1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in investment holding and providing management services. The principal activities of the Group consist of general and life insurance businesses, investment holding, hire purchase, leasing and other credit activities, unit trust, property management, fund management and investment advisory, security and consultancy services.

There have been no significant changes in the nature of these activities for the Group and the Company during the financial year.

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

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

Registered office

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

Principal place of business

23rd Floor, Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 April 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention modified by the valuation of investments in the investment-linked business at market value, the revaluation of investment properties, remeasurement at fair value of available-for-sale financial assets, and financial assets and financial liabilities held at fair value through profit or loss. The financial statements also comply with the Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965, in all material aspects.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

The accounting policies adopted are consistent with those of the previous financial year except as noted below:

(a) Investment property

In the financial year ended 31 December 2006, the Group reassessed their judgement over the identification of these properties used in the generation of investment income and those properties held for administrative purposes (see note 3(b) to the financial statements). This change has resulted in the reclassification of certain properties from investment properties to property, plant and equipment.

(b) Property, plant and equipment

Revaluation of land and buildings

Following the Group's reassessment of investment properties which resulted in the reclassification of certain properties to property, plant and equipment, the Group has adopted the revaluation model on land and buildings classified as property, plant and equipment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

These changes are applied retrospectively and the effects of these changes are disclosed in note 43 to the financial statements.

(i) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretations that are mandatory for the Group's and Company's financial periods beginning on or after 1 January 2007 or later periods, but which the Group and Company has not early adopted, are as follows:

Amendment to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January 2007). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Group currently does not have any defined benefit plans but will apply the amendment if applicable, from financial periods beginning on 1 January 2007.

Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in. The Group will apply the amendment if applicable, from financial periods beginning on 1 January 2008.

(ii) Standards that are not yet effective and not relevant, and interpretations to existing standards that are effective for the Group's and Company's operations

The standards that are not effective and not relevant and intepretations to existing standards that are effective for the Group's and Company's operations are as below. The interpretations to the existing standards are effective for the financial period beginning on 1 January 2006.

- FRS 6: Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007).
- IC 107: Introduction to Euro
- IC 110: Government Assistance – No Specific Relation to Operating Activities
- IC 112: Consolidation – Special Purpose Entities
- IC 113: Jointly Controlled Entities – Non-Monetary Contributions by Venturers
- IC 115: Operating Leases – Incentives
- IC 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets
- IC 125: Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
- IC 127: Evaluating the Substance of Transactions involving the Legal Form of a Lease
- IC 129: Disclosure – Service Concession Arrangements
- IC 131: Revenue – Barter Transactions Involving Advertising Services
- IC 132: Intangible Assets – Web Site Costs

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year.

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Subsidiary companies are consolidated using the purchase method of accounting, except for the acquisition of Malaysian Assurance Alliance Berhad ("MAA") which was consolidated using the merger method of accounting in accordance with Malaysian Accounting Standard ("MAS") No. 2 - Accounting for Acquisitions and Mergers, the extant accounting standard prevailing at the time of the merger.

For acquisition of subsidiary companies made prior to 1 January 2005, the excess or deficit of the acquisition cost over the fair values of the Group's share of the subsidiary companies' identifiable net assets as at the date of acquisition is written off to reserves in the financial year of acquisition.

Under the merger method of accounting prescribed by MAS 2, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment in the subsidiary company over the nominal value of the shares acquired is taken to merger reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

The Group has taken advantage of the exemption provided by FRS 3 – Business Combinations to apply this Standard prospectively. Accordingly, business combinations entered into prior to 1 January 2006 have not been restated to comply with this Standard. In addition, FRS 3 requires business combinations to be accounted for using acquisition accounting method.

Under the purchase method of accounting, the results of subsidiary companies acquired or disposed off during the financial year are included from the date of acquisition up to the date of disposal. The cost of acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. When more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interest of the Group is accounted for as a revaluation.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill (see note 2(k)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the income statement.

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

Minority interest represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned directly or indirectly through subsidiaries by the parent. It is measured at the minorities' share of the fair value of the subsidiaries identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries equity since that date.

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

(c) Associated companies

Associated companies are companies in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% to 50% voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss (see note 2(k)).

Equity accounting involves recognising in the income statement, the Group's share of the results of associated companies for the financial year and its share of post-acquisition movements in reserves, recognised in reserves. The cumulative post-acquisition movement in reserves are adjusted against the carrying amount of the investment. The Group's investments in associated companies are carried in the balance sheet at an amount that reflects its share of the net assets of the associated companies. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in associates are recognised in income statement.

For incremental interest in associated company, the date of acquisition is the date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. The previously acquires stake is stepped up to fair value and the share of profits and equity movements for the previously acquired stake are not recognised since they are embedded in the step-up.

(d) Property, plant and equipment

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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

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

Surplus arising on revaluation are credited to revaluation reserve. Any deficit arising from the revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in the carrying amount is charged to income statement and/or revenue accounts.

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

Freehold buildings	2%
Leasehold buildings	Over the remaining leasehold period or 2%, whichever is lower
Plant and machinery	10% - 20%
Furniture, fittings and equipment	10% - 50%
Motor vehicles	20%
Renovation	10% - 20%

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy note 2(g) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the income statements and/or revenue accounts. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings and/or life policyholders' fund.

(e) Investment properties

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

Investment properties are carried at fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed by an independent valuation expert.

Changes in fair values are recorded in the income statement and/or revenue accounts as part of other income.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long term yields and is not occupied by the Group. The initial cost of the property is the lower of the fair value of the property and the present value of the maximum lease payments. The property is carried at fair value after initial recognition.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity and/or revaluation reserve of the insurance funds as a revaluation of property, plant and equipment. However, if a fair value gains reverses a previous impairment loss, the gain is recognised in the income statement and/or revenue accounts. Upon the disposal of such investment property, any surplus previously recorded in equity and/or revaluation reserve of the insurance funds is transferred to the retained earnings and/or life policyholders' fund.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial assets

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

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

The Group classifies investments acquired for the purpose of selling in the short-term as held for trading. Derivaties are also classified as held for trading unless they are designated as hedge.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale.

(iii) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

<u>Valuation principles</u>

Financial assets are initially measured at fair value plus transaction costs except for investments held for trading, which are recognised at fair value.

For investments held for trading, gains and losses arising from changes in fair value are included in the income statement and/or revenue accounts.

For available-for sale investments, gains and losses arising from changes in fair value are recognised in equity until the investment is disposed off or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement and/or revenue accounts.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Investment in subsidiary and associated companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy note 2(g) on impairment of assets.

(g) Impairment of assets

(i) Financial assets carried at amortised cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, 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 (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statements and/or revenue accounts. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statements and/or revenue accounts.

(ii) Financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statements and/or revenue accounts. Impairment losses recognised in the income statements and/or revenue accounts on equity instruments are not subsequently reversed. The impairment loss is reversed through the income statements and/or revenue accounts, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(iii) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Derivative instruments

Derivative instruments, comprising mainly Kuala Lumpur Composite Index ("KLCI") futures, are initially recognised in the balance sheet at fair value and are subsequently remeasured at their fair values.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. As the Group's derivative instruments do not qualify for hedge accounting, changes in the fair value of all such derivative instruments are recognised immediately in the income statements and/or revenue accounts.

(i) Loans and receivables

Loans and receivables, except for those relating to insurance contracts, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Insurance receivables

For the insurance subsidiary companies with insurance receivables, known bad debts are written-off and specific allowances are made for any premiums including agents balances or reinsurance balances which remain outstanding for more than six months from the date on which they become receivable except for motor premiums for which allowance is made for amount outstanding for more than 30 days, and for all debts which are considered doubtful.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries made on or after 1 January 2005, is included in intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. All goodwill is allocated to cash generating units for the purpose of impairment testing.

(ii) Management rights

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

(iii) Computer software

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

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

Computer software development costs recognised as assets are amortised using straight line method over their estimated useful lives, ranging between 5 to 10 years.

(l) Employee benefits

Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits, which are short-term employee benefits, are accrued in the financial year in which the associated services are rendered by employees of the Group and Company.

Post employment benefits

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

A defined contribution plan is a pension plan under which the Group and Company pay fixed contributions or variable contributions as determined yearly, into a separate entity ("a fund"), and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial years.

The Group's and Company's contributions to defined contribution plans, including the Employees' Provident Fund, are charged to the income statements and/or revenue accounts in the financial year to which they relate. Once the contributions have been paid, the Group and Company have no further payment obligations.

(m) Provision for life agents' retirement benefits

An insurance subsidiary company of the Group operates a retirement benefits scheme for its eligible life agents, calculated in accordance with the terms and conditions as per respective Agent Retirement Plan Arrangement with the insurance subsidiary company.

The retirement benefits earned by the eligible life agents on and subsequent to year 2001 were funded through investments in an investment-linked business managed by the insurance subsidiary company.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) General insurance underwriting results

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

Premium income

Premium income is recognised in a financial year in respect of risks assumed during that particular year. Premiums from direct business are recognised during the financial year upon the issuance of insurance policies. Premiums in respect of risks incepted for which insurance policies have not been raised as of the balance sheet date are accrued at that date.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

Unearned premium reserves

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at the balance sheet date, the method that most accurately reflects the actual unearned premium is used, as follows:

- 25% method for marine cargo, aviation cargo and transit; and
- 1/24th method for all other classes of Malaysian general policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums.
- time apportionment method for policies with insurance periods other than 12 months

Provision for claims

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at the balance sheet date, based on an actuarial valuation by an independent qualified actuary.

Acquisition costs

The cost of acquiring and renewing insurance policies, net of income derived from ceding reinsurance premiums, is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(o) Life insurance underwriting results

The surplus transferable from the life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders.

Premium income

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

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

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relates.

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

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 revenue account in the financial year in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Life insurance underwriting results (continued)

Provision for claims

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

Recoveries on 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:

(a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;

(b) 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.

(p) Other revenue recognition

Interest income for financial assets that are not classified as fair value through profit or loss is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

Other interest income including the amount of amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

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.

Lease rental income net of payment of lease rental expenses made under operating lease of the same properties is recognised on the straight line basis over the lease term.

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

Management, investment advisory, security and consultancy services fees are recognised when the services are provided.

(q) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities as measured using the currency of the primary economic movement in which the entity operates (`functional currency')

The consolidated financial statements are presented in Ringgit Malaysia which is the Group's functional and presentational currency.

(ii) Transactions and balances

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial statements, are included in the fair value reserve.

Foreign currency transactions in the Group are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statements and/or revenue accounts.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Foreign currencies (continued)

(iii) Group companies (continued)

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed off or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. This will be applied prospectively.

(r) Income taxes

Current tax expense is determined according to the tax laws of the jurisdictions in which the Group operates and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purpose and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Deferred tax is recognised on temporary differences arising on investments in subsidiary and associated companies expect where the timing of the reversal of 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 asset is realised or the deferred tax liability is settled.

(s) Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the sum of digits method.

(t) Operating leases

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

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statements over the period of the borrowings using the effective interest method.

(v) Dividends

Dividends are recognised as liabilities when the obligation to pay is established.

(w) Contingent liabilities and contingent assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Provisions

Provisions are recognised when the Group has a present legal 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.

(y) Cash and cash equivalents

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

(z) Financial instruments

Description

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

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

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

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy note associated with each item.

(aa) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

(ab) Assets acquired under hire purchase agreement

Assets financed by hire purchase agreements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets. Finance charges are allocated to the income statements over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase liabilities.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Critical accounting estimates and assumptions

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

(i) Pipeline premiums

The estimation of pipeline premiums, i.e. premiums incepted for which the policies have not been issued is based on the actual pipeline premiums in prior years adjusted for recent trend and events.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Critical accounting estimates and assumptions (continued)

(ii) Incurred but not reported ('IBNR') claims

The estimation of the ultimate liability arising from claims made under insurance contract is one of the Group's most critical accounting estimate.

There are several sources of uncertainty that need to be considered in the estimate of these obligations that the Group will ultimately pay for such claims. In particular, the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation. Due to the inherent uncertainty in any estimate of those obligations, it is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. IBNR reserves are hence estimated by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected estimates are based on a judgemental consideration of results of each method and qualitative information, such as those mentioned above. Projections are based on historical experience and external benchmarks where relevant. It is thus, impracticable to disclose the extent of the possible effects of potential changes to the key assumptions used in assessing the IBNR reserves due to the number of variables included in the assessment.

In addition, a confidence level, which is the estimated probability that a given ringgit amount will be able to cover a specific group of open or unreported claims, is applied in estimating the IBNR reserves. The IBNR reserve estimation is performed by an independent external actuary. In the current financial year, the insurance subsidiary company of the Group raised its IBNR claims reserve from 50% confidence level to 65% confidence level. This has resulted in an increase of RM3,470,000 in the net claims incurred for the current financial year.

(iii) Liabilities of life insurance business

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, investment returns and administration expenses. The Company's estimation is based on expected number of deaths on standard industry and national mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Company's unique risk exposure. Provision for future administrative expenses are implicitly allowed for in the conservatism of the estimates for future deaths, disabilities and investment returns.

The actuarial liabilities as at December 31, 2006 were calculated in accordance with the reserving requirements stated in the Insurance Act 1996 whereby the assumptions on interest and mortality assumptions are prescribed. For those contracts where the provisions for liabilities are not explicitly prescribed under the Insurance Act 1996, the Appointed Actuary shall set aside such liabilities on an appropriate basis which is disclosed in a valuation report to Bank Negara Malaysia.

In the event that the regulators change the said assumptions, with all other things being equal, then a reduction in the interest assumption will increase the computed actuarial liabilities. Conversely, an increase (i.e. deterioration) in the mortality assumption would (for most type of plans) increase the computed actuarial liabilities.Due to the inherent risk of uncertainty in any estimate of those obligations, the future provisions for liabilities may vary significantly from the estimations. At such reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability. In addition to the expected outcome, solvency margins prescribed by regulations are included in these key estimates.

It is thus impractical to disclose the extent of the possible effects of potential changes to the key assumptions used in assessing the liabilities of life insurance business due to the number of variables included in the assessment.

(iv) Impairment allowance on loans and receivables

It is the Group's policy to establish impairment allowance in respect of estimated and inherent credit losses in its loans and receivables portfolio.

In determining impairment allowance, management considers objective evidence of impairment as a result of one or more events that have occurred after the initial recognition. A provision for impairment of loan is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables. The amount of provision is the difference between the loan's carrying amount and the present value of estimated future cash flow discounted at the original effective interest rate. The amount of specific provision also takes into account the collateral value and recoverable amount of interest due, which may be discounted to reflect the impact of recovery process. The recovery process is estimated to be between one to three years, depending on default condition of the loan and type of collateral.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Critical accounting estimates and assumptions (continued)

(iv) Impairment allowance on loans and receivables (continued)

Where the collateral is property, the net realisable value for the property is determined by using its fair value which is based on open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset, while share is based on last transacted price. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. The sensitivity anaylsis is described in note 8 to the financial statements.

Included in the loans portfolio are loans amounting to approximately RM44,710,000, where there are disputes on the pledged collaterals. The Directors of the Group have assessed the recoverability of those loans, based on legal representation, and conclude that no allowance for doubtful debts is required on those loans.

(v) Fair values of investment properties

Fair value of investment properties are valued at open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets adjusted if necessary, for any difference in the nature, location or condition of the specific asset or discounted cash flow projections. Investment properties which the Group intends to dispose within the next twenty-four months from the balance sheet date are valued based on the expected rental yields i.e. lettable floor areas multiply by an appropriate capitalisation rate. The Group expected rental yield is 6.5% per annum. Should those properties be capitalised at the market expected rental yield of 7.5% per annum, the adjusted market values of those properties would differ by approximately RM16,000,000.

(vi) Fair value of financial instruments

Fair value is defined as the value at which positions can be closed or sold in a transaction with a willing and knowledgeable counterparty over a time period that is consistent with the Groups' trading or investments strategy. The majority of the Group's financial instrucments reported at fair value are based on quoted and observable market prices for quoted investments; for unquoted investments where possible using discounted cash flow analysis or by computing the average of two or more prices quoted by the intermediate or brokers or financial institutions; for investment properties at market prices by independent valuation experts.

Management exercise judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in valuation process. Also, judgement may be applied in estimating prices for less readily observable external parameters.

(vii) Impairment review of available-for-sale and held-to-maturity financial assets

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

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

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The following accounting policy requires subjective judgement, often as a result of the need to make estimates about the effect of the matters that are inherently uncertain.

Investment property classification

In the previous financial year, the Group had classified all properties as investment properties as the Group was unable to separately identify the value of those relating to the generating of investment income and those held for administrative purposes. The Group has subsequently reassessed their judgements and assumptions over the identification of investment properties during the current financial year. The assessment included the identification of the portion of the property held for administrative purpose, the significance of that portion and whether the property could be sold or leased as a finance lease, separately, resulting in certain properties reclassified to property, plant and equipment.

4 PROPERTY, PLANT AND EQUIPMENT

(a) GENERAL AND SHAREHOLDERS' FUNDS

	Note	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
GROUP									
Net book value									
At 1 January 2006									
- as previously stated		-	-	161	8,048	6,970	3,579	4,027	22,785
- reclassified from investment properties	6(a), 43	14,544	60,231	-	-	-	-	-	74,775
- as restated		14,544	60,231	161	8,048	6,970	3,579	4,027	97,560
Reclassified to intangible assets	5(a)	-	-	-	(1,274)	-	-	-	(1,274)
Additions at cost		-	-	3	1,646	2,987	1,319	2,684	8,639
Disposals at net book value		-	-	-	(1)	(511)	(90)	-	(602)
Write off at net book value		-	-	-	(6)	-	(1)	-	(7)
Impairment loss		-	(382)	-	-	-	-	-	(382)
Currency translation difference		-	-	-	(32)	(27)	(7)	(175)	(241)
Depreciation charge for the financial year		-	(1,369)	(11)	(2,357)	(1,407)	(971)	-	(6,115)
At 31 December 2006		14,544	58,480	153	6,024	8,012	3,829	6,536	97,578
At 1 January 2005									
- as previously stated		-	-	155	9,249	8,362	3,614	1,772	23,152
- reclassified from investment properties	6(a), 43	14,544	60,231	-	-	-	-		74,775
- as restated		14,544	60,231	155	9,249	8,362	3,614	1,772	97,927
Additions at cost		-	-	16	3,430	1,778	753	2,255	8,232
Revaluation surplus and reversal of depreciation due to revaluation		-	1,204	-	-	-	-	-	1,204
Disposals at net book value		-	-	-	(29)	(1,363)	-	-	(1,392)
Write off at net book value		-	-	-	(339)	(94)	-	-	(433)
Depreciation charge for the financial year		-	(1,204)	(10)	(4,263)	(1,713)	(788)	-	(7,978)
At 31 December 2005		14,544	60,231	161	8,048	6,970	3,579	4,027	97,560

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
GROUP								
At 31 December 2006								
Cost	-	-	178	30,232	15,841	10,683	6,536	63,470
Valuation	14,544	59,849	-	-	-	-	-	74,393
Accumulated impairment losses	-	-	-	(65)	-	-	-	(65)
Accumulated depreciation	-	(1,369)	(25)	(24,143)	(7,829)	(6,854)	-	(40,220)
Net book value	14,544	58,480	153	6,024	8,012	3,829	6,536	97,578
At 31 December 2005								
Cost	-	-	498	31,300	13,722	9,391	4,027	58,938
Valuation	14,544	60,231	-	-	-	-	-	74,775
Accumulated impairment losses	-	-	-	(65)	-	-	-	(65)
Accumulated depreciation	-	-	(337)	(23,187)	(6,752)	(5,812)	-	(36,088)
Net book value	14,544	60,231	161	8,048	6,970	3,579	4,027	97,560

The net book value of assets acquired under hire purchase agreements was RM2,518,000 (2005: RM558,000).

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
COMPANY				
Net book value				
At 1 January 2006	248	1,735	46	2,029
Additions at cost	75	1,284	2	1,361
Disposals at net book value	-	(108)	-	(108)
Write off at net book value	(6)	-	-	(6)
Depreciation charge for the financial year	(48)	(396)	(7)	(451)
At 31 December 2006	269	2,515	41	2,825
At 31 December 2006				
Cost	561	3,960	66	4,587
Accumulated depreciation	(292)	(1,445)	(25)	(1,762)
Net book value	269	2,515	41	2,825
At 1 January 2005	304	1,924	40	2,268
Additions at cost	83	329	12	424
Disposals at net book value	-	(210)	-	(210)
Depreciation charge for the financial year	(139)	(308)	(6)	(453)
At 31 December 2005	248	1,735	46	2,029
At 31 December 2005				
Cost	498	2,842	64	3,404
Accumulated depreciation	(250)	(1,107)	(18)	(1,375)
Net book value	248	1,735	46	2,029

The net book value of assets acquired under hire purchase agreements was RM1,141,000 (2005: Nil).

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) LIFE FUND

	Note	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
GROUP								
Net book value								
At 1 January 2006								
- as previously stated		-	-	-	13,806	3,518	14,781	32,105
- reclassified from investment properties	6(b), 43	45,164	170,214	16,710	-	-	-	232,088
- as restated		45,164	170,214	16,710	13,806	3,518	14,781	264,193
Reclassified to intangible assets	5(b)	-	-	-	(1,763)	-	-	(1,763)
Additions at cost		-	415	-	2,117	885	3,871	7,288
Reclassification from investment properties, at net book value	6(b)	-	43,811	-	-	-	-	43,811
Disposals at net book value		-	-	-	(39)	(48)	(43)	(130)
Impairment loss		-	(17,890)	-	-	-	-	(17,890)
Depreciation charge for the financial year		-	(4,651)	(442)	(4,387)	(723)	(4,037)	(14,240)
At 31 December 2006		45,164	191,899	16,268	9,734	3,632	14,572	281,269
At 1 January 2005								
- as previously stated		-	-	-	16,191	3,710	17,202	37,103
- reclassified from investment properties	6(b), 43	45,164	170,310	16,879	-	-	-	232,353
- as restated		45,164	170,310	16,879	16,191	3,710	17,202	269,456
Additions at cost		-	-	-	2,404	647	920	3,971
Revaluation surplus and reversal of depreciation due to revaluation		-	3,131	104	-	-	-	3,235
Disposals at net book value		-	-	-	(6)	(342)	(21)	(369)
Depreciation charge for the financial year		-	(3,227)	(273)	(4,783)	(497)	(3,320)	(12,100)
At 31 December 2005		45,164	170,214	16,710	13,806	3,518	14,781	264,193

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) LIFE FUND

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
GROUP							
At 31 December 2006							
Cost	-	-	-	56,857	6,859	45,063	108,779
Valuation	45,164	214,815	16,710	-	-	-	276,689
Accumulated impairment loss	-	(4,644)	-	-	-	-	(4,644)
Accumulated depreciation	-	(18,272)	(442)	(47,123)	(3,227)	(30,491)	(99,555)
Net book value	45,164	191,899	16,268	9,734	3,632	14,572	281,269
At 31 December 2005							
Cost	-	-	-	57,353	6,024	41,264	104,641
Valuation	45,164	170,214	16,710	-	-	-	232,088
Accumulated depreciation	-	-	-	(43,547)	(2,506)	(26,483)	(72,536)
Net book value	45,164	170,214	16,710	13,806	3,518	14,781	264,193

The Directors revalued all freehold land and freehold and long term leasehold buildings of the Group held as property, plant and equipment as at 31 December 2005. The properties are valued by independent valuation experts where the fair values are determined by reference to observable prices in an active market or recent market transactions on arm's length terms, adjusted if necessary, for any differences in the nature, location or condition of the specific asset. The Group recognised a revaluation surplus of RM1,024,000 and RM3,235,000 for the general insurance and shareholders' fund and life insurance, respectively for the year ended 31 December 2005. The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserves.

A revaluation was performed during the current financial year on freehold and long term leasehold buildings of the Group held as property, plant and equipment, which resulted in a net deficit of RM382,000 for the general and shareholders' fund and RM17,890,000 for the life fund. Of the amount, RM382,000 and RM879,000 from the general and shareholders' fund and life fund respectively, were recognised in the revaluation reserves to the extent of revaluation surpluses available. The remaining balances were debited to the income statement and/or revenue accounts. . The impairment arose after taking into account the property's location, occupancy rate and the Group's expected capitalisation rate of 6.5%.

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

	General and Shareholders' fund		Life fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Freehold land and buildings	67,548	68,752	220,522	180,122
Leasehold buildings	-	-	13,989	14,262
	67,548	68,752	234,511	194,384

The titles to certain properties of the life fund held by an insurance subsidiary company, amounting to RM33,761,000 (2005: RM3,790,000) are in the process of being transferred to the insurance subsidiary company. Risks, rewards and effective titles to these properties have been passed to the insurance subsidiary company upon unconditional completion of the acquisition of those properties. The insurance subsidiary company has submitted the relevant documents to the authorities for transfer of legal titles to them and is awaiting the process and finalisation of these transfers to be completed.

5 INTANGIBLE ASSETS

(a) GENERAL AND SHAREHOLDERS' FUNDS

	Management rights RM'000	Computer software RM'000	Total RM'000
GROUP			
Net book value			
At 1 January 2006	6,189	-	6,189
Reclassified from property, plant and equipment (note 4(a))	-	1,274	1,274
Additions at cost	-	2,784	2,784
Disposal at net book value	-	(450)	(450)
Amortisation charge for the financial year	(347)	(611)	(958)
At 31 December 2006	5,842	2,997	8,839
At 31 December 2006			
Cost	7,000	4,887	11,887
Accumulated amortisation	(1,158)	(1,890)	(3,048)
Net book value	5,842	2,997	8,839
At 1 January 2005	6,536	-	6,536
Amortisation charge for the financial year	(347)	-	(347)
At 31 December 2005	6,189	-	6,189
At 31 December 2005			
Cost	7,000	-	7,000
Accumulated amortisation	(811)	-	(811)
Net book value	6,189	-	6,189

5 INTANGIBLE ASSETS (continued)

(b) LIFE FUND

	Computer Software	
	2006	2005
	RM'000	RM'000
GROUP		
Net book value		
At 1 January	-	-
Reclassified from property, plant and equipment (note 4(b))	1,763	-
Additions at cost	1,793	-
Amortisation charge for the financial year	(871)	-
At 31 December	2,685	-
At 31 December		
Cost	4,355	-
Accumulated amortisation	(1,670)	-
Net book value	2,685	-

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

Computer Software

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

Management Rights

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

The Rights is amortised over a straight line basis, over a period of 20 years (2005: 20 years), the period in which the Group expects to recognise the related revenue.

6 INVESTMENT PROPERTIES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
Balance as at 1 January	130,183	122,099	-	-
Adjustments due to:				
- effect of adopting FRS 140	-	8,337	-	-
- reclassified to property, plant and equipment (note 4(a), 43)	(74,775)	(74,775)	-	-
Balance as at 1 January - restated	55,408	55,661	-	-
Additions	1,668	1,391	-	-
Disposals	(5,356)	(1,676)	-	-
Fair value (loss)/gain (note 27(a),(b))	(3,297)	32	-	-
Balance as at 31 December	48,423	55,408	-	-
Comprising of:				
Freehold land and buildings	29,733	33,350	-	-
Leasehold land and buildings	18,690	22,058	-	-
	48,423	55,408	-	-

(b) LIFE FUND

	GROUP 2006 RM'000	GROUP 2005 RM'000
Balance as at 1 January	961,493	875,555
Adjustments due to:		
- effect of adopting FRS 140	-	69,005
- prior year adjustment (note 43(c))	(57,500)	(57,500)
- reclassified to property, plant and equipment (note 4(b), 43)	(231,099)	(232,353)
Reclassification to prepaid lease rentals	(6,537)	-
Balance as at 1 January - restated	666,357	654,707
Reclassification to property, plant and equipment (note 4(b))	(43,811)	-
Additions	82,577	74,082
Disposals	(169)	(56,124)
Fair value (loss)/gain (note 27(c))	(18,440)	229
Balance as at 31 December	686,514	672,894
Comprising of:		
Freehold land and buildings	480,312	553,674
Leasehold land and buildings	206,202	119,220
	686,514	672,894

The fair value of the properties was estimated at RM41,159,000 and RM243,199,000 for the general insurance and shareholders' funds and life insurance respectively, based on valuation by an independent professionally qualified valuers. Valuations were based on current prices in an active market for all properties except for the properties in certain locations which the Group uses the yield method based on an expected yield of 6.5% per annum and/or recently transacted prices.

The titles to certain investment properties of the general and shareholders' fund and the life fund of an insurance subsidiary company, amounting to RM20,700,000 (2005: RM22,507,000) and RM 184,959,000 (2005: RM337,727,000) respectively, are in the process of being transferred to the insurance subsidiary company. Risks, rewards and effective titles to these investment properties have been passed to the insurance subsidiary company upon unconditional completion of the acquisition of those properties. The insurance subsidiary company has submitted the relevant documents to the authorities for transfer of legal titles to them and is awaiting the process and finalisation of these transfers to be completed.

7 INVESTMENTS

The Group's financial assets are summarised by measurement category in the following presentation:

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
At fair value through profit or loss	86,370	174,609	11,610	10,879
Available-for-sale	181,740	133,120	-	-
Held to maturity	21,027	10,714	-	-
	289,137	318,443	11,610	10,879

The current portion of financial assets is RM77,806,000 (2005: RM39,512,000), the remaining portion being non-current. The assets included in each of the categories above are detailed in the tables below:

	GROUP		COMPANY	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Investments held at fair value through profit or loss				
Equity securities				
- Quoted	53,062	131,053	11,610	10,879
- Unquoted	1,696	1,276	-	-
	54,758	132,329	11,610	10,879
Corporate debt securities				
- Quoted	9,344	8,525	-	-
- Unquoted	5,113	5,116	-	-
	14,457	13,641	-	-
Unit trusts				
- Quoted	271	-	-	-
- Unquoted	1,247	12,091	-	-
	1,518	12,091	-	-
Investment-linked units				
- Unquoted	15,637	16,548	-	-
Total financial assets at fair value through profit or loss	86,370	174,609	11,610	10,879

All assets above are held for trading.

7 INVESTMENTS (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Available-for-sale financial assets				
Equity securities				
- Unquoted	-	502	-	-
Corporate debt securities				
- Unquoted	63,752	60,761	-	-
Malaysian Government Securities/ Treasury Bills/Bank Negara Malaysia papers	92,991	41,828	-	-
Cagamas papers	24,997	30,029	-	-
Total available-for-sale financial assets	181,740	133,120	-	-
Held to maturity financial assets				
Corporate debt securities				
- Unquoted	15,765	10,714	-	-
Malaysian Government Securities/ Treasury Bills/Bank Negara Malaysia papers	5,262	-	-	-
Total held to maturity financial assets	21,027	10,714	-	-

Financial assets held to maturity are not presented on the Group's balance sheet at their fair value. The fair value of the held to maturity assets is RM21,750,000 (2005: RM10,961,000).

Fair values for held to maturity debt securities are based on market prices or broker/dealer price quotations. Where the information is not available, fair value has been estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

Certain equity investments are held as collateral for a term loan facility obtained by the offshore subsidiary company as disclosed in note 17 to the financial statements.

7 INVESTMENTS (continued)

(b) LIFE FUND AND INVESTMENT – LINKED FUND

	GROUP			
	LIFE FUND		INVESTMENT - LINKED FUND	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
At fair value through profit or loss	670,399	782,926	440,027	231,562
Available-for-sale	1,540,446	1,259,685	-	-
Held to maturity	514,234	346,734	-	-
	2,725,079	2,389,345	440,027	231,562

The current portion of financial assets is RM334,966,000 (2005:RM462,989,000), the remaining portion being non-current. The assets included in each of the categories above are detailed in the tables below:

	GROUP			
	LIFE FUND		INVESTMENT - LINKED FUND	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Investments held at fair value through profit or loss				
Equity securities				
- Quoted	587,532	576,931	217,095	92,089
- Unquoted	2,092	2,094	-	-
	589,624	579,025	217,095	92,089
Unit trusts				
- Quoted	12,936	10,045	10,195	3,460
- Unquoted	3,901	90,705	-	-
	16,837	100,750	10,195	3,460
Corporate debt securities				
- Quoted	25,945	24,267	628	3,303
- Unquoted	35,754	75,770	94,785	112,114
	61,699	100,037	95,413	115,417
Malaysian Government Securities/ Treasury Bills/Bank Negara Malaysia papers	-	-	86,119	-
Cagamas papers	-	-	10,153	-
Investment-linked units				
- Unquoted	2,239	3,114	21,052	20,596
Total financial assets at fair value through profit or loss	670,399	782,926	440,027	231,562

All assets above are held for trading.

7 INVESTMENTS (continued)

(b) LIFE FUND AND INVESTMENT – LINKED FUND (continued)

	GROUP			
	LIFE FUND		INVESTMENT - LINKED FUND	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Available-for-sale financial assets				
Corporate debt securities				
- Unquoted	774,423	797,471	-	-
Malaysian Government Securities/ Treasury Bills/Bank Negara Malaysia papers	731,027	311,969	-	-
Cagamas papers	34,996	150,245	-	-
Total available-for-sale financial assets	1,540,446	1,259,685	-	-
Held to maturity financial assets				
Corporate debt securities				
- Unquoted	425,848	356,734	-	-
Impairment	(13,656)	(10,000)	-	-
	412,192	346,734	-	-
Malaysian Government Securities/ Treasury Bills/Bank Negara Malaysia papers	102,042	-	-	-
Total held to maturity financial assets	514,234	346,734	-	-

Financial assets held to maturity are not presented on the Group's balance sheet at their fair value. The fair value of the held to maturity assets is RM553,129,000 (2005: RM340,574,000).

Fair values for held to maturity debt securities are based on market prices or broker/dealer price quotations. Where the information is not available, fair value has been estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

8 LOANS AND RECEIVABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loans arising from:				
Mortgage loans	61,953	40,926	635	750
Other secured loans	72,005	67,047	-	-
Unsecured loans	101	78	13	1
	134,059	108,051	648	751
Allowance for doubtful debts	(29,031)	(19,299)	-	-
Net loans	105,028	88,752	648	751
Lease, hire purchase and other loan receivables (note 8(a)(i))	188,436	188,476	-	-
Receivables:				
Trade receivables of non- Insurance subsidiaries	7,968	9,095	-	-
Amount due from subsidiary companies	-	-	130,691	144,814
Amount due from related companies	6,136	6,955	-	-
Outstanding proceeds from disposal of investments	2,087	2,880	-	-
Income due and accrued	3,873	3,976	1	-
Assets held under Malaysian Motor Insurance Pool	2,450	2,450	-	-
Amount due from life fund (note 15(b))	41,097	28,160	-	-
Manager's stocks	6,947	6,825	-	-
Other receivables, deposits and prepayments	16,607	16,812	5,506	1,282
	87,165	77,153	136,198	146,096
	380,629	354,381	136,846	146,847

The net loans can be analysed as follows:

	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
Receivable within 12 months	84,608	83,460	80	64
Receivable after 12 months	20,420	5,292	568	687
	105,028	88,752	648	751

8 LOANS AND RECEIVABLES (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

(i) Lease, hire purchase and other loan receivables

	GROUP 2006 RM'000	GROUP 2005 RM'000
Gross investments in lease, hire purchase and other loan receivables:		
Not later than 1 year	160,087	204,694
Later than 1 year and not later than 5 years	58,169	17,280
Later than 5 years	4,594	7,415
	222,850	229,389
Unearned future finance income	(6,383)	(8,311)
Future finance income in suspense	(14,539)	(17,932)
Allowance for doubtful debts	(13,492)	(14,553)
Unguaranteed residual value	-	(117)
Net investments in lease, hire purchase and other loan receivables	188,436	188,476
Representing:		
Current receivables	135,939	170,353
Non-current receivables	52,497	18,123
	188,436	188,476
The net investments in lease, hire purchase and other loan receivables can be analysed as follows:		
Not later than 1 year	135,939	170,353
Later than 1 year and not later than 5 years	48,198	11,488
Later than 5 years	4,299	6,635
	188,436	188,476

Included in amounts due from subsidiary companies are advances to subsidiary companies amounting to RM 64,863,000 (2005: RM107,345,000) which bear interest rates ranging from 7.0% to 9.0% (2005: 7.0% to 8.8%) per annum and are currently rolled over on a monthly basis.

Amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

	GROUP 2006 RM'000	GROUP 2005 RM'000
Lease, hire purchase and other loan receivables included loans to the following related parties:		
Mithril Berhad	3,491	-
Mithril Saferay Sdn Bhd	70	95
Mithril Marketing Sdn Bhd	8,137	6,936
Tajo Berhad	16,069	16,063
	27,767	23,094

The relationships of the above related parties are disclosed in note 42 to the financial statements.

Included in the previous year's balances are prior year adjustments made to loans and receivables of approximately RM8,145,000 , increasing the carrying values of such loans and receivables, arising from the adoption of FRS 139. The effects of the adjustment to the opening retained earnings for the financial year ended 31 December 2005 is disclosed in note 23 to the financial statements.

8 LOANS AND RECEIVABLES (continued)

(b) LIFE FUND AND INVESTMENT - LINKED FUND

	LIFE FUND		GROUP INVESTMENT - LINKED FUND	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loans arising from:				
Policy loans	273,658	244,123	-	-
Mortgage loans	479,542	366,977	-	-
Other secured loans	287,124	266,952	-	-
Unsecured loans	4,057	3,815	-	-
	1,044,381	881,867	-	-
Allowance for doubtful debts	(34,866)	(27,650)	-	-
Net loans	1,009,515	854,217	-	-
Receivables:				
Outstanding proceeds from disposal of investments	-	60,912	581	1,391
Income due and accrued	38,600	35,426	2,812	1,424
Amount due from investment-linked fund (note 15(b))	9,572	5,358	-	-
Amount due from shareholders' fund (note 15(a))	29,225	16,682	-	-
Amount due from life fund (note 15(b))	-	-	7,903	2,899
Prepaid leases/rentals	5,802	-	-	-
Other receivables, deposits and prepayments	22,949	13,806	342	1,270
	106,148	132,184	11,638	6,984
	1,115,663	986,401	11,638	6,984
The net loans can be analysed as follows:				
Receivable within 12 months	899,030	673,760	-	-
Receivable after 12 months	110,485	180,457	-	-
	1,009,515	854,217	-	-

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair values, as shown below:

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loans arising from:				
- mortgage loans	697,855	403,625	504	708
- other secured loans	344,378	312,752	-	-
Lease, hire purchase and other loan receivables	192,541	188,308	-	-
	1,234,774	904,685	504	708

8 LOANS AND RECEIVABLES (continued)

The effective interest rates on non-current receivables were as follows:

	GROUP		COMPANY	
	2006 %	2005 %	2006 %	2005 %
Mortgage loans	10.6	10.5	6.0	5.7
Other secured loans	11.1	11.0	-	-
Unsecured loans	4.4	4.2	5.0	6.5
Lease, hire purchase and other loan receivables	6.1	5.7	-	-

Included in the total loans portfolio of an insurance subsidiary company are non-performing ("NPL") loans amounting to approximately RM66,192,000 (2005: RM46,497,000) and RM468,130,000 (2005: RM217,750,000) in the general and shareholders' fund and life fund respectively, as at 31 December 2006. Concurrently, included in the total loans portfolio of the subsidiary company engaged in hire purchase, leasing and other credit activities are NPL amounting to approximately RM163,310,000 (2005: RM114,211,000) in the shareholders' fund as at 31 December 2006. These NPLs were collateralised by properties and/or shares as pledged by the borrowers. The insurance subsidiary company has assessed the value of the collaterals based on the methods prescribed in note 3(a)(iv) and have made additional allowances on doubtful debts where appropriate. Should the market value or adjusted value on the collateral deviate by 10% or the recovery process be delayed by a year, particularly those loans with properties as collaterals, there may a potential shortfall of approximately RM2,940,000 and RM7,820,000 for the NPLs in the general and shareholders' fund and life fund respectively.

9 INSURANCE RECEIVABLES

	GROUP	
	2006 RM'000	2005 RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Due premiums including agents, brokers and co-insurers balances	91,181	87,168
Due from reinsurers and cedants	20,985	21,331
	112,166	108,499
Allowance for doubtful debts	(27,120)	(27,186)
	85,046	81,313
(b) LIFE FUND		
Due premiums including agents, brokers and co-insurers balances	40,262	46,701

10 SUBSIDIARY COMPANIES

	COMPANY			
	2006		2005	
	Carrying value RM'000	Net tangible assets RM'000	Carrying value RM'000	Net tangible assets RM'000
Unquoted shares, at cost	252,076	318,443	252,076	320,343

10 SUBSIDIARY COMPANIES (continued)

Name of Company	Country of incorporation	Group's effective interest 2006 %	2005 %	Principal activities
Malaysian Assurance Alliance Berhad	Malaysia	100	100	General and life insurance businesses
MAA Corporation Sdn Bhd	Malaysia	100	100	Investment holding and general trading
MAA Takaful Berhad	Malaysia	50	-	Dormant
<u>Subsidiary companies of MAA Corporation Sdn Bhd</u>				
MAA-Medicare Sdn Bhd	Malaysia	100	100	Operation of charitable dialysis centres
MAA Credit Sdn Bhd	Malaysia	100	100	Hire purchase, leasing and other credit activities
Malaysian Alliance Property Services Sdn Bhd	Malaysia	100	100	Property management services
MAA International Assurance Ltd	Labuan, Malaysia	100	100	Offshore insurance and reinsurance businesses
* MAAKL Mutual Bhd	Malaysia	70	70	Unit trust funds management
MAA Holdings (BVI) Ltd	British Virgin Islands	100	100	Providing insurance technical and financial consultancy services
MAA Corporate Advisory Sdn Bhd	Malaysia	100	100	Providing corporate advisory and consultancy services
# Wira Security Services Sdn Bhd	Malaysia	100	100	Providing security services and trading in security equipment
MAA Financial Advisors Sdn Bhd	Malaysia	100	100	Dormant
Maagnet Systems Sdn Bhd	Malaysia	100	100	Providing information technology consultancy services
# Meridian Asset Management Holdings Sdn Bhd	Malaysia	51	51	Investment holding
Maaple Eldercare Sdn Bhd	Malaysia	100	100	Dormant
MAA International Investments Ltd	Labuan, Malaysia	100	100	Investment holding
Menang Bernas Sdn Bhd	Malaysia	100	100	Restaurant operator
Ukay Sentral Sdn Bhd	Malaysia	100	100	Dormant
Jendela Sutera Sdn Bhd	Malaysia	100	100	Dormant
Valiant Properties Sdn Bhd	Malaysia	100	100	Dormant
MAA Claims Investigation & Survey Sdn Bhd	Malaysia	100	100	Dormant
Daman Development Sdn Bhd	Malaysia	100	100	Dormant

10 SUBSIDIARY COMPANIES (continued)

Name of Company	Country of incorporation	Group's effective interest 2006 %	2005 %	Principal activities
Subsidiary companies of MAA Corporation Sdn Bhd (continued)				
MyTele Direct Sdn Bhd	Malaysia	100	100	Dormant
MAA International Corporation Ltd	Labuan, Malaysia	100	100	Investment holding
Chelsea Parking Services Sdn Bhd	Malaysia	100	100	Operating, maintaining and managing car parks
Multioto Breakdown Assistance Sdn Bhd	Malaysia	100	100	Provision of motor breakdown assistance services
MAA Universal Sdn Bhd	Malaysia	100	100	Dormant
MAA Cards Sdn Bhd	Malaysia	100	100	Dormant
MAA Fire-X Sdn Bhd	Malaysia	55	55	Providing fire risk assessment and prevention services
MAA Private Equity Sdn Bhd	Malaysia	100	-	Dormant
MAA Cash Converter Sdn Bhd	Malaysia	100	-	Dormant
# High Sphere Sdn Bhd	Malaysia	100	-	Dormant
Subsidiary companies of Wira Security Services Sdn Bhd				
# Wira Security Services (Sabah) Sdn Bhd	Malaysia	100	100	Dormant
# Wira Security Services (Sarawak) Sdn Bhd	Malaysia	100	100	Dormant
Subsidiary company of MAA Corporate Advisory Sdn Bhd				
MAACA Labuan Ltd	Labuan, Malaysia	51	51	Providing offshore corporate advisory and consultancy services
Subsidiary company of Maagnet Systems Sdn Bhd				
MAAGNET – SSMS Sdn Bhd	Malaysia	100	-	Providing information technology consultancy services
Subsidiary companies of Meridian Asset Management Holdings Sdn Bhd				
# Meridian Asset Management Sdn Bhd	Malaysia	51	51	Fund management and investment advisory services
# Meridian Asset Management (Asia) Ltd	Labuan, Malaysia	51	51	Fund management and investment advisory Service

10 SUBSIDIARY COMPANIES (continued)

Name of Company	Country of incorporation	Group's effective interest 2006 %	Group's effective interest 2005 %	Principal activities
Subsidiary companies of MAA International Assurance Ltd				
# P.T. MAA Life Assurance	Indonesia	98	98	Life insurance business
# P.T. MAA General Assurance	Indonesia	94	94	General insurance business
# Tuang Thai Co. Ltd	Thailand	49	49	Investment holding
Subsidiary companies of MAA International Investments Ltd				
# MAA Mutualife Philippines, Inc.	Philippines	100	100	Unit trust funds management
# Columbus Capital Singapore Ltd	Singapore	100	-	Investment holding
Subsidiary company of MAA International Corporation Ltd				
# MAA Corporate & Compliance Phils. Inc.	Philippines	100	100	Investment holding and providing management services

* A company that is 70% owned by the Company, 20% owned by a company controlled by a Director of the Company and the balance 10% owned by certain directors of the company.

\# Subsidiary companies not audited by PricewaterhouseCoopers.

11 ASSOCIATED COMPANIES

	COMPANY 2006 Carrying value RM'000	2006 Market value RM'000	2005 Carrying value RM'000	2005 Market value RM'000
Quoted shares, at cost	36,609	7,139	36,609	5,674
Less: impairment	(31,025)		(31,025)	
	5,584		5,584	
Unquoted shares, at cost	50,494		11,976	
Less: Impairment	(6,409)		(6,409)	
	44,085		5,567	
Share of post acquisition profit	3,670		2,878	
	53,339		14,029	

11 ASSOCIATED COMPANIES (continued)

The Group's interests in its associated companies are as follows:

	GROUP	
	2006 RM'000	2005 RM'000
Revenue	33,542	23,520
Loss after taxation	(2,853)	(931)
Non-current assets	59,168	52,423
Current assets	62,025	24,409
Non-current liabilities	(24,614)	(26,065)
Current liabilities	(43,240)	(36,738)
	53,339	14,029

The Group has not recognised losses from Mithril Berhad ("Mithril") as the investment has been written down to a nominal carrying amount of RM1 in 2004, the year of acquisition. In addition, the Group has not recovered the extent of net liabilities which the Group had acquired in the year of acquisition. The net liabilities that the Group had acquired then amounted to RM16,477,000.

Share of post acquisition losses in Mithril not recognised:

	GROUP	
	2006 RM'000	2005 RM'000
At beginning of financial year	2,010	1,854
Share of post acquisition loss during the financial year	4,693	156
At end of financial year	6,703	2,010

In April 2006, holders of Irredeemable Convertible Unsecured Loan Stock 2004/2009 ("ICULS") of Mithril converted in total RM920,500 ICULS to 920,500 new ordinary shares of RM1 each in Mithril, diluting the Group's interest in Mithril from 34% to 33%.

In the previous financial year during the first 5 months ended 30 May 2005, holders of Redeemable Convertible Unsecured Loan Stock ("RCULS") of Mithril converted RM18.9 million RCULS to 18.9 million ordinary shares of RM1 each in Mithril, diluted the Groups' interest in Mithril from 37% to 30%. On 30 May 2005, the Group exercised conversion of 5.6 million Mithril warrants to 5.6 million ordinary shares of RM1 each raising its interest in Mithril from 30% to 34% to maintain the minimum level required of 33% as imposed by the Securities Commission during the duration of the warrants pursuant to the debt restructuring exercise of Tajo Berhad.

Subsequently on September 2005, holders of RCULS of Mithril converted another RM1.37 million RCULS to 1.37 million ordinary shares of RM1 each in Mithril. The Group's interest in Mithril remained at a level above 33% after the last RCULS conversion.

Gain on dilution of interest in Mithril not recognised:

	GROUP	
	2006 RM'000	2005 RM'000
At beginning of financial year	7,884	3,197
Gain on dilution of investments arising during the financial year	366	4,687
At end of financial year	8,250	7,884

11 ASSOCIATED COMPANIES (continued)

	COMPANY 2006 Carrying value RM'000	2006 Market value RM'000	2005 Carrying value RM'000	2005 Market value RM'000
Quoted shares, at cost	29,894	5,829	29,894	4,634
Less : impairment loss	(24,065)			
	5,829		29,894	
Unquoted shares, at cost	2,764		1,450	
	8,593		31,344	

Details of the associated companies are as follows:

Name of Company	Country of incorporation	Group's effective interest 2006 %	Group's effective interest 2005 %	Principal activities
* Nishio Rent All (M) Sdn Bhd	Malaysia	30	30	Renting of construction and industrial equipment
MAA Bancwell Trustee Berhad	Malaysia	49	49	Trust fund management and trust services
* Mithril Berhad	Malaysia	33	34	Investment holding
* Maybach Logistics Sdn Bhd	Malaysia	45	45	Provision of transportation and logistics
Associated companies of MAA International Assurance Ltd and Tuang Thai Co. Ltd.				
MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business
MAAKK Wealth Management Co. Ltd.	Thailand	-	42	Providing financial planning and advisory services
Associated company of Columbus Capital Singapore Ltd				
Columbus Capital Pty Limited	Australia	43	-	Retail mortgage lending and loan securitisation
Subsidiary company of MAAKK Wealth Management Co. Ltd.				
MAAKK General Broker Co. Ltd.	Thailand	-	100	Dormant

* The financial year-ends of these associated companies are not co-terminous with the Group. However, for purposes of consolidation, these associated companies had prepared financial statements as at the same balance sheet date as the financial statements of the Group.

12 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

						GROUP
	General and Shareholders' funds		Life fund		Investment-linked fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax assets	6,890	9,597	10,305	13,694	31	154
Deferred tax liabilities	(1,890)	(4,805)	(3,948)	(4,101)	(3,467)	(163)
	5,000	4,792	6,357	9,593	(3,436)	(9)
At 1 January/(as reported)	4,792	4,057	9,593	1,607	(9)	(735)
(Charged)/credited to income statements/ revenue accounts (note 30):						
- property, plant and equipment	(255)	289	1,271	1,522	-	-
- investments	(1,756)	3,992	(620)	2,418	(3,427)	726
- tax losses	(1,298)	(340)	(4,174)	-	-	-
- unabsorbed capital allowances	406	50	-	-	-	-
- unearned premium reserves	(18)	193	-	-	-	-
- loans and receivables	1,712	(3,144)	-	(154)	-	-
- post employment benefit	1,696	-	-	-	-	-
- others	(580)	32	21	-	-	-
	(93)	1,072	(3,502)	3,786	(3,427)	726
Charged to equity	266	(337)	248	(400)	-	-
Prior year adjustment	-	-	-	4,600	-	-
Currency translation differences	35	-	18	-	-	-
At 31 December	5,000	4,792	6,357	9,593	(3,436)	(9)
Subject to income tax: Deferred tax assets (before offsetting)						
Property, plant and equipment	67	-	1,078	-	-	-
Investments	4,317	8,370	14,160	14,825	31	154
Tax losses	2,183	1,732	-	-	-	-
Unabsorbed capital allowances	4,195	213	-	-	-	-
Loans and receivables	(770)	-	(4,174)	-	-	-
Others	(145)	62	37	-	-	-
	9,847	10,377	11,101	14,825	31	154
Offsetting	(2,957)	(780)	(796)	(1,131)	-	-
Deferred tax assets (after offsetting)	6,890	9,597	10,305	13,694	31	154
Deferred tax liabilities (before offsetting)						
Property, plant and equipment	(1,711)	(2,379)	(796)	(1,131)	-	-
Investments	(1,252)	-	(3,948)	(3,947)	(3,467)	(163)
Unearned premium reserves	-	(31)	-	-	-	-
Loans and receivables	(1,884)	-	-	-	-	-
Others	-	(3,175)	-	(154)	-	-
	(4,847)	(5,585)	(4,744)	(5,232)	(3,467)	(163)
Offsetting	2,957	780	796	1,131	-	-
Deferred tax liabilities (after offsetting)	(1,890)	(4,805)	(3,948)	(4,101)	(3,467)	(163)

12 DEFERRED TAX (continued)

	COMPANY 2006 RM'000	2005 RM'000
Deferred tax assets	6,847	690
At 1 January	690	150
(Charged)/credited to income statement (note 30):		
- property, plant and equipment	6,716	(16)
- investments	(566)	506
- unabsorbed capital allowances	7	50
	6,157	540
At 31 December	6,847	690
Subject to income tax:		
Deferred tax assets (before offsetting)		
Investments	6,738	566
Unabsorbed capital allowances	220	213
	6,958	779
Offsetting	(111)	(89)
Deferred tax assets (after offsetting)	6,847	690
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(111)	(89)
Offsetting	111	89
Deferred tax liabilities (after offsetting)	-	-

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax assets are recognised in the balance sheet is as follows:

	GROUP 2006 RM'000	2005 RM'000
Deductible temporary differences	845	932
Tax losses	2,486	3,498
	3,331	4,430

The deferred tax liabilities arising from the temporary differences associated with the unallocated surplus carried forward of the Group's life fund to be transferred to the shareholders' fund have not been disclosed in the financial statements due to the subjectivity in determining the amount to be transferred.

13 PROVISION FOR OUTSTANDING CLAIMS

	GROUP 2006 RM'000	2005 RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Provision for outstanding claims	442,820	432,403
Less: Recoverable from reinsurers	(137,793)	(145,070)
Net outstanding claims	305,027	287,333
(b) LIFE FUND		
Provision for outstanding claims	26,915	26,084
Less: Recoverable from reinsurers	(10,186)	(11,645)
Net outstanding claims	16,729	14,439

14 INSURANCE PAYABLES

	GROUP 2006 RM'000	2005 RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Due to agents, brokers and co-insurers	26,877	30,930
Due to reinsurers and cedants	42,410	22,942
Reinsurers' deposits withheld	8,085	8,642
	77,372	62,514
(b) LIFE FUND		
Due to agents, brokers and co-insurers	442,102	366,278
Due to reinsurers and cedants	2,102	2,593
Premium deposits	16,027	45,491
	460,231	414,362

15 TRADE AND OTHER PAYABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables from non-insurance subsidiary companies	4,662	4,491	-	-
Other payables				
Cash collaterals held for bond business	27,223	24,064	-	-
Unclaimed monies	3,140	3,156	-	-
Amount due to a Director	145	145	-	-
Amount due to life fund (note 8(b))	29,225	16,682	-	-
Defined contribution retirement plan payable	1,595	1,121	147	109
Accrual for unutilised staff leave	1,945	1,716	223	150
Stakeholders' deposits	1,450	1,450	-	-
Hire purchase creditors	1,751	81	987	-
Payroll liabilities	2,495	70	-	-
Amount due to stockbrokers	-	301	-	-
Duties and other taxes payable	2,061	2,226	-	-
Other payables and accruals	23,655	19,314	719	199
	94,685	70,326	2,076	458
	99,347	74,817	2,076	458

Amount due to a Director by a subsidiary company is unsecured, interest free and has no fixed terms of repayment.

The hire purchase creditors can be analysed as follows:

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Payable within 1 year	391	19	208	-
Payable between 2 years to 5 years	1,360	62	779	-
	1,751	81	987	-

The hire purchase creditors of the Group and the Company bear interest at the rates ranging from 2.4% to 3.9% (2005: 2.6% to 3.9%) per annum and 2.4% to 3.9% (2005: nil) per annum respectively.

15 TRADE AND OTHER PAYABLES (continued)

(b) LIFE FUND AND INVESTMENT-LINKED FUND

	GROUP			
	LIFE FUND		INVESTMENT - LINKED FUND	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other payables				
Accrued interest payable	30,044	26,117	-	-
Unclaimed monies	7,542	5,237	-	-
Amount due to shareholders' fund (note 8(a))	41,097	28,160	-	-
Amount due to investment-linked fund (note 8(b))	7,903	2,899	-	-
Amount due to life fund (note 8(b))	-	-	9,572	5,358
Defined contribution retirement plan payable	621	582	-	-
Accrual of unutilised staff leave	987	868	-	-
Rental deposits	6,159	6,074	-	-
Payroll liabilities	4,871	3,804	-	-
Amount due to stockbrokers	8,865	-	-	-
Duties and other taxes payable	327	307	-	-
Other payables and accruals	14,292	15,859	9,866	3,945
	122,708	89,907	19,438	9,303

16 BONDS - UNSECURED

	GROUP/COMPANY	
	2006 RM'000	2005 RM'000
RM120 million 6-year structured serial bonds	30,000	60,000
Analysis of the bonds:		
Payable within 1 year	30,000	30,000
Payable between 1 year to 2 years	-	30,000
	30,000	60,000

In the financial year ended 31 December 2001, the Company issued RM120 million 6-year structured serial bonds ("the Bonds") in a total of 5 tranches, comprising 3 tranches with a nominal value of RM20 million each and 2 tranches with a nominal value of RM30 million each, to the primary subscribers. The tenure of the Bonds ranges from 2 to 6 years from the date of issue and bear interest rates ranging from 5.80% to 8.20% per annum, payable semi-annually in advance, beginning from the date of issue and every 6 months thereafter. The Bonds are traded in a secondary market on a willing-buyer willing-seller basis.

During the financial year, the interest rates charged were in the range of 7.70% to 8.20% (2005: 7.20% to 8.20%) per annum.

The Bonds were constituted by a trust deed dated 6 August 2001 between the Company and the trustee, to act for the benefit of the bondholders.

The Bonds are secured against an assignment of dividend proceeds from the Company's wholly owned subsidiary company, Malaysian Assurance Alliance Berhad ("MAA"), a first fixed charge over the designated accounts, a first fixed charge over all permitted investments out of all designated accounts and an assignment over the Company's rights under a Dividend Upstream Agreement which was signed on 6 August 2001.

Under the Dividend Upstream Agreement, MAA shall, so long as the Bonds remain outstanding, declare and pay by a date to be agreed each year, a minimum dividend which after deduction of the Company's projected tax and operating expenses for the financial year, would leave the Company with a net amount of RM20 million. Such declaration and payment of dividend shall be subject to the availability of distributable reserves, legal and regulatory constraints.

16 BONDS - UNSECURED (continued)

Proceeds from the issue of the Bonds were utilised to finance the purchase of redeemable preference shares issued by the Company's wholly owned subsidiary company, MAA Corporation Sdn Bhd, from MAA, to refinance its bank borrowings, to fund the Company's investment in MAA Corporation Sdn Bhd, to pre-fund the first two interest service payments and to supplement the Company's working capital requirements including discount on the issue of the Bonds and expenses in connection with the arrangement of the facility.

The Bonds unless repurchased and cancelled, shall be redeemed at the price of 100% of the nominal value of the Bonds at the maturity dates.

Subsequent to the financial year ended 31 December 2006, the Company issued a RM200 million Commercial Papers/Medium Term Notes Programme for a tenure of 5 years, of which, RM30 million being proceeds from the new issue, has been earmarked towards settlement of the final principal instalment of the Bonds which is due in August 2007.

17 TERM LOANS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Term loans:				
- Unsecured	30,000	30,000	30,000	30,000
- Secured	39,935	37,155	-	-
	69,935	67,155	30,000	30,000
Payable within 1 year	39,935	37,155	-	-
Payable between 1 year to 2 years	30,000	-	30,000	-
Payable between 2 years to 5 years	-	30,000	-	30,000
	69,935	67,155	30,000	30,000

The unsecured term loan of RM30,000,000 from a licensed bank of the Company bears a fixed interest rate of 7.5% (2005: 7.5%) per annum. The loan is to be settled by a bullet repayment at the end of seven years from the date of full disbursement of the loan.

In connection with this term loan, the Company has signed a deed of assignment of dividend proceeds with the said bank on 29 June 2001. Under the terms of the deed, the Company has assigned unto the bank, the dividend proceeds payable to the Company by its subsidiary companies, MAA and MAA Corporation Sdn Bhd, for the financial year ending 31 December 2007 ("the Dividend Payment") and all rights, titles and benefits of the Dividend Payment to the bank by way of continuing security.

In the previous year, the offshore subsidiary company of the Group obtained a term loan facility of US$12 million from an offshore financial instituition. The loan is secured against certain offshore equity investments of the offshore subsidiary company and to be settled at the end of one year from the date of drawndown. As at 31 December 2005, an amount of US$9.8 million has been drawndown. The secured term loan bears an interest rate of 1.0% per annum above the applicable Singapore Inter-Bank Offer Rate ("SIBOR") payable monthly basis in arrears. During the financial year, the interest rate charged was in the range of 5.40% to 6.40% (2005: 4.30% to 5.20%) per annum. The loan is fully settled during the financial year with proceeds received from sale of the offshore equity investments.

During the financial year, the offshore subsidiary company of the Group obtained a term loan facility of US$12 million from an offshore financial institution. The loan is secured against certain offshore equity investments of the offshore subsidiary company and corporate guarantee from the Company and to be settled at the end of 6 months from the date of drawndown.

As at 31 December 2006, an amount of US$11.2 million has been drawndown. The secured term loan bears an interest rate of 1.0% per annum above the applicable SIBOR payable monthly basis in arrears. During the financial year, the interest rate charged was in the range of 5.40% to 6.40% per annum.

18 BANK OVERDRAFTS - UNSECURED

The unsecured bank overdraft facility of the Company has a limit of RM20 million and bears an interest rate of 2.0% per annum above the prevailing base lending rate. During the financial year, the interest rate charged was in the range of 8.0% to 8.25% (2005: 8.0% to 8.25%) per annum.

The unsecured bank overdraft facility of a subsidiary company has a limit of RM10 million and bears an interest rate of 2.5% per annum above the prevailing base lending rate. During the financial year, the interest rate charged was 8.75% (2005: 8.75%) per annum.

The unsecured bank overdraft facilities of the shareholders' fund, general fund and life fund of an insurance subsidiary company of the Company have limits of RM3.5 million, RM2.0 million and RM3.0 million (2005: RM3.5 million, RM2.0 million and RM3.0 million) respectively. During the financial year, the interest rates charged were 8.25% (2005: 8.5%) per annum. There were no overdrawn facilities utilised at the balance sheet date by the insurance subsidiary company.

19 UNEARNED PREMIUM RESERVES

GENERAL FUND

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP						
2006						
At beginning of financial year	13,189	92,219	16,787	1,573	27,581	151,349
Currency translation differences	(1,164)	(418)	-	14	990	(578)
(Decrease)/increase in reserves	464	(8,524)	(1,032)	1,689	2,606	(4,797)
At end of financial year	12,489	83,277	15,755	3,276	31,177	145,974
2005						
At beginning of financial year	11,779	83,620	13,266	1,469	23,508	133,642
Currency translation differences	(70)	(199)	-	(251)	198	(322)
Increase in reserves	1,480	8,798	3,521	355	3,875	18,029
At end of financial year	13,189	92,219	16,787	1,573	27,581	151,349

20 LIFE POLICYHOLDERS' FUND

	GROUP 2006 RM'000	GROUP 2005 RM'000
Actuarial liabilities		
At beginning of financial year	4,350,602	3,834,996
Add: Increase in policy reserves		
- on normal business during the financial year	298,465	239,739
- on reassumed business previously ceded	-	113,572
Bonus allocated to participating policyholders, including interim bonus from normal surplus	199,878	175,596
	498,343	528,907
Less: Interim bonus	(30,902)	(13,301)
At end of financial year	4,818,043	4,350,602

20 LIFE POLICYHOLDERS' FUND (continued)

	GROUP 2006 RM'000	GROUP 2005 RM'000
Unallocated surplus		
At beginning of financial year	523,473	612,090
Adjustments due to change in accounting policies (net of tax):		
- financial assets at fair value through profit or loss	-	(1,683)
- investment properties at fair value	-	63,300
- leasehold land reclassified as prepaid lease payment	(659)	-
Prior year adjustment (note 43(b))	-	(52,900)
At beginning of financial year – restated	522,814	620,807
Add: Surplus arising during the financial year	271,725	98,488
Less: Bonus allocated to participating policyholders, including interim bonus from normal surplus	(199,878)	(175,596)
Transfer to Income Statement	(34,323)	(20,226)
	37,524	(97,334)
At end of financial year	560,338	523,473
Life policyholders' fund at end of financial year:		
Actuarial liabilities	4,818,043	4,350,602
Unallocated surplus	560,338	523,473
	5,378,381	4,874,075

In the previous financial year, an insurance subsidiary company terminated its quota share reinsurance treaty arrangement which was originally entered into in 1997. Under the terms of the treaty, the insurance subsidiary company withholds reinsurance deposits equal to the actuarial valuation in the life fund on the block of business reinsured. As a result of the termination, the liabilities to policyholders for ordinary life non-participating policies for the financial year ended 31 December 2005, increased by RM113,572,000, representing the liabilities of the previously ceded non-participating life business that the insurance subsidiary company had to reassume as part of its business.

21 SHARE CAPITAL

	GROUP/COMPANY 2006 RM'000	GROUP/COMPANY 2005 RM'000
Authorised ordinary shares of RM1 each:		
At beginning and end of financial year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:		
At beginning of financial year	152,177	152,177
Issue of bonus shares during the financial year	152,177	-
At end of financial year	304,354	152,177

On 8 September 2006, the company made a bonus issue of 152,176,876 new ordinary shares of RM1 each on the basis of 1 new ordinary share of RM1 each for every 1 existing ordinary shares of RM1 each, by capitalising RM11,744,389 from share premium and RM140,432,487 from retained earnings.

The newly issued shares rank pari passu in all respect with the existing shares of the Company.

22 SHARE PREMIUM

	GROUP/COMPANY 2006 RM'000	GROUP/COMPANY 2005 RM'000
At beginning of financial year	11,744	11,744
Capitalisation for bonus issue	(11,744)	-
At end of financial year	-	11,744

23 RESERVES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
Retained earnings	67,688	225,515	41,442	181,626
Reserves:				
- Foreign exchange reserve	(5,203)	122	-	-
- Asset revaluation reserve	825	941	-	-
- Revaluation reserve	592	867	-	-
	(3,786)	1,930	-	-
	63,902	227,445	41,442	181,626
Movements in retained earnings				
At beginning of financial year				
As previously stated	225,515	194,644	181,626	216,192
Prior year adjustment	-	-	-	(59,400)
Adjustments due to change in accounting policies (net of tax):				
- financial assets at fair value through profit or loss	-	(306)	-	(688)
- loans and receivables	-	4,667	-	-
- investment properties at fair value	-	6,718	-	-
	-	11,079	-	(688)
As restated	225,515	205,723	181,626	156,104
(Loss)/profit for the financial year	(2,176)	42,619	15,467	48,349
Capitalisation for bonus issue	(140,433)	-	(140,433)	-
Dividends paid for the previous financial year	(15,218)	(22,827)	(15,218)	(22,827)
	(157,827)	19,792	(140,184)	25,522
At end of financial year	67,688	225,515	41,442	181,626
Movement in foreign exchange reserve				
At beginning of financial year	122	(93)	-	-
Current translation differences arising during the financial year	(5,325)	215	-	-
At end of financial year	(5,203)	122	-	-

23 RESERVES (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Movement in asset revaluation reserve</u>				
At beginning of financial year	941	-	-	-
Adjustments due to change in accounting policies - net of tax	-	1,195	-	-
At beginning of financial year - restated	941	1,195	-	-
Revaluation - gross	(566)	(354)	-	-
Revaluation - tax	159	100	-	-
Reversal of realised loss in disposals	291	-	-	-
	(116)	(254)	-	-
At end of financial year	825	941	-	-
<u>Movement in revaluation reserve</u>				
At beginning of financial year	-	-	-	-
Adjustments due to change in accounting policies – net of tax	867	867	-	-
At beginning of financial year - restated	867	867	-	-
Reversal of surplus arising on revaluation:				
- gross	(382)	-	-	-
- tax	107	-	-	-
	(275)	-	-	-
At end of financial year	592	867	-	-

The asset revaluation reserve represents the fair value gains or losses from available-for-sale financial assets.

The revaluation reserve represents the surplus arising from the revaluation of self-occupied freehold land and buildings and leasehold buildings of the Group. The change in the accounting policy is described in note 43 to the financial statements.

The retained earnings balance represents the amount available for dividend distribution to the equity shareholders of the Company.

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt account under Section 12 of the Income Tax (Amendment) Act, 1999 to frank all of its retained earnings at 31 December 2006, if paid out as dividends

(b) LIFE FUND

	GROUP	
	2006 RM'000	2005 RM'000
Asset revaluation reserve	9,340	9,040
Revaluation reserve	3,790	4,598
	13,130	13,638

23 RESERVES (continued)

(b) LIFE FUND (continued)

	GROUP 2006 RM'000	GROUP 2005 RM'000
Movement in asset revaluation reserve		
At beginning of financial year	9,040	-
Adjustments due to change in accounting policies – net of tax	-	10,618
At beginning of financial year - restated	9,040	10,618
Revaluation – gross	(2,213)	(1,715)
Revaluation – tax	177	137
Reversal of realised loss on disposals	2,336	-
	300	(1,578)
At end of financial year	9,340	9,040
Movement in revaluation reserve		
At beginning of financial year	-	-
Adjustments due to change in accounting policies – net of tax	4,598	4,598
At beginning of financial year - restated	4,598	4,598
Reversal of surplus arising on revaluation:		
– gross	(879)	-
– tax	71	-
	(808)	-
At end of financial year	3,790	4,598

The assets revaluation reserve represents the fair value gains or losses from available-for-sale financial assets.

The revaluation reserve represents the surplus arising from the revaluation of self-occupied freehold land and buildings and leasehold buildings of the Group. The change in the accounting policy is described in note 43 to the financial statements.

Distribution of the surplus arising from the revaluation of the Life Fund's assets in the insurance subsidiary company may be made by way of bonuses to life policyholders, subject to the limit that the amount distributed should not be more than 30% of the revaluation reserve or 10% of the fair value of the revalued property, whichever is lower.

24 OPERATING REVENUE

	Shareholders' funds RM'000	General fund RM'000	Life fund RM'000	Investment-linked fund RM'000	GROUP Total RM'000
2006					
Gross premium income	-	452,637	1,229,163	218,797	1,900,597
Investment income (note 25)	3,573	23,921	277,341	18,861	323,696
Gross interest income from hire purchase, leasing and other credit activities	11,472	-	-	-	11,472
Income from property management, unit trust fund management, security services and consultancy services	48,120	-	-	-	48,120
	63,165	476,558	1,506,504	237,658	2,283,885
2005					
Gross premium income	-	459,965	1,280,260	142,676	1,882,901
Investment income (note 25)	3,305	23,267	229,408	11,949	267,929
Gross interest income from hire purchase, leasing and other credit activities	10,063	-	-	-	10,063
Income from property management, unit trust fund management, security services and consultancy services	44,527	-	-	-	44,527
	57,895	483,232	1,509,668	154,625	2,205,420

Gross premium income stated in the life insurance revenue account comprises both gross premium income from the life fund and the investment-linked fund.

	COMPANY 2006 RM'000	2005 RM'000
Investment income (note 25(a))	56,168	90,634
Management fees (note 27(a))	2,868	2,680
	59,036	93,314

25 INVESTMENT INCOME

	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
(a) SHAREHOLDERS' FUND				
Interest income from:				
Financial assets:				
Corporate debt securities				
- at available-for-sale	-	121	-	-
Loans and receivables				
- mortgage loans	42	47	42	47
- other secured and unsecured loans	884	286	1	1
- other receivables	4	24	6,984	7,929
Fixed and call deposits	1,107	625	241	157
	2,037	1,103	7,268	8,134

25 INVESTMENT INCOME (continued)

	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
(a) SHAREHOLDERS' FUND (continued)				
Gross dividends from equity securities of corporations:				
- at fair value through profit or loss	1,642	2,318	-	-
- subsidiary companies	-	-	48,900	82,500
	1,642	2,318	48,900	82,500
Gross rental income	208	216	-	-
Less: Rates and maintenance for investment properties	(314)	(331)	-	-
	(106)	(115)	-	-
Others	-	(1)	-	-
	3,573	3,305	56,168	90,634

(b) GENERAL FUND

	GROUP 2006 RM'000	GROUP 2005 RM'000
Interest income from:		
Financial assets:		
Malaysian Government Securities/Treasury Bills/ Bank Negara Malaysia papers		
- at available-for-sale	2,857	2,589
- at held to maturity	164	-
Cagamas papers		
- at available-for-sale	983	1,212
Corporate debt securities		
- at fair value through profit or loss	1,327	687
- at available-for-sale	4,371	3,389
- at held to maturity	858	482
Loans and receivables		
- mortgage loans	2,825	6,120
- other secured and unsecured loans	5,890	2,878
Fixed and call deposits	4,776	3,057
	24,051	20,414
(Amortisation of premiums)/accretion of discounts from:		
Financial assets:		
Malaysian Government Securities/Treasury Bills/ Bank Negara Malaysia papers		
- at available-for-sale	(1,335)	(1,227)
- at held to maturity	167	-
Cagamas papers		
- at available-for-sale	-	7
Corporate debt securities		
- at fair value through profit or loss	(189)	-
- at available-for-sale	302	427
- at held to maturity	-	(2)
	(1,055)	(795)
Gross dividends from equity securities of corporations:		
- at fair value through profit or loss	1,069	3,354
Gross rental income	1,861	1,682
Less: Rates and maintenance for investment properties	(2,006)	(1,393)
	(145)	289
Others	1	5
	23,921	23,267

25 INVESTMENT INCOME (continued)

	GROUP 2006 RM'000	GROUP 2005 RM'000
(c) LIFE FUND		
Interest income from:		
Financial assets:		
Malaysian Government Securities/Treasury Bills/ Bank Negara Malaysia papers		
- at available-for-sale	17,464	14,885
- at held to maturity	2,581	-
Cagamas papers		
- at available-for-sale	3,589	6,727
Corporate debt securities		
- at fair value through profit or loss	8,844	6,584
- at available-for-sale	48,842	51,431
- at held to maturity	12,414	12,781
Loans and receivables		
- mortgage loans	60,126	37,985
- policy loans	21,059	18,682
- other secured and unsecured loans	33,616	14,891
Fixed and call deposits	24,833	19,049
	233,368	183,015
(Amortisation of premiums)/accretion of discounts from:		
Financial assets:		
Malaysian Government Securities/Treasury Bills/ Bank Negara Malaysia papers		
- at available-for-sale	(3,807)	(4,209)
- at held to maturity	(49)	-
Cagamas papers		
- at available-for-sale	56	(129)
Corporate debt securities		
- at available-for-sale	1,099	3,556
- at held to maturity	10,177	7,014
	7,476	6,232
Gross dividends from equity securities of corporations:		
- at fair value through profit or loss	28,985	33,631
Gross rental income	23,417	18,241
Less: Rates and maintenance for investment properties	(15,905)	(12,895)
	7,512	5,346
Others	-	1,184
	277,341	229,408

25 INVESTMENT INCOME (continued)

	GROUP 2006 RM'000	GROUP 2005 RM'000
(d) INVESTMENT-LINKED FUND		
Interest income from:		
Financial assets:		
Malaysian Government Securities/Treasury Bills/		
Bank Negara Malaysia papers	154	-
Cagamas papers	852	-
Corporate debt securities		
- at fair value through profit or loss	5,496	4,109
Fixed and call deposits	3,067	1,552
	9,569	5,661
(Amortisation of premium)/accretion of discounts from		
Financial assets:		
Malaysian Government Securities/Treasury Bills/		
Bank Negara Malaysia papers	(75)	-
Cagamas papers	(6)	-
Corporate debt securities		
- at fair value through profit or loss	318	538
	237	538
Gross dividends from equity securities of corporations:		
- at fair value through profit or loss	7,546	5,316
Others	1,509	434
	18,861	11,949

26 OPERATING REVENUE FROM NON-INSURANCE SUBSIDIARIES

	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
Revenue from non-insurance businesses:				
- management fee income	2,833	515	-	-
- unit trust fund management fee income	10,305	7,639	-	-
- unit trust fund initial service fee	12,310	12,313	-	-
- interest income from hire purchase, leasing and other credit activities	11,472	10,063	-	-
- billings for securities services	19,714	19,215	-	-
- other	2,958	4,845	-	-
	59,592	54,590	-	-

27 OTHER OPERATING INCOME/(EXPENSES) - NET

	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
(a) SHAREHOLDERS' FUND				
Gain/(loss) on disposal of				
Financial assets:				
Equity securities				
- at fair value through profit or loss	(1,025)	-	-	-
Corporate debt securities				
- at available-for-sale	-	303	-	-
Unit trusts				
- at fair value through profit or loss	-	73	-	-
	(1,025)	376	-	-
Net fair value gain/(loss) of financial assets at fair value through profit or loss:				
- equity securities	4,667	34,592	731	(2,021)
- unit trusts	51	(141)	-	-
	4,718	34,451	731	(2,021)
Net fair value loss on investment properties	(3,045)	(250)	-	-
Net fair value gain on manager's stocks	-	26	-	-
Impairment loss on associated company	-	-	(24,065)	-
Property, plant and equipment:				
- loss on disposal	(56)	(51)	(56)	(105)
- write off	(7)	(429)	(6)	-
Management fee income	-	-	2,868	2,680
Commission paid and payable to unit trusts agents	(10,582)	(10,312)	-	-
Write back of/(allowance for) doubtful debts on loans	492	(231)	-	-
Write back of /(allowance for) doubtful debts on lease,hire purchase and loan receivables - net	1,061	892	-	-
Bad debts written off	(10,737)	(424)	-	-
Loss on disposal of associated company	(793)	-	-	-
Others	1,368	411	5	(4)
	(19,254)	(10,118)	(21,254)	2,571
Other operating (expenses)/income - net	(18,606)	24,459	(20,523)	550

27 OTHER OPERATING INCOME/(EXPENSES) - NET (continued)

	COMPANY 2006 RM'000	COMPANY 2005 RM'000
(b) GENERAL FUND		
Gain/(loss) on disposal of		
Financial assets:		
Equity securities		
- at fair value through profit or loss	(9,372)	(20,647)
Corporate debt securities		
- at available-for-sale	(239)	1
Unit trusts		
- at fair value through profit or loss	128	-
Investment properties	(686)	686
	(10,169)	(19,960)
Net fair value gain/(loss) of financial assets at fair value through profit or loss:		
- equity securities	17,310	(9,664)
- corporate debt securities	(3,872)	(282)
- unit trusts	203	(392)
- investment-linked units	643	(184)
	14,284	(10,522)
Net fair value (loss)/gain on investment properties	(252)	282
(Loss)/gain on disposal of property, plant and equipment	(51)	145
(Allowance for)/write back of doubtful debts on loans	(4,642)	1,142
Others	1,412	482
	(3,281)	1,769
Other operating income/(expenses) - net	582	(28,431)
(c) LIFE FUND		
Gain/(loss) on disposal of		
Financial assets:		
Equity securities		
- at fair value through profit or loss	(4,146)	(39,197)
Corporate debt securities		
- at fair value through profit or loss	558	2,205
- at available-for-sale	(2,335)	8,694
Unit trusts		
- at fair value through profit or loss	(4,248)	(117)
Investment properties	5	12,288
	(10,166)	(16,127)

27 OTHER OPERATING INCOME/(EXPENSES) - NET (continued)

	COMPANY 2006 RM'000	2005 RM'000
(c) LIFE FUND (continued)		
Net fair value gain/(loss) of financial assets at fair value through profit or loss:		
- equity securities	81,766	(84,164)
- corporate debt securities	(407)	(601)
- unit trusts	8,735	(10,473)
- investment-linked units	126	91
	90,220	(95,147)
Allowance for diminution in value of investments: Unquoted corporate debt securities	(3,656)	(10,000)
Revaluation deficit on property, plant and equipment	-	(1,763)
Net fair value (loss)/gain on investment properties	(18,440)	229
Impairment loss on property, plant and equipment	(17,011)	-
	(35,451)	(1,534)
Allowance for doubtful debts on loans	(16,742)	(1,239)
Gain on disposal of property, plant and equipment	10	4
Reassumed premiums previously ceded (i)	-	113,572
Other provisions (see note 40(b))	-	(19,602)
Others	8,382	3,273
	(8,350)	96,008
Other operating income/(expenses) - net	32,597	(26,800)

(i) Reassumed premiums previously ceded in the life fund is in respect of termination of a treaty agreement as disclosed in note 20 to the financial statements.

	COMPANY 2006 RM'000	2005 RM'000
(d) INVESTMENT-LINKED FUND		
Gain/(loss) on disposal of		
Financial assets:		
Equity securities		
- at fair value through profit or loss	737	(20,624)
Corporate debt securities		
- at fair value through profit or loss	251	425
Loan stocks	(7)	-
Unit trusts	166	-
	1,147	(20,199)
Increase/(decrease) in value of investments	42,435	(9,741)
Others	(4,737)	(3,881)
	37,698	(13,622)
Other operating income/(expenses) - net	38,845	(33,821)

28 MANAGEMENT EXPENSES

	Shareholders' fund		General fund		GROUP Life fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Staff costs (including executive directors):						
- salaries and bonus	36,504	37,283	36,837	32,921	32,866	29,201
- defined contribution retirement benefits	4,310	4,755	7,759	7,553	6,824	5,254
	40,814	42,038	44,596	40,474	39,690	34,455
Property, plant and equipment						
- depreciation	2,003	2,587	4,112	5,391	14,240	12,100
Amortisation of intangible assets	405	347	553	-	871	-
Amortisation of leases	-	-	-	-	62	-
Auditors' remuneration						
- statutory audit	144	102	71	72	106	98
- under provision in prior financial year	148	17	-	1	-	1
Auditors' remuneration payable/ paid to other audit firms	15	22	32	20	-	-
Fees paid to a company in which certain Directors have an interest	227	318	-	-	15	15
Allowance for doubtful debts	1,612	166	267	2,392	-	-
Bad debts written off	2,901	33	-	-	656	-
Office rental	358	378	3,011	2,690	5,615	4,451
Rental of office equipment	46	114	616	424	850	5
Training expenses	317	307	1,735	1,292	7,351	5,423
Repairs and maintenance	593	112	2,237	2,101	5,008	4,541
EDP expenses	537	48	2,885	2,712	1,287	2,512
Advertising, promotional and entertainment expenses	2,704	2,560	9,225	9,380	8,633	7,723
Motor vehicle and traveling expenses	4,473	2,885	3,015	2,476	2,374	1,781
Printing and stationery	565	402	2,525	2,915	3,249	2,774
Postage, telephone, telex and fax	810	798	2,008	1,827	2,951	4,076
Management expenses	-	-	152	207	7,327	5,822
Other expenses	8,453	8,362	6,993	4,154	4,928	5,123
	67,125	61,596	84,033	78,528	105,213	90,900

Included in management expenses were emoluments receivable by Directors of the Group during the financial year:

	Shareholders' fund		General fund		GROUP Life fun	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Executive directors:						
- salaries	3,631	3,546	396	348	420	372
- bonus	1,187	987	141	55	140	55
- defined contribution retirement benefits	708	678	81	80	84	82
- other emoluments	8	8	3	115	2	115
Non-executive directors:						
- fees	346	264	201	224	200	223
- other emoluments	92	71	24	16	24	16
	5,972	5,554	846	838	870	863

28 MANAGEMENT EXPENSES (continued)

	COMPANY	
	2006 RM'000	2005 RM'000
Staff costs (including executive directors):		
- staff costs	5,750	6,224
- defined contribution retirement benefits	1,348	1,503
	7,098	7,727
Depreciation of property, plant and equipment	451	453
Auditors' remuneration		
- statutory audit	25	25
- under provision in prior financial year	128	5
Fees paid to a company in which certain Directors have an interest	187	258
Office rental payable to a subsidiary company	474	449
Other expenses	5,920	4,084
	14,283	13,001

Included in management expenses were emoluments receivable by Directors of the Company during the financial year:

	COMPANY	
	2006 RM'000	2005 RM'000
Executive directors:		
- salaries	2,049	1,946
- bonus	1,006	776
- defined contribution retirement benefits	445	418
Non-executive directors:		
- fees	278	207
- other emoluments	58	50
	3,836	3,397

The estimated monetary value of benefits provided to Directors during the financial year by way of usage of the Group's and Company's assets amounted to RM251,200 (2005: RM177,000) and RM130,600 (2005: 78,700) respectively.

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

Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman	
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	
Major General Lai Chung Wah (Rtd)	
Dato' Iskandar Michael bin Abdullah	
Yeo Took Keat	
General Dato' Sri Hj Suleiman bin Mahmud (Rtd)	
Datuk Razman Md Hashim bin Che Din Md Hashim	(appointed on 01.07.2006)
Datuk Ramlan bin Abdul Rashid	(appointed on 07.09.2006)
Muhamad Umar Swift	(appointed on 07.09.2006)
Tan Sri Ahmad bin Mohd Don	(appointed on 13.10.2006)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	(appointed on 10.01.2007)
Tan Sri Dato' Ir Abu Zarim bin Haji Omar	(resigned on 01.07.2006)

29 FINANCE COSTS

	GROUP			
	Shareholders' fund		Life fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest on bonds	3,904	5,670	-	-
Interest on term loans	4,630	2,908	-	-
Interest on bank overdrafts	2,237	1,281	43	15
Interest on revolving credit facility	69	-	-	-
Hire purchase interest	52	-	-	-
Others	480	-	-	-
	11,372	9,859	43	15

	COMPANY	
	2006 RM'000	2005 RM'000
Interest on bonds	3,904	5,670
Interest on term loan	2,250	2,250
Interest on bank overdraft	1,425	654
Interest on revolving credit facility	63	-
Hire purchase interest	31	-
Interest on advances paid to subsidiary companies	52	-
Others	480	-
	8,205	8,574

The interest rates charged during the financial year for bonds, term loans and bank overdrafts are disclosed in notes 16, 17 and 18 to the financial statements respectively.

30 TAXATION

	GROUP					
	General and Shareholders' funds		Life fund		Investment-linked fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax	4,679	(644)	14,150	11,311	(87)	440
Deferred tax (note 12)	93	(1,072)	3,502	(3,786)	3,427	(726)
Tax expense/(income)	4,772	(1,716)	17,652	7,525	3,340	(286)
Current tax						
Current financial year	5,254	(437)	15,663	10,650	1,379	651
Under/(over) accrual in prior financial years	(575)	(30)	(1,513)	661	(1,466)	(211)
Effect of changes in accounting policies	-	(177)	-	-	-	-
	4,679	(644)	14,150	11,311	(87)	440
Deferred tax						
Origination and reversal of temporary differences	(310)	1,090	3,502	(3,465)	3,427	(726)
Under accrual in prior financial years	391	-	-	-	-	-
Effect of changes in tax rates on opening balance of deferred tax	12	-	-	-	-	-
Benefit from previously unrecognised tax losses	-	(1,825)	-	-	-	-
Effect of prior year adjustment	-	(337)	-	(321)	-	-
	93	(1,072)	3,502	(3,786)	3,427	(726)
	4,772	(1,716)	17,652	7,525	3,340	(286)

	COMPANY	
	2006 RM'000	2005 RM'000
Current tax	3,847	21,800
Deferred tax (note 12)	(6,157)	(540)
Tax (income)/expense	(2,310)	21,260
Current tax		
Current financial year	3,847	21,800
Deferred tax		
Origination and reversal of temporary differences	(6,157)	(540)
	(2,310)	21,260

30 TAXATION (continued)

	COMPANY 2006 %	2005 %
Numerical reconciliation between the average effective tax rate and the statutory tax rate:		
Malaysian tax rate	28	28
Tax effects of:		
- expenses not deductible for tax purposes	85	(34)
- different taxation rates of subsidiary companies	(15)	(1)
- tax losses not recognised	80	9
- deductible temporary differences not recognised	(7)	(6)
- recognition of previously unrecognised temporary differences	(12)	-
- over accrual in prior financial year	(6)	-
Average effective tax rate	153	(4)

	COMPANY 2006 %	2005 %
Numerical reconciliation between the average effective tax rate and the statutory tax rate:		
Malaysian tax rate	28	28
Tax effects of expenses not deductible for tax purposes	(26)	2
Tax effects of income not taxable for tax purposes	(20)	-
Average effective tax rate	(18)	30

The taxation charge in the income statement of the Group relates to income attributable to the Company and the general and shareholders' funds.

The taxation charge on the Group's life fund is based on the method prescribed under the Income Tax Act, 1967 for life business.

31 DIVIDENDS

	GROUP/COMPANY 2006 Gross dividend per share Sen	2006 Amount of dividend, tax exempt RM'000	2005 Gross dividend per share Sen	2005 Amount of dividend, tax exempt RM'000
Proposed final dividend	2.0	6,087	10.0	15,218
Dividends paid:				
Proposed final dividend of prior financial year	10.0	15,218	15.0	22,827
	10.0	15,218	15.0	22,827

At the forthcoming Annual General Meeting to be held on 28 June 2007, a final gross tax exempt dividend in respect of the financial year ended 31 December 2006 of 2 sen per share (2005: 10 sen per share) amounting to RM6,087,000 (2005: RM15,218,000) will be proposed for shareholders' approval.

These financial statements do not reflect this final dividend which will be accrued as a liability in the financial year ending 31 December 2006 when approved by shareholders.

32 EARNINGS PER SHARE - GROUP

The basic earnings per ordinary share has been calculated by dividing the Group's net loss for the financial year of RM2,176,000 (2005: net profit of RM42,619,000) by the weighted average number of ordinary shares of the Company in issue during the financial year of 304,354,000 shares (2005: 304,354,000 shares). The earnings per share in the previous financial year has been adjusted to take into consideration the bonus issue during the current financial year as disclosed in note 21 to the financial statements.

The effects on the basic earnings per ordinary share for the financial year ended 31 December 2006 arising from the assumed conversion of redeemable convertible secured loan stocks, redeemable convertible unsecured loan stocks, irredeemable cumulative convertible preference shares, irredeemable convertible unsecured loan stocks and warrants of the associated company of the Group is anti-dilutive. Accordingly, the diluted earnings per ordinary share for the financial year ended 31 December 2006 has not been presented.

33 NET CLAIMS INCURRED

GENERAL FUND

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP						
2006						
Gross claims paid less salvage	42,688	170,132	32,143	9,003	37,832	291,798
Reinsurance recoveries	(28,161)	(29,703)	(5,866)	(6,140)	(9,101)	(78,971)
Net claims paid	14,527	140,429	26,277	2,863	28,731	212,827
Net outstanding claims:						
At end of financial year	21,690	188,362	50,010	3,909	41,056	305,027
Currency translation differences	55	1,806	-	49	(215)	1,695
At beginning of financial year	(17,837)	(179,953)	(42,453)	(5,751)	(41,339)	(287,333)
Net claims incurred	18,435	150,644	33,834	1,070	28,233	232,216
2005						
Gross claims paid less salvage	27,492	176,763	31,458	10,001	29,430	275,144
Reinsurance recoveries	(15,016)	(31,792)	(5,196)	(7,529)	(8,831)	(68,364)
Net claims paid	12,476	144,971	26,262	2,472	20,599	206,780
Net outstanding claims:						
At end of financial year	17,837	179,953	42,453	5,751	41,339	287,333
Currency translation differences	72	(1,046)	-	65	2,042	1,133
At beginning of financial year	(13,155)	(195,038)	(52,334)	(6,139)	(45,760)	(312,426)
Net claims incurred	17,230	128,840	16,381	2,149	18,220	182,820

34 INVESTMENT-LINKED FUND

	GROUP 2006 RM'000	GROUP 2005 RM'000
BALANCE SHEET		
ASSETS		
Financial assets		
Investments		
- at fair value through profit or loss (note 7(b))	440,027	231,562
Loans and receivables (note 8(b))	11,638	6,984
Tax recoverable	3,330	1,023
Deferred tax assets (note 12)	31	154
Fixed and call deposits (note 37(b))	78,054	87,297
Cash and bank balances (note 36)	8,915	5,803
	541,995	332,823
LIABILITIES		
Trade and other payables (note 15(b))	19,438	9,303
Current tax liabilities	625	541
Deferred tax liabilities (note 12)	3,467	163
	23,530	10,007
NET ASSET VALUE OF FUNDS	518,465	322,816
REPRESENTED BY:		
UNITHOLDERS' ACCOUNT		
At beginning of financial year	322,816	253,214
Net creation of units	135,256	96,446
Net surplus/(deficit) for the financial year after taxation	54,366	(21,586)
Foreign exchange reserves	(1,218)	43
	511,220	328,117
Distribution during the financial year	7,245	(5,301)
At end of financial year	518,465	322,816
INCOME STATEMENT		
Investment income (note 25(d))	18,861	11,949
Other operating income/(expenses) - net (note 27(d))	38,845	(33,821)
Surplus/(deficit) before taxation	57,706	(21,872)
Taxation (note 30)	(3,340)	286
Net surplus/(deficit) for the financial year after taxation	54,366	(21,586)

35 PROVISION FOR LIFE AGENTS' RETIREMENT BENEFITS

	GROUP Life fund 2006 RM'000	GROUP Life fund 2005 RM'000
At beginning of financial year	5,001	5,575
Provision for the financial year	393	1,490
Utilised during the financial year	(1,484)	(2,064)
At end of financial year	3,910	5,001
Payable within 12 months	957	419
Payable after 12 months	2,953	4,582
	3,910	5,001

The amount recognised in the balance sheet is analysed as follows:

	2006 RM'000	2005 RM'000
Present value of funded obligations	18,216	15,240
Fair value of plan assets	(18,216)	(15,240)
Status of funded plan	-	-
Present value of unfunded obligations	3,910	5,001
Liability in the balance sheet	3,910	5,001

The expense recognised in the life insurance revenue account under commission and agency expenses may be analysed as follows:

	GROUP Life fund 2006 RM'000	GROUP Life fund 2005 RM'000
Current service cost	218	1,301
Interest cost	175	189
	393	1,490

The actual return on plan asset was RM791,000 (2005: RM1,527,000).

Present value of funded obligations is always equal to the fair value of plan assets of funded retirement benefit scheme as actual payment to agents is based on actual fair value of plan assets at the time of retirement. The insurance subsidiary company assumes that all agents who have served the company for more than 10 years will continue to serve the company until their age of retirement and eligible for the retirement benefit.

36 CASH AND CASH EQUIVALENTS

	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
Cash and bank balances:				
- General and Shareholders' funds	27,165	28,935	972	542
- Life fund	50,203	27,762	-	-
- Investment-linked fund (note 34)	8,915	5,803	-	-
	86,283	62,500	972	542
Bank overdrafts:				
- General and Shareholders' funds	(26,002)	(14,293)	(17,382)	(12,579)
	60,281	48,207	(16,410)	(12,037)

The cash and cash equivalents of the life fund are applicable only to meet such part of the life fund's liabilities and expenses as are properly so attributable.

37 FIXED AND CALL DEPOSITS

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Fixed and call deposits with:				
Licensed banks	110,317	139,826	1,230	2,385
Licensed finance companies	-	181	-	-
Other corporations	4,913	-	-	-
	115,230	140,007	1,230	2,385

(b) LIFE FUND AND INVESTMENT-LINKED FUND

	GROUP			
	Life fund		Investment-linked fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Fixed and call deposits with:				
Licensed banks	444,912	563,462	40,902	61,558
Licensed finance companies	-	100	-	-
Other corporations	106,126	117,310	37,152	25,739
	551,038	680,872	78,054	87,297

38 CASH FLOW SEGMENT INFORMATION

	GROUP				
	General funds RM'000	Shareholders' fund RM'000	Life fund RM'000	Investment-linked fund RM'000	Total RM'000
2006					
Cash flows from:					
Operating activities	(5,795)	85,855	29,589	3,112	112,761
Investing activities	(1,512)	(49,589)	(7,148)	-	(58,249)
Financing activities	-	(42,438)	-	-	(42,438)
	(7,307)	(6,172)	22,441	3,112	12,074
Net increase/(decrease) in cash and cash equivalents	(7,307)	(6,172)	22,441	3,112	12,074
Cash and cash equivalents:					
At beginning of financial year	18,224	(3,582)	27,762	5,803	48,207
At end of financial year	10,917	(9,754)	50,203	8,915	60,281

38 CASH FLOW SEGMENT INFORMATION (continued)

	General funds RM'000	Shareholders' fund RM'000	Life fund RM'000	Investment-linked fund RM'000	GROUP Total RM'000
2005					
Cash flows from:					
Operating activities	18,446	6,230	(11,649)	(217)	12,810
Investing activities	(2,368)	(15,757)	(3,598)	-	(21,723)
Financing activities	-	(5,672)	-	-	(5,672)
	16,078	(15,199)	(15,247)	(217)	(14,585)
Net increase/(decrease) in cash and cash equivalents	16,078	(15,199)	(15,247)	(217)	(14,585)
Cash and cash equivalents:					
At beginning of financial year	2,146	11,617	43,009	6,020	62,792
At end of financial year	18,224	(3,582)	27,762	5,803	48,207

39 CAPITAL AND OTHER COMMITMENTS

	GROUP General and Shareholders' funds 2006 RM'000	General and Shareholders' funds 2005 RM'000	Life fund 2006 RM'000	Life fund 2005 RM'000
Authorised and contracted for:				
- property, plant and equipment	3,538	6,772	-	-
- acquisition of investment properties	591	450	57,734	35,415
	4,129	7,222	57,734	35,415
Authorised but not contracted for:				
- acquisition of investment properties	-	-	4,171	59,000

	COMPANY 2006 RM'000	COMPANY 2005 RM'000
Authorised and contracted for:		
- subscription of shares in a Takaful Insurance subsidiary	75,000	-

40 CONTINGENT LIABILITIES

In the previous financial year, Meridian Asset Management Sdn Bhd ("MAMS") had commenced a legal proceeding against one of its custodian of its fund under management and a legal proceeding against its former employee and other parties related to him to recover the loss of investment moneys of its clients, one of whom is Malaysian Assurance Alliance Berhad ("MAA"), amounting to RM27.6 million placed with the custodian. MAA has also commenced legal proceedings against the custodian for negligence to recover its loss.

The parties to the legal proceedings have filed various applications to the High Court to dispose of the cases. In the legal proceedings taken by MAA against the custodian, a Third Party Notice was filed and served on MAA to bring MAMS as a party to the legal proceedings. The High Court has allowed the terms of the summons for directions of the third party proceedings and has fixed 14 May 2007 for case management. In the legal proceedings taken by MAMS against the custodian, the High Court has adjourned the matter for mention on 13 June 2007 and pending resolution of the issue of consolidation. The legal proceeding taken by MAMS against the ex-staff and other parties is pending case management.

The directors of MAMS, supported by legal advice, are of the opinion that MAMS has a strong case against the custodian and the case against the ex-staff and other parties. However, for prudence purposes, MAA had made a full allowance of RM19.6 million in the financial statements for the year ended 31 December 2005. This allowance remains in the current financial year.

41 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	GROUP			
	General and Shareholders' fund		Life fund	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
2006				
Not later than 1 year	1,553	875	5,247	2,228
Later than 1 year and not later than 5 years	1,463	875	5,247	2,228
	3,016	1,750	10,494	4,456
2005				
Not later than 1 year	1,553	875	5,247	2,228
Later than 1 year and not later than 5 years	3,106	1,750	10,494	4,456
	4,659	2,625	15,741	6,684

42 SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties and relationships

The subsidiary and associated companies of the Company are disclosed in notes 10 and 11 to the financial statements respectively.

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

Related party	Relationship
Iternum Melewar Sdn Bhd	Substantial shareholder of the Company
Melewar Equities Sdn Bhd	Substantial shareholder of the Company
Trace Management Services Sdn Bhd	Company controlled by certain Directors of the Company
Melewar Group Berhad	Company controlled by certain Directors of the Company
Melewar Industrial Group Berhad	Company controlled by certain Directors of the Company
Mycron Steel Berhad	Company controlled by certain Directors of the Company
Central Market Development Sdn Bhd	Company controlled by certain Directors of the Company
Sistem Sewa Kereta Malaysia Sdn Bhd	Company controlled by certain Directors of the Company
Mitra Malaysia Sdn Bhd	Company controlled by a Director of the Company
Melewar Integrated Engineering Sdn Bhd	Company controlled by a Director of the Company
Malaysian Merchant Marine Berhad	Company controlled by a Director of the Company
Melewar Apex Sdn Bhd	Company controlled by person connected to certain Directors of the Company
Mithril Berhad	An associated company of the Group
Mithril Saferay Sdn Bhd	A subsidiary company of an associated company of the Group
Mithril Marketing Sdn Bhd	A subsidiary company of an associated company of the Group
Tajo Berhad	A subsidiary company of an associated company of the Group

42 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Related parties and relationships (continued)

Related party	Relationship
MAA-Medicare Kidney Charity Fund	Trust fund in which certain Directors of the Company are trustees
The Budimas Charitable Foundation	Trust fund in which a Director of the Company is trustee
Masterconsult Sdn Bhd	Company controlled by a Director of the Company

During the financial year, the Group and the Company undertook various transactions with its subsidiary companies, associated companies and other companies deemed related parties as disclosed above.

Significant related party transactions

The significant related party transactions during the financial year are as follows:

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Transactions with subsidiary companies:				
Interest income from advances to subsidiary companies	-	-	6,984	7,929
Gross dividend income from subsidiary companies	-	-	48,900	82,500
Management fee income from subsidiary companies	-	-	2,868	2,680
*Rental expense payable to a subsidiary company	-	-	(474)	(449)
*Rental income receivable from related parties:				
Trace Management Services Sdn Bhd	87	70	-	-
Melewar Group Berhad	72	33	-	-
Melewar Equities Sdn Bhd	35	84	-	-
Sistem Sewa Kereta Malaysia Sdn Bhd	-	120	-	-
Melewar Apex Sdn Bhd	45	175	-	-
Melewar Integrated Engineering Sdn Bhd	261	116	-	-
Mithril Berhad	158	170	-	-
The Budimas Charitable Foundation	62	52	-	-
MAA-Medicare Kidney Charity Fund	78	78	-	-
Melewar Industrial Group Berhad	195	-	-	-
*Other transactions with related parties:				
Rental expense payable to Central Market Development Sdn Bhd	(61)	(61)	-	-
Purchase of air tickets and travel packages from Mitra Malaysia Sdn Bhd	(3,374)	(3,739)	(169)	(87)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(242)	(333)	(187)	(258)
Rental expenses payable to Mithril Berhad	(6,800)	(6,800)	-	-
Consultancy advisory fee receivable from Melewar Industrial Group Berhad	18	95	-	-
*Interest income receivable from related parties:				
Tajo Berhad	-	2,064	-	-
Mithril Saferay Sdn Bhd	10	-	-	-
Mithril Marketing Sdn Bhd	1,200	-	-	-
Mithril Berhad	4	-	-	-
Transactions with associated companies:				
Management fee income	-	-	350	480
System support and maintenance fee income	6	73	-	-
*Security services fee receivable from related parties:				
Mycron Steel Berhad	124	124	-	-
Melewar Industrial Group Berhad	135	127	-	-

*Related party transactions on terms and conditions equivalent to those in arm's length transactions with unrelated parties.

42 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Related party receivables/payables

The balances with related companies at the financial year end are disclosed in note 8 and 15 to the financial statements. Other significant balances with other related parties at the financial year end are as below:

Investments in related parties', i.e Melewar Industrial Group Berhad and Mycron Steel Berhad, quoted shares (included in note 7 to the financial statements):

	General and Shareholders' funds		Life fund	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
At carrying value:				
- Quoted equity securities	2,466	1,015	17,392	23,627
- Quoted corporate debts securities	9,281	8,679	25,945	24,875
At end of financial year	11,747	9,694	43,337	48,502

In addition, directors and key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group and the Company's directors and key management personnel as well as fees paid to directors were as follows:

	GROUP		COMPANY	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Salaries and other short-term employee benefits	10,363	9,564	3,521	3,106
Defined contribution retirement benefits	2,171	2,304	1,109	869
	12,534	11,868	4,630	3,975

The financial year end balances with key management personnel were as follows:

	GROUP		COMPANY	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Amount receivable from mortgage loans	2,093	2,418	355	391
Amount payable to a director	145	145	-	-

The amount receivable from mortgage loans are secured against the properties pledged with fixed repayment terms and bearing interest at the rates ranging from 5% to 8.5% per annum (2005: 5% to 8.5% per annum).

The amount payable to a director is unsecured, interest free and with no fixed terms of repayment.

43 PRIOR YEAR ADJUSTMENTS

During the financial year, the Group and Company have accounted for certain changes in accounting policies and other accounting matters retrospectively as set out below:

(a) Property, plant & equipment

During the current financial year, the Group has restated as prior year adjustment, balances relating to investment properties and property, plant and equipment. The Group had reassessed their judgment over the definition and identification of investment properties. This assessment resulted in the Group reclassifying RM74,775,000 and RM232,353,000 from investment properties to property, plant and equipment for the general insurance and shareholders' funds and life insurance fund respectively. Following the reclassification, the Group adopted the revaluation model on land and buildings classified as property, plant and equipment and recognise an annual depreciation charge to the income statement and/or revenue accounts.

These changes are applied retrospectively and consequently, the financial statements for the financial year ended 31 December 2005 have been restated to incorporate these changes.

The effects of these changes on the prior financial year's financial statements may be found in notes 4 and 6 to the financial statements.

(b) Investment Property

During the financial year, the Group effected as a prior year adjustment of RM52,900,000 (net of tax) in respect of an overstatement of fair value of an investment property held in the life insurance fund by restating the fair value of investment properties as at 1 January 2005 with a corresponding restatement to the life policy holders' fund as at 1 January 2005.

The prior year adjustment arose from an error to adjust the fair value of the investment property to the buy-back consideration pursuant to a put option granted in the sale and purchase agreement.

The above changes have no impact to the Company's stand-alone financial statements. The effects of the above changes in accounting policies on the Group's financial statements are summarised as follows:

	Note	As previously reported RM'000	Effects of changes in accounting policies/ prior year adjustments RM'000	As restated RM'000
GROUP				
GENERAL AND SHAREHOLDERS' FUND				
At 1 January 2005				
Property, plant and equipment	(a)	23,152	74,775	97,927
Investment properties	(a)	130,436	(74,775)	55,661
			-	
For the financial year ended 31 December 2005				
Profit for the financial year	(a)	44,170	(1,321)	42,849
Comprising the following adjustments:				
- Taxation	(a)	1,202	514	1,716
- Surplus transferred from:				
General insurance	(a)	12,143	(1,204)	10,939
Life insurance	(a)	20,857	(631)	20,226
			(1,321)	
Earnings per share (sen)	(a)	14.5	(0.5)	14.0

43 PRIOR YEAR ADJUSTMENTS (continued)

	Note	As previously reported RM'000	Effects of changes in accounting policies/ prior year adjustments RM'000	As restated RM'000
GROUP				
GENERAL AND SHAREHOLDERS' FUND (continued)				
At 31 December 2005				
Retained earnings	(a)	(226,836)	1,321	(225,515)
Revaluation reserve	(a)	-	(867)	(867)
			454	
Comprising the following adjustments:				
- Property, plant and equipment	(a)	22,785	74,775	97,560
- Investment properties	(a)	130,183	(74,775)	55,408
- Loans and receivables		355,013	(632)	354,381
- Tax recoverable	(a)	18,784	178	18,962
			(454)	
LIFE INSURANCE FUND				
At 1 January 2005				
Property, plant and equipment	(a)	37,103	232,353	269,456
Investment properties	(a), (b)	944,560	(289,853)	654,707
Life policyholders' funds	(b)	(673,707)	52,900	(620,807)
Deferred tax	(a), (b)	1,607	4,600	6,207
			-	
At 31 December 2005				
Life policyholders' funds	(a)	(4,930,032)	55,957	(4,874,075)
Revaluation reserve	(a)	-	(4,598)	(4,598)
			51,359	
Comprising the following adjustments:				
- Property, plant and equipment	(a)	32,105	232,088	264,193
- Investment properties	(a)	961,493	(288,599)	672,894
- Deferred tax assets	(a)	9,173	4,521	13,694
- Trade and other payables	(a)	(90,538)	631	(89,907)
			(51,359)	

44 SEGMENTAL INFORMATION

(a) Business segments

The Group operates in three main business segments:

- Life insurance - underwriting life insurance business, including investment-linked business
- General insurance - underwriting all classes of general insurance business
- Unit trust fund management - management of unit trust funds

Other operations of the Group mainly comprise investment holding, hire purchase, leasing and other credit activities, unit trust, property management and investment advising, security and consultancy services, none of which are of a significant size to be reported separately.

Intersegment sales comprise property management, fund management, security and consultancy services provided to the insurance business segments on an arms-length basis.

	Life Insurance				Shareholders'		
	Investment -linked fund RM'000	Non-investment -linked fund RM'000	General insurance fund RM'000	Unit trust fund management RM'000	fund and other operations RM'000	Eliminations RM'000	Group RM'000
2006							
Operating revenue							
External revenue	237,658	1,506,506	476,557	22,865	40,299	-	2,283,885
Inter-segment sales	-	2,967	125	-	18,670	(21,762)	-
Total operating revenue	237,658	1,509,473	476,682	22,865	58,969	(21,762)	2,283,885
Results							
Segment results	54,366	8,180	(1,520)	2,792	(11,855)	2,896	54,859
Transfer to life reserve	-	(37,524)	-	-	-	-	(37,524)
Profit/(loss) from operations	54,366	(29,344)	(1,520)	2,792	(11,855)	2,896	17,335
Finance costs							(11,372)
Share of loss of associated companies							(2,853)
Taxation							(4,772)
Loss for the financial year							(1,662)
Other information							
Segment assets	541,995	5,471,880	724,986	27,656	340,855	6,515	7,113,887
Investments in associated companies							53,339
Total assets							7,167,226
Segment liabilities/total liabilities	23,530	6,013,590	595,411	7,088	156,898	-	6,796,517
Capital expenditure	-	7,288	1,733	534	6,372	-	15,927
Depreciation of property, plant and equipment	-	14,240	4,112	277	1,726	-	20,355

44 SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

	Life Insurance Investment -linked fund RM'000	Life Insurance Non-investment -linked fund RM'000	General insurance fund RM'000	Unit trust fund management RM'000	Shareholders' fund and other operations RM'000	Eliminations RM'000	Group RM'000
2005							
Operating revenue							
External revenue	154,625	1,510,094	483,233	20,174	37,294	-	2,205,420
Inter-segment sales	-	2,822	143	-	16,083	(19,048)	-
Total operating revenue	154,625	1,512,916	483,376	20,174	53,377	(19,048)	2,205,420
Results							
Segment results	(21,586)	(62,652)	3,563	653	33,179	1,432	(45,411)
Transfer from life reserve	-	97,334	-	-	-	-	97,334
Profit/(loss) from operations	(21,586)	34,682	3,563	653	33,179	1,432	51,923
Finance costs							(9,859)
Share of loss of associated companies							(931)
Taxation							1,716
Profit for the financial year							42,849
Other information							
Segment assets	332,823	5,092,856	689,212	26,402	376,983	18,198	6,536,474
Investments in associated companies							14,029
Total assets							6,550,503
Segment liabilities/total liabilities	10,007	5,424,796	553,427	6,537	162,595	-	6,157,362
Capital expenditure	-	3,971	3,303	658	4,271	-	12,203
Depreciation of property, plant and equipment	-	12,100	5,391	425	2,162	-	20,078

(b) Geographical segments

The Group operates mainly in Malaysia, Indonesia and Philippines. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets.

	Operating revenue 2006 RM'000	Operating revenue 2005 RM'000	Total assets 2006 RM'000	Total assets 2005 RM'000	Capital expenditure 2006 RM'000	Capital expenditure 2005 RM'000
Malaysia	2,203,860	2,146,181	7,095,221	6,497,943	15,626	11,875
Indonesia	79,569	58,955	63,189	44,087	285	320
Philippines	456	284	8,816	8,473	16	8
	2,283,885	2,205,420	7,167,226	6,550,503	15,927	12,203

45 MANAGEMENT OF FINANCIAL RISK

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including underwriting risk, credit risk, settlement risk, market risk, equity price risk, liquidity risk, foreign currency exchange risk and operational risk.

The Group carried out its financial risk management through internal control systems, standard operating procedures, investment strategies and adherence to all rules and regulations as stipulated by the Guidelines for Investments issued by Bank Negara Malaysia, Labuan Offshore Financial Services Authority and the Ministry of Finance, Indonesia, for its local and overseas insurance subsidiary companies.

The Board regularly reviews these risks and approves policies for managing each of these risks.

Underwriting risk

For the Group's insurance subsidiary companies, underwriting risk represents the inherent risk in insurance of incurring higher claims costs than expected. This is due to the random nature of claims, changes in legal or economic conditions or behavioural patterns affecting the frequency and severity of claims.

The Group seeks to manage underwriting risks through the following means:

- Maintaining a measure of conservatism with respect to the adequacy of insurance premium rate levels and provisions with respect to insurance liabilities;
- Writing a balanced mix and spread of business, geographically and between classes of business;
- Observing underwriting guidelines, which cover exclusions, loadings and cover limits;
- Transferring risk through a program of reinsurance that seeks to limit the exposure to any one risk or life as well as protect the overall retained portfolio from a general deterioration in claims as well as catastrophic events.

Credit risk

Credit risk is the risk of loss from the default by a debtor or counter party. Credit risks arise in the Group's lending and investment activities.

In lending and investment activities, the Group undertakes credit analysis whereby the credit standing of borrowers, structure of loans and the general risk entered into are assessed and evaluated.

Minimum credit quality applies to investments carried out by the Group in private debt securities with a minimum rating of BBB-/BBB3 (at date of investment) accorded by reputable rating agencies. The Group however intends to maintain a minimum A/A2 portfolio average under current returns objectives. The Group does not solely depend on the ratings provided but as in all credit applications, reviews the credit based on publicly available information together with in-house analysis based on information provided by the borrowers/issuers, peer group comparisons, industry comparisons and other quantitative tools.

Debtor recoverability and risk concentration monitoring, including on-going monitoring of the financial standing of these debtors or counter parties, are part of credit risk management of the Group to ensure that the Group is exposed to minimal credit risk. For the Group's insurance subsidiary companies, allowance for doubtful debts is made on those loans (or part of remaining amounts) where the level of required security has been impaired.

45 MANAGEMENT OF FINANCIAL RISK (continued)

Credit risk (continued)

The Group's credit risk exposure in the insurance subsidiary companies is analysed as follows:

	2006			2005		
	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000
Carrying amount						
Analysed by rating						
Government Guaranteed	-	59,765	-	-	26,619	-
AAA	-	155,120	-	-	157,738	-
AA	-	401,955	-	-	372,830	-
A	-	564,740	-	-	675,592	-
BBB	35,226	178,562	-	32,728	137,420	-
BB of lower	-	32,000	-	-	31,909	-
Non-investment grade	691	9,642	1,114,543	3,367	6,572	942,969
	35,917	1,401,784	1,114,543	36,095	1,408,680	942,969

The rating categories are based on the gradings of reputable rating agencies.

	2006			2005		
	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000
Carrying amount						
Analysed by industry						
Agriculture, forestry, fisheries	-	138,644	39,942	-	159,468	102
Construction	-	126,589	-	-	20,291	-
Finance	-	191,575	171,065	-	222,304	156,551
Industrial/Manufacturing	35,917	147,613	-	36,095	131,011	-
Infrastructure	-	327,961	-	-	283,271	-
Power	-	215,048	-	-	232,030	-
Property	-	114,357	512,474	-	184,968	469,643
Trading/Services	-	139,997	57,409	-	175,337	57,125
Others	-	-	333,653	-	-	259,548
	35,917	1,401,784	1,114,543	36,095	1,408,680	942,969

The Group's insurance subsidiary company encountered occurrence of rating default events for three unquoted corporate debt securities. The renegotiated terms in one of the securities have been approved by the Securities Commission and are pending the formal restructure of the parent company. The other two securities have been called an event of default in 2005 and 2006 respectively. In one case, the Bondholders have progressed into a full litigation suit against its issuer and others for alleged breach of contract and/or negligence while bondholders of the other default securities were prevented from initiating the necessary legal action under a restraining order which will expire in July 2007. The repayment capability of the first restructured security hinges on the group restructure exercise that the issuer is undergoing while the latter cases will rely on the recovery or claim from the outcome of the civil suits.

Settlement risk

Settlement risk arises when there is an exchange of value for the same or different value dates and is not verified or expected until the Group has paid or delivered its obligation to the trade. All transactions currently entered into are mainly with approved counter parties for settlement methods i.e. RENTAS System Intraday Credit Facility that minimises the risks.

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk

Market risk is the risk of loss due to adverse changes or volatility of prices in financial markets on the Group's investments.

Interest rate risk is the market risk due to movements in interest rates and may affect valuation and reinvestment issues to the Group. The Investment Committee actively monitors such developments as well as discusses changes in maturity profiles of assets and liabilities to minimise overall mismatch.

Interest rate exposure also arises from the Group's borrowings. The Group finances its operations through a mixture of retained profits and bank borrowings. Borrowings are managed through the use of fixed and floating rate debts.

The following table provides information about financial assets and financial liabilities, showing the weighted average effective interest rate and the contractual maturing date for each class of interest-bearing financial instrument in the balance sheet.

	GROUP					
		Interest-bearing/contractual maturity date				
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2006						
Financial assets						
Financial assets at fair value through profit or loss:						
MGS/ treasury bills/BNM papers	-	-	86,119	-	86,119	3.88
Cagamas papers	-	-	10,153	-	10,153	3.56
Equity securities						
- quoted	857,689	-	-	-	857,689	
- unquoted	3,788	-	-	-	3,788	
Corporate debt securities						
- quoted	691	-	12,131	23,095	35,917	7.04
- unquoted	-	37,468	86,292	11,892	135,652	6.64
Unit trusts and investment-linked units						
- quoted	23,402	-	-	-	23,402	
- unquoted	44,076	-	-	-	44,076	
	929,646	37,468	194,695	34,987	1,196,796	
Financial assets at available-for-sale:						
MGS/treasury bills/BNM papers	-	30,682	793,336	-	824,018	3.88
Cagamas papers	-	59,993	-	-	59,993	3.66
Corporate debt securities						
- Unquoted	507	197,864	590,162	49,642	838,175	6.64
	507	288,539	1,383,498	49,642	1,722,186	
Financial assets at held to maturity:						
MGS/treasury bills/BNM papers	-	45,863	61,441	-	107,304	3.88
Corporate debt securities						
- unquoted	-	40,902	37,541	349,514	427,957	6.64
	-	86,765	98,982	349,514	535,261	
Loans:						
Policy loans	-	273,658	-	-	273,658	7.57
Mortgage loans	-	423,566	88,222	11,159	522,947	10.56
Other secured loans	-	286,252	31,362	107	317,721	11.09
Unsecured loans	-	162	55	-	217	4.36
	-	983,638	119,639	11,266	1,114,543	

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

						GROUP
		Interest-bearing/contractual maturity date				
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2006 (continued)						
Financial assets (continued)						
Other receivables:						
Income due and accrued	45,285	-	-	-	45,285	
Lease, hire-purchase and other loan receivables	-	135,939	48,198	4,299	188,436	6.14
Others	150,841	-	-	-	150,841	
	196,126	135,939	48,198	4,299	384,562	
Fixed and call deposits	-	678,966	65,356	-	744,322	3.33
Cash and bank balances					86,283	
Other financial assets					113,834	
Total financial assets					5,897,787	
Other assets:						
Property, plant and equipment					378,847	
Investment properties					734,937	
Intangible assets					11,524	
Associated companies					53,339	
Tax recoverable					53,267	
Deferred tax assets					17,226	
Other receivables					20,299	
Total assets					7,167,226	
Financial liabilities						
Bonds - unsecured	-	30,000	-	-	30,000	7.96
Term loans	-	39,935	30,000	-	69,935	7.50
Bank overdrafts - unsecured	-	26,002	-	-	26,002	8.20
Other payables	1,103,011	391	1,360	-	1,104,762	
	1,103,011	96,328	31,360	-	1,230,699	
Other financial liabilities					5,537,485	
Total financial liabilities					6,768,184	
Other liabilities:						
Current tax liabilities					19,028	
Deferred tax liabilities					9,305	
Total liabilities					6,796,517	

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefits, insurance contracts and leases are not shown as they are excluded from the scope of FRS Standard 132 - Financial Instruments: Disclosure and Presentation.

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

	Non-interest bearing RM'000	Interest-bearing/contractual maturity date Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
						GROUP
2005						
Financial assets						
Financial assets at fair value through profit or loss :						
Equity securities						
- quoted	800,073	-	-	-	800,073	
- unquoted	3,370	-	-	-	3,370	
Corporate debt securities						
- quoted	3,367	-	11,006	21,722	36,095	7.02
- unquoted	-	5,304	163,793	23,903	193,000	6.59
Unit trusts and investment-linked units						
- quoted	13,505	-	-	-	13,505	
- unquoted	143,054	-	-	-	143,054	
	963,369	5,304	174,799	45,625	1,189,097	
Financial assets at available-for-sale:						
Equity securities						
- unquoted	502	-	-	-	502	
MGS/treasury bills/BNM papers	-	180,343	173,454	-	353,797	3.25
Cagamas papers	-	120,200	60,074	-	180,274	3.55
Corporate debt securities						
- Unquoted	-	158,450	636,472	63,310	858,232	6.59
	502	458,993	870,000	63,310	1,392,805	
Financial assets at held to maturity:						
Corporate debt securities						
- unquoted	-	38,204	21,500	297,744	357,448	6.59
Loans:						
Policy loans	-	244,123	-	-	244,123	7.57
Mortgage loans	-	236,717	123,598	24,581	384,896	10.53
Other secured loans	-	276,259	37,365	56	313,680	11.04
Unsecured loans	-	202	68	-	270	4.24
	-	757,301	161,031	24,637	942,969	
Other receivables:						
Income due and accrued	40,826	-	-	-	40,826	
Lease, hire-purchase and other loan receivables	-	170,353	11,488	6,635	188,476	5.65
Others	169,301	-	-	-	169,301	
	210,127	170,353	11,488	6,635	398,603	
Fixed and call deposits	-	842,745	-	65,431	908,176	3.03

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

						GROUP
		Interest-bearing/contractual maturity date				
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2005 (continued)						
Financial assets (continued)						
Cash and bank balances					62,500	
Other financial assets					128,014	
Total financial assets					5,379,612	
Other assets:						
Property, plant and equipment					361,753	
Investment properties					728,302	
Intangible assets					6,189	
Associated companies					14,029	
Tax recoverable					30,979	
Deferred tax assets					23,445	
Other receivables					6,194	
Total assets					6,550,503	
Financial liabilities						
Bonds - unsecured	-	30,000	30,000	-	60,000	7.90
Term loans	-	37,155	30,000	-	67,155	7.50
Bank overdrafts - unsecured	-	14,293	-	-	14,293	7.02
Other payables	160,421	18	62	-	160,501	
	160,421	81,466	60,062	-	301,949	
Other financial liabilities					5,830,738	
Total financial liabilities					6,132,687	
Other liabilities:						
Current tax liabilities					10,107	
Deferred tax liabilities					9,069	
Other payables					5,499	
Total liabilities					6,157,362	

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefits, insurance contracts and leases are not shown as they are excluded from the scope of FRS Standard 132 - Financial Instruments: Disclosure and Presentation.

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

						COMPANY
		Interest-bearing/contractual maturity date				
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2006						
Financial assets						
Financial assets at fair value through profit or loss:						
Quoted equity securities of corporations	11,610	-	-	-	11,610	
Loans:						
Mortgage loans	-	67	417	151	635	6.04
Unsecured loans	-	13	-	-	13	5.00
	-	80	417	151	648	
Other receivables:						
Amounts due from subsidiary companies	65,828	64,863	-	-	130,691	6.79
Income due and accrued	1	-	-	-	1	
	65,829	64,863			130,692	
Fixed and call deposits	-	1,230	-	-	1,230	2.84
Cash and bank balances					972	
Total financial assets					145,152	
Other assets:						
Property, plant and equipment					2,825	
Investment in subsidiary and associated companies					260,669	
Tax recoverable					4,255	
Deferred tax assets					6,847	
Others receivables					5,506	
Total assets					425,254	
Financial liabilities						
Bonds – unsecured	-	30,000	-	-	30,000	7.96
Term loans - unsecured	-	-	30,000	-	30,000	7.50
Bank overdraft - unsecured	-	17,382	-	-	17,382	8.20
	-	47,382	30,000	-	77,382	
Other liabilities:						
Others payables					2,076	
Total liabilities					79,458	

45 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

						COMPANY
		Interest-bearing/contractual maturity date				
	Non-interest bearing RM'000	**Up to 1 year RM'000**	**1 to 5 years RM'000**	**More than 5 years RM'000**	**Total carrying amount RM'000**	**Weighted average effective interest rate %**
2005						
Financial assets						
Financial assets at fair value through profit or loss:						
Quoted equity securities of corporations	10,879	-	-	-	10,879	
Loans:						
Mortgage loans	-	63	368	319	750	5.67
Unsecured loans	-	1	-	-	1	6.50
	-	64	368	319	751	
Other receivables:						
Amounts due from subsidiary companies	37,469	107,345	-	-	144,814	7.41
Fixed and call deposits	-	2,385	-	-	2,385	2.35
Cash and bank balances					542	
Total financial assets					159,371	
Other assets:						
Property, plant and equipment					2,029	
Investment in subsidiary and associated companies					283,420	
Tax recoverable					1,792	
Deferred tax assets					690	
Others receivables					1,282	
Total assets					448,584	
Financial liabilities						
Bonds – unsecured	-	30,000	30,000	-	60,000	7.90
Term loans - unsecured	-	-	30,000	-	30,000	7.50
Bank overdraft - unsecured	-	12,579	-	-	12,579	7.02
	-	42,579	60,000	-	102,579	
Other liabilities:						
Others payables					458	
Total liabilities					103,037	

45 MANAGEMENT OF FINANCIAL RISK (continued)

Equity price risk

The equity investment portfolio of the Group is exposed to movements in equity markets. The Group monitors its equity price risk through regular stress testing. The Group uses historical stock betas, index levels and equity prices, and estimates the volatility and correlation of each of these share prices and index levels to calculate the gain or loss that could occur over a defined period of time, given a certain index level.

The Group uses derivative financial instruments (index futures contracts) as a means of hedging against the impact of market movements on the value of assets in the portfolio so as to reduce and eliminate risks. The Group's policy is to trade in derivatives only to hedge existing financial market risk and not for the purpose of speculation.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled through the setting of exposure limits, which are subject to detailed monitoring and review.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. To ensure and avoid such occurrences, an adequate cushion in the form of cash and very liquid investments are always maintained. The Group also ensures the availability of funding through an adequate amount of committed credit facilities. The Group monitors on a weekly basis all known obligations outstanding together with unplanned obligation reserve (as projected by the actuary) for the insurance subsidiary companies, to monitor mismatches in the investment portfolio.

Foreign currency risk

The Group has overseas subsidiary and associated companies that operate in Indonesia, British Virgin Islands, Philippines and Thailand whose revenue and expenses are denominated exclusively in Indonesian Rupiah, United States Dollar, Peso and Thai Baht respectively. It also has subsidiary companies that operate in Labuan whose revenue and expenses are denominated mainly in United States Dollar. In order to protect the Group's exposure to the movements in the Ringgit Malaysia/Indonesian Rupiah, Ringgit Malaysia/Peso and Ringgit Malaysia/Thai Baht exchange rates, the Group finances its net investments in the subsidiary and associated companies in Indonesia, Philippines and Thailand by means of United States Dollar denominated funds.

The Group also has transactional currency exposures entered into by subsidiary companies, mainly in United States Dollar.

Operational risk

Operational risk includes risks that arise from internal processes of an organisation. These may result from inadequacies or failures in processes, controls or project due to fraud, unauthorised activities, error, omission, inefficiency, system failure or from external event. Operational risk is less direct than credit and market risks, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes. In order to reduce or mitigate these risks, the Group has comprehensive operating policies and procedures manuals which have been approved by the Board of Directors. Furthermore, the Group has established a Compliance Department (which included a Risk Management Unit) and Internal Audit Department to review and check the current procedures adhere to all rules and regulations and the procedures manuals.

Fair values

The carrying amounts of the financial assets and liabilities of the Group and the Company as at the balance sheet date approximate their fair values, except as set out below:

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Amounts due from subsidiary companies	-	-	130,691	144,814
Amounts due from related companies	6,136	6,955	-	-

It is not practicable to determine the fair values of amounts due from subsidiary and related companies because these balances have no fixed terms of repayment and are repayable on demand.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) The Company announced on 29 September 2004 the corporate proposal on renounceable rights issue of up to 152,177,000 New Irredeemable Preference Shares of RM1each ("IPS") ("Rights IPS") together with up to 152,177,000 free detachable Ordinary Shares of RM1 each ("Ordinary Shares") ("Bonus Shares") and up to 152,177,000 free detachable Warrants ("Warrants") on the basis of one (1) Rights IPS with one (1) free detachable Bonus Share and one (1) free detachable Warrant for every one (1) existing Ordinary Share held in the Company at an entitlement date to be determined later ("Rights Issue of IPS"). The Rights Issue of IPS was approved by the shareholders of the Company at the Extraordinary General Meeting held on 22 February 2005.

Given the uncertain sentiments in the Malaysian equity market prevailing then, the Company with the approval of the Securities Commission ("SC") had extended the completion of the proposed Rights Issue of IPS twice, firstly from 3 June 2005 to 31 December 2005 and subsequently from 1 January 2006 to 30 June 2006.

On 3 May 2006, the Company announced that after taking into consideration the then market sentiments and the market performance of the ordinary shares of the Company, it has decided to abort the proposed Rights Issue of IPS.

Notwithstanding the abortion of the proposed Rights Issue of IPS, the Board of Directors of the Company on 3 May 2006 announced that the Company will proceed with the Proposed Bonus Issue of up to 152,177,000 new ordinary shares of RM1 each as fully paid on the basis of one (1) Bonus Share for every one (1) existing ordinary share held to the registered shareholders of the Company at the close of business on an entitlement date to be determined and announced later ("Proposed Bonus Issue").

The Proposed Bonus Issue will be issued via capitalization of up to RM152,177,000 from the following:

(i) up to RM11,744,000 from share premium account of the Company; and

(ii) up to RM140,433,000 from retained earnings of the Company.

The Proposed Bonus Issue was approved by the shareholders of the Company at the Annual General Meeting held on 21 June 2006.

The Company had on 19 July 2006 submitted an Application for listing of additional ordinary shares to be issued pursuant to the Proposed Bonus Issue to Bursa Malaysia Securities Berhad ("Bursa Securities"). The approval was obtained on 1 August 2006 from Bursa Securities.

152,177,000 new ordinary shares of RM1 each were subsequently allotted on 8 September 2006 pursuant to the Proposed Bonus Issue.

(b) On 2 May 2006, a new subsidiary company namely MAA Takaful Berhad ("MAA Takaful") was incorporated with an authorised share capital of RM150,000,000 comprising 150,000,000 ordinary shares of RM1 each of which RM2 have been issued and fully paid-up.

MAA Takaful was incorporated pursuant to the approval of Bank Negara Malaysia ("BNM") to carry on Takaful business in Malaysia with joint venture partner, Solidarity Company BSC (C) ("Solidarity").The equity participation of the Company and Solidarity in MAA Takaful is 75% and 25% respectively.

The Company has subsequently on 21 September 2006 entered into a Subscription Agreement with Solidarity in respect of the subscription of 100,000,000 shares of RM1 each ("Initial Shares") in MAA Takaful by both parties within thirty (30) days from the date of the Subscription Agreement or such other extended date as the parties may mutually agree.

The parties have also entered into a Shareholders' Agreement to regularise their relationship as shareholders of MAA Takaful and the conduct of the affairs of MAA Takaful. The Shareholders' Agreement will take effect on the date the parties subscribe to their respective shares in MAA Takaful.

MAA Takaful has on 16 November 2006 submitted an application to the SC for the increase in its paid up capital. The approval was obtained from the SC on 15 January 2007.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(c) On 4 August 2006, the Company announced the Proposed Issuance of Commercial Papers ("CP") and/or Medium Term Notes ("MTN") Programme of up to RM200 million ("Proposed Programme").

The Proposed Programme will comprise the issuance of CP with tenors ranging from one (1) month to twelve (12) months and/or MTN with tenors of more than one (1) year but not exceeding seven (7) years. The proceeds from the Proposed Programme will be used in relation to financing the Company's investment in Takaful business, to repay certain existing bank borrowings of the Company and its subsidiary companies, to finance redemption of its existing RM120 million Serial Fixed Rate Bonds maturing on 21 August 2007, to pre-fund the debt service reserve account to be established for the purposes of the Proposed Programme and to finance working capital of the Company.

The approval for Proposed Programme was obtained on 28 August 2006 from Securities Commission ("SC").

On 5 December 2006, the Company submitted an application to the SC for the following variations to the principal terms and conditions of the Proposed Programme:

(i) to secure the issuance under the Proposed Programme by a bank gurantee facility from DBS Bank Lt, Labuan Branch ("DBS Bank") up to the maximum aggregate principal amount of the United States Dollars equivalent to RM200 million; and

(ii) to vary the utilisation of proceeds of the Proposed Programme, where among others the Company's investment in Takaful business will be financed from internally generated fund

The SC has via its letter dated 22 December 2006 approved the above stated variations.

On 8 January 2007, the Company successfully issued RM200 million nominal amount of Medium Terms Notes up to a tenure of 5 years.

(d) On 22 September 2006, Columbus Capital Singapore Pte Ltd ("CCS"), a new wholly-owned subsidiary company of MAA International Investment Ltd, which in turn is a wholly-owned subsidiary of the Company, entered into a conditional subscription agreement with Columbus Capital Pty Limited ("CCPL") to subscribe up to 20.0 million Series A Preference Shares at an issue price of AUD1.00 each, representing up to 50% equity interest in CCPL for a total cash consideration of AUD20.0 million or RM57.0 million.

CCPL was incorporated in Australia under the Corporation Act 2001 on 4 May 2006.

CCS subscribed 15.0 million Series A Preference Shares in CCPL on 6 October 2006, representing 42.86% equity interest in CCPL.

(e) MAA International Assurance Ltd ("MAAIA"), a wholly-owned subsidiary company of MAA Corporation Sdn Bhd together with its subsidiary company, Tuang Thai Co. Ltd had on 14 September 2006 entered into a Share Sale and Purchase Agreement with Mr. Krisana Kritmanorote for the disposal of a total 4,799,800 ordinary shares of Thai Baht 10.00 each, representing the 42.15% equity interest in MAAKK Wealth Management Co. Ltd ("MAAKK"), an associated company, for a total cash consideration of Thai Baht 47,998 (equivalent to approximately RM4,713) and the agreed repayment of Thai Baht 39,000,000 (equivalent to approximately RM3,829,800) of the amount owing by MAAKK to MAAIA. The disposal was completed on 17 October 2006.