Act, 1996, and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and Company as of 31 December 2010 and of the financial performance and cash flows of the Group and Company 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.

(c) The audit report 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.

PRICEWATERHOUSECOOPERS
AF: 1146
Chartered Accountants

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

Kuala Lumpur, Malaysia
14 March 2011

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2010

	Note	Group			Company		
		2010 RM'000	2009 RM'000	2008 RM'000	2010 RM'000	2009 RM'000	2008 RM'000
ASSETS							
Property and equipment	3	2,801	3,144	3,026	2,801	3,144	3,026
Investment properties	4	13,100	13,800	27,610	13,100	13,800	27,610
Intangible assets	5	105,201	104,986	103,124	105,201	104,986	103,124
Investments	6	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 financial assets – 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	7	-	-	-	-	971	971
Reinsurance assets	8	8,739	3,806	-	8,739	3,806	-
Insurance receivables	9	1,867	1,389	842	1,867	1,389	842
Assets held for sale	10	7,700	10,032	1,062	7,700	8,970	-
Other receivables	11	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	15	-	-	1,120	-	-	1,120
Cash and cash equivalents		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	12	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	13	504,503	318,092	210,710	504,503	318,092	210,710
Provision for outstanding claims	14	2,497	1,785	457	2,497	1,785	457
Deferred tax liabilities	15	718	106	43	718	106	43
Insurance payables	16	31,790	27,695	6,828	31,790	27,695	6,828
Tax payable		962	198	661	962	198	661
Other payables	17	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

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

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

STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Group and Company	Note	2010 RM'000	2009 RM'000
Operating revenue	18	288,752	187,003
Gross earned premiums	19	268,669	177,674
Premiums ceded to reinsurers	19	(5,681)	(3,397)
Net earned premiums	19	262,988	174,277
Reinsurance commission income		1,609	367
Investment income	20	20,083	9,329
Realised gains and losses	21	6,168	9,636
Fair value gains and losses	22	13,459	6,026
Other operating revenue	23(a)	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 insurance contract liabilities		(180,800)	(101,524)
Change to insurance contract liabilities ceded to reinsurers		4,933	3,806
Net claims		(230,727)	(139,973)
Commission and agency expenses		(19,831)	(13,137)
Management expenses	24	(51,982)	(40,469)
Other operating expenses	23(b)	(686)	(528)
Other expenses		(72,499)	(54,134)
Profit before taxation		2,831	6,820
Taxation	25	(1,133)	40
Net profit for the financial year		1,698	6,860
Basic earnings per share (sen)	26	0.68	2.75

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

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

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

Group and Company	**2010** **RM'000**	**2009** **RM'000**
Net profit for the financial year	1,698	6,860
Other comprehensive income:		
Available-for-sale reserve		
Net (loss)/gain arising during the financial year	(841)	10,327
Tax effects thereon	211	(1,828)
	(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.

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

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

			|-----Non-Distributable-----|		
Group and Company	**Note**	**Share Capital RM'000**	**Available-for-sale reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 January 2009		237,000	(3,014)	(46,671)	187,315
Issuance of shares during the financial year	12	15,000	-	-	15,000
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.

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
Operating Activities			
Cash (used in)/generated from operating activities	27	(14,768)	2,221
Dividend income received		11,805	1,761
Interest 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		5,615	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			
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
Cash and cash equivalents comprise:			
Cash and bank balances		22,844	21,381

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

1. CORPORATE INFORMATION

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.

The subsidiary is dormant and is now under members' voluntary liquidation as disclosed in Note 7 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 8th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur.

The financial statements have been approved for issue by the Board of Directors in accordance with their resolution on 14 March 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Financial Reporting Standards ("FRS"), being the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia, as modified by Bank Negara Malaysia ("BNM") pursuant to the Insurance Act, 1996, and the provisions of the Companies Act, 1965 in all material aspects.

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 below:

(i) FRS 139 Financial Instruments: Recognition and Measurement
(ii) FRS 4 Insurance Contracts
(iii) FRS 7 Financial Instruments: Disclosures
(iv) FRS101(R) Presentation of Financial Statements

All changes in 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 new FRSs are described in Note 2.4 to the financial statements.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital ("RBC") framework as at the balance sheet date.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1. Basis of Preparation (continued)

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.3 to the financial statements.

2.2. Summary of Significant Accounting Policies

(a) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group, and are no longer consolidated from the date that control cease. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition (other than costs of issuing shares and other capital instruments.

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

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

Under the separate financial statements of the Company, investment in subsidiaries is stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.2(i) on impairment of financial instruments.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(b) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

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

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

Leasehold building	-	Over the remaining period of the lease or 50 years whichever is shorter
Office equipment	-	5 years
Furniture and fittings	-	5 years
Computer equipment	-	3 years
Renovation	-	5 years
Motor vehicles	-	5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(f) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing the net disposal proceeds with their carrying amounts, and are credited or charged to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(c) Investment Properties

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are initially stated at cost including related and incidental expenditure incurred, and are subsequently carried at fair value, representing open market value determined by independent professional valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of specific asset. 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 value of the investment properties differ materially from the fair values. Changes in fair values are recognised in the income statement.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised in the income statement in the financial year of the retirement or disposal.

(d) Assets Held for Sale

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

(e) Intangible Assets

Goodwill arising on acquisition of life insurance business

Goodwill arising on acquisition of life insurance business represents the excess of the cost of acquisition of the life insurance business over the fair value of the identifiable net assets recognised at the date of acquisition. Goodwill on acquisition of life insurance business is included in the balance sheet as intangible assets.

Goodwill on acquisition of life insurance business is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill on acquisition of life insurance business is not reversed. See accounting policy Note 2.2(f) on impairment of non-financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(e) Intangible Assets (continued)

Computer software

Software development costs are capitalised where it is expected that future economic benefits will be derived and are amortised over a period of not exceeding three years. Software maintenance costs are expensed as incurred.

(f) 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 an asset's fair value less costs to sell and 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). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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. Impairment loss on goodwill is not reversed.

(g) Investments and Other Financial Assets

The Company classifies its investments into financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets ("AFS") and loans and receivables ("LAR"). 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.

FVTPL

Financial assets at fair value through profit or loss ("FVTPL") include financial assets held for trading ("HFT") and those designated at FVTPL at inception.

Securities are classified as HFT if they are acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Securities held under the investment-linked business are classified as HFT.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(g) Investments and Other Financial Assets (continued)

FVTPL (continued)

For investments designated at FVTPL at inception, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Fixed income securities held under the non-participating life business are designated at FVTPL at inception.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value gains and losses are recognised in the income statement.

Interest from the securities HFT and designated as FVTPL at inception, calculated using the effective interest method, is recognised in the income statement.

AFS

Securities classified as AFS are securities that are not classified as FVTPL, held-to-maturity or LAR. Securities AFS are initially recorded at fair value. After initial measurement, the securities AFS are re-measured at fair value.

Interest from the securities AFS, calculated using the effective interest method, is recognised in the income statement. Any gains and losses arising from the change in fair value adjustments, net of income tax, are recognised directly as a separate component of equity except for impairment losses and foreign exchange gains and losses. When the securities AFS are derecognised, the cumulative gains and losses previously recognised in equity shall be transferred to the income statement.

LAR

LAR are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired, as well as through the amortisation process.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(h) Fair Value of Financial Instruments

The basis of estimations of fair values of financial instruments is as follows:

(i) Malaysian Government securities are based on the indicative market prices;

(ii) Unquoted debt securities are based on the indicative market yields obtained from financial managers;

(iii) Quoted shares/warrants of corporations, quoted unit trust funds, quoted debt securities, investment-linked funds and structured investments are based on quoted market prices; and

(iv) 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.

(i) Impairment of Financial Instruments

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on financial asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(i) Impairment of Financial Instruments (continued)

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss on securities carried at cost (e.g. equity instruments or which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

(iii) Financial assets carried at fair value

In the case of financial assets classified as AFS, a significant or prolonged decline in the fair value of the financial asset below its cost is considered in determining whether the assets are impaired. If any such evidence exists for financial assets held at AFS, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement. Impairment losses previously recognised in the income statement on equity instruments are not reversed through the income statement.

(j) Contingent Liabilities and Contingent Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(k) Equity Instruments

Ordinary Share Capital

Ordinary shares are classified as equity. Incremental costs that are directly attributable to the issuance of new shares are recognised in equity, net of tax.

Dividends on Ordinary Share Capital

Dividends are recognised as liabilities when the obligation to pay is established. No provision is made for a proposed dividend.

(l) Product Classification

The Company issues contracts that transfer 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.

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 expire.

Traditional products are insurance contracts as they transfer significant insurance risks. BNM Guidelines on Financial Reporting for Insurers (BNM/RH/GL003-28) stipulated that investment-linked contracts shall be reported as insurance contracts, consistent with Section 7 of the Insurance Act, 1996 and the requirements of the Guidelines on Investment-Linked Insurance/Takaful Business.

Participating life insurance contracts contain discretionary participating feature ("DPF"). This feature entitles the policyholders to receive non-guaranteed benefits which could vary according to the investment and operating results of the Company. The Company does not recognise the guaranteed component separately from the DPF; hence the whole contract is presented within the insurance contract liability in the financial statements.

The Company is not required to un-bundle any insurance contract as the current accounting policy recognises all insurance premiums, claims and policy benefit payments, expense and valuation of future benefit payments through the income statement.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(l) Product Classification (continued)

The Company does not need to separately measure at fair value, the policyholder's option to surrender an insurance contract for a fixed amount or for an amount based on fixed amount and an interest rate.

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Company are not required to be separated and measured at fair value.

The Company does not adopt a policy of deferring acquisition costs for its insurance contracts.

(m) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses.

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 reinsurer. The impairment loss is recorded in the income statement.

The gross insurance liabilities will be reduced by the appropriate reinsurance asset for the relevant policies.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(n) 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 liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 and the RBC Framework by the Company's Appointed Actuary.

Gross Premiums

Premium income includes premium recognised in the Life fund and the Investment-linked fund.

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured and it is still within the grace period allowed for payment or covered by the cash surrender value of the policies.

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

Reinsurance Premiums

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(n) Life Insurance Underwriting Results (continued)

Claims

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

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

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

- 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.

The benefits payable under investment-linked business are in respect of net cancellation of units and are recognised as surrender.

Commission and Agency Expenses

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

(o) Insurance Receivables

Insurance receivables are recognised when due and measured on 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 the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(p) Insurance Contract Liabilities

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The valuation of life insurance contract liabilities is determined according to BNM's RBC Framework as follows:

Participating Fund Insurance Contract Liabilities
Participating plans are valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed and 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 participating life insurance liability is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities.

Non-Participating Fund Insurance Contract Liabilities
The liability of non-participating life plans are valued using a prospective actuarial valuation based on the sum of the present value of future 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.

Investment-Linked Fund Insurance Contract Liabilities
The liability is the sum of:
(i) The unit reserves, calculated as the value of the underlying assets backing the units relating to the policy; and
(ii) The non-unit reserves, calculated as the expected future payments arising from the policy (other than those relating to the unit reserves), including any expenses that the insurer expects to incur in administering the policies and settling the relevant claims and any provision made for any adverse deviation from the expected experience, less expected future receipts arising from the policy (other than those relating to the unit reserves).

Unallocated Surplus
Surpluses in the DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Surpluses in the non-DPF fund 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 by BNM Guidelines on Financial Reporting for Insurers (BNM/RH/GL003-28), unallocated surpluses of the DPF and non-DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year, are held within insurance contract liabilities.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3. Summary of Significant Accounting Policies (continued)

(p) Insurance Contract Liabilities (continued)

Liability Adequacy Test

BNM Guidelines on Financial Reporting for Insurers (BNM/RH/GL003-28) stipulated for the purpose of complying with the requirements of a liability adequacy test under FRS 4 Insurance Contracts, insurers are deemed to comply if the valuation methods used are in accordance with Appendix VI or Appendix VII of the RBC Framework for Insurers. As the Company complies with the valuation method stipulated in the RBC Framework, the Company is deemed to comply with the liability adequacy test.

(q) Other Revenue Recognition

Rental Income

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

Interest Income

Interest income on loans and other interest bearing investments are recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

Other interest income is recognised on a time proportion basis that takes into account the effective yield of the asset.

Dividend Income

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

Realised Gains and Losses on Investments

Gains or losses arising on disposal of investments are credited or charged to the income statement.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(r) Income Tax

Current tax expense is determined according to the tax laws of the jurisdiction in which the Company operates and include all taxed based upon the taxable profits. The tax expense on the Life Fund is based on the method prescribed under the Income Tax Act, 1967 for Life insurance business.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets or liabilities for tax purpose and their carrying amounts in the financial statements. However, deferred tax is not accounted if it arises from initial recognition of an asset or liabilitiy in a transaction other than a business combination that at the time of the transaction affects netiher accounting nor taxable profit or loss.

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

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

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

(s) Provisions

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

(t) Employee Benefits

Short-Term Employee Benefits
Wages, salaries and bonuses are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group.

Defined Contribution Plan
The Group's and Company's contributions to the Employees' Provident Fund, the national defined contribution plan, are recognised as an expense in the income statements in the financial to which they relate. Once the contributions have been paid, the Group and Company have no further payment obligations.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(u) Foreign Currencies

Functional and Presentation Currency

Items included in the financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's and the Company's functional and presentation currency.

Transactional and Balances

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

(v) Insurance and Other Payables

Insurance payables and other 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.

(w) Cash and Cash Equivalents

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

(x) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership 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 the straight line basis over the lease period.

The up-front payments made for leasehold land represent prepaid lease rentals are amortised on straight-line basis over the lease term.

When an operating lease is terminated before the lease period expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3. Significant Accounting Judgements, Estimates and Assumptions

Estimates, assumptions and judgements are continually evaluated, 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.

Life Insurance Contract Liabilities

The Company makes estimates, assumptions and judgements in determining the reported amount of policy liabilities. These estimates, assumptions and judgements are best estimates of future experience, based on historical experience, trends and other factors. They are regularly reviewed by the Appointed Actuary to ensure that they remain relevant and valid.

Actuarial assumptions used for valuation of liabilities take into account expected future market and economic conditions as well as expected lapse, expense and claim experience. The data used to formulate these assumptions come from a variety of sources including review of market conditions, the Company's internal experience with regard to its policies and broader industry experience.

Taxation

Under Section 60 (10A) of the Income Tax Act, 1967 ("the Act"), tax losses of the Life fund are restricted for deduction against future statutory income of the Life fund. However, Section 60 is silent with regards to the utilisation of unabsorbed tax losses arising from the Shareholders' fund. The industry in general, has in the past, adopted the position that the tax losses of the Shareholders' fund should be preserved for utilisation against the taxable income from the same source. However, the tax authority has made adjustments to utilise the unabsorbed losses of the Shareholders' fund to offset against the income of the Life fund based on the general provision of the Act. This will result in the tax losses from the Shareholders' fund (that would be taxed at the corporate rate) to be offset against the taxable income of the Life fund (that would be taxed at a lower rate of 8%). The industry has appealed to the Ministry of Finance to allow tax losses of the Shareholders' fund to be preserved for utilisation against the taxable income from the same source. Pending the outcome of the appeal, the Company has adopted the industry practice, thus providing for the tax liability of the Life fund of RM1,695,000 for the current financial year (2009: RM847,000) and carrying forward unutilised tax losses in the Shareholders' fund of RM54,923,000 as at 31 December 2010 (2009: RM47,514,000).

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant Accounting Judgements, Estimates and Assumptions (continued)

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

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

2.4. Changes in Accounting Policies

At the beginning of the current financial year, the Company had adopted the following new and revised FRSs which came into effect from 1 January 2010.

(i)	FRS 139	Financial Instruments: Recognition and Measurement
(ii)	FRS 7	Financial Instruments: Disclosures
(iii)	FRS 4	Insurance Contracts
(iv)	FRS 101 (R)	Presentation of Financial Statements

Other than enhanced and additional disclosures in the financial statements, there are no significant changes to the accounting policies following the implementation of FRS 7 and FRS 101(R).

The main principles of FRS 139 in relation to the valuation of assets have been addressed by Part D: Valuation of Assets and Liabilities prescribed under the RBC Framework, which the Company had applied in the previous financial year.

In line with FRS 139, BNM Guidelines on Financial Reporting for Insurers (BNM/RH/GL003-28) allows financial assets to be designated as FVTPL at inception. With effect from 1 January 2010, the fixed income securities in the non-participating life fund have been accounted for as financial assets at FVTPL at inception. These financial assets were accounted for as AFS financial assets in the previous financial year. This change in accounting policy has no material impact on the AFS reserve and unallocated surplus of the Life fund as at 1 January 2010.

The effect of the above change in accounting policy on the opening balances as at 1 January 2010 are as follows:

	As previously reported RM'000	FRS 139 classification RM'000	As restated RM'000
Investments:			
AFS financial assets	171,693	(117,029)	54,664
FVTPL financial assets – designated upon inception	-	117,029	117,029

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4. Changes in Accounting Policies (continued)

The adoption of FRS 4 has resulted in a change in accounting policy relating to the presentation of insurance contract liabilities. Prior to 1 January 2010, insurance contract liabilities were offset with the related reinsurance assets.

Upon the adoption of FRS 4, offsetting is prohibited and reinsurance assets are required to be shown separately on the face of the balance sheet. The change in the presentation has been accounted for retrospectively, and the following comparative figures as at 31 December 2009 and 1 January 2009 have been restated:

	As previously reported RM'000	FRS 4 classification RM'000	As restated RM'000
31 December 2009			
Insurance contract liabilities:			
Actuarial liabilities	299,053	(144,730)	154,323
Net asset value attributable to policyholders	-	148,536	148,536
Reinsurance assets	-	3,806	3,806
1 January 2009			
Insurance contract liabilities:			
Actuarial liabilities	193,101	(37,298)	155,803
Net asset value attributable to policyholders	-	37,298	37,298
Reinsurance assets	-	-	-

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5. Standards and IC Interpretations Issued but Not Yet Effective

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 classification 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 "Share-based payment"	1 July 2010
• IC Interpretation 9 "Reassessment of embedded derivatives"	1 July 2010
• FRS 3 "Business combinations"	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 any significant financial impact to the financial statements of the Company.

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

3. PROPERTY AND EQUIPMENT

	Leasehold building RM'000	Office equipment RM'000	Furniture and fittings RM'000	Computer equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Group and Company							
Cost							
At 1 January 2009	-	427	876	1,190	2,112	377	4,982
Transfer from investment properties (Note 4)	300	-	-	-	-	-	300
Additions	-	35	44	341	589	-	1,009
Disposals	-	-	-	(4)	-	-	(4)
At 31 December 2009	300	462	920	1,527	2,701	377	6,287
Additions	-	17	13	91	523	367	1,011
Disposals	-	-	-	(7)	(64)	(231)	(302)
At 31 December 2010	300	479	933	1,611	3,160	513	6,996
Accumulated Depreciation							
At 1 January 2009	-	(178)	(420)	(732)	(543)	(83)	(1,956)
Charge for the financial year (Note 24)	(2)	(87)	(182)	(372)	(471)	(75)	(1,189)
Disposals	-	-	-	2	-	-	2
At 31 December 2009	(2)	(265)	(602)	(1,102)	(1,014)	(158)	(3,143)
Charge for the financial year (Note 24)	(6)	(98)	(182)	(234)	(615)	(97)	(1,232)
Disposals	-	-	-	7	34	139	180
At 31 December 2010	(8)	(363)	(784)	(1,329)	(1,595)	(116)	(4,195)
Net book value							
31 December 2009	298	197	318	425	1,687	219	3,144
31 December 2010	292	116	149	282	1,565	397	2,801

4. INVESTMENT PROPERTIES

Group and Company	2010 RM'000	2009 RM'000
At beginning of the financial year	13,800	27,610
Disposal	-	(1,110)
Fair value loss (Note 22)	(700)	(3,430)
Transfer to assets held for sale (Note 10)	-	(8,970)
Transfer to property and equipment (Note 3)	-	(300)
At end of the financial year	13,100	13,800
Represented by:		
Freehold land and buildings	8,942	9,642
Leasehold land and buildings	4,158	4,158
	13,100	13,800

Investment properties are stated at fair value, which was determined based on valuations performed by an external independent valuer as at 31 December 2010.

5. INTANGIBLE ASSETS

Group and Company	2010 RM'000	2009 RM'000
Goodwill arising on acquisition of life insurance business		
At beginning / end of the financial year	99,120	99,120
Computer software		
At beginning of the financial year	5,866	4,004
Additions	3,281	4,931
Amortisation charge for the financial year (Note 24)	(3,066)	(3,069)
At end of the financial year	6,081	5,866
Total	105,201	104,986

5. INTANGIBLE ASSETS

a) The Group tests goodwill on acquisition of life insurance business for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. A CGU represents the lowest level for which there are separately identifiable operational cash flows. The CGU represents the Company as a whole.

In testing whether impairment is necessary, the recoverable amount has been determined based on market consistent embedded value and value of expected future new business i.e. the appraisal value of the life business. Other key assumptions taken into account in preparing the valuation are detailed as follows:

i) Compounded annual growth rate for new business index of 32% per annum from 2010 - 2015. New business index represents the sum of 100% annualised first year premium and 10% new single premium.
ii) Best estimate valuation assumptions of the Company.

At 31 December 2010, the recoverable amount exceeds the carrying value.

Management's judgement is involved in estimating the embedded value and value of expected future new business. The appraisal value is sensitive to, amongst others, the assumptions on new business index growth and discount rate.

b) Intangible assets comprise computer application software which were developed or acquired to meet the unique requirements of the Company.

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

6. INVESTMENTS

The financial instruments are summarised by categories as follows:

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

The following financial instruments mature after 12 months:

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

(a) AFS financial assets	**2010 RM'000**	**2009 RM'000**	**2008 RM'000**
At fair value			
Malaysian government securities ("MGS")	22,460	-	-
Debt securities unquoted 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 RM'000**	**2009 RM'000**	**2009 RM'000**
At fair value			
Malaysian government securities	55,894	36,803	35,649
Debt securities unquoted in Malaysia	79,887	80,226	86,910
	135,781	117,029	122,559

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

6. INVESTMENTS (CONTINUED)

c) FVTPL financial assets – held for trading

	2010 RM'000	2009 RM'000	2008 RM'000
<u>At fair value</u>			
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 RM'000	2009 RM'000	2008 RM'000
<u>At amortised cost</u>			
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 RM'000	FVTPL RM'000	HFT RM'000	LAR RM'000	Total 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)	(5,530)	(39,624)	-	(80,156)
Fair value gains recorded in:				-	
Statement of income	-	-	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:					
Statement of income	-	2,339	12,177	-	14,516
Other comprehensive income	(841)	-	-	-	(841)
Insurance contract liabilities	6,065	-	-	-	6,065
Impairment loss (Note 22)	(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

6. INVESTMENTS (CONTINUED)

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 debts securities are based on the indicative market yields obtained from financial managers; and

(c) Quoted equity securities of corporations, quoted unit trust funds, quoted debt securities, investment-linked funds and structured investments are based on quoted market prices.

7. INVESTMENT IN SUBSIDIARY

Company	2010 RM'000	2009 RM'000
Investment in subsidiary, at cost	-	971

Details of the subsidiary are as follows:

Company	Country of incorporation	Group effective interest (100%)	Principal activity
Waikiki Beach Hotel Sdn Bhd (in liquidation)	Malaysia	100	Dormant

In accordance with a Business Transfer Agreement ("BTA") dated 18 November 2006, Waikiki Beach Hotel Sdn Bhd ("Waikiki"), a wholly-owned subsidiary of Tahan Life Insurance Berhad ("Tahan") formed part of the life insurance business to be transferred to the Company in previous years. It was mutually agreed that the shares of Waikiki shall not be transferred and registered in the name of the Company upon completion of the BTA and Tahan shall assist with the liquidation of Waikiki. Arising from the BTA and the said arrangement, the Company is recognised as the beneficial owner of Waikiki. Hence, the investment in subsidiary forms part of the life insurance fund assets and accordingly the subsidiary has been consolidated in the Life fund financial statements.

The subsidiary is dormant, and is now under members' voluntary liquidation.

During the financial year ended 31 December 2010, the subsidiary disposed a property that was held for sale at carrying value of RM1.1 million (Note 10), and recognised a gain on disposal of RM1 million.

Following the disposal of the subsidiary's property, the Company recognised a gain on liquidation of Waikiki of RM1.7 million (Note 21).

8. REINSURANCE ASSETS

Group and Company	2010 RM'000	2009 RM'000	2008 RM'000
Reinsurance of life insurance contract liabilities (Note 13)	8,739	3,806	-

The carrying amounts disclosed above approximate fair values at the balance sheet date.

9. INSURANCE RECEIVABLES

Group and Company	2010 RM'000	2009 RM'000
Due premiums including agents/brokers and co-insurers balances	1,338	1,478
Due from reinsurers and cedants	621	511
	1,959	1,989
Allowance for impairment	(92)	(600)
	1,867	1,389

The carrying amounts disclosed above approximate fair values at the balance sheet date.

10. ASSETS HELD FOR SALE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of the financial year	10,032	1,062	8,970	-
Transfer from investment properties (Note 4)	-	8,970	-	8,970
Disposals	(2,332)	-	(1,270)	-
At end of the financial year	7,700	10,032	7,700	8,970

On 2 December 2009, the Company entered into a sale and purchase agreement with a third party to dispose an investment property in Kuala Lumpur, with a carrying value of RM7,700,000 for a consideration of RM7,700,000. This disposal was subsequently completed on 6 January 2011.

11. OTHER RECEIVABLES

		Group		Company
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysian Institute of Insurance bonds	100	100	100	100
Other receivables, deposits and prepayments	1,187	1,432	1,187	1,432
Investment income due and accrued	4,657	3,516	4,657	3,516
Amount due from subsidiary	-	-	-	91
	5,944	5,048	5,944	5,139
Receivable after 12 months	3,290	1,184	3,290	1,184

The amount due from subsidiary as at 31 December 2009 was unsecured, interest free and had no fixed terms of repayment.

The carrying amounts disclosed above approximate fair values at the balance sheet date.

12. SHARE CAPITAL

Group and Company	**2010** No. of shares ('000)	**2010** RM'000	**2009** No. of shares ('000)	**2009** RM'000
Authorised:				
Ordinary shares of RM1.00 each				
At beginning / end of the financial year	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid-up:				
Ordinary shares of RM1.00 each				
At beginning of the financial year	252,000	252,000	237,000	237,000
Issued during the financial year	-	-	15,000	15,000
At end of the financial year	252,000	252,000	252,000	252,000

During the previous financial year, the Company issued 15 million new ordinary shares of RM1.00 each at par, to fund the future expansion of the Company. The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

13. LIFE INSURANCE CONTRACT LIABILITIES

Group and Company	2010 Gross RM'000	2010 Reinsu -rance RM'000	2010 Net RM'000	2009 Gross RM'000	2009 Reinsu -rance RM'000	2009 Net RM'000	2008 Gross RM'000	2008 Reinsu -rance RM'000	2008 Net RM'000
Actuarial liabilities	177,229	(8,739)	168,490	154,323	(3,806)	150,517	155,803	-	155,803
Unallocated surplus	10,992	-	10,992	12,002		12,002	20,236	-	20,236
Available-for-sale reserve	8,842	-	8,842	3,231	-	3,231	(2,627)	-	(2,627)
Net asset value attributable to unitholders	307,440	-	307,440	148,536	-	148,536	37,298	-	37,298
	504,503	(8,739)	495,764	318,092	(3,806)	314,286	210,710	-	210,710

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

Group and Company

<u>2010</u>	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Balance at the beginning of the the financial year	318,092	(3,806)	314,286
Premiums received	90,854		90,854
Policy benefits and claims paid	(54,860)		(54,860)
Other operating and management expenses	(69,090)	-	(69,090)
Other revenue	15,322	-	15,322
Change in net asset value	193,650	-	193,650
Change in life assurance fund contract liabilities	22,906	(4,933)	17,973
– Due to assumptions change	*(2,480)*	-	*(2,480)*
– Due to change in discount rate	*2,635*	-	*2,635*
– Due to movement during the financial year	*22,751*	*(4,933)*	*17,818*
Available-for-sale reserve, net of tax	5,611	-	5,611
Taxation	(9)	-	(9)
Other liabilities	(17,973)	-	(17,973)
Balance at the end of the financial year	504,503	(8,739)	495,764

13. LIFE INSURANCE CONTRACT LIABILITIES (CONTINUED)

Group and Company **2009**	**Gross** **RM'000**	**Reinsurance** **RM'000**	**Net** **RM'000**
Balance at the beginning of the financial year	210,710	-	210,710
Premiums received	54,228	-	54,228
Policy benefits and claims paid	(42,255)	-	(42,255)
Other operating and management expenses	(54,134)	-	(54,134)
Other revenue	7,584	-	7,584
Change in net asset value	132,506	-	132,506
Change in life assurance fund contract liabilities	(1,481)	(3,806)	(5,287)
– Due to assumptions change	*(3,061)*	*-*	*(3,061)*
– Due to change in discount rate	*(8,119)*	*-*	*(8,119)*
– Due to movement during the financial year	*9,699*	*(3,806)*	*5,893*
Available-for-sale reserve, net of tax	5,858	-	5,858
Taxation	(211)	-	(211)
Other liabilities	5,287	-	5,287
Balance at the end of the financial year	318,092	(3,806)	314,286

14. PROVISIONS FOR OUTSTANDING CLAIMS

Group and Company	**2010** **RM'000**	**2009** **RM'000**
Provision for outstanding claims – gross /net of reinsurance	2,497	1,785

The carrying amounts disclosed above approximate fair values at the balance sheet date.

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

15. 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 authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet.

Group and Company	**2010 RM'000**	**2009 RM'000**
Deferred tax liabilities	(718)	(106)
At beginning of the financial year	(106)	1,077
Credited/(charged) to income statements (Note 25):		
FVTPL financial assets	136	(141)
HFT financial assets	(54)	(973)
Investment properties	119	274
Property and equipment	(218)	(249)
Payables	(187)	187
Unutilised tax losses	(164)	1,828
	(368)	926
Charged to insurance contract liabilities:		
AFS financial assets	(455)	(281)
Charged to available-for-sale reserve:		
AFS financial assets	211	(1,828)
At end of the financial year	(718)	(106)
Subject to income tax:		
Deferred tax assets		
FVTPL financial assets	242	106
Investment properties	393	274
Payables	-	187
Unutilised tax losses	1,664	1,828
	2,299	2,395
Offsetting	(2,299)	(2,395)
Deferred tax asset (after offsetting)	-	-
Deferred tax liabilities		
Property and equipment	(510)	(292)
AFS financial assets	(2,354)	(2,110)
HFT financial assets	(153)	(99)
	(3,017)	(2,501)
Offsetting	2,299	2,395
Deferred tax liabilities (after offsetting)	(718)	(106)

15. DEFERRED TAXATION (CONTINUED)

The amount of unutilised tax losses for which no deferred tax asset is not recognised in the balance sheet is RM48,267,000 (2009: RM40,202,000) due to the unavailability of future taxable profits in the Shareholders' fund.

16. INSURANCE PAYABLES

Group and Company	2010 RM'000	2009 RM'000
Due to agents and insureds	23,454	17,263
Due to reinsurers	8,336	10,432
	31,790	27,695

The carrying amounts disclosed above approximate fair values at the balance sheet date.

17. OTHER PAYABLES

Group and Company	2010 RM'000	2009 RM'000
Other payables and accrued expenses	15,904	11,014
Amounts due to related parties (Note 30)	5,574	1,665
	21,478	12,679

Amounts due to related parties are unsecured, interest free and are payable one month after the invoice date.

The carrying amounts disclosed above approximate fair values at the balance sheet date.

18. OPERATING REVENUE

Group and Company	2010 RM'000	2009 RM'000
Gross premiums (Note 19)	268,669	177,674
Investment income (Note 20)	20,083	9,329
	288,752	187,003

19. NET EARNED PREMIUMS

Group and Company	**2010 RM'000**	**2009 RM'000**
Gross earned premiums (Note 18)	268,669	177,674
Premiums ceded to reinsurers	(5,681)	(3,397)
Net earned premiums	262,988	174,277

20. INVESTMENT INCOME

Group and Company	**2010 RM'000**	**2009 RM'000**
Investment properties		
Rental income	133	79
AFS financial assets		
Dividend income from equity securities quoted in Malaysia	900	655
Interest income from debt securities	1,273	5,421
Accretion of discounts	206	204
FVTPL financial assets – designated upon initial recognition		
Interest income from debt securities	5,679	-
Accretion of discounts	243	-
FVTPL financial assets – held for trading		
Dividend income from equity securities quoted in Malaysia	151	630
Dividend income from equity securities quoted outside Malaysia	205	-
Dividend income from structured investments quoted outside Malaysia	8,541	-
Interest income from debt securities	18	11
LAR financial assets		
Fixed and call deposits	2,082	1,821
Policy loans and mortgage loans	652	508
	20,083	9,329

21. REALISED GAINS AND LOSSES

Group and Company	**2010 RM'000**	**2009 RM'000**
Property and equipment		
Realised gain	48	-
Investment properties		
Realised gain	-	42
AFS financial assets		
Realised gain on equity securities quoted in Malaysia	82	1,095
Realised gain on equity securities quoted outside Malaysia	2,974	4,512
Realised gain on debt securities	-	79
FVTPL financial assets – designated upon initial recognition		
Realised gain on debt securities	54	-
FVTPL financial assets – held for trading		
Realised gain on equity securities quoted in Malaysia	1,340	3,114
Realised (loss)/gain on structured investments quoted outside Malaysia	(48)	794
Investment in subsidiary		
Realised gain (Note 7)	1,718	-
	6,168	9,636

22. FAIR VALUE GAINS AND LOSSES

Group and Company	**2010 RM'000**	**2009 RM'000**
Investment properties		
Fair value loss (Note 4)	(700)	(3,430)
AFS financial assets		
Impairment loss on equity securities quoted in Malaysia (Note 6(e))	(357)	-
FVTPL financial assets – designated upon initial recognition		
Fair value gain on debt securities	2,339	-
FVTPL financial assets – held for trading		
Fair value gain on equity securities quoted in Malaysia	868	12,208
Fair value gain/(loss) on structured investments quoted outside Malaysia	11,309	(2,752)
	13,459	6,026

23. OTHER OPERATING REVENUE/EXPENSE

Group and Company	**2010 RM'000**	**2009 RM'000**
(a) Other operating revenue		
Write-back of allowance for impairment on insurance receivables	508	169
Bad debts recovered	136	1,020
Sundry income	1,106	103
	1,750	1,292
(b) Other operating expense		
Allowance for impairment on insurance receivables	-	(274)
Bad debts written off	(37)	(148)
Sundry expenses	(649)	(106)
	(686)	(528)

24. MANAGEMENT EXPENSES

Group and Company	**2010 RM'000**	**2009 RM'000**
Staff costs (Note 24(a))	20,013	18,374
Directors' remuneration:		
Directors' fees for Non-Executive Directors	285	283
Salaries and other emoluments for Executive Director	1,246	1,739
Management and consultancy fees	391	4,493
Advertising	5,650	1,531
IT expenses	4,248	2,764
Rental of premises	2,174	1,993
Auditors' remuneration:		
Statutory audit	165	168
Non-audit services	60	-
Depreciation of property and equipment (Note 3)	1,232	1,189
Gain on disposal of property and equipment	18	-
Amortisation of intangible assets (Note 5)	3,066	3,069
Other expenses	13,434	4,866
	51,982	40,469

24. MANAGEMENT EXPENSES (CONTINUED)

(a) Staff costs

Group and Company	**2010 RM'000**	**2009 RM'000**
Salary and bonus	16,182	15,017
Defined contribution plan	2,408	2,503
Other benefits	1,423	854
	20,013	18,374

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM1,246,000 (2009: RM1,739,000).

The Non-Executive Director, David William Matthews, does not receive the remuneration personally as it is paid directly to AXA Asia Pacific Holdings Limited.

Total staff costs of the Group and Company (including Executive Director) are RM21,259,000 (2009: RM20,113,000).

25. TAXATION

Group and Company	**2010 RM'000**	**2009 RM'000**
Current tax:		
Current financial year	1,695	847
(Over)/under-provision in prior financial years	(930)	39
	765	886
Deferred tax:		
Origination and reversal of temporary differences (Note 15)	368	(926)
Total	1,133	(40)

The taxation charge in the income statement of the Group and the Company relates to income attributable to the Life fund and Shareholders' fund. The income tax in the Life fund is calculated based on a tax rate of 8% of the assessable investment income. The income tax in the Shareholders' fund is calculated based on a tax rate of 25% of the assessable profit for the financial year.

25. TAXATION (CONTINUED)

A reconciliation of tax expense applicable to profit before taxation at the statutory income tax rate to tax expense at the effective income tax rate is as follows:

Group and Company	**2010 RM'000**	**2009 RM'000**
Profit before taxation	2,831	6,820
Taxation at Malaysian statutory tax rate of 25%	708	1,705
Tax rate differential of 17% of the Life fund	(157)	(261)
Expenses not deductible for tax purposes	1,987	1,378
Utilisation of unrecognised tax losses	(475)	(2,901)
(Over)/under-provision of tax in prior financial years	(93)	39
Total	1,133	(40)

As at the balance sheet date, the Company has unutilised tax losses of approximately RM54,923,000 (2009: RM47,514,000) available for carry forward to offset against its future taxable income, subject to the provision of the tax legislations and agreement with the tax authorities. The amount of unutilised tax losses for which no deferred tax asset is not recognised in the balance sheet is RM48,267,000 (2009: RM40,202,000) due to the unavailability of future taxable profits in the Shareholders' fund.

26. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2010 RM'000	**2009 RM'000**
Net profit attributable to ordinary shareholders	1,698	6,860
Weighted average number of shares in issue	249,452	249,452
Basic earnings per share (sen)	0.68	2.75

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the balance sheet date.

27. CASH FLOWS

Group and Company	**2010 RM'000**	**2009 RM'000**
Net profit for the financial year	1,698	6,860
Investment income	(20,083)	(9,329)
Realised gains recorded in income statement	(6,120)	(9,594)
Fair value gains recorded in income statement	(14,159)	(9,456)
Proceeds from disposal of investment properties	1,270	1,152
Purchases of investments	(268,990)	(159,507)
Disposals of investments	48,924	92,801
Decrease/(increase) in loans and receivables	41,700	(36,721)
Non-cash items:		
Depreciation of property and equipment	1,232	1,189
Loss on disposal of property and equipment	(48)	-
Loss on disposal of investment properties	-	(42)
Amortisation of intangible assets	3,066	3,069
Fair value changes on investment properties	700	3,430
Allowance for doubtful debts	-	274
Changes in working capital:		
Increase in receivables	(3,975)	(13,541)
Increase in insurance contract liabilities	186,411	107,382
Increase in payables	13,606	24,254
Cash (used in)/generated from operating activities	(14,768)	2,221

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 and investment contracts, net of the cash flows for payments of benefits and claims incurred for insurance and investment contracts, which are included respectively under operating activities.

28. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments of the non-cancellable operating lease agreements are as follows:

Group and Company	**2010 RM'000**	**2009 RM'000**
Not later than 1 year	2,177	2,205
Later than 1 year and not later than 5 years	1,773	3,523
	3,950	5,728

29. CAPITAL COMMITMENTS

There is no capital commitment for the financial year ended 31 December 2010 and 31 December 2009.

30. RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures:

a) The other related parties of, and their relationships with the Company, are as follows:

Name of Company	**Relationship**
AFFIN Holdings Berhad ("AFFIN")	Substantial shareholder
Irat Hotels and Resorts Sdn Bhd	Related company of AFFIN
National Mutual International Pty Ltd ("NMI")	Substantial shareholder
AXA Asia Pacific Holdings Ltd ("AAPH")	Holding company of NMI
PT AXA Life Indonesia	Subsidiary of NMI
AFFIN Bank Berhad	Subsidiary of AFFIN
Boustead Travel and Services Sdn Bhd	Subsidiary of AFFIN
Boustead Hotels & Resorts Sdn Bhd	Subsidiary of AFFIN
AXA AFFIN General Insurance Berhad	Affiliate

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with other companies deemed related parties by virtue of being subsidiaries of AFFIN (collectively known as the AFFIN Group) and holding company and subsidiaries of NMI (collectively known as AXA Group).

b) The significant related party transactions during the financial year and balances at the financial year end between the Company and the related parties are set out below.

30. RELATED PARTY DISCLOSURES (CONTINUED)

The aggregate amount of emoluments receivable by Non-Executive Directors of the Company during the financial year was as follows:

Group and Company	**2010 RM'000**	**2009 RM'000**
Non-Executive Directors		
- fees	235	235
- meeting allowance	50	48
	285	283

Key management personnel represents persons with the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The compensation of the key management personnel including the Executive Director are as follows:

Group and Company	**2010 RM'000**	**2009 RM'000**
Salary, bonus and benefit	3,808	3,976
Defined contribution plan	543	455
Benefits-in-kind	34	21
	4,385	4,452

Group and Company	**2010 RM'000**	**2009 RM'000**
Transactions with AFFIN Group		
Irat Hotels & Resorts Sdn Bhd – Rental of office and utility expenses	1,437	1,526
AFFIN Bank Berhad – Commission	2,146	896
Boustead Travel Services Sdn Bhd – Provision for travel services	278	162
AXA AFFIN General Insurance Berhad – Insurance premium	2,192	1,265
Boustead Hotel and Resorts Sdn Bhd – Provision for hotel services	45	75
AFFIN Holdings Berhad – Directors' benefits and trainings	10	36
	6,108	3,960

30. RELATED PARTY DISCLOSURES (CONTINUED)

Group and Company

	2010 RM'000	2009 RM'000
Transactions with AXA Group		
Reimbursements of software development cost	2,100	4,365
Management and consultancy fees	4,350	5,643
Software license fees	2,086	566
	8,536	10,574

Group and Company

	2010 RM'000	2009 RM'000
Amount due to AXA Group included in other payables (Note 17)	5,574	1,665

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

Non-Executive Directors

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

Executive Director

Loke Kah Meng

31. RISK MANAGEMENT FRAMEWORK

The Company's activities expose it to insurance risk, investment risk, market risk, credit risk, liquidity risk and capital risk. Responsibility for managing the risks vests with the Company's management with reference to policies. The Company's risk management and investment policies are guided by the Insurance Act and Regulations and Risk-Based Capital Framework.

Insurers have to comply with the 1996 Insurance Act and 1996 Insurance Regulations, including guidelines on investment limits under the Risk-Based Capital Framework. The responsibility for formulation, establishment and approval of the Company's investment policies rest with the Board of Directors ("Board"). The Board exercises oversight on the investments to safeguard the interest of the policyholders and shareholders.

31. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) *Risk Management Framework*

The Company's Risk Management Framework is adopted from AXA APH Group Risk Management Policy. The framework was approved by the Company's Board Risk Management Committee. The framework is updated from time to time to reflect changes in the operating environment and changes to the group policies.

The Board of Directors is responsible for maintaining and approving the Risk Management Framework and for monitoring performance against it while the management is responsible for implementation of the Framework and ensuring the business is managed in accordance with it. The day to day management of risk is delegated through the CEO to management under formally documented Delegated Authorities (“DA”). The DA outlines the management responsibilities for risk management in their respective groups or functional units. The management is also responsible for promoting a high performance culture where effective risk management is embedded within day-to-day business activities, and is encouraged and rewarded.

Key to the Framework is the concept of the “*three lines of defence*” for managing risk. The first line of defence is the CEO, Senior Management, Managers and staff of the Company. The second line is made up of Compliance and Risk functions which provide management support and "check and balance". The second line defence also consists of the various management committees which are established to assist the board and board committees in the monitoring and oversight responsibilities. The management committees include the Local Management Audit & Compliance Committee (“LMACC”), Local Management Investment Committee (“LMIC”) and Local Product Management Committee (“LPMC”). The third line of defence consists of Internal Audit that provides independent assurance.

(b) *Capital Management Objectives, Policies and Approach*

The Capital Management Framework is set up to ensure that the regulatory and internal solvency requirements of the Company will be met at all times, and at the same time, ensuring the optimal utilisation of capital.

The Risk-Based Capital Framework for the insurance industry came into effect from 1 January 2009. Under this Framework, insurers are required to maintain a capital adequacy level that commensurate with their risk profiles. The minimum regulatory capital adequacy ratio is 130%.

The Company has met the minimum capital requirements as prescribed by the RBC framework as at the balance sheet date.

31.RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) *Governance and Regulatory Framework*

The Company's governance and regulatory framework comprises the Board sub committees which includes amongst others the Board Audit and Compliance Committee, Board Investment Committee and the Board Risk Management Committee. These committees' functions are primarily to assist the Board in fulfilling its governance and oversight responsibilities especially in the areas of managing risks, non compliance, ensuring that the management has put in place effective controls as well as reviews of major policies.

The Board is aware that a well-defined corporate governance and regulatory framework works for the benefit of everyone only if it is adhered and internalised by all the staff. As such, management committees such as Local Management Audit and Compliance Committee, Local Product Management Committee and Local Management Investment Committee have been mandated to provide management oversight on the company's day-to-day activities and to provide timely and periodic update to the Board /Board Committees. The Group has also supported the local management in terms of sharing new practices, key policies and processes.

The Board also recognises that strong governance and regulatory framework would require proper and timely dissemination of new regulations and policies from both the group as well as external supervisory bodies such as BNM or LIAM. As such, when new laws and policies are introduced, the management has the responsibility to analyse, summarise the impact of the regulations on the Company and to promptly table this to the next available Board meeting. Likewise these new laws are also communicated to staff via emails and through meetings. In addition, periodic trainings and briefings on regulatory subjects are also conducted to the staff (especially newer staff) to ensure that they are familiar with the requirements and to help establish a strong culture of adherence.

32. LIFE INSURANCE RISK

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

The principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. Such risks are managed by adherence to established underwriting guidelines and limits as well as seeking the appropriate reinsurance covers.

The underwriting strategy is intended to ensure that risks underwritten are well diversified in terms of type of risk and the level of insured benefits.

Stress Testing is performed semi-annually by the Appointed Actuary, for endorsement by the Board of Directors and to be submitted to BNM. The purpose of the stress testing is to assess the solvency of the Life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, interest rate environment, expense patterns, mortality/morbidity patterns and lapse rates. Appropriate actions are taken by the management to ensure the Company maintains a sound financial position in the long term.

32. LIFE INSURANCE RISK (CONTINUED)

The Company uses reinsurance to manage its mortality and morbidity risk. The Company's reinsurance management strategy and policy are reviewed annually by the AXA Regional Office. Reinsurance arrangements are set based on the type of risk. Retention limits for mortality risk per life are limited to a maximum of RM150,000.

Concentration of risk may arise where a particular event or series of events could significantly impact the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and related to the circumstances where significant liabilities could arise. The Company's exposure to group insurance business is not significant, thus there is no material concentration in insurance risk.

Only reinsurers meeting a minimum credit rating are considered when deciding on which reinsurers to reinsure the Company's risk.

The table below shows the concentration of life insurance contract liabilities by class of business:

	Gross RM'000	**Reinsurance RM'000**
31 December 2010		
Whole life	12,553	-
Term assurance	1,003	-
Endowment	57,377	-
Mortgage	98,945	(8,739)
Investment-linked	310,939	-
Others	23,686	-
Total	504,503	(8,739)

As all of the business are derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

Key Assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Scenario	**Key Assumption**	**Change in Assumption**
1	Mortality/morbidity	+20%
2	Mortality/morbidity	-20%
3	Lapse and surrender	+20%
4	Lapse and surrender	-20%
5	Risk free rate	+50bp
6	Risk free rate	-50bp
7	Expenses	+20%

32.LIFE INSURANCE RISK (CONTINUED)

The assumptions that have the greatest effect on the balance sheet and income statement of the Company are listed below by portfolio assumptions impacting net liabilities.

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, profit before tax and equity. 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 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					
Mortality/morbidity	+20	23,208	17,897	(17,897)	-
Mortality/morbidity	-20	(22,709)	(18,289)	18,289	-
Lapse and surrender rates	+20	1,685	1,886	(1,886)	-
Lapse and surrender rates	-20	(1,364)	(1,573)	1,573	-
Risk free rate	+50bp	(8,198)	(7,780)	7,780	-
Risk free rate	-50bp	10,360	9,909	(9,909)	-
Expenses	+20	5,717	5,717	(5,717)	-

* Impact on equity reflects adjustments for tax, where applicable

33. FINANCIAL RISKS

a) Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet payment obligations of principal and/or interest. The Company has a credit policy in place for the funds and the exposure to credit risk is monitored on an ongoing basis.

All bond investments must carry a minimum rating of A or P1 by rating agencies established in Malaysia or by any internationally recognised rating agency as outlined in the Company's manual of investment policies approved by the Board.

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the balance sheet 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.

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

33.FINANCIAL RISKS (CONTINUED)

31 December 2010	Note	Insurance and Shareholders' Funds RM'000	Unit-linked RM'000	Total RM'000
AFS financial assets	6(a)			
Equity securities		30,942	-	30,942
MGS and debt securities		61,668	-	61,668
Investment-linked funds		16,715	-	16,715
Unit trust funds		7,535	-	7,535
FVTPL financial assets – designated at inception	6(b)			
MGS and debt securities		135,781	-	135,781
FVTPL financial assets - HFT	6(c)			
Equity securities		-	15,796	15,796
Structured investments		-	279,944	279,944
Loans and receivables	6(d)			
Policy and mortgage loans		6,393	-	6,393
Fixed and call deposits		56,146	-	56,146
Reinsurance assets	7	8,739	-	8,739
Insurance receivables	9	1,867	-	1,867
Other receivables	11	5,918	26	5,944
Cash and cash equivalents		9,676	13,168	22,844
		341,380	308,934	650,314

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 ratings of counterparties.

	Neither past-due nor impaired					
		Non-investment grade				
	Investment grade RM'000	Satisfactory RM'000	Unsatisfactory RM'000	Unit-linked RM'000	Past due but not impaired RM'000	Total RM'000
AFS financial investments						
Equity securities	30,942	-	-	-	-	30,942
MGS and debt securities	61,668	-	-	-	-	61,668
Investment-linked funds	16,715	-	-	-	-	16,715
Unit trust funds	7,535	-	-	-	-	7,535
FVTPL financial assets – designated at inception						
MGS and debt securities	135,781	-	-	-	-	135,781
FVTPL financial assets - HFT						
Equity securities	-	-	-	15,796	-	15,796
Structured investments	-	-	-	279,944	-	279,944
Loans and receivables						
Policy and mortgage loans	6,393	-	-	-	-	6,393
Fixed and call deposits	56,146	-	-	-	-	56,146
Reinsurance assets	8,739	-	-	-	-	8,739
Insurance receivables	1,867	-	-	-	-	1,867
Other receivables	5,918	-	-	26	-	5,944
Cash and cash equivalents	9,676	-	-	13,168	-	22,844
	341,380	-	-	308,934		650,314

33.FINANCIAL RISKS (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 Rating Agency of Malaysia's ("RAM")*, Malaysian Rating Corporation Berhad ("MARC") and Standard & Poors ("S & P") 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.

	AAA	AA	BBB	BB	Not rated	Unit-linked	Total
31 December 2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
AFS financial assets							
Equity securities	-	-	-	-	30,942	-	55,192
MGS and debt securities	24,458	4,999	-	-	32,211	-	61,668
Investment-linked funds	-	-	-	-	16,715	-	16,715
Unit trust funds	-	-	-	-	7,535	-	7,535
FVTPL financial assets – designated at inception							
MGS and debt securities	57,130	15,726	-	-	62,925	-	135,781
FVTPL financial assets - HFT							
Equity securities	-	-	-	-	15,796	15,796	15,796
Structured investments	-	-	-	-	279,944	279,944	279,944
Loans and receivables							
Policy and mortgage loans	-	-	-	-	6,393	-	6,393
Fixed and call deposits	-	-	-	-	56,146	-	56,146
Reinsurance assets	-	-	-	-	8,739	-	8,739
Insurance receivables	-	-	-	-	1,867	-	1,867
Other receivables	-	-	-	-	5,918	26	5,944
Cash and bank balances	-	-	-	-	9,676	13,168	22,844
	81,588	20,725	-	-	341,380	308,934	650,314

The table below provides information regarding the credit risk exposure of the Company according to the Company's categorisation of counter-parties by RAM's credit rating.

	AAA	AA	BBB	BB	Not rated	Total	Unit-linked	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2010								
Investment grade	81,588	20,725	-	-	239,067	341,380	308,934	650,314
Non-investment grade:								
Satisfactory	-	-	-	-	-	-	-	-
Unsatisfactory	-	-	-	-	-	-	-	-
Past-due but not impaired	-	-	-	-	-	-	-	-
	81,588	20,725	-	-	239,067	341,380	308,934	650,314

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

33.FINANCIAL RISKS (CONTINUED)

Credit Exposure by Credit Rating (continued)

The Company has not provided the credit risk analysis for the financial assets of the unit-linked business. This is due to the fact that, in unit-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

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.

Impaired Financial Assets

At 31 December 2010, based on a collective assessment of insurance receivables, there are impaired insurance receivables of RM92,000 (2009: RM600,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than six (6) months. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for insurance receivables in separate accounts. A reconciliation of the allowance for impairment loss for insurance receivables is as follows:

	Insurance Receivables	
	2010 RM'000	**2009 RM'000**
At beginning of the financial year	600	326
Write-back of allowance for the financial year (Note 23(a))	(508)	-
Additional allowance for the financial year (Note 23(b))	-	274
At end of the financial year	92	600

33.FINANCIAL RISKS (CONTINUED)

b) Liquidity Risk

Liquidity risk is the risk of the Company being unable to meet its obligations at a reasonable cost or at any time. The Company manages this risk by holding sufficient quantity of liquid investments that can be readily converted to cash.

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unit-linked liabilities are repayable or transferable 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.

	Carrying value	Up to a year	1 – 5 years	Over 5 years	No maturity date	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
31 December 2010						
AFS financial assets:						
Equity securities	30,942	-	-	-	30,942	30,942
MGS and debt securities	61,668	-	61,668	-	-	61,668
Investment-linked funds	16,715	-	-	-	16,715	16,715
Unit trust funds	7,535	-	-	-	7,535	7,535
FVTPL financial assets – designated at inception						
MGS and debt securities	135,781	-	135,781	-	-	135,781
FVPTL financial assets - HFT						
Equity securities	15,796	-	-	-	15,796	15,796
Structured investments	279,944	-	-	-	279,944	279,944
Loans and receivables						
Policy and mortgage loans	6,393	31	6,362	-	-	6,393
Fixed and call deposits	56,146	56,146	-	-	-	56,146
Reinsurance assets	8,739	1	152	8,586	-	8,739
Insurance receivables	1,867	1,867	-	-	-	1,867
Other receivables	5,944	5,944	-	-	-	5,944
Cash and bank balances	22,844	22,844	-	-	-	22,844
Total assets	650,314	86,833	203,963	8,586	350,932	650,314
Insurance contract liabilities	504,503	313,485	10,822	180,196	-	504,503
Provision for outstanding claims	2,497	2,497	-	-	-	2,497
Insurance payables	31,790	31,790	-	-	-	31,790
Other payables	21,478	21,478	-	-	-	21,478
Total liabilities	560,268	369,250	10,822	180,196	-	560,268

33.FINANCIAL RISKS (CONTINUED)

c) Market Risk

The net asset value of the investments by the Company may fluctuate due to changing economic, political and market conditions. Market risk is managed through portfolio diversification and asset allocation.

Currency Risk

Currency risk is the risk whereby the value of the assets and liabilities will fluctuate due to changes in foreign exchange rates. Foreign exchange risk embodies not only the potential losses but also the potential for gains.

There is no impact on profit after tax arising from currency risk as the currency risk in the Australian Dollar closed-ended funds are borne by the policyholders.

Interest Rate Risk (including Asset Liability Mismatch)

Fair value interest rate risk is the risk that the fair value of a financial instrument and the underlying policy liabilities for which the assets are intended to fund will fluctuate due to changes in market interest rates. The Company aims to mitigate the impact of fluctuations in interest rates on its financial position by choosing an asset mix appropriate for its liabilities, subject to the current investments market conditions and the prices and availability of appropriate securities.

The Management Investment Committee regularly reviews the asset liabilities mismatch studies carried out and reviews the investment strategies to manage and monitor any net interest rate risk or asset liability mismatch risk.

The Company is still subject to some extent of duration mismatch due to the longer policy liability duration than the available bond durations.

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 floating rate/yield financial instruments) and 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 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.

33.FINANCIAL RISKS (CONTINUED)

	Change in variables	Impact on Profit Before Tax RM'000	Impact on Equity* Up to a year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
31 December 2010						
Risk free rate	+50 basis points	(3,334)	-	(383)	(1,623)	(2,006)
Risk free rate	-50 basis points	3,421	-	391	1,712	2,103

* Impact on equity reflects adjustments for tax, when applicable.

Price Risk

The Company is exposed to equity securities price risk arising from the investments held by the Company which are classified on the balance sheet as available-for-sale ("AFS"). To manage its price risk arising from investment in equity securities, the Company diversifies its portfolio in accordance with the prescribed limits for each class of investments.

Liabilities are long-term in nature so that a balanced approach between fixed income and equity is taken to achieve an appropriate balance.

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.

34. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2010, as prescribed under the RBC Framework, is shown below:

	2010 RM'000
Eligible Tier 1 Capital	
Share capital (paid-up) (Note 12)	252,000
Reserves, including retained earnings	(38,113)
	213,887
Tier 2 Capital	
Eligible reserves	13,694
	13,694
Amounts deducted from Capital	(99,119)
Total Capital Available	128,462

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

35. INSURANCE FUNDS

The Company's activities are organised by funds and segregated into the Life and Shareholders' funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.

The Company's balance sheet and income statement have been further analysed by funds. The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance and Endowment products, as well as Unit-linked products.

Balance Sheet by Funds
As at 31 December 2010

	Shareholders' Fund		Life Fund		Total	
	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Intangible assets	99,120	99,120	6,081	5,866	105,201	104,986
Investments	83,545	83,251	231,635	185,162	315,180	268,413
Reinsurance assets	-	-	8,739	3,806	8,739	3,806
Assets held for sale	-	-	7,700	8,970	7,700	8,970
Other assets	37,387	35,842	34,408	31,302	71,795	67,144
Total assets	220,052	218,213	288,563	235,106	508,615	453,319
Equity, Policyholders' Fund and Liabilities						
Total equity	218,742	217,674	-	-	218,742	217,674
Insurance contract liabilities	-	-	197,063	169,555	197,063	169,555
Other liabilities	1,310	539	91,500	65,551	92,810	66,090
Total liabilities	1,310	539	288,563	235,106	289,873	235,645
Total policyholders' funds and liabilities	220,052	218,213	288,563	235,106	508,615	453,319

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

35. INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds
For the Financial Year Ended 31 December 2010

	Shareholders' Fund		Life Fund		Total	
	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	2,140	1,182	103,197	64,842	105,336	66,024
Gross premiums	-	-	94,417	57,625	94,417	57,625
Premiums ceded to reinsurers	-	-	(3,563)	(3,397)	(3,563)	(3,397)
Net premiums	-	-	90,854	54,228	90,854	54,228
Reinsurance commission income	-	-	1,609	367	1,609	367
Investment income	2,140	1,182	8,780	7,216	10,920	8,398
Gains and losses and other operating revenue	2,975	4,512	4,933	(923)	7,908	3,589
Other revenue	5,115	5,694	15,322	6,660	20,437	12,354
Gross benefits and claims paid	-	-	(22,065)	(22,336)	(22,065)	(22,336)
Claims ceded to reinsurers	-	-	1,945	1,793	1,945	1,793
Net change to contract liabilities	-	-	(16,945)	13,520	(16,945)	13,520
Net claims	-	-	(37,065)	(7,023)	(37,065)	(7,023)
Other operating and management expenses	(3,218)	(415)	(69,090)	(53,654)	(72,308)	(54,069)
Other expenses	(3,218)	(415)	(69,090)	(53,654)	(72,308)	(54,069)
	1,897	5,279	21	211	1,918	5,490
Transfer from Revenue Accounts	12	-	(12)	-	-	-
Profit before tax	1,909	5,279	9	211	1,918	5,490
Taxation	(211)	1,581	(9)	(211)	(220)	1,370
Net profit for the financial year	1,698	6,860	-	-	1,698	6,860

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

35. INSURANCE FUNDS (CONTINUED)

Investment-linked Fund Balance Sheet
As at 31 December 2010

	2010 RM'000	2009 RM'000
Assets		
FVTPL financial assets - HFT	295,740	137,701
Fixed and call deposits	-	7,519
Cash and cash equivalents	13,168	5,196
Tax recoverable	-	31
Other receivables	26	16
Total assets	308,934	150,463
Liabilities		
Deferred tax liabilities	153	99
Tax payables	279	198
Other liabilities	1,062	1,629
	1,494	1,926
Net asset value of funds (Note 13)	307,440	148,537

Investment-linked Fund Statement of Income
For the Financial Year Ended 31 December 2010

	2010 RM'000	2009 RM'000
Operating revenue	183,416	120,980
Investment income	9,164	931
Realised gains and losses, net of expenses	1,293	3,909
Fair value gains and losses	12,178	9,456
Other operating and management expenses	(191)	(64)
Profit before taxation	22,444	14,232
Taxation	(914)	(1,330)
Net profit for the financial year	21,530	12,902