

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

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, family takaful and all classes of general takaful 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.

## FINANCIAL RESULTS

	<u>GROUP</u>	<u>COMPANY</u>
	<u>RM'000</u>	<u>RM'000</u>
Profit/(loss) for the financial year	30,017	(23,045)

## DIVIDENDS

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

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

## DIRECTORS

The Directors who have held office during the period since the date of the last report are:-

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah  
Muhamad Umar Swift  
Yeo Took Keat  
Major General Datuk Lai Chung Wah (Rtd)  
Dato' Sri Iskandar Michael bin Abdullah  
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)  
Datuk Razman Md Hashim bin Che Din Md Hashim  
Tan Sri Ahmad bin Mohd Don  
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah  
Dr Zaha Rina Zahari

In accordance with Section 129(6) of the Companies Act, 1965, Major General Datuk Lai Chung Wah (Rtd) and Datuk Razman Md Hashim bin Che Din Md Hashim retire and being eligible, offer themselves for re-election.

In accordance with Article 73 of the Company's Articles of Association, Dato' Sri Iskandar Michael bin Abdullah, General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) and Dr Zaha Rina Zahari retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

# DIRECTORS' REPORT

(continued)

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:-

Company	Number of ordinary shares of RM1 each			
	At 1.1.2010	Acquired	Disposed	At 31.12.2010
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
- Direct	1,237,500	-	1,237,500	-
- Indirect *	104,539,584	1,237,500	-	105,777,084
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
- Indirect *	104,539,584	1,237,500	-	105,777,084
Tan Sri Ahmad bin Mohd Don	2,055,000	-	-	2,055,000
Datuk Razman Md Hashim bin Che Din Md Hashim	150,000	-	-	150,000
Yeo Took Keat	80,000	-	-	80,000

\* Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965, held through Melewar Equities Sdn Bhd, Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd, companies in which the above mentioned Directors have a direct/indirect interest.

By virtue of the above mentioned Directors' interests in the shares of the Company, they are also deemed to have a substantial interest in the shares of the subsidiary companies of the Company to the extent the Company has an interest.

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

## DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than Directors' remuneration, fees paid to a company in which certain Directors have an interest and benefits provided to Directors as disclosed in Note 36 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements were made out, the Directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render the amounts written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

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

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

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

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

In the opinion of the Directors:-

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made, other than as disclosed below and in Note 2(a) and Note 55 in to the financial statements.

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## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END

- (a) On 6 January 2010, the Company announced that Bank Negara Malaysia ("BNM") had via its letter dated 5 January 2010 granted approval for the proposed disposal of the General Insurance Business of Malaysian Assurance Alliance Berhad ("MAA"), a wholly owned subsidiary company, to AMG Insurance Berhad ("AMG") at the revised indicative headline price of RM180 million (subject to adjustments) pursuant to Section 130 of the Insurance Act, 1996. On 12 February 2010, the Company further announced that the Securities Commission ("SC") had approved the Proposed Disposal via its letter dated 10 February 2010.

On 30 July 2010, the Company announced that the SC has via its letter dated 27 July 2010, granted the Company an extension of time of eight (8) months from 20 July 2010 till 19 March 2011 to complete the Proposed Disposal.

On 16 December 2010, the Company announced that both parties had mutually agreed to discontinue discussion on the Proposed Disposal.

- (b) The Board of Directors of the Company announced on 29 April 2010 that MAA had received approval from BNM vide its letter dated 11 March 2010 for MAA to undertake the necessary measures to meet the minimum supervisory target level of capital adequacy ratio that is required to be maintained by all insurers under the Risk-Based Capital Framework ("the Capital Plan"), as further explained in Note 2(a) to the financial statements.

- (c) On 16 December 2010, the Company announced the entering into an agreement with Zurich Insurance Company Ltd ("Zurich") pursuant to which, the parties will evaluate and negotiate a possible transaction involving the acquisition of an interest in MAA.

On 10 February 2011, an application was submitted by MAA to BNM to seek extension of time of 12 months until March 2012 to complete the negotiation with Zurich to meet the Capital Plan.

On 11 April 2011, the Company announced that it had submitted an application to BNM to seek approval of the Minister of Finance pursuant to Section 67 of the Insurance Act 1996 to enter into an agreement with Zurich for the Proposed Disposal of MAA and certain subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd for the Company's entire equity interests held therein to Zurich.

On 28 April 2011, the Company announced that BNM has vide its letter dated 27 April 2011 granted an extension of time in relation to MAA's Capital Plan including the proposed disposal of MAA, until 31 July 2011.

## AUDITORS

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

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

**MUHAMAD UMAR SWIFT**  
DIRECTOR

**YEO TOOK KEAT**  
DIRECTOR

Kuala Lumpur  
29 April 2011