AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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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 Company for the financial year ended 31 December 2011.

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 nature of this principal activity of the Company during the financial year.

RESULTS

	RM'000
Net loss for the financial year	(4,653)

DIVIDENDS

No dividend has been paid or declared by the Company since 31 December 2010. The Directors do not recommend any dividend in respect of the financial year ended 31 December 2011.

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 financial statements of 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.

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of 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 statement of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of 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 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 statement of 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 Company misleading or inappropriate.

DIRECTORS' REPORT (CONTINUED)

CONTINGENT AND OTHER LIABILITIES

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

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

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

No contingent or other liability of 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 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 statement of the Company, which would render any amount stated in the financial statement misleading.

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

SHARE CAPITAL

On 23 December 2011, the Company issued 14,000,000 new ordinary shares of RM1.00 each at par for cash 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.

DIRECTORS' REPORT (CONTINUED)

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
Dato' Mustafa Bin Mohamad Ali
Dato' Mohd Sallehuddin Bin Othman
Loke Kah Meng
Kevin John Wright (appointed 29 July 2011)
David William Matthews (resigned 30 June 2011)

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 Company has taken concerted steps to ensure compliance with BNM Prudential Framework of Corporate Governance for Insurers (JPI/GPI 25) (Consolidated) and its best practice applications.

Board responsibility and oversight

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

The Company has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of the Company'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.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board responsibility and oversight (continued)

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

The Board meets at least six (6) times a year with additional meetings being convened as and when necessary. For the financial year ended 31 December 2011, 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 2011.

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

The composition of the Board during the period since the date of the last report and the number of meetings attended by each existing Director during the financial year ended 31 December 2011 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
Dato' Mustafa Bin Mohamad Ali	6/6
Dato' Mohd Sallehuddin Bin Othman	6/6
Loke Kah Meng	6/6
Kevin John Wright (appointed 29 July 2011)	2/2
David William Matthews (resigned 30 June 2011)	2/3

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, the Local Management Investment Committee and the Local Risk Committee.

DIRECTORS' REPORT (CONTINUED)

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)
Kevin John Wright (appointed 29 July 2011)	Member (Non-Independent Non-Executive)
David William Matthews (resigned 30 June 2011)	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.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit and Compliance Committee (continued)

The number of meetings attended by each member of the Audit and Compliance Committee during the financial year ended 31 December 2011 is as follows:

Name of Directors	No. of Attendance
Dato' Mustafa Bin Mohamad Ali	5/5
Dato' Mohd Sallehuddin Bin Othman	5/5
Kevin John Wright (appointed 29 July 2011)	0/1
David William Matthews (resigned 30 June 2011)	2/3

During the financial year ended 31 December 2011, 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)
Loke Kah Meng	Member (Non-Independent Executive)
Kevin John Wright (appointed 29 July 2011)	Member (Non-Independent Non-Executive)
David William Matthews (resigned 30 June 2011)	Member (Non-Independent Non-Executive)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nomination Committee (continued)

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 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.

The number of meetings attended by each member of the Nomination Committee during the financial year ended 31 December 2011 is as follows:

Name of Directors	No. of Attendance
Dato’ Mohd Sallehuddin Bin Othman	5/5
Dato’ Mustafa Bin Mohamad Ali	5/5
Jeneral (B) Tan Sri Dato’ Seri Abdul Rahman Bin Abdul Hamid	5/5
Tan Sri Dato’ Che Lodin Bin Wok Kamaruddin	4/5
Loke Kah Meng	5/5
Kevin John Wright (appointed 29 July 2011)	1/2
David William Matthews (resigned 30 June 2011)	1/2

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nomination Committee (continued)

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)
Loke Kah Meng	Member (Non-Independent Executive)
Kevin John Wright (appointed 29 July 2011)	Member (Non-Independent Non-Executive)
David William Matthews (resigned 30 June 2011)	Member (Non-Independent Non-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.

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.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee (continued)

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 2011 is as follows:

Name of Directors	**No. of Attendance**
Dato' Mohd Sallehuddin Bin Othman	2/2
Dato' Mustafa Bin Mohamad Ali	2/2
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	2/2
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	2/2
Loke Kah Meng	2/2
Kevin John Wright (appointed 29 July 2011)	0/0
David William Matthews (resigned 30 June 2011)	1/2

DIRECTORS' REPORT (CONTINUED)

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)
Kevin John Wright (appointed 29 July 2011)	Member (Non-Independent Non-Executive)
David William Matthews (resigned 30 June 2011)	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 2011 is as follows:

Name of Directors	**No. of Attendance**
Dato' Mustafa Bin Mohamad Ali	5/5
Dato' Mohd Sallehuddin Bin Othman	5/5
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	5/5
Kevin John Wright (appointed 29 July 2011)	1/2
David William Matthews (resigned 30 June 2011)	1/2

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Investment Committee

The members of the Investment Committee are as follows:

Kevin John Wright (appointed 29 July 2011)	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)
David William Matthews (resigned 30 June 2011)	Chairman (Non-Independent Non-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 2011 is as follows:

Name of Directors	**No. of Attendance**
Kevin John Wright (appointed 29 July 2011)	2/6
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	5/6
Dato' Mustafa Bin Mohamad Ali	6/6
Loke Kah Meng	6/6
David William Matthews (resigned 30 July 2011)	2/3

DIRECTORS' REPORT (CONTINUED)

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;
- regulatory guidelines, circulars and resolutions available in common IT folders for ease of reference
- 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.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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.

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 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 key internal audit findings and management responses. The requirements of BNM's Guidelines on Audit Committees and Internal Auditor Department have been met.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Products

New products launched in financial year 2011 were Asia Pacific Income Locker, MaxxSaver II, Hospital CashBack, Saver Plus II, Alliance Income Saver, MoneyBack Plus, MRTA BPP, China & Oil Income Accrual, PaySavers, ProLife, Medical Care Plus, Wealth Protector and unit deducting riders. 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.

DIRECTORS' REPORT (CONTINUED)

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, being 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 financial position of the Company' as at 31 December 2011 and of its financial performance and cash flows 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 the Note 23 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.

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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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 1.1.2011	**Acquired**	**Sold**	**As at 31.12.2011**
	Tan Sri Dato' Che Lodin Bin Wok Kamaruddin				
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 ^	250,000	-	-	250,000
4.	Boustead Petroleum Sdn Bhd (Ordinary shares of RM1 each)	5,916,465	-	-	5,916,465
5.	Boustead Petroleum Sdn Bhd (Redeemable Preference Shares of RM1 each)	50	-	-	50
6.	Pharmaniaga Berhad^^	-	3,184,538	-	3,184,538

		|--Number of Ordinary Shares of RM0.50 each--|			
		As at 1.1.2011	**Acquired**	**Sold**	**As at 31.12.2011**
	Tan Sri Dato' Che Lodin Bin Wok Kamaruddin				
1.	Boustead Holdings Berhad ^^^	26,122,599	-	(111,000)	26,011,599
	Dato' Mustafa Bin Mohamad Ali				
1.	Boustead Holdings Berhad	10,000	-	(10,000)	-

^ Shares held in trust by nominee company

^^	Shares held in trust by nominee company:	1,403,657
	Shares held under own name:	1,780,881
		3,184,538
^^^	Shares held in trust by nominee company:	23,767,500
	Shares held under own name:	2,244,099
		26,011,599

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 20 March 2012.

Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	Loke Kah Meng
DIRECTOR	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 22 to 87 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the financial year ended on that date in accordance with Financial Reporting Standards, being are the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to the Insurance Act, 1996, and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 March 2012.

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, Lee Kok Wah, 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 21 to 87 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.

LEE KOK WAH

Subscribed and solemnly declared by the above named Lee Kok Wah at Kuala Lumpur in Wilayah Persekutuan on 20 March 2012, before me,

COMMISSIONER FOR OATHS

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AXA AFFIN Life Insurance Berhad, which comprise the balance sheet as at 31 December 2011, and the statements of income, comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 87.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, as modified by the Guidelines on Financial Reporting for Insurers issued 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 Company as of 31 December 2011 and of its financial performance and cash flows for the financial year then ended.

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
AF: 1146
Chartered Accountants

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

Kuala Lumpur, Malaysia
20 March 2012

723739	W

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
ASSETS			
Property and equipment	3	2,943	2,801
Investment properties	4	6,700	13,100
Intangible assets	5	105,472	105,201
Investments	6	715,977	615,514
AFS financial assets		170,049	117,351
FVTPL financial assets- designated upon initial recognition		149,288	137,257
FVTPL financial assets- held for trading		337,441	295,740
Loan and receivables		59,199	65,166
Reinsurance assets	7	18,469	8,739
Insurance receivables	8	2,399	1,867
Assets held for sale	9	5,803	7,700
Other receivables	10	1,785	1,350
Tax recoverable		2,250	1,574
Cash and cash equivalents		22,194	22,844
TOTAL ASSETS		883,992	780,690
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	11	266,000	252,000
Accumulated losses		(42,766)	(38,113)
Available-for-sale reserve		5,256	4,855
TOTAL EQUITY		228,490	218,742
LIABILITIES			
Insurance contract liabilities	12	587,638	504,503
Provision for outstanding claims	13	2,685	2,497
Deferred tax liabilities	14	2,671	718
Insurance payables	15	41,135	31,790
Tax payable		1,282	962
Other payables	16	20,091	21,478
TOTAL LIABILITIES		655,502	561,948
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		883,992	780,690

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

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AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
Operating revenue	17	236,937	288,752
Gross earned premiums	18	199,182	268,669
Premiums ceded to reinsurers	18	(11,381)	(5,681)
Net earned premiums	18	187,801	262,988
Reinsurance commission income		400	1,609
Investment income	19	37,755	20,083
Realised gains and losses	20	3,312	6,168
Fair value gains and losses	21	6,430	13,459
Other operating revenue	22(a)	723	1,750
Other revenue		48,620	43,069
Gross benefits and claims paid		(67,942)	(56,805)
Claims ceded to reinsurers		4,098	1,945
Gross change to insurance contract liabilities		(86,818)	(181,713)
Change to insurance contract liabilities ceded to reinsurers		9,730	4,933
Net claims		(140,932)	(231,640)
Commission and agency expenses		(34,482)	(19,831)
Management expenses	23	(63,656)	(51,982)
Other operating expenses	22(b)	(469)	(686)
Other expenses		(98,607)	(72,499)
(Loss)/profit before taxation		(3,118)	1,918
Taxation	24	(1,535)	(220)
Net (loss)/profit for the financial year		(4,653)	1,698
Basic (loss)/earnings per share (sen)	25	(1.84)	0.68

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 2011

	2011	2010
	RM'000	**RM'000**
Net (loss)/profit for the financial year	(4,653)	1,698
Other comprehensive income:		
Available-for-sale reserve		
Net gain/(loss) arising during the financial year	533	(841)
Tax effects thereon (Note 14)	(132)	211
	401	(630)
Total comprehensive (loss)/income for the financial year	(4,252)	1,068

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

723739	W

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Share capital RM'000	|-----Non-Distributable-----| Available-for-sale reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2010		252,000	5,485	(39,811)	217,674
Total comprehensive (loss)/income for the financial year		-	(630)	1,698	1,068
At 31 December 2010		252,000	4,855	(38,113)	218,742
At 1 January 2011		252,000	4,855	(38,113)	218,742
Issuance of shares during the financial year	11	14,000	-	-	14,000
Total comprehensive income/(loss) for the financial year		-	401	(4,653)	(4,252)
At 31 December 2011		266,000	5,256	(42,766)	228,490

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 2011

	Note	2011 RM'000	2010 RM'000
Operating Activities			
Cash generated from operating activities	26	44,956	198,390
Proceeds from disposal of investment properties		7,700	1,270
Proceeds from disposal of investments		80,763	56,476
Purchase of investments		(176,694)	(268,990)
Dividend income received		24,625	11,805
Interest income received		11,831	6,660
Rental income on investment properties received		522	556
Income tax paid		(3,147)	(564)
Net cash flows (used in)/from operating activities		(9,444)	5,603
Investing Activities			
Proceeds from disposal of property and equipment		131	152
Purchase of property and equipment		(1,387)	(1,011)
Purchase of intangible assets		(3,950)	(3,281)
Net cash flows used in investing activities		(5,206)	(4,140)
Financing Activities			
Proceeds from issuance of share capital		14,000	-
Net cash flows from financing activities		14,000	-
Net (decrease)/increase in cash and cash equivalents		(650)	1,463
Cash and cash equivalents at the beginning of financial year		22,844	21,381
Cash and cash equivalents at the end of financial year		22,194	22,844
Cash and cash equivalents comprise:			
Cash and bank balances		22,194	22,844

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011

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 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 20 March 2012.

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 Financial Reporting Standards ("FRS"), being the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") pursuant to the Insurance Act, 1996, and the provisions of the Companies Act, 1965.

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

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 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1. Basis of Preparation (continued)

(a) The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Company's financial year beginning on or after 1 January 2011 are as follows:

FRSs/Interpretations	Effective Date
Amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues	1 March 2010
Amendments to FRS 5 "Non-current assets held for sale and discontinued operations"	1 July 2010
Amendments to FRS 138 "Intangible Assets"	1 July 2010
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
Improvements to FRSs (2010)	1 January 2011

The adoption of the above new accounting standards, amendments and improvements to published standards and interpretations does not have any significant impact to the financial statements of the Company, except as stated below:

- FRS 7 (Amendment) "Financial instruments: Disclosures" effective for annual period beginning or after 1 January 2011

  Fair value

  An entity shall disclose for each class of financial instruments, the methods and when valuation techniques is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it. An entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

  Liquidity risk

  An entity shall disclose:
  (a) A maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities;
  (b) A maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows; and
  (c) A description of how it managed the liquidity risk inherent in (a) and (b).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1. Basis of Preparation (continued)

(a) The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Company's financial year beginning on or after 1 January 2011 are as follows: (continued)

- Improvements to FRS 101 "Presentation of financial statements" effective from 1 January 2011 clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The adoption of the above amendment does not have significant impact to the financial statements of the Company other than additional disclosures.

The adoption of the above amendment does not have any significant impact to the financial statements of the Company other than additional disclosures.

(b) The new accounting standards, amendments and improvements to published standards and interpretations that are effective but not applicable to the Company's financial year beginning on or after 1 January 2011 are as follows:

FRSs/Interpretations	Effective Date
FRS 3 (revised) "Business combinations"	1 July 2010
FRS 127 (revised) "Consolidated and separate financial statements"	1 July 2010
Amendments to IC Interpretation 9 "Reassessment of embedded derivatives"	1 July 2010
Amendments to FRS 2 "Share-based Payment"	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
IC Interpretation 17 "Distribution of non-cash assets to owners"	1 July 2010
Amendment to FRS 2 "Share-based payment: Group cash-settled share-based payment transactions"	1 January 2011
Amendments to FRS 1 "First-time adoption of financial reporting standards"	1 January 2011
IC Interpretation 18 "Transfers of assets from customers"	1 January 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies

(a) 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of income 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 Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(e) 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 statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(b) 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 Company.

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 statement of income.

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 statement of income in the financial year of the retirement or disposal.

(c) 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.

(d) 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 loss on goodwill on acquisition of life insurance business is not reversed. See accounting policy Note 2.2(e) on impairment of non-financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(d) 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.

(e) 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 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 statement of income immediately. Impairment loss on goodwill is not reversed.

(f) 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)

(f) 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 statement of income.

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

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 statement of income. 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 statement of income.

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 statement of income when the financial assets are derecognised or impaired, as well as through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(g) 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 equity securities of corporations, quoted unit trust funds, 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.

(h) 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 statement of income.

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 statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(h) 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 statement of income, is removed from equity and recognised in the statement of income.

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 statement of income, the impairment loss is reversed through the statement of income. Impairment losses previously recognised in the statement of income on equity instruments are not reversed through the statement of income.

(i) Contingent Liabilities and Contingent Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(j) 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.

(k) 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) stipulates 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 statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(k) 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.

(l) 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 statement of income.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(m) Life Insurance Underwriting Results

The surplus transferable from the Life fund to the statement of income 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(m) 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 statement of income in the financial year in which they are incurred.

(n) 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 statement of income. 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)

(o) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(o) Insurance Contract Liabilities (continued)

Liability Adequacy Test

BNM Guidelines on Financial Reporting for Insurers (BNM/RH/GL003-28) stipulates 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.

(p) 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 statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(q) 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 liability 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.

(r) Provisions

Provisions are recognised when the Company 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.

(s) 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 Company.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Summary of Significant Accounting Policies (continued)

(t) Foreign Currencies

Functional and Presentation Currency

Items included in the financial statements of 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 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 statement of income.

(u) 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.

(v) Cash and Cash Equivalents

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

(w) 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 statement of income 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.

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. 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 is of the view that adjustments should be made 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. The Company has adopted the industry practice, thus providing for the tax liability of the Life fund (including Investment-linked funds) of RM3,185,000 for the current financial year (2010: RM1,695,000) and carrying forward unutilised tax losses in the Shareholders' fund of RM27,534,000 as at 31 December 2011 (2010: RM38,513,000).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3. Significant Accounting Judgements, Estimates and Assumptions (continued)

(a) Critical accounting estimates and assumptions (continued)

Impairment of goodwill

The Company assesses the impairment of goodwill on an annual basis in accordance with its accounting policy in Note 2.2(d) to the financial statements. The recoverable amount of the goodwill is assessed based on market consistent embedded value and value of expected future new business i.e. the appraisal value of the life business. The key assumptions used in the assessment are disclosed in Note 5(a) to the financial statements.

(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. Standards and IC Interpretations Issued but Not Yet Effective

Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective are as follows:

The Company will apply the new standards, amendments to standards and interpretations in the following period.

<u>Financial year beginning on/after 1 January 2012</u>
In the next financial year, the Company will be adopting the new IFRS compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

The Company does not expect any significant impact to arise from the adoption of MFRS. These MFRSs include the following:

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

  The Company will apply this standard from financial periods beginning on 1 January 2012.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4. Standards and IC Interpretations Issued but Not Yet Effective (continued)

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

Financial year beginning on/after 1 January 2012 (continued)

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn. The Company will apply this standard from financial periods beginning on 1 January 2012.

Financial year beginning on/after 1 January 2013

- MFRS 9 "Financial instruments- classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

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

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply. The Company will apply this standard from financial periods beginning on 1 January 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4. Standards and IC Interpretations Issued but Not Yet Effective (continued)

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

Financial year beginning on/after 1 January 2013 (continued)

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

- Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 July 2011) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation. The Company will apply this standard from financial periods beginning on 1 January 2013.

- Amendment to MFRS 7 'Financial instruments: Disclosures on transfers of financial assets" (effective from 1 July 2011) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Company will apply this standard from financial periods beginning on 1 January 2013.

- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in OCI in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI. The Company will apply this standard from financial periods beginning on 1 January 2013.

AXA AFFIN LIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (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
Cost							
At 1 January 2010	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
Additions	-	7	8	429	943	-	1,387
Disposals	-	-	-	-	(276)	-	(276)
At 31 December 2011	300	486	941	2,040	3,827	513	8,107
Accumulated Depreciation							
At 1 January 2010	(2)	(265)	(602)	(1,102)	(1,014)	(158)	(3,143)
Charge for the financial year (Note 23)	(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)
Charge for the financial year (Note 23)	(6)	(62)	(107)	(249)	(589)	(102)	(1,115)
Disposals	-	-	-	-	146	-	146
At 31 December 2011	(14)	(425)	(891)	(1,578)	(2,038)	(218)	(5,164)
Net book value							
31 December 2010	292	116	149	282	1,565	397	2,801
31 December 2011	286	61	50	462	1,789	295	2,943

4. INVESTMENT PROPERTIES

	2011 RM'000	2010 RM'000
At beginning of the financial year	13,100	13,800
Impairment loss (Note 21)	(797)	(700)
Fair value gain (Note 21)	200	-
Transfer to assets held for sale (Note 9)	(5,803)	-
At end of the financial year	6,700	13,100
Represented by:		
Freehold land and buildings	6,700	8,942
Leasehold land and buildings	-	4,158
	6,700	13,100

Investment properties are stated at fair value, which was determined based on valuations performed by an external independent valuer as at 31 December 2011.

5. INTANGIBLE ASSETS

	2011 RM'000	2010 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	6,081	5,866
Additions	3,950	3,281
Amortisation charge for the financial year (Note 23)	(3,679)	(3,066)
At end of the financial year	6,352	6,081
Total	105,472	105,201

5. INTANGIBLE ASSETS (CONTINUED)

a) The Company 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 life insurance business of the Company.

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. Management's judgement is involved in estimating the embedded value and value of expected future new business. The key assumptions taken into account in preparing the valuation are detailed as follows:

i) Compounded annual growth rate for annualised premium equivalent to 29% per annum from 2011 - 2015. Annualised premium equivalent 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 2011, the recoverable amount exceeds the carrying value of goodwill.

Based on the assessment of the recoverable amount for the cash generating unit, the Company does not expect that any reasonable change in the key assumptions will cause the carrying amount of the goodwill to exceed its recoverable amount, resulting in impairment of goodwill.

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

6. INVESTMENTS

The financial instruments are summarised by categories as follows:

	2011 RM'000	2010 RM'000
Available-for-sale ("AFS") financial assets	170,049	117,351
FVTPL financial assets – designated upon initial recognition ("FVTPL")	149,288	137,257
FVTPL financial assets – held for trading ("HFT")	337,441	295,740
Loans and receivables ("LAR")	59,199	65,166
	715,977	615,514

The following financial instruments mature after 12 months:

	2011 RM'000	2010 RM'000
AFS financial assets	104,773	62,159
FVTPL financial assets – designated upon initial recognition	149,287	137,257
Loans and receivables	8,841	6,428
	262,901	205,844

(a) AFS financial assets	**2011 RM'000**	**2010 RM'000**
<u>At fair value</u>		
Malaysian government securities	27,937	22,460
Debt securities unquoted in Malaysia	76,835	39,699
Equity securities quoted in Malaysia	32,947	30,942
Investment-linked funds (seed money)	16,887	16,715
Unit trust funds quoted in Malaysia	15,443	7,535
	170,049	117,351

b) FVTPL financial assets – designated upon initial recognition	**2011 RM'000**	**2010 RM'000**
<u>At fair value</u>		
Malaysian government securities	56,396	55,894
Debt securities unquoted in Malaysia	92,892	81,363
	149,288	137,257

6. INVESTMENTS (CONTINUED)

c) FVTPL financial assets – held for trading

	2011 RM'000	2010 RM'000
At fair value		
Malaysian government securities	8,448	-
Equity securities quoted in Malaysia	12,384	11,855
Equity securities quoted outside Malaysia	3,494	3,941
Debt securities unquoted in Malaysia	1,484	-
Debt securities unquoted outside Malaysia	454	-
Structured investments quoted inside Malaysia	29,682	-
Structured investments quoted outside Malaysia	281,495	279,944
	337,441	295,740

d) Loans and receivables

	2011 RM'000	2010 RM'000
At amortised cost		
Policy loans	8,674	8,785
Mortgage loans	165	190
Fixed and call deposits	50,360	56,191
	59,199	65,166

e) Carrying values of financial instruments

	AFS RM'000	FVTPL RM'000	HFT RM'000	LAR RM'000	Total RM'000
At 1 January 2010	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 21)	(357)	-	-	-	(357)
Decrease in fixed and call deposits	-	-	-	(41,259)	(41,259)
Decrease in loans	-	-	-	(441)	(441)
Movement in accrued interest	491	1,476	-	2,627	4,594
At 31 December 2010	117,351	137,257	295,740	65,166	615,514
Purchases	69,879	31,707	75,108	-	176,694
Disposals	(16,741)	(21,350)	(39,359)	-	(77,450)
Fair value gains/(losses) recorded in:					
Statement of income	-	1,729	5,827	-	7,556
Other comprehensive income	533	-	-	-	533
Insurance contract liabilities	(606)	-	-	-	(606)
Impairment loss (Note 21)	(528)	-	-	-	(528)
Decrease in fixed and call deposits	-	-	-	(5,796)	(5,796)
Decrease in loans	-	-	-	(742)	(742)
Movement in accrued interest	161	(55)	125	571	802
At 31 December 2011	170,049	149,288	337,441	59,199	715,977

6. INVESTMENTS (CONTINUED)

f) Fair values of financial instruments

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

	AFS RM'000	FVTPL RM'000	HFT RM'000	Total RM'000
31 December 2011				
Level 1 - Quoted market price	65,277	-	327,055	392,332
Level 2 - Market observable inputs	104,772	149,288	10,386	264,446
	170,049	149,288	337,441	656,778

	AFS RM'000	FVTPL RM'000	HFT RM'000	Total RM'000
31 December 2010				
Level 1 - Quoted market price	55,192	-	295,740	350,932
Level 2 - Market observable inputs	62,159	137,257	-	199,416
	117,351	137,257	295,740	550,348

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 - Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

7. REINSURANCE ASSETS

	2011 RM'000	2010 RM'000
Reinsurance of life insurance contract liabilities (Note 12)	18,469	8,739

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

8. INSURANCE RECEIVABLES

	2011 RM'000	2010 RM'000
Due premiums including agents/brokers and co-insurers balances	2,399	1,338
Due from reinsurers and cedants	-	621
	2,399	1,959
Allowance for impairment (Note 32(a))	-	(92)
	2,399	1,867

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

9. ASSETS HELD FOR SALE

	2011 RM'000	2010 RM'000
At beginning of the financial year	7,700	8,970
Transfer from investment properties (Note 4)	5,803	-
Disposals	(7,700)	(1,270)
At end of the financial year	5,803	7,700

On 30 January 2012, 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 RM5,803,000 for a consideration of RM6,020,000. This disposal is expected to be completed in 2012.

In the previous financial year, 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 completed on 6 January 2011.

10. OTHER RECEIVABLES

	2011 RM'000	2010 RM'000
Malaysian Institute of Insurance bonds	100	100
Other receivables, deposits and prepayments	1,653	1,187
Investment income due and accrued	32	63
	1,785	1,350
Receivable after 12 months	1,102	1,023

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

11. SHARE CAPITAL

	2011		2010	
	No. of shares ('000)	RM'000	No. of shares ('000)	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	252,000	252,000
Issued during the financial year	14,000	14,000	-	-
At end of the financial year	266,000	266,000	252,000	252,000

During the current financial year, the Company issued 14 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.

12. LIFE INSURANCE CONTRACT LIABILITIES

	Gross	2011 Reinsu -rance	Net	Gross	2010 Reinsu -rance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities	225,802	(18,469)	207,333	177,229	(8,739)	168,490
Unallocated surplus	14,019	-	14,019	10,992	-	10,992
Available-for-sale reserve	8,343	-	8,343	8,842	-	8,842
Net asset value attributable to unitholders	339,474	-	339,474	307,440	-	307,440
	587,638	(18,469)	569,169	504,503	(8,739)	495,764

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

<u>2011</u>	Gross RM'000	Reinsurance RM'000	Net RM'000
Balance at the beginning of the the financial year	504,503	(8,739)	495,764
Premiums received	145,036	-	145,036
Policy benefits and claims paid	(67,609)	-	(67,609)
Other operating and management expenses	(92,982)	-	(92,982)
Other revenue	15,305	-	15,305
Change in net asset value	32,034	-	32,034
Change in life assurance fund contract liabilities	53,832	(9,730)	44,102
– Due to assumptions change	*(1,814)*	-	*(1,814)*
– Due to change in discount rate	*6,608*	-	*6,608*
– Due to movement during the financial year	*49,038*	*(9,730)*	*39,308*
Available-for-sale reserve, net of tax	(499)	-	(499)
Taxation	(1,669)	-	(1,669)
Other liabilities	(313)	-	(313)
Balance at the end of the financial year	587,638	(18,469)	569,169

12. LIFE INSURANCE CONTRACT LIABILITIES (CONTINUED)

2010	**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. PROVISIONS FOR OUTSTANDING CLAIMS

	2011 RM'000	**2010 RM'000**
Provision for outstanding claims – gross /net of reinsurance	2,685	2,497

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

14. 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.

	2011 RM'000	2010 RM'000
Deferred tax liabilities	(2,671)	(718)
At beginning of the financial year	(718)	(106)
Credited/(charged) to statement of income (Note 24):		
FVTPL financial assets	(707)	136
HFT financial assets	(1,178)	(54)
Investment properties	(91)	119
Property and equipment	(32)	(218)
Payables	-	(187)
Unutilised tax losses	82	(164)
	(1,926)	(368)
Credited/(charged) to insurance contract liabilities:		
AFS financial assets	105	(455)
Charged to available-for-sale reserve:		
AFS financial assets	(132)	211
At end of the financial year	(2,671)	(718)
Subject to income tax:		
Deferred tax assets:		
FVTPL financial assets	-	242
Investment properties	302	393
Unutilised tax losses	1,746	1,664
	2,048	2,299
Offsetting	(2,048)	(2,299)
Deferred tax asset (after offsetting)	-	-
Deferred tax liabilities:		
Property and equipment	(542)	(510)
AFS financial assets	(2,381)	(2,354)
FVTPL financial assets	(465)	-
HFT financial assets	(1,331)	(153)
	(4,719)	(3,017)
Offsetting	2,048	2,299
Deferred tax liabilities (after offsetting)	(2,671)	(718)

14. DEFERRED TAXATION (CONTINUED)

The amount of unutilised tax losses for which deferred tax asset is not recognised in the balance sheet is RM20,550,000 (2010: RM31,857,000) due to the unavailability of future taxable profits in the Shareholders' fund.

15. INSURANCE PAYABLES

	2011 RM'000	2010 RM'000
Due to agents and insureds	31,468	23,454
Due to reinsurers	9,667	8,336
	41,135	31,790

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

16. OTHER PAYABLES

	2011 RM'000	2010 RM'000
Other payables and accrued expenses	16,422	15,904
Amount due to a related party (Note 29)	3,669	5,574
	20,091	21,478

The amount due to a related party is unsecured, interest free and is payable one month after the invoice date.

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

17. OPERATING REVENUE

	2011 RM'000	2010 RM'000
Gross earned premiums (Note 18)	199,182	268,669
Investment income (Note 19)	37,755	20,083
	236,937	288,752

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

18. NET EARNED PREMIUMS

	2011 RM'000	2010 RM'000
Gross earned premiums (Note 17)	199,182	268,669
Premiums ceded to reinsurers	(11,381)	(5,681)
Net earned premiums	187,801	262,988

19. INVESTMENT INCOME

	2011 RM'000	2010 RM'000
Investment properties		
Rental income	503	133
AFS financial assets		
Dividend income from equity securities quoted in Malaysia	809	900
Interest income from debt securities	3,698	1,273
(Amortisation of premiums)/accretion of discounts	(63)	206
FVTPL financial assets – designated upon initial recognition		
Interest income from debt securities	6,094	5,679
Accretion of discounts	416	243
FVTPL financial assets – held for trading		
Dividend income from equity securities quoted in Malaysia	209	151
Dividend income from equity securities quoted outside Malaysia	117	205
Dividend income from structured investments quoted outside Malaysia	23,451	8,541
Interest income from debt securities	232	18
LAR financial assets		
Fixed and call deposits	1,612	2,082
Policy loans and mortgage loans	677	652
	37,755	20,083

20. REALISED GAINS AND LOSSES

	2011 RM'000	2010 RM'000
Property and equipment		
Realised gain	-	48
AFS financial assets		
Realised gain on equity securities quoted in Malaysia	1,751	82
Realised gain on equity securities quoted outside Malaysia	-	2,974
Realised gain on debt securities	422	-
FVTPL financial assets – designated upon initial recognition		
Realised gain on debt securities	142	54
FVTPL financial assets – held for trading		
Realised gain on equity securities quoted in Malaysia	515	1,340
Realised gain on debt securities	34	-
Realised gain/(loss) on structured investments quoted outside Malaysia	448	(48)
Investment in subsidiary		
Realised gain	-	1,718
	3,312	6,168

21. FAIR VALUE GAINS AND LOSSES

	2011 RM'000	2010 RM'000
Investment properties		
Impairment loss (Note 4)	(797)	(700)
Fair value gain (Note 4)	200	-
AFS financial assets		
Impairment loss on equity securities quoted in Malaysia (Note 6(e))	(528)	(357)
FVTPL financial assets – designated upon initial recognition		
Fair value gain on debt securities	1,729	2,339
FVTPL financial assets – held for trading		
Fair value gain on equity securities quoted in Malaysia	26	868
Fair value loss on debt securities	(1,163)	-
Fair value loss on structured investments quoted inside Malaysia	(1,053)	-
Fair value gain on structured investments quoted outside Malaysia	8,016	11,309
	6,430	13,459

22. OTHER OPERATING REVENUE/EXPENSE

	2011 RM'000	2010 RM'000
(a) Other operating revenue		
Write-back of allowance for impairment on insurance receivables (Note 32(a))	92	508
Bad debts recovered	384	136
Sundry income	247	1,106
	723	1,750
(b) Other operating expense		
Bad debts written off	-	(37)
Sundry expenses	(469)	(649)
	(469)	(686)

23. MANAGEMENT EXPENSES

	2011 RM'000	2010 RM'000
Staff costs (Note 23(a))	22,263	20,013
Directors' remuneration:		
Directors' fees for Non-Executive Directors (Note 29)	228	285
Salaries and other emoluments for Executive Director	1,331	1,246
Management and consultancy fees	4,672	4,741
Advertising	3,826	5,650
Software license fees	918	948
IT expenses	4,341	2,086
Rental of premises	2,506	2,174
Auditors' remuneration:		
Statutory audit	175	165
Non-audit services	-	60
Depreciation of property and equipment (Note 3)	1,115	1,232
Loss on disposal of property and equipment	-	18
Amortisation of intangible assets (Note 5)	3,679	3,066
Other expenses	18,602	10,298
	63,656	51,982

23. MANAGEMENT EXPENSES (CONTINUED)

(a) Staff costs

	2011 RM'000	2010 RM'000
Salary and bonus	17,998	16,182
Defined contribution plan	2,728	2,408
Other benefits	1,537	1,423
	22,263	20,013

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM1,331,000 (2010: RM1,246,000).

The Non-Executive Directors, David William Matthews and Kevin John Wright, do not receive the remuneration personally as it is paid directly to AXA Asia Pacific Holdings Limited and AXA Asia.

Total staff costs of the Company (including Executive Director) are RM23,594,000 (2010: RM21,259,000).

24. TAXATION

	2011 RM'000	2010 RM'000
Current tax:		
Current financial year	1,177	836
Over-provision in prior financial years	(392)	(930)
	785	(94)
Deferred tax	750	314
Total	1,535	220

The taxation charge in the statement of income of 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.

	2011 RM'000	2010 RM'000
Taxation for the Investment-linked funds		
Included in gross change to insurance contract liabilities:		
Current tax - current financial year	2,008	859
Deferred tax	1,176	54
	3,184	913
Current tax	2,793	765
Deferred tax (Note 14)	1,926	368
Total for Shareholders', Life and Investment-linked Funds (Note 26)	4,719	1,133

24. TAXATION (CONTINUED)

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

	2011 RM'000	**2010 RM'000**
(Loss)/profit before taxation	(3,118)	1,918
Taxation at Malaysian statutory tax rate of 25%	(780)	480
Tax rate differential of 17% of the Life fund	(1,535)	(1,380)
Expenses not deductible for tax purposes	6,982	4,300
Utilisation of unrecognised tax losses	(2,740)	(2,250)
Over-provision of tax in prior financial years	(392)	(930)
Total	1,535	220

As at the balance sheet date, the Company has unutilised tax losses of approximately RM27,534,000 (2010: RM38,513,000) 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 recognised in the balance sheet is RM20,550,000 (2010: RM31,857,000) due to the unavailability of future taxable profits in the Shareholders' fund.

25. 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.

	2011 RM'000	**2010 RM'000**
Net (loss)/profit attributable to ordinary shareholders	(4,653)	1,698
Weighted average number of shares in issue	252,307	249,452
Basic (loss)/earnings per share (sen)	(1.84)	0.68

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

26. CASH FLOWS

	2011 RM'000	2010 RM'000
Net (loss)/profit for the financial year	(4,653)	1,698
Non-cash items:		
Taxation (Note 24)	4,719	1,133
Investment income	(37,755)	(20,083)
Depreciation of property and equipment	1,115	1,232
Amortisation of intangible assets	3,679	3,066
Gain on disposal of property and equipment	-	(30)
Gain on disposal of investments	(3,313)	(6,120)
Fair value gain on investment properties	(200)	-
Fair value gain on investments	(7,556)	(14,516)
Impairment loss of investment properties	797	700
Impairment loss on investments	528	357
Allowance for/(write-back) of doubtful debts	92	(508)
Changes in working capital:		
Decrease in loans	742	441
Decrease in fixed and call deposits	5,796	41,259
(Increase)/decrease in insurance receivables	(624)	29
(Increase)/decrease in other receivables	(465)	257
Increase in insurance contract liabilities	73,908	175,869
Increase in provision for outstanding claims	188	712
Increase in insurance payables	9,345	4,095
(Decrease)/increase in other payables	(1,387)	8,799
Cash generated from operating activities	44,956	198,390

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.

27. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	2011 RM'000	2010 RM'000
Not later than 1 year	1,424	2,177
Later than 1 year and not later than 5 years	1,978	1,773
	3,402	3,950

28. CAPITAL COMMITMENTS

There are no capital commitment for the financial years ended 31 December 2011 and 31 December 2010.

29. 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 S.A.	Holding company of NMI *(with effect from 1 April 2011)*
AXA Asia	Subsidiary of AXA S.A. *(with effect from 1 April 2011)*
AXA Asia Regional Centre Pte Ltd	Subsidiary of AXA S.A.
AFFIN Bank Berhad	Subsidiary of AFFIN
Boustead Travel and Services Sdn Bhd	Subsidiary of AFFIN
Boustead Hotels & Resorts Sdn Bhd	Subsidiary of AFFIN
Boustead Estates Agency 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 AXA S.A. (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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

29. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2011 RM'000	2010 RM'000
Non-Executive Directors (Note 23)		
- fees	178	235
- meeting allowance	50	50
	228	285

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:

	2011 RM'000	2010 RM'000
Salary, bonus and benefit	4,354	3,808
Defined contribution plan	654	543
Benefits-in-kind	33	34
	5,041	4,385

	2011 RM'000	2010 RM'000
Transactions with AFFIN Group		
Irat Hotels & Resorts Sdn Bhd		
– Rental of office and utility expenses	1,439	1,437
AFFIN Bank Berhad		
– Commission	2,488	2,146
Boustead Travel Services Sdn Bhd		
– Provision for travel services	315	278
AXA AFFIN General Insurance Berhad		
– Insurance premium	191	2,192
Boustead Hotel and Resorts Sdn Bhd		
– Provision for hotel services	87	45
Boustead Estates Agency Sdn Bhd		
– Sponsorship	2	-
AFFIN Holdings Berhad		
– Directors' benefits and trainings	-	10
	4,522	6,108

29. RELATED PARTY DISCLOSURES (CONTINUED)

	2011 RM'000	2010 RM'000
Transactions with AXA Group		
AXA Asia		
- Reimbursements of software development cost	5,132	2,100
- Management and consultancy fees	4,405	4,350
- Software license fees	4,341	2,086
	13,878	8,536
AXA Asia Regional Centre Pte Ltd		
– Training costs	522	-
	14,400	8,536

	2011 RM'000	2010 RM'000
Amount due to AXA Asia included in other payables (Note 16)	3,669	5,574

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
Dato' Mustafa Bin Mohamad Ali
Dato' Mohd Sallehuddin Bin Othman
Kevin John Wright (appointed 29 July 2011)
David William Matthews (resigned 30 June 2011)

Executive Director

Loke Kah Meng

30. RISK MANAGEMENT FRAMEWORK

The Company is exposed 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.

30. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) *Risk Management Framework*

The Company's Risk Management Framework is adopted from AXA Group Risk Management Policy. The framework was approved by the Company's Board Risk Management Committee. The framework will undergo annual review 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 Risk Committee ("LRC"), 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.

30. 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. Hence, management committees such as Local Management Audit and Compliance Committee, Local Risk 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 Company has also supported the local management in terms of participation in the local management committees' meetings, sharing of 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.

31. 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.

31. 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 2011		
Whole life	19,530	-
Term assurance	357	-
Endowment	98,061	-
Mortgage	113,057	(18,469)
Investment-linked	360,747	-
Others	(4,114)	-
Total	587,638	(18,469)

	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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

31. LIFE INSURANCE RISK (CONTINUED)

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%

The assumptions that have the greatest effect on the balance sheet and statement of income 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 RM'000	Impact on Net Liabilities RM'000	Impact on Profit Before Tax RM'000	Impact on Equity* RM'000
31 December 2011					
Mortality/morbidity	+20	26,868	14,123	(14,123)	-
Mortality/morbidity	-20	(26,356)	(19,242)	19,242	-
Lapse and surrender rates	+20	1,290	1,683	(1,683)	-
Lapse and surrender rates	-20	(904)	(1,311)	1,311	-
Risk free rate	+50bp	(10,870)	(9,994)	9,994	-
Risk free rate	-50bp	12,832	11,892	(11,892)	-
Expenses	+20	6,256	6,262	(6,262)	-

31. LIFE INSURANCE RISK (CONTINUED)

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Profit Before Tax RM'000	Impact on Equity* 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)	-

* No impact on equity as the profit/(loss) of the Life fund arising from the changes of key assumptions above is assumed not to be transferred to the Shareholders' fund.

32. 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

32. FINANCIAL RISKS (CONTINUED)

Credit Exposure (continued)

31 December 2011	**Note**	**Life and Shareholders' Funds RM'000**	**Unit-linked RM'000**	**Total RM'000**
AFS financial assets	6(a)			
Equity securities		32,947	-	32,947
MGS and debt securities		104,772	-	104,772
Investment-linked funds		16,887	-	16,887
Unit trust funds		15,443	-	15,443
FVTPL financial assets – designated at inception	6(b)			
MGS and debt securities		149,288	-	149,288
FVTPL financial assets - HFT	6(c)			
Equity securities		-	15,878	15,878
Structured investments		-	311,177	311,177
MGS and debt securities		-	10,386	10,386
Loans and receivables	6(d)			
Policy and mortgage loans		8,839	-	8,839
Fixed and call deposits		50,360	-	50,360
Reinsurance assets	7	18,469	-	18,469
Insurance receivables	8	2,399	-	2,399
Other receivables	10	1,739	46	1,785
Cash and cash equivalents		15,683	6,511	22,194
		416,826	343,998	760,824

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

32. FINANCIAL RISKS (CONTINUED)

Credit Exposure (continued)

31 December 2010	Note	Life 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		62,159	-	62,159
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		137,257	-	137,257
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		8,975	-	8,975
Fixed and call deposits		56,191	-	56,191
Reinsurance assets	7	8,739	-	8,739
Insurance receivables	8	1,867	-	1,867
Other receivables	10	1,324	26	1,350
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
31 December 2011						
AFS financial investments						
Equity securities	32,947	-	-	-	-	32,947
MGS and debt securities	104,772	-	-	-	-	104,772
Investment-linked funds	16,887	-	-	-	-	16,887
Unit trust funds	15,443	-	-	-	-	15,443
FVTPL financial assets – designated at inception						
MGS and debt securities	149,288	-	-	-	-	149,288
FVTPL financial assets - HFT						
Equity securities	-	-	-	15,878	-	15,878
Structured investments	-	-	-	311,177	-	311,177
MGS and debt securities	-	-	-	10,386	-	10,386
Loans and receivables						
Policy and mortgage loans	8,839	-	-	-	-	8,839
Fixed and call deposits	50,360	-	-	-	-	50,360
Reinsurance assets	-	18,469	-	-	-	18,469
Insurance receivables	-	2,399	-	-	-	2,399
Other receivables	-	1,739	-	46	-	1,785
Cash and cash equivalents	-	15,683	-	6,511	-	22,194
	378,536	38,290	-	343,998	-	760,824

32. FINANCIAL RISKS (CONTINUED)

Credit Exposure by Credit Rating (continued)

		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
31 December 2010						
AFS financial investments						
Equity securities	30,942	-	-	-	-	30,942
MGS and debt securities	62,159	-	-	-	-	62,159
Investment-linked funds	16,715	-	-	-	-	16,715
Unit trust funds	7,535	-	-	-	-	7,535
FVTPL financial assets – designated at inception						
MGS and debt securities	137,257	-	-	-	-	137,257
FVTPL financial assets - HFT						
Equity securities	-	-	-	15,796	-	15,796
Structured investments	-	-	-	279,944	-	279,944
Loans and receivables						
Policy and mortgage loans	8,975	-	-	-	-	8,975
Fixed and call deposits	56,191	-	-	-	-	56,191
Reinsurance assets	-	8,739	-	-	-	8,739
Insurance receivables	-	1,867	-	-	-	1,867
Other receivables	-	1,324	-	26	-	1,350
Cash and cash equivalents	-	9,676	-	13,168	-	22,844
	319,774	21,606	-	308,934		650,314

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

32. 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 2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
AFS financial assets							
Equity securities	-	-	-	-	32,947	-	32,947
MGS and debt securities	40,582	15,542	-	-	48,648	-	104,772
Investment-linked funds	-	-	-	-	16,887	-	16,887
Unit trust funds	-	-	-	-	15,443	-	15,443
FVTPL financial assets – designated at inception							
MGS and debt securities	69,065	11,073	-	-	69,150	-	149,288
FVTPL financial assets - HFT							
Equity securities	-	-	-	-	-	15,878	15,878
Structured investments	-	-	-	-	-	311,177	311,177
MGS and debt securities	-	-	-	-	-	10,386	10,386
Loans and receivables							
Policy and mortgage loans	-	-	-	-	8,839	-	8,839
Fixed and call deposits	-	-	-	-	50,360	-	50,360
Reinsurance assets	-	-	-	-	18,469	-	18,469
Insurance receivables	-	-	-	-	2,399	-	2,399
Other receivables	-	-	-	-	1,739	46	1,785
Cash and bank balances	-	-	-	-	15,683	6,511	22,194
	109,647	26,615	-	-	280,564	343,998	760,824

	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	-	30,942
MGS and debt securities	24,927	4,999	-	-	32,233	-	62,159
Investment-linked funds	-	-	-	-	16,715	-	16,715
Unit trust funds	-	-	-	-	7,535	-	7,535
FVTPL financial assets – designated at inception							
MGS and debt securities	57,930	15,993	-	-	63,334	-	137,257
FVTPL financial assets - HFT							
Equity securities	-	-	-	-	-	15,796	15,796
Structured investments	-	-	-	-	-	279,944	279,944
Loans and receivables							
Policy and mortgage loans	-	-	-	-	8,975	-	8,975
Fixed and call deposits	-	-	-	-	56,191	-	56,191
Reinsurance assets	-	-	-	-	8,739	-	8,739
Insurance receivables	-	-	-	-	1,867	-	1,867
Other receivables	-	-	-	-	1,324	26	1,350
Cash and bank balances	-	-	-	-	9,676	13,168	22,844
	82,857	20,992	-	-	237,531	308,934	650,314

32. FINANCIAL RISKS (CONTINUED)

Credit Exposure by Credit Rating (continued)

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	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2011							
Investment grade	109,647	26,615	-	-	280,564	343,998	760,824
Non-investment grade:							
Satisfactory	-	-	-	-	-	-	-
Unsatisfactory	-	-	-	-	-	-	-
Past-due but not impaired	-	-	-	-	-	-	-
	109,647	26,615	-	-	280,564	343,998	760,824

	AAA	AA	BBB	BB	Not rated	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2010							
Investment grade	82,857	20,992	-	-	237,531	308,934	650,324
Non-investment grade:							
Satisfactory	-	-	-	-	-	-	-
Unsatisfactory	-	-	-	-	-	-	-
Past-due but not impaired	-	-	-	-	-	-	-
	82,857	20,992	-	-	237,531	308,934	650,324

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.

32. 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 2011, based on a collective assessment of insurance receivables, there are impaired insurance receivables of RM Nil (2010: RM92,000). 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	
	2011	**2010**
	RM’000	**RM’000**
At beginning of the financial year	92	600
Write-back of allowance for the financial year (Note 22(a))	(92)	(508)
At end of the financial year (Note 8)	-	92

32. 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 2011						
AFS financial assets:						
Equity securities	32,947	-	-	-	32,947	32,947
MGS and debt securities	104,772	-	35,027	69,745	-	104,772
Investment-linked funds	16,887	-	-	-	16,887	16,887
Unit trust funds	15,443	-	-	-	15,443	15,443
FVTPL financial assets – designated at inception						
MGS and debt securities	149,288	-	64,453	84,835	-	149,288
FVPTL financial assets - HFT						
Equity securities	15,878	-	-	-	15,878	15,878
Structured investments	311,177	-	311,177	-	-	311,177
MGS and debt securities	10,386	-	10,386	-	-	10,386
Loans and receivables						
Policy and mortgage loans	8,839	26	113	34	8,666	8,839
Fixed and call deposits	50,360	50,360	-	-	-	50,360
Reinsurance assets	18,469	16	594	17,859	-	18,469
Insurance receivables	2,399	2,399	-	-	-	2,399
Other receivables	1,785	1,785	-	-	-	1,785
Cash and bank balances	22,194	22,194	-	-	-	22,194
Total assets	760,824	76,780	421,750	172,473	89,821	760,824
Insurance contract liabilities	587,638	17,026	339,378	231,234	-	587,638
Provision for outstanding claims	2,685	2,685	-	-	-	2,685
Insurance payables	41,135	41,135	-	-	-	41,135
Other payables	20,091	20,091	-	-	-	20,091
Total liabilities	651,549	80,937	339,378	231,234	-	651,549

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

32. FINANCIAL RISKS (CONTINUED)

Maturity Profiles (continued)

	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	62,159	-	62,159	-	-	62,159
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	137,257	-	137,257	-	-	137,257
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	8,975	31	6,362	-	2,582	8,975
Fixed and call deposits	56,191	56,191	-	-	-	56,191
Reinsurance assets	8,739	1	152	8,586	-	8,739
Insurance receivables	1,867	1,867	-	-	-	1,867
Other receivables	1,360	1,350	-	-	-	1,350
Cash and bank balances	22,844	22,844	-	-	-	22,844
Total assets	650,324	82,284	485,874	8,586	73,570	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

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.

32. FINANCIAL RISKS (CONTINUED)

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.

32. 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 2011						
Risk free rate	+50 basis points	(6,015)	-	(1,152)	(3,119)	(4,271)
Risk free rate	-50 basis points	7,779	-	1,200	3,311	4,511

	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.

33. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2011, as prescribed under the RBC Framework, is shown below:

	2011 RM'000	2010 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	266,000	252,000
Reserves, including retained earnings	(42,764)	(37,673)
	223,236	214,327
Tier 2 Capital		
Eligible reserves	12,273	12,955
	12,273	12,955
Amounts deducted from Capital	(99,120)	(103,018)
Total Capital Available	136,389	124,264

The Company has met the minimum capital requirements specified in the RBC Framework for the financial years ended 31 December 2011 and 31 December 2010.

34. 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 statement of income 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

BALANCE SHEET BY FUNDS AS AT 31 DECEMBER 2011

	Shareholders' Fund		Life Fund		Investment-linked Funds		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Property and equipment	-	-	2,943	2,801	-	-	2,943	2,801
Investment properties	-	-	6,700	13,100	-	-	6,700	13,100
Intangible assets	99,120	99,120	6,352	6,081	-	-	105,472	105,201
Investments	78,656	83,832	299,880	235,942	337,441	295,740	715,977	615,514
AFS financial assets	71,238	60,261	98,811	57,090	-	-	170,049	117,351
FVTPL financial assets – designated upon initial recognition	-	-	149,288	137,257	-	-	149,288	137,257
FVPTL financial assets – held for trading	-	-	-	-	337,441	295,740	337,441	295,740
Loan and receivables	7,418	23,571	51,781	41,595	-	-	59,199	65,166
Reinsurance assets	-	-	18,469	8,739	-	-	18,469	8,739
Insurance receivables	-	-	2,399	1,867	-	-	2,399	1,867
Assets held for sale	-	-	5,803	7,700	-	-	5,803	7,700
Other receivables	-	-	1,739	1,324	46	26	1,785	1,350
Inter-fund receivable	51,145	36,859	-	-	-	-	51,145	36,859
Tax recoverable	-	-	2,238	1,574	12	-	2,250	1,574
Cash and cash equivalents	388	241	15,295	9,435	6,511	13,168	22,194	22,844
Total assets	229,309	220,052	361,818	288,563	344,010	308,934	935,137	817,549

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

BALANCE SHEET BY FUNDS AS AT 31 DECEMBER 2011 (CONTINUED)

	Shareholders' Fund		Life Fund		Investment-linked Funds		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Equity, Policyholders' Fund and Liabilities								
Share capital	266,000	252,000	-	-	-	-	266,000	252,000
Accumulated losses	(42,766)	(38,113)	-	-	-	-	(42,766)	(38,113)
Available-for-sale reserve	5,256	4,855	-	-	-	-	5,256	4,855
Total equity	228,490	218,742	-	-	-	-	228,490	218,742
Insurance contract liabilities	-	-	248,164	197,063	339,474	307,440	587,638	504,503
Provision for outstanding claims	-	-	2,685	2,497	-	-	2,685	2,497
Deferred tax liabilities	-	-	1,339	565	1,332	153	2,671	718
Insurance payables	-	-	41,135	31,790	-	-	41,135	31,790
Tax payable	-	-	872	683	410	279	1,282	962
Other payables	819	1,310	18,833	19,106	439	1,062	20,091	21,478
Inter-fund payable	-	-	48,790	36,859	2,355	-	51,145	36,859
Total liabilities	819	1,310	361,818	288,563	344,010	308,934	706,647	598,807
Total policyholders' funds and liabilities	229,309	220,052	361,818	288,563	344,010	308,934	935,137	817,549

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

STATEMENT OF INCOME BY FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Shareholders' Fund		Life Fund		Investment-linked Funds		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	2,004	2,140	168,157	105,315	66,776	181,297	236,937	288,752
Gross earned premiums	-	-	156,417	96,535	42,765	172,134	199,182	268,669
Premiums ceded to reinsurers	-	-	(11,381)	(5,681)	-	-	(11,381)	(5,681)
Net earned premiums	-	-	145,036	90,854	42,765	172,134	187,801	262,988
Reinsurance commission income	-	-	400	1,609	-	-	400	1,609
Investment income	2,004	2,140	11,740	8,780	24,011	9,163	37,755	20,083
Realised gains and losses	409	2,975	1,905	1,900	998	1,293	3,312	6,168
Fair value gains and losses	-	-	604	1,281	5,826	12,178	6,430	13,459
Other operating revenue	-	-	656	1,750	67	-	723	1,750
Other revenue	2,413	5,115	15,305	15,320	30,902	22,634	48,620	43,069
Gross benefits and claims paid	-	-	(29,513)	(22,065)	(38,429)	(34,740)	(67,942)	(56,805)
Claims ceded to reinsurers	-	-	4,098	1,945	-	-	4,098	1,945
Gross change to contract liabilities	-	-	(51,600)	(21,896)	(35,218)	(159,817)	(86,818)	(181,713)
Change in contract liabilities ceded to reinsurers	-	-	9,730	4,933	-	-	9,730	4,933
Net claims	-	-	(67,285)	(37,083)	(73,647)	(194,557)	(140,932)	(231,640)
Fee and commission expense	-	-	(34,482)	(19,831)	-	-	(34,482)	(19,831)
Management expenses	(5,605)	(3,218)	(58,031)	(48,744)	(20)	(20)	(63,656)	(51,982)
Other operating expenses	-	-	(469)	(495)	-	(191)	(469)	(686)
Other expenses	(5,605)	(3,218)	(92,982)	(69,070)	(20)	(211)	(98,607)	(72,499)
Inter-fund transfers	(1,595)	12	1,595	(12)	-	-	-	-
(Loss)/profit before taxation	(4,787)	1,909	1,669	9	-	-	(3,118)	1,918
Taxation	134	(211)	(1,669)	(9)	-	-	(1,535)	(220)
Net (loss)/profit for the financial year	(4,653)	1,698	-	-	-	-	(4,653)	1,698