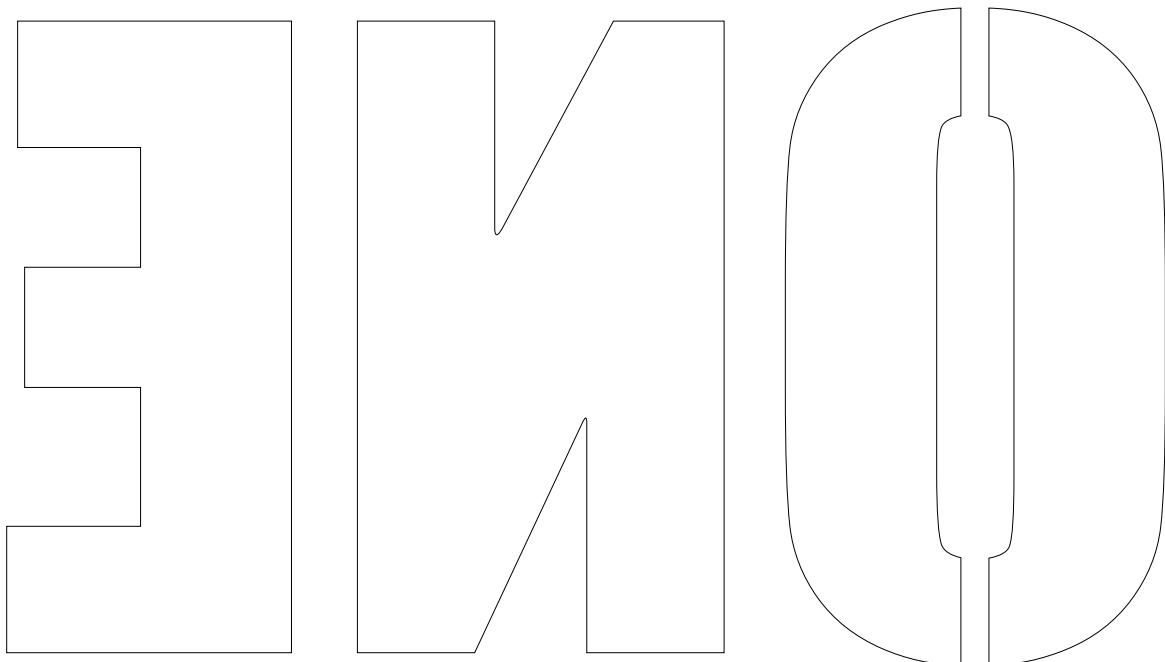




Allianz Malaysia Berhad (12428-W)

2009 Annual Report

Allianz 



“One Allianz” means resolute customer orientation and operational excellence supported by best practice transfer. We are confident that through this approach we will make major strides again in 2010 towards our goal of becoming the most trusted global financial services provider.

At Allianz, we are further strengthening our operating approach to put customers at the heart of everything we do.

One team. One approach. One Allianz.



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 36th Annual General Meeting of Allianz Malaysia Berhad will be held at Junior Ballroom, Level 2, Hotel Nikko, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 24 June 2010 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2009 and the Directors' and Auditors' Reports thereon.	Resolution 1
2. To approve the payment of a first and final dividend of 2.00 sen per ordinary share less 25 percent tax for the financial year ended 31 December 2009.	Resolution 2
3. To approve the payment of Directors' fees of RM214,333 for the financial year ended 31 December 2009 (2008: RM219,000).	Resolution 3
4. To re-elect the following Directors:-	
(a) Directors who retire by rotation in accordance with Article 96 of the Articles of Association of the Company and being eligible, offer themselves for re-election:-	
(i) Mr. Foo San Kan	Resolution 4
(ii) Mr. Dung Tri Nguyen @ Don Tri Nguyen	Resolution 5
(b) Directors who retire by rotation in accordance with Article 102 of the Articles of Association of the Company and being eligible, offer themselves for re-election:-	
(i) Mr. Ong Eng Chow	Resolution 6
(ii) Encik Zakri bin Mohd Khr	Resolution 7
5. To re-appoint Y. Bhg. Tan Sri Razali Ismail as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act, 1965.	Resolution 8
6. To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration.	Resolution 9
7. Special Business	

To consider and if thought fit, pass the following ordinary resolution:-

Proposed Renewal of Shareholders' Mandate

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into the category of Recurrent Related Party Transactions of a revenue or trading nature which are necessary for its day-to-day operations with the Related Parties as specified in section 2.2 of the Circular dated 2 June 2010, provided that the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;

Notice of Annual General Meeting

AND THAT such authority shall take effect from the passing of this Ordinary Resolution and shall continue in force until:-

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by ordinary resolution passed at the said AGM, the authority is renewed; or
- (ii) the expiration of the period within which next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. To transact any other business for which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT the first and final dividend of 2.00 sen per ordinary share less 25 percent tax for the financial year ended 31 December 2009, if approved at the 36th Annual General Meeting, will be paid on 3 August 2010 to shareholders whose names appear in the Register of Members and/or the Record of Depositors at the close of business on 16 July 2010.

A Depositor shall qualify for entitlement to the first and final dividend only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 16 July 2010 in respect of transfers;
- (b) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 14 July 2010 in respect of shares exempted from mandatory deposit; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG SIEW GEK
Secretary

Kuala Lumpur
2 June 2010

Notice of Annual General Meeting

NOTES:-

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member who is an authorised nominee as defined under the Central Depository Act, may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy/proxies must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
5. The instrument of proxy shall be deposited at the Registered Office of the Company at Suite 3A-15, Level 15, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than forty-eight (48) hours before the appointed time for holding the Annual General Meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS**Resolution 10 – Proposed Renewal of Shareholders' Mandate**

This proposed resolution, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties.

Detailed information in relation to the Proposed Renewal of Shareholders' Mandate are set out in the Circular to Shareholders dated 2 June 2010, despatched together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF 36TH ANNUAL GENERAL MEETING**(A) Directors who are seeking re-election at the 36th Annual General Meeting**

- Mr. Foo San Kan
- Mr. Dung Tri Nguyen @ Don Tri Nguyen
- Mr. Ong Eng Chow
- Encik Zakri bin Mohd Khir

(B) Director who is seeking re-appointment pursuant to Section 129(6) of the Companies Act, 1965, at the 36th Annual General Meeting

- Y. Bhg. Tan Sri Razali Ismail

The details of the above Directors are set out in the Board of Directors' profiles on pages 14 to 29 of this Annual Report.

Corporate Information

Stock Exchange Listing : **Bursa Malaysia Securities Berhad**

Stock Name : **ALLIANZ**

Bursa Stock : **1163**

ISIN Code : **MYL116300004**

COMPANY SECRETARY

Ng Siew Gek

REGISTERED OFFICE

Suite 3A-15, Level 15, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 03-22641188/03-22640688
Fax : 03-22641186

HEAD OFFICE

Suite 3A-15, Level 15, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 03-22641188/22640688
Fax : 03-22641199

SHARE REGISTRARS

Tricor Investor Services Sdn Bhd
(formerly known as Tenaga
Koperat Sdn Bhd)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-22643883
Fax : 03-22821886

AUDITORS

KPMG

Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor
Tel : 03-77213388
Fax : 03-77213399

PRINCIPAL BANKERS

Citibank Berhad
Malayan Banking Berhad
RHB Bank Berhad
Standard Chartered Bank
Malaysia Berhad

PRINCIPAL SOLICITORS

Wong & Partners

SENIOR MANAGEMENT OF ALLIANZ MALAYSIA BERHAD

Cornelius Alexander Ioannis Ankel
Chief Executive Officer

Ong Eng Chow
Chief Financial Officer

Chiang Bin Fong
Group Head of IT Division

Mohd Parrish Ersalle bin Abdul
Hameed
Group Head of Human Resources
Division

Tamil Selvi A/P Shanmugam
Chief Internal Auditor

Joannica Dass
Group Head of Corporate
Communications

SENIOR MANAGEMENT OF ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Ng Hang Ming
Chief Executive Officer

Angela Tan Seow Wee
Chief Financial Officer

Horst Hermann Habbig
Chief Sales Officer

Zakri bin Mohd Khir
Head of Operations Division

Mok Kian Tong
Head of Corporate Risk and
Compliance

SENIOR MANAGEMENT OF ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

Cornelius Alexander Ioannis Ankel
Chief Executive Officer

Ong Eng Chow
Chief Financial Officer/
Chief Risk Officer

Ong Pin Hean
Chief Sales Officer

Chin Tze How
Appointed Actuary

Esther Ong Chen Woon
Chief Investment Officer

Lim Li Meng
Chief Market Management Officer

Wang Wee Keong
Chief Operations Officer

Nationwide Network

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD NETWORK OF OFFICES

HEAD OFFICE

Suite 3A-15, Level 15, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 603-2264 1188/0688
Fax : 603-2264 1199
www.allianz.com.my

CENTRAL REGION

CENTRAL REGIONAL OFFICE

Wisma Allianz, 5th Floor
33, Jalan Gereja
50100 Kuala Lumpur
Tel : 03-20312211
Fax : 03-20724628

KUALA LUMPUR

Wisma Allianz
33, Jalan Gereja
50100 Kuala Lumpur
Tel : 03-20312211
Fax : 03-20789918

PETALING JAYA

No. 15, Grd, 1st, 2nd & 3rd Floor
Jalan 8/1D, Section 8
46050 Petaling Jaya
Selangor
Tel : 03-79564629/79564621
Fax : 03-79548210/79556727

KLANG

No. 11, Grd, 1st & 2nd Floor
Jalan Tiara 2D/KU1
Bandar Baru Klang
41150 Klang
Selangor
Tel : 03-33429008/33420639
Fax : 03-33421901

KAJANG

No. 17 & 17A
Grd & Mezzanine Floor
Jalan M/J1
Taman Majlis Jaya
Sungai Chua
43000 Kajang
Selangor
Tel : 03-87339078/87337395/
87340371/87340501
Fax : 03-87336985

MALURI

No. 27, Jalan Jejaka 7
Taman Maluri
55100 Kuala Lumpur
Tel : 03-92825587
Fax : 03-92825629

KEPONG

No. 1, Jalan Prima 9
Pusat Niaga Metro Prima
52100 Kepong
Kuala Lumpur
Tel : 03-62586888
Fax : 03-62592554

IPOH

Unit No. A-G-1 & A-1-1
Grd & 1st Floor
Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh
Perak
Tel : 05-2549150/2555103
Fax : 05-2542988

TELUK INTAN

No. 77-G, Grd, 1st & 2nd Floor
Jalan Intan 4, Bandar Baru
36000 Teluk Intan
Perak
Tel : 05-6215882/6217731/
6217732
Fax : 05-6225229

SITIawan

No. 77 & 78, 1st & 2nd Floor
Jalan Sejahtera 2
Medan Sejahtera, Jalan Lumut
32000 Sitiawan
Perak
Tel : 05-6912277/6928425/
6928427
Fax : 05-6928429

TAIPING

No. 62, 1st Floor
Jalan Barrack
34000 Taiping
Perak
Tel : 05-8068688/8068976
Fax : 05-8088975

NORTHERN REGION

NORTHERN REGIONAL OFFICE

No. 6770, 1st Floor
Jalan Kg. Gajah
12200 Butterworth
Pulau Pinang
Tel : 04-3239778/3245175
Fax : 04-3319778

PENANG

Level 27, Menara BHL
No. 51, Jalan Sultan Ahmad Shah
10050 Pulau Pinang
Tel : 04-2266055
Fax : 04-2277055

BUKIT MERTAJAM

No. 486, Grd, 1st & 3rd Floor
Jalan Permatang Rawa
Bandar Perda
14000 Bukit Mertajam
Pulau Pinang
Tel : 04-5378328/5371628
Fax : 04-5374398/5371108

Nationwide Network

BUTTERWORTH

No. 6770 & 6771
Grd & 2nd Floor
Jalan Kg. Gajah
12200 Butterworth
Pulau Pinang
Tel : 04-3333188
Fax : 04-3310572

ALOR SETAR

No. 300 & 301,
Grd, 1st & 2nd Floor
Jalan Lumpur
05100 Alor Setar
Kedah
Tel : 04-7328575/7334655
Fax : 04-7337868

SUNGAI PETANI

No. 62B, 1st, 2nd & 3rd Floor
Jalan Pengkalan
Pekan Baru
08000 Sungai Petani
Kedah
Tel : 04-4258282/4252894/
4252895
Fax : 04-4252893

EAST COAST REGION**EAST COAST REGIONAL OFFICE**

No. 46, 2nd Floor
Jalan Gambut
25000 Kuantan
Pahang
Tel : 09-5177662
Fax : 09-5177663

KUANTAN

No. 46, Grd, 1st & 2nd Floor
Jalan Gambut
25000 Kuantan
Pahang
Tel : 09-5144936/5143276
Fax : 09-5142936

KUALA TERENGGANU

PT 3357 P, Grd, 1st & 2nd Floor
Jalan Sultan Zainal Abidin
20000 Kuala Terengganu
Terengganu
Tel : 09-6223678/6223233
Fax : 09-6301233/6318516

KOTA BHARU

Lot 1184, Grd, 1st & 2nd Floor
Jalan Kebun Sultan
15350 Kota Bharu
Kelantan
Tel : 09-7481196/7444566
Fax : 09-7446766

TEMERLOH

No. 6, Pusat Komersil Temerloh
Jalan Dato' Bahaman 3
28000 Temerloh
Pahang
Tel : 09-2969292
Fax : 09-2960254

SOUTHERN REGION**SOUTHERN REGIONAL OFFICE**

No. 84, 2nd Floor
Jalan Serampang
Taman Pelangi
80400 Johor Bahru
Johor
Tel : 07-3340166
Fax : 07-3316881

JOHOR BAHRU

No. 84, Grd, 1st & 2nd Floor
Jalan Serampang
Taman Pelangi
80400 Johor Bahru
Johor
Tel : 07-3340166/3340160
Fax : 07-3340167

KLUANG

No. 5, Grd, 1st & 2nd Floor
Jalan Persiaran Yayasan
86000 Kluang
Johor
Tel : 07-7723255/7732530
Fax : 07-7738097

SEGAMAT

No. 52, 2nd Floor
Jalan Susur Genuang
85000 Segamat
Johor
Tel : 07-9328117/9329117
Fax : 07-9322117

SEREMBAN

No. 44, Grd, 1st & 2nd Floor
Jalan S2 B18, Biz Avenue
Seremban 2
70300 Seremban
Negeri Sembilan
Tel : 06-6013636
Fax : 06-6013344

MELAKA

No. 374, Grd & 1st Floor
Jalan Melaka Raya 6
Taman Melaka Raya
75000 Melaka
Tel : 06-2833821
Fax : 06-2844198

BATU PAHAT

No. 1-2, 1-2A, Grd & 1st Floor
Jalan Maju 1
Taman Maju
83000 Batu Pahat
Johor
Tel : 07-4338166
Fax : 07-4332166

SABAH REGION**SABAH REGIONAL OFFICE**

3rd Floor, Lot 30, Block E
Sedco Complex
Jalan Albert Kwok
Locked Bag 69
88000 Kota Kinabalu
Sabah
Tel : 088-236589
Fax : 088-238589

KOTA KINABALU

Grd, 1st, 2nd & 3rd Floor
Lot 30, Block E
Sedco Complex
Jalan Albert Kwok
Locked Bag 69
88000 Kota Kinabalu
Sabah
Tel : 088-221397/221606/
216197
Fax : 088-224870

LAHAD DATU

Grd & 2nd Floor
MDLD 6887, Block P
Lot 1, Bangunan SUDC
91100 Lahad Datu
Sabah
Tel : 089-880388/880488
Fax : 089-880188

SANDAKAN

Lot 8, Grd & 1st Floor
Lot 7, 1st & 2nd Floor,
Block 2, Bandar Indah,
Mile 4, North Road,
W.D.T. No. 291
90000 Sandakan
Sabah
Tel : 089-211054/217197
Fax : 089-211052

TAWAU

Grd, 1st & 2nd Floor
TB 320 Block 38,
Fajar Complex
Jalan St.Patrick
W.D.T. No. 33
91009 Tawau
Sabah
Tel : 089-779055/772976
Fax : 089-763015

SARAWAK REGION

SARAWAK REGIONAL OFFICE
2nd Floor, Lot 1374
Centrepoin
Commercial Centre (Phase 2)
Block 10, Miri Concession
Land District, Kubu Road
98000 Miri
Sabawak
Tel : 085-417828
Fax : 085-417054

MIRI

Grd, 1st & 2nd Floor
Lot 1374, Centrepoin
Commercial Centre (Phase 2)
Block 10, Miri Concession
Land District, Kubu Road
98000 Miri
Sabawak
Tel : 085-423829/416828
Fax : 085-419153

SIBU

No. 12-I, Grd, 1st, 2nd & 3rd Floor
Jalan Kampung Datu
96000 Sibu
Sabawak
Tel : 084-332469/343205
Fax : 084-332470

KUCHING

1st, 2nd & 3rd Floor
Sublot 3, Block 10
Jalan Laksamana Cheng Ho
Kuching Central Land District
93350 Kuching
Sabawak
Tel : 082-417842/413849/
419950/254007
Fax : 082-424624

SARIKEI

No. 72, 1st & 2nd Floor
Repok Road
96108 Sarikei
Sabawak
Tel : 084-652577/651877
Fax : 084-653908

Nationwide Network

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
NETWORK OF OFFICES

HEAD OFFICE

Level 23 & 23A, Wisma UOA II
 No. 21, Jalan Pinang
 50450 Kuala Lumpur
 Tel : 603-2162 3388
 Fax: 603-2162 6720
www.allianz.com.my

CENTRAL REGION**PUDU**

Lot 3.21, 3rd Floor
 Jalan Pudu, Off Jalan Landak
 55100 Kuala Lumpur
 Tel : 03-21430822
 Fax : 03-21448121

PETALING JAYA

No. 15, Grd Floor
 Jalan 8/1D, Section 8
 46050 Petaling Jaya
 Selangor
 Tel : 03-79551605
 Fax : 03-79551607

DESA JAYA

Wisma Allianz Life
 No. 11-14, Jalan 53
 Desa Jaya Commercial Centre
 Taman Desa
 52100 Kepong
 Kuala Lumpur
 Tel : 03-62758000
 Fax : 03-62751700

KLANG

No. 46, Jalan Tiara 2C
 Bandar Baru Klang
 41150 Klang
 Selangor
 Tel : 03-33453253
 Fax : 03-33453288

NORTHERN REGION**PENANG**

Level 27, Menara BHL
 No. 51, Jalan Sultan Ahmad Shah
 10050 Pulau Pinang
 Tel : 04-2292868
 Fax : 04-2298858

BUKIT MERTAJAM

No. 487, Jalan Permatang Rawa
 Bandar Perda
 14000 Bukit Mertajam
 Pulau Pinang
 Tel : 04-5377231
 Fax : 04-5378231

ALOR SETAR

Grd & 2nd Floor
 No. 301, Jalan Lumpur
 05100 Alor Setar
 Kedah
 Tel : 04-7345091
 Fax : 04-7317271

SUNGAI PETANI

No. 62B, 2nd Floor
 Jalan Pengkalan
 Pekan Baru
 08000 Sungai Petani
 Kedah
 Tel : 04-4256863
 Fax : 04-4256861

IPOH

Unit No. A-G-1 & A-2-1
 Greentown Square
 Jalan Dato' Seri Ahmad Said
 30450 Ipoh
 Perak
 Tel : 05-2419752
 Fax : 05-2416898

EAST COAST REGION**KUANTAN**

No. 46, Grd Floor
 Jalan Gambut
 25000 Kuantan
 Pahang
 Tel : 09-5144936
 Fax : 09-5142936

TEMERLOH

No. 6, Pusat Komersil Temerloh
 Jalan Dato' Bahaman 3
 28000 Temerloh
 Pahang
 Tel : 09-2969292
 Fax : 09-2960254

SOUTHERN REGION**SEREMBAN**

No. 44, Grd Floor
 Jalan S2 B18, Biz Avenue
 Seremban 2
 70300 Seremban
 Negeri Sembilan
 Tel : 06-6011007
 Fax : 06-6011099

MELAKA

No. 524, Grd, 1st & 2nd Floor
 Jalan Melaka Raya
 Taman Melaka Raya
 75000 Melaka
 Tel : 06-2823377
 Fax : 06-2820793

JOHOR BAHRU

Room 301, 3rd Floor
 Wisma Daiman
 No.64, Jalan Sulam Taman Sentosa
 80150 Johor Bahru
 Johor
 Tel : 07-3325981
 Fax : 07-3326462

YONG PENG

No. 16A, 1st Floor
 Jalan Bayan
 Taman Sembrong Barat
 83700 Yong Peng
 Johor
 Tel : 07-4676720
 Fax : 07-4679400

KLUANG

No. 5, Grd Floor
 Jalan Persiaran Yayasan
 86000 Kluang
 Johor
 Tel : 07-7715588
 Fax : 07-7738097

BATU PAHAT

No. 1-2, 1-2A, Grd Floor
 Jalan Maju 1
 Taman Maju
 83000 Batu Pahat
 Johor
 Tel : 07-4343313
 Fax : 07-4332166

EAST MALAYSIA REGION**KOTA KINABALU**

Lot 29, 2nd Floor, Block E
 Sedco Complex
 Jalan Albert Kwok
 88000 Kota Kinabalu
 Sabah
 Tel : 088-224551
 Fax : 088-224506

TAWAU

TB 320, Grd Floor, Block 38
 Fajar Complex
 Jalan St. Patrick
 91000 Tawau
 Sabah
 Tel : 089-765054
 Fax : 089-764554

SANDAKAN

Lot 8, Grd Floor, Block 2
 Bandar Indah
 Mile 4 North Road
 W.D.T. No. 291
 90000 Sandakan
 Sabah
 Tel : 089-274842
 Fax : 089-274843

KUCHING

Sublot No. 3, Grd Floor
 Jalan Laksamana Cheng Ho
 Kuching Central Land District
 93350 Kuching
 Sarawak
 Tel : 082-246515
 Fax : 082-246713

MIRI

Lot 1374, Grd Floor
 Centrepoint Commercial
 Centre (Phase 2)
 Block 10, Miri Concession
 Land District, Kubu Road
 98000 Miri
 Sarawak
 Tel : 085-410326
 Fax : 085-424328

SIBU

Lot 1726, No. 12-H
 1st & 2nd Floor
 Kampong Datu
 96000 Sibu
 Sarawak
 Tel : 084-346515
 Fax : 084-326448



Protecting you when it counts

Live the lifestyle you deserve. Get yourself and your loved ones protected through a wide range of Personal Accident insurance plans to suit your needs.



WING, VERSOOG

WING, ALLEEN TE GERRIGER

WING, LEFTUO 36.444 ATENOK

WING, EDAGES 3464RS ADVIRSEL

WING, GEVOLG, NIJDE, VERSOOG

WING, GELUK, ALLEEN TE GERRIGER

WING, LEFTUO 36.444 ATENOK

WING, EDAGES 3464RS ADVIRSEL

WING, GEVOLG, NIJDE, VERSOOG

WING, GELUK, ALLEEN TE GERRIGER

WING, LEFTUO 36.444 ATENOK

WING, EDAGES 3464RS ADVIRSEL

WING, GEVOLG, NIJDE, VERSOOG

WING, GELUK, ALLEEN TE GERRIGER

WING, LEFTUO 36.444 ATENOK

WING, EDAGES 3464RS ADVIRSEL

WING, GEVOLG, NIJDE, VERSOOG

WING, GELUK, ALLEEN TE GERRIGER

WING, LEFTUO 36.444 ATENOK

WING, EDAGES 3464RS ADVIRSEL

WING, GEVOLG, NIJDE, VERSOOG

WING, GELUK, ALLEEN TE GERRIGER

WING, LEFTUO 36.444 ATENOK

WING, EDAGES 3464RS ADVIRSEL

WING, GEVOLG, NIJDE, VERSOOG

WING, GELUK, ALLEEN TE GERRIGER

WING, LEFTUO 36.444 ATENOK

WING, EDAGES 3464RS ADVIRSEL

WING, GEVOLG, NIJDE, VERSOOG

WING, GELUK, ALLEEN TE GERRIGER

WING, LEFTUO 36.444 ATENOK

WING, EDAGES 3464RS ADVIRSEL

Board of Directors / Chief Executive Officer and their Profiles

TAN SRI RAZALI ISMAIL

Chairman – Independent Non-Executive Director



Y. Bhg. Tan Sri Razali Ismail, aged 71, Malaysian, was appointed to the Board of the Company on 25 September 2001. He is a member of the Audit Committee and Nominating Committee of the Company. He obtained his Bachelor of Arts (Honours) degree from the University of Malaya in 1962. In 1993, he received an Honorary Doctorate from the National University of Malaysia and in 1998, an Honorary Doctorate in Law from the University Science Malaysia.

He retired from government in 1998 after a career in the Malaysian Diplomatic Service over 35 years. In that period, he was assigned to various countries including to senior posts as Ambassador to Poland (and German Democratic Republic, Czechoslovakia and Hungary – 1978-1982), Ambassador to India (1982-1985), Deputy Secretary-General (Political Affairs at the Ministry - 1985-1988), and finally Malaysia's Ambassador to the United Nations (1988-1998). He served in various capacities at the United Nations, *inter alia*, as Chairman of the Group of 77 in 1989, Chairman of the Commission on Sustainable Development in 1993 and as President of the United Nations General Assembly 1996-1997 session. He was closely involved in articulating and developing positions in various bodies on issues such as development and sustainability, poverty and marginalisation, political reforms in the United Nations especially the Security Council and the General Assembly and issues of human rights and the environment. He continues to keep abreast on these subjects at home and abroad, through participation at seminars and interacting with personalities and bodies, ties established from earlier years. He was the United Nations Secretary-General's Special Envoy for Myanmar for more than 5 years (2000-2005).



In Malaysia, he is involved in information technology and environmental industries, is the Pro Chancellor of the University Science Malaysia, Chairman of the National Peace Volunteer Corp (Yayasan Salam), the Malaysian Prime Minister's Special Envoy on Natural Disasters and Chairman of a grant organisation on Natural Disaster, Force of Nature, President of the World Wide Fund for Nature in Malaysia and advises on a government supported project on street and displaced children. He also sits on the Board of the Institute of Strategic and International Studies, Malaysia.

Y.Bhg. Tan Sri Razali's other directorships in public companies are as follows:-

1. Chairman of Allianz General Insurance Company (Malaysia) Berhad;
2. Chairman of Allianz Life Insurance Malaysia Berhad;
3. Chairman of IRIS Corporation Berhad; and
4. Chairman of Leader Universal Holdings Berhad.

Y.Bhg. Tan Sri Razali is the uncle of Encik Zakri bin Mohd Kfir, the Non-Independent Non-Executive Director of the Company. Save as disclosed above, Y.Bhg. Tan Sri Razali does not have any family relationship with any other director and/or major shareholder of the Company.

Y.Bhg. Tan Sri Razali does not hold any share in the Company and its subsidiaries. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Y.Bhg. Tan Sri Razali attended all of the 5 Board Meetings held during the financial year ended 31 December 2009.

Board of Directors / Chief Executive Officer and their Profiles



**DATO' SERI NIK ABIDIN
BIN NIK OMAR**

Independent Non-Executive Director

Y. Bhg. Dato' Seri Nik Abidin Bin Nik Omar, aged 66, Malaysian, was appointed to the Board on 5 January 2000. He is the Chairman of the Risk Management Committee, Nominating Committee and Remuneration Committee and a member of the Audit Committee of the Company. He obtained his Bachelor of Arts (Honours) degree from the University of Malaya in 1968.

He was a senior official of the Malaysian Government from 1968 till his retirement in 1999 serving in various capacities. He was the State Financial Officer of the State Government of Penang from 1979 to 1982 and President of the Municipal Council of Seberang Prai from 1982 to 1984. He was the UnderSecretary of Finance Division of the Ministry of Home Affairs from 1984 to 1990 followed by the appointment as the State Secretary of Perlis from 1990 to 1994. He was appointed the Director-General of the National Registration Department of Malaysia from 1994 to 1997. Prior to his retirement with the Government, he was the Deputy Secretary General of the Ministry of Home Affairs.

Board of Directors / Chief Executive Officer and their Profiles



Y.Bhg. Dato' Seri Nik Abidin's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad; and
2. Allianz Life Insurance Malaysia Berhad.

Y.Bhg. Dato' Seri Nik Abidin does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for offences within the past 10 years other than traffic offences.

Y. Bhg. Dato' Seri Nik Abidin attended all of the 5 Board Meetings held during the financial year ended 31 December 2009.

Board of Directors / Chief Executive Officer and their Profiles

**MR. FOO SAN KAN***Independent Non-Executive Director*

Mr. Foo San Kan, aged 61, Malaysian, was appointed to the Board on 25 November 2005. He is the Chairman of the Audit Committee and a member of the Risk Management Committee and Nominating Committee of the Company. He is a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. He is also a Fellow of the Institute of Chartered Accountants in England & Wales and the Chartered Tax Institute of Malaysia.

He was the Country Managing Partner of Ernst & Young Malaysia from 1997 to 2002 before he retired as a practising accountant. He has 34 years of experience in the accounting profession, of which the last 30 years were spent in various positions in Ernst & Young. During the course of his career, he was involved in various industry sectors including financial services, energy, manufacturing, plantations, property, construction, leisure and entertainment and almost all aspects of the accounting profession.



Mr. Foo San Kan's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad;
2. Allianz Life Insurance Malaysia Berhad;
3. China Ouhua Winery Holdings Limited;
4. OSK Holdings Berhad;
5. OSK Investment Bank Berhad;
6. OSK Trustees Berhad;
7. OSK Ventures International Berhad;
8. SEG International Berhad;
9. STAR Publications (Malaysia) Berhad; and
10. Symphony House Berhad.

Mr. Foo does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for offences within the past 10 years other than traffic offences.

Mr. Foo attended all of the 5 Board Meetings held during the financial year ended 31 December 2009.

Board of Directors / Chief Executive Officer and their Profiles



**MR. DUNG TRI NGUYEN @
DON TRI NGUYEN**

*Non-Independent Non-Executive
Director*

Mr. Dung Tri Nguyen @ Don Tri Nguyen, aged 56, American, was appointed to the Board of the Company on 28 July 2000. He is a member of the Risk Management Committee, Nominating Committee and Remuneration Committee of the Company. He obtained his Bachelor of Science Degree from the University of Sorbonne in 1974. In 1976, he completed his Finance and Insurance Studies from the UC Berkeley's Graduate School in the United States of America.

He has more than 30 years of experience in the insurance industry. He started his career with Allianz SE Group in 1991 and held the position of Chief Underwriting Officer in 1994. He is currently the Chief Executive Officer and President Director of PT Asuransi Allianz Utama Indonesia and represents Allianz SE Group's interest on the Board of Directors of various companies within the Asia Pacific Region.

Board of Directors / Chief Executive Officer and their Profiles



Mr. Nguyen's other directorships in public companies are as follows:-

1. Allianz CP General Insurance Co. Ltd;
2. Allianz Fire & Marine Insurance Japan Ltd;
3. Allianz General Insurance Company (Malaysia) Berhad;
4. Allianz Insurance Co Lanka Ltd;
5. Allianz Insurance (Hong Kong) Limited; and
6. Bajaj Allianz General Insurance Company Ltd.

Mr. Nguyen does not hold any share in the Company and its subsidiaries and does not have any family relationship with any Director and/or major shareholder of the Company, except by virtue of being a nominee Director of Allianz SE on the Boards of the Company and its subsidiary. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Mr. Nguyen attended all of the 5 Board Meetings held during the financial year ended 31 December 2009.

Board of Directors / Chief Executive Officer and their Profiles

**MR. CRAIG ANTHONY ELLIS***Non-Independent Non-Executive
Director*

Mr. Craig Anthony Ellis, aged 51, Australian, was appointed to the Board of the Company on 25 September 2001. He is the Chairman of the Investment Committee and a member of the Risk Management Committee, Remuneration Committee and Nominating Committee of the Company. He obtained his Bachelor of Commerce degree in 1979 from the University of New South Wales, Australia. He is also a member of the Institute of Chartered Accountants of Australia.

He has more than 30 years of experience in the financial services industry in Australia, Europe and Asia. He joined Allianz SE Group in 1998 as the Manager Group Planning and Controlling in Germany and in 2000 as the Regional Chief Financial Officer of Allianz SE in Asia. He is currently holding the position of Regional General Manager, Life & Health of Allianz SE Insurance Management Asia Pacific. Prior to his employment with Allianz SE Group, he was the General Manager of Manufacturers Mutual Insurance, Sydney, Australia.

Currently, he represents Allianz SE Group's interest on the Board of Directors of various companies within the Asia Pacific Region.



Mr. Ellis' other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad;
2. Allianz Life Insurance Japan Ltd;
3. Allianz Life Insurance Malaysia Berhad;
4. Allianz Taiwan Life Insurance Co. Ltd; and
5. CPRN Holdings Ltd.

Mr. Ellis does not hold any share in the Company and its subsidiaries and does not have any family relationship with any Director and/or major shareholder of the Company, except by virtue of being a nominee Director of Allianz SE on the Boards of the Company and its subsidiaries. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Mr. Ellis attended all of the 5 Board Meetings held during the financial year ended 31 December 2009.

Board of Directors / Chief Executive Officer and their Profiles



**MR. CORNELIUS ALEXANDER
IOANNIS ANKEL**

*Chief Executive Officer and
Non-Independent Executive Director*

Mr. Cornelius Alexander Ioannis Ankel, aged 45, German, was appointed as the Chief Executive Officer ("CEO") and Executive Director of the Company on 13 March 2004 and 13 February 2008 respectively. He is a member of the Investment Committee of the Company. Mr. Ankel obtained his Chartered Insurance Professional qualification from the German Chartered Insurance Institute in 1991.

He has over 19 years of experience in the insurance industry in Europe and Asia. He joined Allianz SE Group in 1997 as the Senior Business Development Manager of Allianz Insurance Management Asia Pacific Pte Ltd and subsequently assumed the position as the CEO of Allianz Fire and Marine Insurance Japan Ltd from 2000 to 2004. Prior to his employment with Allianz SE Group, he was the Regional Representative of Johnson & Higgins Insurance Brokers for Far East.

Mr. Ankel is also the CEO of Allianz Life Insurance Malaysia Berhad. Prior to his appointment as CEO of Allianz Life Insurance Malaysia Berhad, he was the CEO of Allianz General Insurance Company (Malaysia) Berhad and Bright Mission Berhad in 2007.

Board of Directors / Chief Executive Officer and their Profiles



Mr. Ankel's other directorships in public companies are as follows:-

1. [Allianz General Insurance Company \(Malaysia\) Berhad](#); and
2. [Allianz Life Insurance Malaysia Berhad](#).

Mr. Ankel does not hold any share in the Company and its subsidiaries and does not have any family relationship with any Director and/or major shareholder of the Company, except by virtue of being a nominee Director of Allianz SE on the Boards of the Company and its subsidiaries. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Mr. Ankel attended all of the 5 Board Meetings held during the financial year ended 31 December 2009.

Board of Directors / Chief Executive Officer and their Profiles

MR. ONG ENG CHOW

*Chief Financial Officer and
Non-Independent Executive Director*



Mr. Ong Eng Chow, aged 45, Malaysian, was appointed as an Executive Director of the Company on 26 June 2009. He is a member of the Investment Committee of the Company. Mr. Ong obtained his Bachelor of Commerce degree in 1988 from University of Canterbury New Zealand. He is also a Chartered Accountant of the Malaysian Institute of Accountants and New Zealand Institute of Chartered Accountants.

He has more than 20 years of experience in the financial services industry, of which 15 years were in the insurance industry. He joined Allianz Life Insurance Malaysia Berhad in 1999 as Financial Controller and was redesignated as Chief Financial Officer ("CFO") in 2005. In addition, Mr. Ong was appointed as the Chief Risk Officer of Allianz Life Insurance Malaysia Berhad in 2006 and subsequently appointed as an Executive Director of Allianz Life Insurance Malaysia Berhad in 2008. He also assumed the position as CFO of the Company in 2008. Currently, he is the CFO of the Company and Allianz Life Insurance Malaysia Berhad.

Board of Directors / Chief Executive Officer and their Profiles



Mr. Ong is currently a Director of Allianz Life Insurance Malaysia Berhad, a wholly-owned subsidiary of the Company.

Save for holding of 100 ordinary shares in the Company, Mr. Ong does not have any interest in the ordinary shares of the Company's related corporations. He does not have any family relationship with any Director and/or major shareholder of the Company except by virtue of being a nominee Director of Allianz SE on the Boards of the Company and Allianz Life Insurance Malaysia Berhad. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Mr. Ong attended all the 2 Board Meetings held after his appointment as an Executive Director of the Company during the financial year ended 31 December 2009.

Board of Directors / Chief Executive Officer and their Profiles

**ENCIK ZAKRI BIN MOHD KHIR***Non-Independent Non-Executive
Director*

Encik Zakri Bin Mohd Khir, aged 46, Malaysian, was appointed as a Non-Independent Non-Executive Director of the Company on 26 April 2010.

Encik Zakri obtained his Certificate of Insurance from the Institut Teknologi Mara in 1986. He has over 22 years of experience in the insurance industry. He joined the Company in 2000 as the Head of Industrial Business and was subsequently appointed as the Head of Technical Division in 2004. He is currently holding the position of Head of Operations Division of Allianz General Insurance Company (Malaysia) Berhad. Prior to his employment with the Group, he was the General Manager of The American Malaysian Insurance (M) Berhad.

Board of Directors / Chief Executive Officer and their Profiles



Encik Zakri is currently a Director of Bright Mission Berhad (formerly known as Commerce Assurance Berhad), a wholly-owned subsidiary of the Company.

Save as disclosed below, Encik Zakri does not have any family relationship with any other director and/or major shareholder of the Company:-

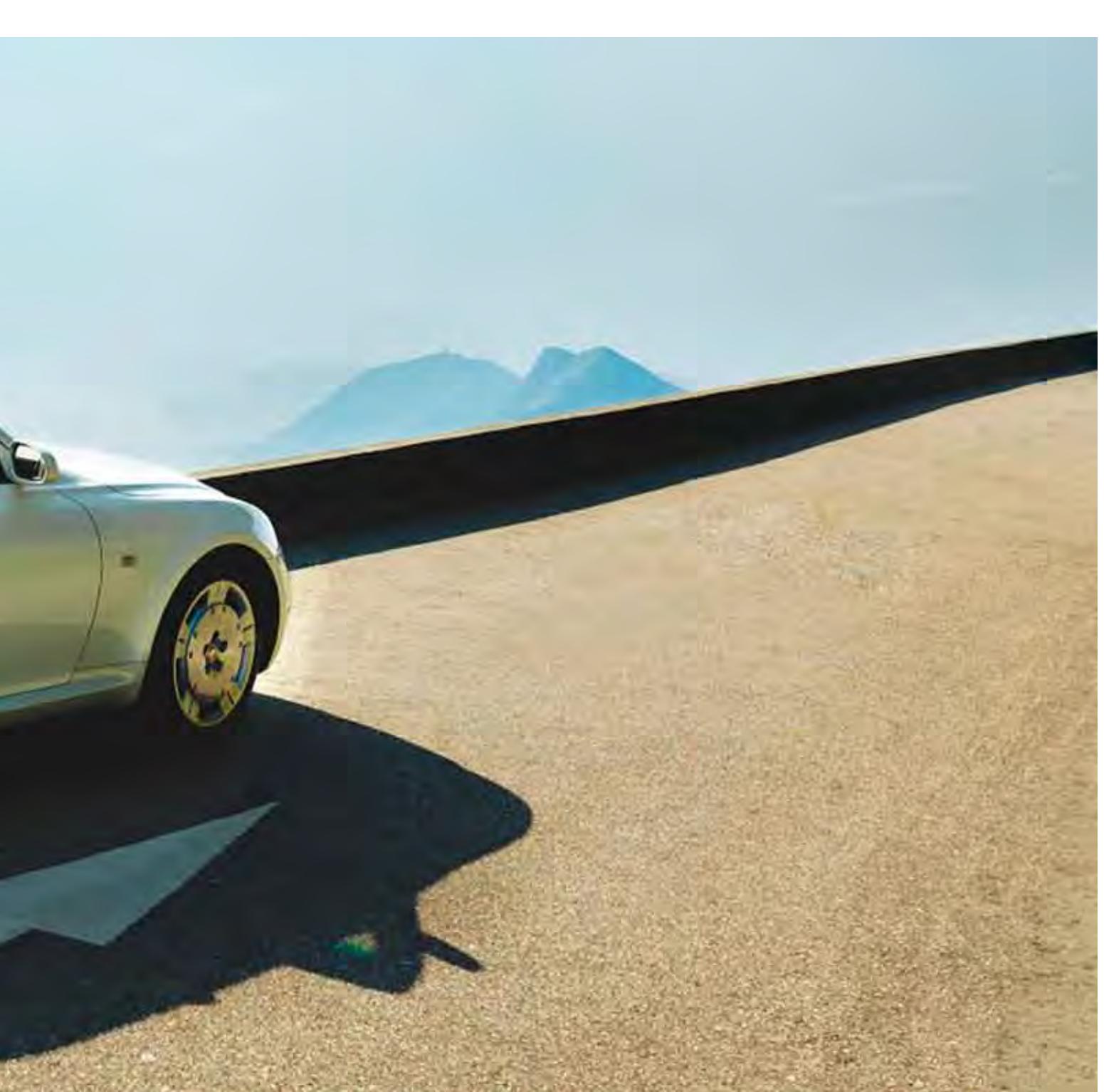
- (i) Encik Zakri is the nephew of Y. Bhg. Tan Sri Razali Ismail, the Chairman of the Company.
- (ii) Encik Zakri is a nominee Director of Allianz SE on the Boards of the Company and its subsidiary.

Save for holding of 100 ordinary shares in the Company, Encik Zakri does not have any interest in the ordinary shares of the Company's related corporations. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.



Providing peace of mind on the road

In today's active lifestyle, you are always on the move. Your car is not just a vehicle to bring you around, but also your pride and joy. With Allianz, you can be assured that we will always be your partner on the road.



Chairman's Statement



Tan Sri Razali Ismail
Chairman

Dear Shareholders,

The unprecedented global financial crisis which surfaced in 2008 continued into 2009. The world economy experienced the worst effects of the global financial crisis in the first half of 2009. The various stimulus packages implemented by governments worldwide have shown positive signs of fostering the economy recovery in the second half of 2009.

With the deepening of the global financial crisis and the sharp deterioration in external conditions in 2008 and early 2009, the Malaysian economy experienced an economic contraction over three consecutive quarters before resuming growth in the fourth quarter of 2009. (Source: Governor's Statement in Bank Negara Malaysia Financial Stability and Payment Systems Report 2009).

In spite of the global economic crisis, the Group remains in its excellent form. Riding on the strong risk management foundation and the right business approaches undertaken by the Group, the Group delivered a solid result with a profit before tax of RM166.5 million in 2009 as compared to RM112.3 million in 2008, a remarkable growth of 48.3 percent.

This could not be achieved without the support from our strong, dedicated and reliable staff and also our weather proof business model mirroring the best business practices of our parent company, Allianz SE. Allianz continued to retain a Standard & Poor's rating of "AA" with a "stable outlook" which is a testimony of the right business model implemented by the Allianz Group.

On behalf of the Board of Directors, **it is my pleasure to present the Annual Report and Financial Statements of the Company and its subsidiaries** ("Group") for the financial year ended 31 December 2009.

FINANCIAL PERFORMANCE

It is a pleasure to report that for the financial year ended 31 December 2009, the Group's total operating revenue rose notably by 17.1 percent to RM2.2 billion as compared to RM1.9 billion in 2008. The Group recorded gross written premium ("GWP") of RM1.2 billion for its general insurance business and RM868.7 million for its life insurance business.

Net premium for general insurance business increased 13.5 percent from RM693.8 million to RM787.8 million. Life insurance business also recorded a strong 27.1 percent growth in net premium from RM639.9 million to RM812.9 million.

The Group's total assets grew by 18.4 percent from the previous year of RM4.0 billion to RM4.7 billion. Shareholders' Fund increased by 30.0 percent from the previous year of RM388.1 million to RM504.7 million.

REVIEW OF OPERATIONS

General Insurance Operations

For the financial year 2009, the Group's general insurance subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") achieved a mark of RM1.2 billion GWP. AGIC's strong GWP growth is supported by a successful multi-distribution strategy. While the traditional distribution channels such as agency and brokers continue to record good growth, the newer bancassurance and franchise channels have grown significantly, contributing 25 percent of GWP.

Focusing on profitable growth, AGIC maintains a prudent and disciplined underwriting philosophy and strong risk management. Combined ratio for the general insurance operations is a healthy 87.0 percent with improved expense and claim ratios as compared to the previous year. Underwriting profit grew a commendable 28.9 percent from the previous year of RM79.4 million to RM102.4 million.

AGIC is one of the leading general insurers in Malaysia with a large network in the country. It has over 35 locations and an agency force of over 5,000 agents.

Chairman's Statement

In line with the aim to achieve sustainable profitable growth, AGIC has the following strategic objectives:-

- (a) leverage on multiple distribution channels to strengthen market position;
- (b) enhance profitability through better selection of type/nature of insurance to be underwritten; and
- (c) improve operational efficiency for scalability.

AGIC will continue to enhance its risk selection capabilities through increased focus on segmentation and risk analysis. This is supported by AGIC's multiple distribution platform which may be leveraged upon to access the various segments in the market, from retail to the commercial and industrial segments.

Life Insurance Operations

For the financial year 2009, the Group's life insurance subsidiary, Allianz Life Insurance Malaysia Berhad ("ALIM") continues to record strong growth. GWP grew by 25.5 percent from the previous year of RM692.0 million to RM868.7 million. The growth is contributed by two factors, strong growth in annualised new business premium and high persistency of the existing block of business. Annualised new business premiums recorded a commendable growth of 30.8 percent from the previous year of RM202.9 million to RM265.3 million, giving a rise to ALIM's new business market share of 7.3 percent.

This is largely due to ALIM's successful multi-distribution strategy, with emphasis on the agency distribution. The agency channel continues to deliver strong performance in 2009, largely attributed by ALIM's focus on cultivating a highly productive and professional agency force. ALIM's agency model supported by structured training modules emphasises a high activity-based selling philosophy amongst agents. While agency manpower has increased to over 4,500 agents as at 31 December 2009, ALIM agency's productivity continues to improve well above the industry standards.

ALIM sets high benchmarks for its agency force and has developed a platform to nurture highly successful life insurance agents by benchmarking them against international standards. One such standard is the Million Dollar Round Table ("MDRT") where ALIM has 94 achievers, one of the highest percentage of MDRT achievers over total agency force in the industry. MDRT membership not only recognises high sales achievement, it also represents an elite group of life insurance-based sales professionals with exceptional knowledge, strict ethical conduct and outstanding client service.

ALIM continues to focus on strengthening profitability by enhancing its product portfolio mix. ALIM offers a comprehensive range of life and health insurance and investment-linked products to cater for the various needs of its customers. ALIM will continue enhancing the features of its existing products and offer value added products through product innovation.

Dividend

The Board recommended a first and final dividend of 2.00 sen per ordinary share less 25 percent tax totaling RM2,308,038 in respect of the financial year ended 31 December 2009, for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

CORPORATE DEVELOPMENT

Corporate Exercises

During the financial year 2009, the Group undertook an internal reorganisation which involved the sale by the Company to AGIC, certain assets ("Assets") and 14 properties which are currently held by the Company but mostly utilised by AGIC. This exercise will eliminate inter-company transactions and charges and hence promote administrative efficiency within the Group and will also strengthen AGIC's capital position under the Risk-Based Capital Framework issued by Bank Negara Malaysia.

Chairman's Statement

The sale of Assets from the Company to AGIC was completed on 1 April 2009. In respect of the sale of the 14 properties from the Company to AGIC, 13 properties were completed during the financial year 2009 and the remaining 1 property was completed in May 2010.

The Company is proposing to undertake a renounceable rights issue of new irredeemable convertible preference shares of RM1.00 each ("ICPS") to raise gross proceeds of approximately RM611 million ("Proposed Rights Issue") for the purposes of repaying the RM490 million credit facility granted by Allianz SE to the Company in 2007 for the acquisition of the entire equity interest of Commerce Assurance Berhad (now known as Bright Mission Berhad) and to increase the capital base of AGIC and ALIM to enable each of them to meet their respective capital requirements under the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.

In tandem with the Proposed Rights Issue, the Company is also proposing the following ("Other Proposals") for the shareholders' approval:-

- (a) Proposed increase in authorised share capital of the Company from RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each in the Company ("AMB Share(s)") to RM1,000,000,000 comprising 600,000,000 AMB Shares and 400,000,000 ICPS by the creation of 400,000,000 AMB Shares and 400,000,000 ICPS; and
- (b) Proposed amendments to the Memorandum and Articles of Association of the Company.

The Proposed Rights Issue and Other Proposals will be tabled for the shareholders' approval at an Extraordinary General Meeting to be convened by the Company.

Senior Management

Allianz Group believes in cultivating and developing its staff. Staff across the Allianz Group are given the prospect to explore opportunities within the Allianz Group. Succession planning has been implemented across the Allianz Group to cater for our dynamically growing group.

The Chief Executive Officer of the Company and ALIM, Mr. Cornelius Alexander Ioannis Ankel, has been designated to take over the management of Allianz operations in Turkey. His position in the Group will be succeeded by Mr. Jens Reisch, who is currently the Chief Executive Officer of PT Asuransi Allianz Life Indonesia and Country Manager of Allianz in Indonesia and also a Director of ALIM since November 2004.

The above changes are subject to the approvals of the local regulatory authorities for the respective countries and shall only take effect upon approvals received from the respective authorities.

Mr. Ankel has led the Group to greater heights following his appointment as Chief Executive Officer of the Company in 2004. On behalf of the Board and the staff of the Group, I extend my utmost appreciation to him for his significant contribution to the Group.

On the other hand, we welcome Mr. Jens Reisch to the Group. Mr. Reisch started his career with Allianz Group in 1983 and has more than 20 years' experience in the insurance industry. With his directorship in ALIM since November 2004, he is familiar with the business model of the Group, local industry and regulations. With his vast insurance experience, he will be able to create new value proposition to the Group. We look forward to working with Mr. Reisch.

Customer Focus as our way

The Group recognises that its market leadership can only be maintained by dedicating resources to continuously understand and meet customers' needs. The global financial crisis has added on to the multiple challenges that every organisation faces. Amidst that, the competitive landscape, high transformation speed and changing customer behaviour necessitate the Group to further reduce complexity, allowing for seamless integration of business operations across the subsidiaries. A common framework is required, through which strategic value positioning, synergies and the exchange of best practices can be leveraged.

Chairman's Statement

With the aim to position customer focus at the centre of the business model to foster long-term customer loyalty, the Group is aligning its business model to Allianz Group's customer-insight-driven functional model, namely Target Operating Model ("TOM"). Through the implementation of TOM, the Group will be able to identify further growth opportunities through the ability to systematically evaluate profitable customer segments, thus building and developing the right distribution channels to serve customers through a differentiated customer value proposition that translates into products and services offered.

One of the changes introduced in the Group based on TOM was the One Allianz initiative. One Allianz is the Group's common strategy in defining its value proposition as the total insurance solutions provider to better serve the needs of our customers. On the distribution end, this means strengthening the Group's presence through a common sales and service platform. Across our wide branch and customer service network, the Group is co-locating the branches of AGIC and ALIM. ALIM is tapping on AGIC's wider branch network to provide more convenience to its customers through its synergy branches. Working as one large group, the Group creates a stronger and more consistent communication platform for our customers and the public.

The Group is also embarking on Allianz Group's quality journey, called Operational Excellence ("OPEX"). OPEX has been introduced across the Group since 2006 and has supported the Group in optimising its work processes to meet external and internal customer requirements. This has resulted in higher productivity levels, reducing transactional and processing costs.

Ultimately, the implementation of various best business practices of Allianz Group not only enables the Group to become a truly customer centric organisation but also maximises value to the shareholders.

The Group continues to be committed to human capital development. As employees are our greatest assets, we focus our development initiatives in enhancing both technical and functional skills striving towards continuous improvement. Some of the programmes include training and certification of our marketers, as well as developing our employees of all levels on their personal leadership skills.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Group's CSR activities are aimed at making a positive difference in someone's life and at the same time increasing the level of awareness on the importance of giving back to the society. As much as possible, our CSR activities will involve participation from our employees and agents, embedding the importance of social responsibility within the Group's DNA. The initiatives took the form of donations, sponsorships, knowledge transfer and environmentally conscious efforts.

In fulfilling its commitment to serve the society, the Group continued the sponsorship to Persatuan Mobiliti Selangor dan Kuala Lumpur ("MOBILITI"), for the fourth consecutive year. MOBILITI is a non-profit charitable organisation that provides 'door-to-door' transport service to the disabled within the Klang Valley. The Group is sponsoring the operations cost of three vans for MOBILITI. The Group also took part in a charity bazaar organised by MOBILITI.

Allianz SE has established a partnership with the International Paralympic Committee and the German National Paralympic Committee (Deutscher Behindertensportverband, DBS) in 2006. Allianz SE Committed itself to support the Paralympic Athletes in preparing for the Paralympic Games and also to reduce stereotyping and to promote courage and equality. In 2009, the Paralympics Gala Night, an event that recognises outstanding sportsmanship, scientific research and dynamic media coverage was held in Kuala Lumpur, thus giving the opportunity to the Group to invite several Paralympic Gala Night delegates as well as some local disabled athletes to its staff Town Hall Meeting. The experience shared by the guests was an inspiration to the staff of the Group.

The Group in response to the disastrous typhoon in Taiwan, had initiated a donation drive to help the victims. The agents of the insurance subsidiaries collected a total of RM26,356 which was donated to the Red Cross Society via Allianz operations in Taiwan.

Chairman's Statement

The Group plays its role as a responsible corporate citizen through sharing of Allianz Group's global knowledge and expertise to the local society, by inviting the experts from Allianz Group to share their knowledge and experience with the local practitioners.

The Group invited Professor Michael Heise, Chief Economist of Allianz SE to Kuala Lumpur, to share his know-how on the economic outlook, challenges and opportunities in Asia in the wake of the crisis to the media, business partners and individuals with strong economic affiliation in their job scopes.

The Group also invited Dr. Hartmuth Wolff, a consultant on vehicle security issue and theft prevention with Allianz Center for Technology, Germany, to share his research and findings on motor theft prevention with the local regulators, industry representatives and Mechanical Engineering Faculty students of Universiti Sains Malaysia.

The Group is also environmentally-conscious. For the second consecutive year, the Group has opted to print its Annual Report on recycled paper, and also in an effort to reduce paper usage, started to issue its Annual Report via cd-roms, keeping printed copies to a minimum level as required by the authorities.

AWARDS

The Company was awarded the KPMG Shareholder Value Award 2008 for the financial services sector. This award ranks Malaysian-listed companies on the Bursa Malaysia Securities Berhad based on their value creation to their shareholders. It is designed to promote corporate excellence through enhancing levels of disclosures and setting exemplary industry good practice.

OUTLOOK AND PROSPECTS

There are signs that Malaysia has emerged from the worst impact of the global recession with expectations that the industries will be able to cruise through 2010, although the pace of global recovery is expected to be gradual and uneven.

The Malaysian economy is projected to expand by 4.5 to 5.5 percent in 2010, underpinned by strengthening domestic demand and supported by the improving external environment. (Source: Governor's Statement in Bank Negara Malaysia Annual Report 2009)

In line with the improvements in the economic outlook, favourable government policies and low insurance penetration rate, the outlook for the industry continues to be good in 2010. The Group will continue to grow in tandem with the growth of the overall economy. The Group will emphasise on sound risk management practices and focus on sustainable profitable growth. The Group anticipates the performance in 2010 to be satisfactory.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I am pleased to welcome Mr. Ong Eng Chow and Encik Zakri bin Mohd Khir to the Board and wish to express my appreciation to my fellow Directors for their invaluable contribution during the year.

Together with the Board, we sincerely thank the Senior Management team and all employees of the Group for their dedication and commitment in 2009.

We would also like to record our utmost appreciation to our valued shareholders, customers, agents, brokers, re-insurers, business partners and associates and bankers for their continuous support and confidence in the Group.

We also extend our sincere gratitude to Bank Negara Malaysia, Bursa Malaysia Securities Berhad and all other relevant regulatory bodies and authorities for their guidance and advice.

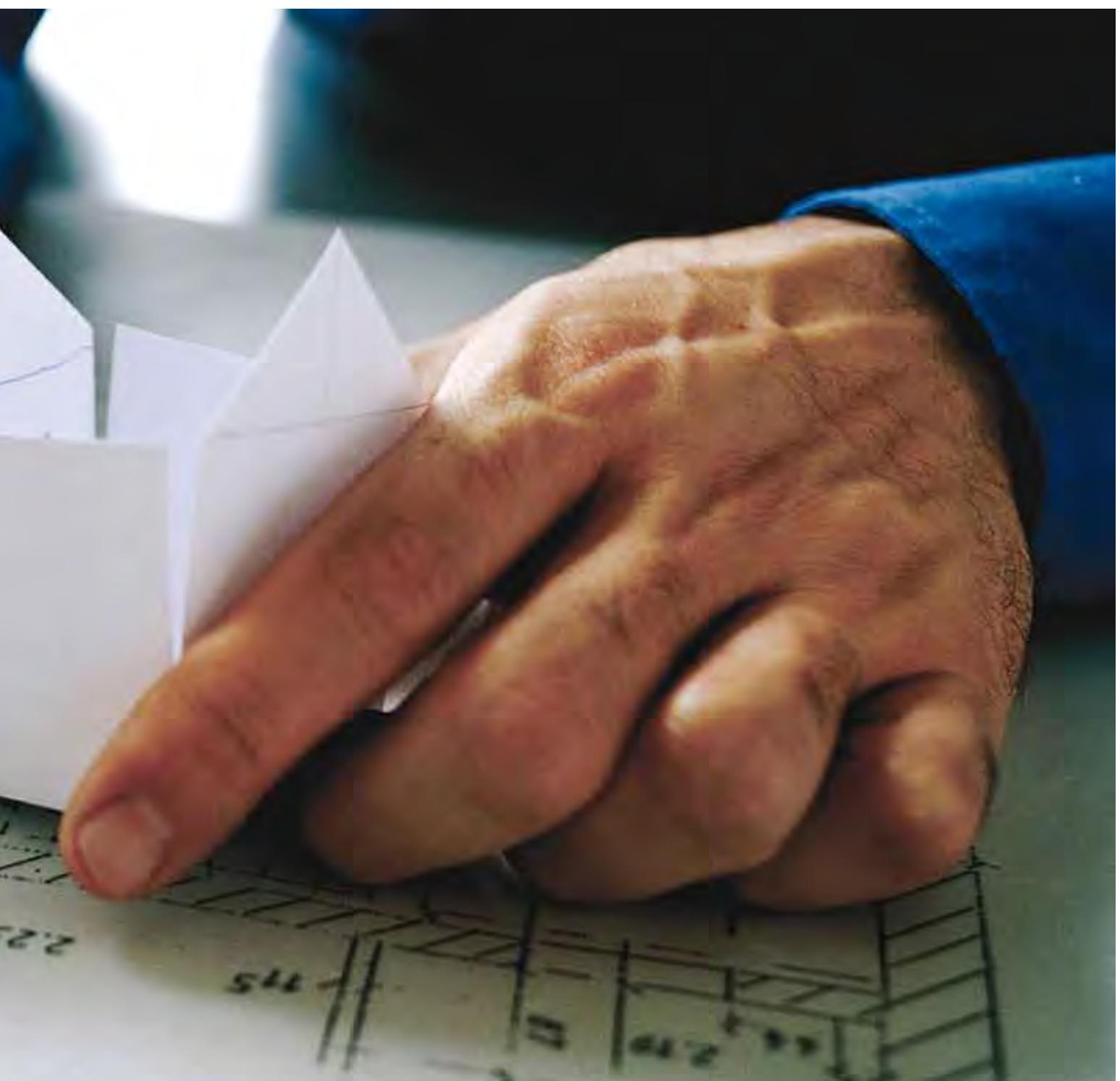
TAN SRI RAZALI ISMAIL

Chairman



Building Dreams

Your home is a safe haven. Keep your dreams alive and secure them with our range of home insurance solutions.



Audit Committee Report

COMPOSITION OF AUDIT COMMITTEE ("AC")

Composition of AC	Status of Directorship
Foo San Kan (Chairman)	Independent Non-Executive Director
Tan Sri Razali Ismail (Member)	Independent Non-Executive Director
Dato' Seri Nik Abidin Bin Nik Omar (Member)	Independent Non-Executive Director

TERMS OF REFERENCE

1. Composition

- 1.1 The AC should consist of a minimum of 3 members appointed from the Board of the Company and shall act as the AC for the Company and its subsidiaries ("Group").
- 1.2 The members of the AC should be appointed by the Board, after taking into consideration the recommendations of the Nominating Committee. In determining the appropriate size and composition of the AC, the Board should in particular, take into consideration the necessary mix of skills and experience required for the AC to effectively discharge its responsibilities. The term of office and performance of the AC and each of its members must be reviewed by the Board at least once every 3 years to determine whether the AC and members have carried out their duties in accordance with the terms of reference.
- 1.3 If for any reason the number of AC members at any point in time is reduced to below 3, notification should be provided to the Bank Negara Malaysia within 2 weeks. The notification should be addressed to Pengarah, Jabatan Penyeliaan Insurans dan Takaful ("JPI"). The Board should fill the vacancy/vacancies arising within 3 months.
- 1.4 Notification should also be provided to JPI where any director ceases to be a member of the AC within 2 weeks of the cessation. Such notifications should include reasons for the cessation.

2. Independence of AC Members

- 2.1 No AC member should be employed in an executive position in the Company or its related corporations (as defined under section 6 of the Companies Act, 1965), or otherwise have a relationship which in the opinion of the Board will interfere with the exercise of independent judgement in carrying out the functions of the AC. In addition, members of the AC should not be directly responsible for, or part of any committee involved in, the management functions of the Group.
- 2.2 As best practice, all AC members should be independent. Where this cannot be achieved, the majority of the AC members, including the Chairman, should be independent.
- 2.3 An independent director should not:-
 - (a) hold more than 5% equity interest directly or indirectly in the Company or in its related corporations;
 - (b) be employed in an executive position in the Company or its related corporations at least 2 years prior to his appointment date;

- (c) have an immediate family member who is, or has been in the past 2 years, employed by the Company or any of its related corporations as a key senior officer. For this purpose, an 'immediate family member' refers to the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child, of the independent director;
- (d) be engaged, or have been engaged in the past 2 years, as a professional adviser by the Company or any related corporations of the Company, either personally or through a firm or company in which he is a partner, director or major shareholder; and
- (e) be engaged, or have been engaged in the past 2 years, in any for-profit-business transaction (other than transactions relating to the sale of insurance policies) of a value exceeding RM1 million with the Company, whether with other persons or through a firm or company in which he is a partner, director or major shareholder. However, "transactions" as stated above exclude transactions entered into:-
 - (i) for personal use of the said director; or
 - (ii) for personal investment of the said director other than for the purpose of carrying on a trade or business, provided that such transactions are on normal commercial terms.

3. Qualification, Experience, Knowledge and Skills

- 3.1 Candidates for the AC should have sound judgement, objectivity, an independent attitude, management experience and adequate knowledge of the industry. They should be committed to the task and demonstrate a keen perception of the internal control environment within the Company and an ability to make probing inquiries.
- 3.2 Collectively, the AC should have a wide range of necessary skills to undertake its duties and responsibilities. Ideally, all AC members should be able to understand the financial reporting process and be financially literate. At least one member of the AC:-
 - (a) must be a member of the Malaysian Institute of Accountants;
 - (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (c) fulfils any of the following requirements or the requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities"):-

- (i) a degree/master/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
- (ii) at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

Audit Committee Report

3.3 In addition, in view of the important role of the AC in ensuring that there are adequate checks and balances within the operations of the Company, all AC members, either individually or collectively, are also expected to be familiar with areas included in the scope of internal insurance audits, including risk management, underwriting, investment and claims management.

4. Authority

- 4.1 The AC should have the authority to investigate any matter within its terms of reference and should have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Group.
- 4.2 The AC should be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by Management or the internal audit department. Fraud and irregularities discovered by Management should be referred to the internal audit department for investigation.
- 4.3 The AC should have access to copies of audit reports (including interim financial audits) on a timely basis and should be kept regularly informed of corrective actions arising from internal and external audit findings.
- 4.4 The AC should have adequate resources to perform its duties and discharge its responsibilities and should be authorised to obtain independent professional advice as considered necessary.
- 4.5 The AC must be able to convene meeting with the external auditors, the internal auditors or both, excluding the attendance of other directors and the employees of the Group, whenever deemed necessary.
- 4.6 The Chairman of the AC should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

5. Meetings

- 5.1 The AC should hold regular meetings in order to effectively fulfil its duties.
- 5.2 In addition, the Chairman of the AC should call a meeting of the AC if requested to do so by any AC member, the Management or the internal or external auditors.
- 5.3 The quorum of AC meetings should be at least two thirds of the members with independent directors forming the majority.
- 5.4 While the AC may invite any person to be in attendance to assist it in its deliberations (e.g. relevant officers concerned in the management of the Company, the external auditor and the internal auditor), the AC should ensure that it meets exclusively when necessary.
- 5.5 The company secretary should act as secretary of the AC and should be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to AC members within a reasonable timeframe prior to each meeting.
- 5.6 The secretary should also be responsible for keeping the minutes of meetings of the AC, their timely circulation to AC members and other members of the Board, and following up on outstanding matters in relation to the meetings.
- 5.7 The Chairman of the AC should report to the Board on the deliberations of the AC on a regular basis. In addition, the Chairman should also present a summary of all significant matters (highlighting the risks and implications) and resolutions made by the AC at Board meetings.

6. Duties and responsibilities

The AC's duties and responsibilities in relation to the internal audit and external audit functions should include the following:-

6.1 Internal Audit

6.1.1 Governance

6.1.1.1 The AC should:-

- (a) ensure that the internal audit department is distinct and has the appropriate status and the necessary authority within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;
- (b) ensure the effective organisation of the internal audit function, with due regard to the professionalism, capacity and competence of the internal audit personnel;
- (c) review and approve the audit plan, audit charter and budget required under Part B of the Bank Negara Malaysia's Circular JPI/GPI 13: Guidelines on Audit Committees and Internal Audit Departments for Insurance Companies issued on 25 February 1995 ("Guidelines");
- (d) ensure that reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the internal auditors. In particular, internal audit reports should not be subject to the clearance of the chief executive officer or any executive director; and
- (e) ensure that the internal audit function is independent of the activities it audits and that the internal audit function reports directly to the AC.

6.1.1.2 The AC should also review the scope of internal audit procedures, in particular:-

- (a) any restrictions placed on access by the internal auditors to any of the Company's records, assets, personnel or processes which are relevant to the conduct of audits;
- (b) appropriateness of the risk assessment methodology employed pursuant to Part B of the Guidelines to determine the frequency and scope of audits, having regard to the nature, size and complexity of the Company's operations;
- (c) compliance with internal auditing standards; and
- (d) coordination between internal and external auditors.

6.1.1.3 AC members should ensure that they are adequately informed of, and understand, the risks and implications of internal audit findings and recommendations. The AC should pay particular attention to internal audit assessments of:-

- compliance with company policies, relevant laws and regulatory requirements;
- effectiveness of internal controls in critical areas of operations (e.g. accounting, underwriting, claims, investment, derivatives and information technology management); and
- Management's responsiveness to, and corrective actions taken in respect of, internal audit findings and recommendations.

6.1.1.4 The AC should ensure that all findings and recommendations are resolved effectively and in a timely manner.

Audit Committee Report

6.1.1.5 The AC should note any significant disagreements between the internal auditor and Management irrespective of whether they have been resolved in order to identify any impact that this may have on the audit process or findings.

6.1.2 Resources and staffing

6.1.2.1 The AC should ensure on an on-going basis, the adequacy of the scope, functions, competency and resource of the internal audit department, given the size and complexity of the Company's operations. In this respect, the AC should:-

- (a) approve the appointment, remuneration, performance evaluation, removal and redeployment of the Chief Internal Auditor and senior officers of the internal audit function; and
- (b) be informed of any resignation of the internal audit staff and reasons therefore, and provide resigning staff with an opportunity to submit reasons for their resignations.

6.1.2.2 The AC should ensure that internal audit staff receives necessary training to perform audit work. In this respect, there should be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.

6.2 External Auditor

6.2.1 Appointment of external auditor

6.2.1.1 The AC is responsible for the appointment of the external auditor, having particular regard to the external auditor's objectivity, performance and independence.

6.2.1.2 The AC should:-

- (a) review and assess various relationships between the external auditor and the Company or any other entity that may impair or appear to impair the external auditors' judgement or independence in respect of the Company. This may include affiliations resulting from the Company's employment of former employees of the external auditor in senior positions within the Company.
- (b) review and assess fees paid to the external auditor, considering:
 - the economic importance of the Company (in terms of total fees paid) to the external auditor;
 - fees paid for non-audit services as a proportion of total fees;
 - whether an effective, comprehensive and complete audit could be reasonably conducted for the audit fees paid.

The fees paid should not impair or appear to impair the external auditor's judgement or independence in respect to the Company; and

- (c) investigate reasons for any request made by Management to dismiss the external auditor, or any resignation by the external auditor. The results of the investigation should be disclosed to the full Board together with the AC's recommendations on proposed actions to be taken. The decisions of the Board in relation to the recommendations made by the AC should be documented in the Board minutes, with a copy of the relevant minutes extended to JPI within 2 weeks of the Board's decision.

6.2.2 Provision of non-audit services by the external auditor

- 6.2.2.1 Any provision of non-audit services by the Company's external auditor should be approved by the AC before the commencement of the service, or whenever there is a significant change in the level of services provided.
- 6.2.2.2 In considering the provision of non-audit services by the external auditor, the AC should have regard to restrictions on outsourcing to external auditors set out in JPI/GPI 31: Guidelines on Outsourcing for Insurers.
- 6.2.2.3 The AC's decisions with respect to the provision of non-audit services should be documented in a statement which outlines whether or not it believes the level of provision of non-audit services by the external auditor is compatible with maintaining auditor independence (together with supporting reasons).

6.2.3 Audit plan, findings and recommendations

- 6.2.3.1 The AC should review with the external auditors, the:-
 - (a) audit plan prior to the commencement of the annual audit;
 - (b) financial statements (before the audited financial statements are presented to the Board), including:-
 - whether the auditor's report contained any qualifications which must be properly discussed and acted upon to remove the cause of the auditors' concerns;
 - significant changes and adjustment in the presentation of financial statements;
 - major changes in accounting policies and principles;
 - alternative accounting treatments discussed with Management and the ramifications of the alternatives;
 - compliance with relevant laws and accounting standards;
 - material fluctuations in the statements;
 - significant variations in audit scope;
 - significant commitments or contingent liabilities; and
 - the validity of going concern assumptions.
 - (c) audit reports, including obligatory reports to the Bank Negara Malaysia on matters covered under Section 82 of the Insurance Act 1996 ("Act");
 - (d) external auditor's evaluation of the Group's system of internal controls;
 - (e) any significant disagreements between the external auditor and Management irrespective of whether they have been resolved; and
 - (f) any other findings, issues or reservations faced by the external auditor arising from interim and financial audits.
- 6.2.3.2 The AC should review and monitor Management's responsiveness to, and actions taken on, external audit findings and recommendations. In this regard, the AC should ensure that all findings and recommendations are resolved effectively and in a timely manner.

Audit Committee Report

6.2.3.3 In order to allow external auditors to express concerns, problems and reservations arising from financial audits effectively, the AC should meet at least twice a year with the external auditor without the presence of Management.

6.3 Other responsibilities

6.3.1 The AC should also:-

(a) review:-

- the Chairman's statement and preliminary announcements;
- interim financial reports including quarterly results, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;
- corporate governance disclosure made in the Directors' Report pursuant to the requirement in JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers and be satisfied that any departure from the Framework principles and the circumstances justifying such departure are sufficiently explained;
- all representation letters signed by Management, and be satisfied that the information provided is complete and appropriate;

(b) review internal control issues identified by auditors and regulatory authorities on Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") and evaluate the adequacy and effectiveness of the internal controls for its AML/CFT measures. At the minimum, the AC should:-

- ensure the roles and responsibilities of the auditor on AML/CFT are clearly defined and documented;
- ensure that independent audits are conducted to check and test the effectiveness of the policies, procedures and controls for AML/CFT measures;
- ensure the effectiveness of the internal audit function in assessing and evaluating the AML/CFT controls;
- ensure the AML/CFT measures are in compliance with the Anti-Money Laundering and Anti-Terrorism Financing Act 2001, its regulations and the relevant Guidelines; and
- assess whether current AML/CFT measures which have been put in place are in line with the latest developments and changes of the relevant AML/CFT requirements.

(c) submit a written report on the audit findings on AML/CFT to the Board on a regular basis. The report should be used to highlight inadequacies of any AML/CFT measures and control systems within the Company;

(d) review audit findings from internal and external auditors on risk management related issues, Management responses and ensure actions are taken based on the recommendations;

(e) review findings and reports from the Whistleblowing Committee;

(f) review any related-party transactions and conflicts of interest situations that may arise within the Group including any transaction, procedure or conduct that raises questions of management integrity;

(g) ensure that the respective companies within the Group complies with Section 95 of the Act which requires an insurer to publish its accounts within 14 days of the laying of its accounts at its annual general meeting;

- (h) ensure that the accounts of the Company and its subsidiaries are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with regular reviews carried out on the adequacy of provisions made; and
- (i) ensure that supervisory issues raised by the Bank Negara Malaysia are resolved in a timely manner.

6.3.2 The AC shall also be responsible for any other functions as may be determined by the Board and reflected in its terms of reference.

7. Reporting to the Bank Negara Malaysia/Bursa Securities

7.1 The AC shall submit to the Bank Negara Malaysia, a summary of material concerns/weaknesses in the internal control environment of the respective companies within the Group noted during the year and the corresponding measures taken to address these weaknesses. This should be submitted together with the annual report on the AC and its activities which is submitted to the Bank Negara Malaysia pursuant to principle 18 of JPI/GPI 25.

7.2 Where an AC is of the view that a matter reported by it to the Board had not been satisfactorily resolved resulting in a breach of Main Market Listing Requirements of Bursa Securities, the AC must promptly report such matter to the Bursa Securities.

AC MEETINGS

The AC meets at least 5 times a year to coincide with the review of the quarterly and annual financial statements prior to its presentation to the Board for approval. Special AC Meeting may be convened as and when necessary.

There were 5 AC Meetings held during the financial year ended 31 December 2009. The detailed attendance of the AC members during the financial year ended 31 December 2009 are as follows:-

Name of AC Members	Number of AC Meetings		Percentage of Attendance
	Held	Attended	
Foo San Kan	5	5	100
Tan Sri Razali Ismail	5	5	100
Dato' Seri Nik Abidin Bin Nik Omar	5	5	100

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2009, the following activities were carried out by the AC:-

1. Reviewed the unaudited consolidated quarterly reports of the Group and the respective unaudited quarterly reports of the subsidiaries for the financial quarters ended 31 December 2008, 31 March 2009, 30 June 2009 and 30 September 2009 and recommended the unaudited consolidated quarterly reports of the Group for the same financial quarters for the Board's approval.
2. Reviewed the audit plan of the external auditors for the Group for the financial year ended 31 December 2009.
3. Reviewed the annual audit findings of the subsidiaries/Company/Group for the financial year ended 31 December 2008 with the external auditors.

Audit Committee Report

4. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries/Company, the audited financial statements and Directors' Reports thereon of the subsidiaries/Company/Group for the financial year ended 31 December 2008.
5. Reviewed and recommended for the approval of the Board of the life insurance subsidiary, the audited financial statements and performance report for the investment-linked funds for the financial year ended 31 December 2008.
6. Reviewed the Statement on Internal Control for the financial year ended 31 December 2008 and the report from the external auditors in respect thereto and recommended the Statement on Internal Control for the Board's approval.
7. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries/Company, the Management Representation Letters to the external auditors in respect of the financial statements of the subsidiaries/Company for the financial year ended 31 December 2008.
8. Reviewed the Management Letters issued by the external auditors in respect of the annual audits of the insurance subsidiaries for the financial year ended 31 December 2008 and recommended for the approvals of the respective Boards of the insurance subsidiaries, the respective Management's responses in respect thereto.
9. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries/Company, the re-appointment of the external auditors for the financial year ended 31 December 2009 and the re-appointment of the external auditors to review the Statement on Internal Control of the Group for the financial year ended 31 December 2009.
10. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries/Company, the engagement letters for KPMG's re-appointment as auditors for the financial year ended 31 December 2009.
11. Reviewed and recommended for the Board's approval, the engagement letter for KPMG to review the Statement on Internal Control of the Group for the financial year ended 31 December 2009.
12. Reviewed and recommended for the approvals of respective Boards of the subsidiaries/Company, the audit fees for the financial year 2009.
13. Held 2 private discussions with the external auditors.
14. Prepared and submitted to Bank Negara Malaysia, the annual AC Report in respect of the internal control environment of the insurance subsidiaries for the financial year ended 31 December 2008.
15. Discussed the various Internal Audit Reports of the insurance subsidiaries.
16. Discussed the progress reports on various outstanding internal audit findings of the insurance subsidiaries.
17. Discussed the progress report on remedial measures undertaken by the Management of the insurance subsidiaries in respect of the Group Audit Report issued by the ultimate holding company, Allianz SE.
18. Discussed the investigation reports of the insurance subsidiaries.
19. Reviewed the progress reports of the Internal Audit Plan 2009 and approved the respective 5-years (2010 – 2014) Internal Audit Plans for the insurance subsidiaries.
20. Evaluated the performance of the Chief Internal Auditor.
21. Held 1 private discussion with the Chief Internal Auditor.

22. Discussed the compliance status report of the life insurance subsidiary in respect of guidelines issued by the Life Insurance Association of Malaysia.
23. Discussed the Market Conduct Examination Findings from Bank Negara Malaysia and recommended for the approval of the Board of the life insurance subsidiary, the Management's response in respect thereto.
24. Discussed the fraud cases detected by the insurance subsidiaries and the updates in relation thereto and reviewed the mitigating measures undertaken by the Management.
25. Discussed the activities updates of the Whistleblowing Committees of the subsidiaries/Company.
26. Approved the changes made to the Whistleblowing Guidelines.
27. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries/Company, the related party transactions and recurrent related party transactions to be entered into by the subsidiaries/Company and amendments made to the agreement in respect of a recurrent related party transaction.
28. Reviewed and recommended for the approval of the Board of the subsidiary, the proposed change of accounting policy following the adoption of the new and revised financial reporting standards.
29. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries/Company, the Anti-Fraud Policy and noted the anti-fraud activities undertaken by the subsidiaries/Company.
30. Reviewed the findings on the legal and compliance review of life insurance subsidiary by the Asia Pacific Regional Office of Allianz SE and the progress update in respect thereto.
31. Reviewed the review procedures for recurrent related party transactions.
32. Reviewed and recommended for the approval of the Board, the Chairman's Statement, AC Report and the Statement on Corporate Governance for inclusion in the 2008 Annual Report of the Company.

INTERNAL AUDIT FUNCTION

The primary objective of the Internal Audit Department is to assist the Management, AC and the Boards of the Group in the effective discharge of their responsibilities. This is done through the independent assessment and appraisal of the internal controls and the evaluation of the effectiveness of risk management system and corporate governance process of the Group to ensure that organisational controls or management controls in the form of policies and standard operating procedures are adequate and effective, in line with the Group's goals. It includes promoting and recommending cost effective controls for safeguarding of assets of the Group and minimising the opportunities for error and fraud.

During the financial year ended 31 December 2009, the Internal Audit Department carried out its duties in accordance with the audit plans approved by the AC. The audit reports which had incorporated the respective Management's responses are tabled for discussion at the AC Meetings.

The Internal Audit Department also established a follow-up audit review to monitor and ensure that audit recommendations have been effectively implemented. The progress reports on remedial measures taken by the Management of the respective companies on audit observations are tabled at the AC Meetings for the AC's review.

The total cost incurred for the internal audit function of the Group for 2009 amounting to RM2.02 million.



Accumulating wealth for your long term goals

Start planning today for tomorrow. With our range of savings and investment linked products, you have a broad choice of insurance solutions for your long term financial planning.



Statement On Corporate Governance

The Board of Directors is committed to ensure that the highest standards of corporate governance are practised throughout the Company and its subsidiaries ("Group") as a fundamental obligation of discharging their duties and responsibilities to protect the interests of the Group's shareholders and policyholders.

The Group has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the best practices prescribed under the Bursa Malaysia Securities Berhad ("Bursa Securities")'s Main Market Listing Requirements ("MMLR"), Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia ("BNM") as well as the Malaysian Code on Corporate Governance ("Code").

The Board is pleased to set out below the manner by which the Group has applied the principles of good governance and the extent to which it has complied with the best practices described above:-

1. BOARD OF DIRECTORS

The Board has the overall responsibilities for reviewing and adopting strategic plans for the Group, overseeing the conduct of business of the Group, implementing an appropriate system of risk management and ensuring the adequacy and the integrity of the Group's internal control systems.

1.1. Board Balance

The Board comprises 6 Non-Executive Directors and 2 Executive Directors. There are 3 Independent Non-Executive Directors on the Board.

Membership of the Board is drawn from various fields with a balance of skills and experiences appropriate to the business of the Company.

The Board is chaired by an Independent Non-Executive Director who does not represent the interest of the controlling shareholder. The Chairman and the Non-Executive Directors do not engage in the day-to-day management of the Company and there is no duplication of roles between the Chairman and the Chief Executive Officer of the Company.

The Independent Directors complied with the requirements of Independent Director prescribed by BNM and Bursa Securities. By virtue of their roles and responsibilities as prescribed by BNM and Bursa Securities, they are in effect, representing the interest of the minority shareholders of the Company.

All Directors have complied with the requirements on restriction of directorships imposed by Bursa Securities and BNM. All Directors also fulfilled the minimum criteria of "A Fit and Proper Person" prescribed under the Insurance Act 1996 and the Insurance Regulations 1996.

The profiles of the Board of Directors are presented on pages 14 to 29 of this Annual Report.

1.2. Board Meeting and Supply of Information

Board Meetings for each year are scheduled in advance prior to the end of the year and circulated to Directors and Senior Management before the beginning of each year. The Board meets regularly at least 5 times in a year. Additional Board Meetings are held as and when required.

Statement on Corporate Governance

A total of 5 Board Meetings were held during the financial year ended 31 December 2009 and the attendance of each Director is as follows:-

Directors	Designation	No. of Board Meetings Held	No. of Board Meetings Attended
Tan Sri Razali Ismail	Chairman Independent Non-Executive Director	5	5
Dato' Seri Nik Abidin Bin Nik Omar	Independent Non-Executive Director	5	5
Foo San Kan	Independent Non-Executive Director	5	5
Dung Tri Nguyen @ Don Tri Nguyen	Non-Independent Non-Executive Director	5	5
Craig Anthony Ellis	Non-Independent Non-Executive Director	5	4
Cornelius Alexander Ioannis Ankel	Chief Executive Officer/ Non-Independent Executive Director	5	5
Ong Eng Chow	Non-Independent Executive Director	5	2 out of 2 meetings held after his appointment as a Director on 26 June 2009

All Directors are given sufficient time to review the meeting papers prior to Board Meetings.

The Board Meetings are conducted in accordance with the agenda approved by the Chairman. Meeting papers are circulated to the Board in advance of each Board Meeting to accord for sufficient time for the Directors to review and consider issues to be discussed at the Board Meetings. Urgent matters may be tabled for the Board's deliberation under a supplemental agenda. A Director who has a direct or deemed interest in the subject matter presented at the Board Meeting shall abstain from deliberation and voting on the said subject matter.

In addition to matters which require the Board's approval, the Board is consistently being informed and updated via meeting papers on matters in relation to business operations, financial and business reviews and development, group strategy, information on business proposition including market share, industry development, corporate proposal, risk management review, regulation updates, compliance issue, customer focus initiatives and other operational efficiency projects. The Board is also being informed of the decision and significant issues deliberated by the Board Committees via the reporting of the Chairman of the respective Board Committees and the minutes of the Board Committees tabled at the Board Meetings.

In between Board Meetings, the Board is also being informed or updated in writing, on important issues and/or major development of matters discussed in the Board Meetings, by the Management and/or the Company Secretary.

All Directors have direct access to the advice and services of the Company Secretary and may seek independent advice should the need arise.

1.3. Appointment to the Board

The appointments of all Directors were approved by BNM. All appointments of Board members are subject to the evaluation by the Nominating Committee and approved by the Board before the applications are submitted to BNM for approval.

The Company has put in place a performance evaluation process and procedures for assessing the Directors and the effectiveness of the Board. The Nominating Committee reviewed the evaluation results of the Directors and the Board and reported its observation to the Board.

An annual review on the composition mix of the Board will also be carried out by the Nominating Committee and the result of the annual review will be reported to the Board.

Statement on Corporate Governance

1.4. Directors' Training

All Directors have attended the Mandatory Accreditation Programme as prescribed under the MMLR.

The Nominating Committee oversees the training needs of the Directors. All new Directors are required to attend the orientation programme for newly appointed Directors to familiarise them with the insurance industry and the Group.

In order to keep the Directors abreast with the current developments as well as new statutory and regulatory requirements, the Board has approved the following areas of training for the Directors:-

- Laws and regulations imposed by the relevant authorities and any updates in respect thereto
- Risk Management and compliance controls
- Finance, accounting and insurance related requirements
- Corporate Governance

The training programmes/seminars/conferences attended by the Directors during the financial year ended 31 December 2009 are as follows:-

Directors	Programmes/Seminars/Conferences Attended	Organiser /Speaker
Tan Sri Razali Ismail	Corporate Governance and Media	Bursatra Sdn Bhd ("Bursatra")
	Key Obligations Under the Listing Requirements of Bursa Securities and Expectations on Directors	Bursatra
Dato' Seri Nik Abidin Bin Nik Omar	Key Obligations Under the Listing Requirements of Bursa Securities and Expectations on Directors	Bursatra
Foo San Kan	Introduction to Islamic Investment Banking	Nik Hashim, Fakihah & Co
	Financial Institutions Director Education ("FIDE") Programme – Module 1 and 2 (Group 5) – Module 3 (Group 2) – Module 4 (Group 2) – Module 5 (Group 2)	BNM
	The Global Financial Crisis: Implications for Corporate Governance in Asia	BNM
	Malaysia Education Policy and How This Affects Private Colleges	Professor Dr. Muhammad Awang
	3D Negotiation: A Strategic Tool for Board and Senior Executives	BNM
	Briefing on Competitive Study of Private Higher Education in Malaysia	Dr. Daphne Loke
	Forum on FRS 139 Financial Instruments - Recognition and Measurement	Bursa Securities
	Briefing on FRS 139 Financial Instruments - Recognition and Measurement	BDO Binder
	Financial Industry Conference 2009	BNM
	Key Obligations Under the Listing Requirements of Bursa Securities and Expectations on Directors	Bursatra

Directors	Programmes/Seminars/Conferences Attended	Organiser /Speaker
Dung Tri Nguyen @ Don Tri Nguyen	Key Obligations Under the Listing Requirements of Bursa Securities and Expectations on Directors	Bursatra
Craig Anthony Ellis	Key Obligations Under the Listing Requirements of Bursa Securities and Expectations on Directors	Bursatra
Cornelius Alexander Ioannis Ankel	Financial Industry Conference 2009	BNM
	Key Obligations Under the Listing Requirements of Bursa Securities and Expectations on Directors	Bursatra
Ong Eng Chow	Mandatory Accreditation Programme for Directors of Public Listed Companies	Bursatra
	Financial Industry Conference 2009	BNM
	Key Obligations Under the Listing Requirements of Bursa Securities and Expectations on Directors	Bursatra
	3rd Islamic Financial Service Board Lecture and BNM High Level Conference on Financial Policy and Stability	BNM

1.5. Re-election and Re-appointment of Directors

In accordance with the Articles of Association of the Company, one third of the Directors shall retire by rotation at each Annual General Meeting and that a Director who is appointed during the year shall be retired at the next following Annual General Meeting. The Articles of Association further provide that all Directors shall retire from office at least once in every 3 years in compliance with the MMLR.

In addition, any Director who attains the age of 70 is required to submit himself for re-appointment annually pursuant to the Companies Act, 1965.

The Nominating Committee will review and assess the proposed re-election/re-appointment of Directors and submit its recommendation to the Board for consideration prior to the proposed re-election/re-appointment being presented to shareholders' for approval.

1.6. Board Committees

The Board in the course of carrying out its duties, may set up Board Committees delegated with specific authority and operating on the terms of reference as approved by the Board, to assist the Board in the execution of its responsibilities. These Committees shall have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board Committees set up to assist the Board on specific areas of responsibilities, are set out below. With effect from 1 January 2008, the Company's subsidiaries have formally used the services of these Committees of the Company.

(a) Audit Committee

The memberships and terms of reference of the Audit Committee are determined in accordance with the BNM's guidelines, MMLR and the Code. The composition and the terms of reference of the Audit Committee are detailed in the Audit Committee Report on pages 40 to 49 of this Annual Report.

Statement on Corporate Governance

(b) Risk Management Committee

The members of the Risk Management Committee are as follows:-

Members	Designation
Dato' Seri Nik Abidin Bin Nik Omar (Chairman)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Dung Tri Nguyen @ Don Tri Nguyen (Member)	Non-Independent Non-Executive Director
Craig Anthony Ellis (Member)	Non-Independent Non-Executive Director

There were 4 Risk Management Committee Meetings held during the financial year ended 31 December 2009. The attendance of each member of the Risk Management Committee is as follows:-

Members	No. of Meetings Held	No. of Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	4	4
Foo San Kan	4	4
Dung Tri Nguyen @ Don Tri Nguyen	4	4
Craig Anthony Ellis	4	4

The Risk Management Committee is responsible for driving the risk management framework of the Group and to report to the Boards of the respective companies within the Group on its recommendations and/or decisions. The responsibilities of the Risk Management Committee are stated below:-

- (a) to address strategic and corporate level risks and recommend to the respective Boards of the Group the strategies to manage these risks and ensure its implementation;
- (b) to review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (c) to review and recommend risk management strategies, policies and risk parameters/tolerance levels for the approval of the respective Boards of the Group and to ensure any changes and concerns are communicated to senior management effectively;
- (d) to ensure the risk control functions have adequate resources, authority, infrastructure, systems and independence to enable an effective risk management;
- (e) to review the Key Risks Profile and risks raised by business units and monitor the progress of action plans implemented;
- (f) to review and recommend for the approval of the respective Boards of the Group, the contingency planning, including its effectiveness testing covering policies, processes and resources in place to address potential crises, unusual circumstances and stress situations;
- (g) to review periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (h) to report to the respective Boards of the Group, the risk management status on a regular basis; and
- (i) to approve the risk methodology to facilitate risk assessment.

(c) Nominating Committee

The members of the Nominating Committee are as follows:-

Members	Designation
Dato' Seri Nik Abidin Bin Nik Omar (Chairman)	Independent Non-Executive Director
Tan Sri Razali Ismail (Member)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Dung Tri Nguyen @ Don Tri Nguyen (Member)	Non-Independent Non-Executive Director
Craig Anthony Ellis (Member)	Non-Independent Non-Executive Director

There were 2 Nominating Committee Meetings held during the financial year ended 31 December 2009. The attendance of each member of the Nominating Committee is as follows:-

Members	No. of Meetings Held	No. of Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	2	2
Tan Sri Razali Ismail	2	2
Foo San Kan	2	2
DungTri Nguyen @ Don Tri Nguyen	2	2
Craig Anthony Ellis	2	1

The primary objective of the Nominating Committee is to establish a documented formal and transparent procedure for the appointment of Directors, Chief Executive Officer, Key Senior Officers of the Group and to assess the effectiveness of individual Director and the Board, Chief Executive Officer and Key Senior Officers of the Group on an on-going basis.

The responsibilities of the Nominating Committee are stated below:-

- (a) establishing minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and the mix of skills and other core competencies required, through annual reviews;
- (b) recommending and assessing the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval is submitted to BNM. The Nominating Committee in making its recommendation on candidates for directorship should consider the candidates':-
 - (i) skill, knowledge, expertise and experience;
 - (ii) professionalism;
 - (iii) integrity; and
 - (iv) in the case of candidate for the position of Independent Non-Executive Directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;
- (c) establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director including the Independent Non-Executive Directors to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions should be properly documented;

Statement on Corporate Governance

- (d) recommending to the Board on removal of a Director/ Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities;
- (e) ensuring that all Directors undergo appropriate induction programmes and receive continuous training; and
- (f) overseeing the appointment, management succession planning and performance evaluation of Key Senior Officers, and recommending to the Board the removal of Key Senior Officers if they are ineffective, errant or negligent in discharging their responsibilities.

From the annual review carried out by the Nominating Committee, the Nominating Committee was of the opinion that the Board has a good mix of skills and experiences appropriate for the business of the Company.

(d) Remuneration Committee

The composition of the Remuneration Committee is as follows:-

Members	Designation
Dato' Seri Nik Abidin Bin Nik Omar (Chairman)	Independent Non-Executive Director
Dung Tri Nguyen @ Don Tri Nguyen (Member)	Non-Independent Non-Executive Director
Craig Anthony Ellis (Member)	Non-Independent Non-Executive Director

There were 4 Remuneration Committee Meetings held during the financial year ended 31 December 2009. The attendance of each member of the Remuneration Committee is as follows:-

Members	No. of Meetings Held	No. of Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	4	4
Dung Tri Nguyen @ Don Tri Nguyen	4	4
Craig Anthony Ellis	4	3

The primary objective of the Remuneration Committee is to provide a formal and transparent procedure for developing a remuneration policy for Directors, Chief Executive Officer and Key Senior Officers of the Group and ensuring that their compensation is competitive and consistent with the culture, objective and strategy of the Group.

The responsibilities of the Remuneration Committee are stated below:-

- (a) recommending a framework of remuneration for Directors, Chief Executive Officer and Key Senior Officers. The remuneration policy should:-
 - (i) be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
 - (ii) reflect the experience and level of responsibility borne by individual Directors, the Chief Executive Officer and Key Senior Officers;
 - (iii) be sufficient to attract and retain Directors, Chief Executive Officer and Key Senior Officers of calibre needed to manage the Company successfully; and
 - (iv) be balanced against the need to ensure that the funds of the insurer are not used to subsidise excessive remuneration packages;

Statement on Corporate Governance

(b) recommending specific remuneration packages for Directors, Chief Executive Officer and Key Senior Officers. The remuneration packages should:-

- (i) be based on an objective consideration and approved by the full Board;
- (ii) take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Directors, Chief Executive Officer or Key Senior Officers concerned;
- (iii) not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
- (iv) be competitive and is consistent with the culture, objective and strategy of the Group.

(e) Investment Committee

The composition of the Investment Committee is as follows:-

Members	Designation
Craig Anthony Ellis (Chairman)	Non-Independent Non-Executive Director
Cornelius Alexander Ioannis Ankel (Member)	Non-Independent Executive Director
Ng Hang Ming (Member)	Non-Independent Executive Director of Allianz General Insurance Company (Malaysia) Berhad, a wholly-owned subsidiary of the Company
Ong Eng Chow (Member)	Non-Independent Executive Director

There were 4 Investment Committee Meetings held during the financial year ended 31 December 2009. The attendance of each member of the Investment Committee is as follows:-

Members	No. of Meetings Held	No. of Meetings Attended
Craig Anthony Ellis	4	4
Cornelius Alexander Ioannis Ankel	4	4
Ng Hang Ming	4	4
Ong Eng Chow	4	4

The Investment Committee is responsible for setting of investment policies, objectives, guidelines and controls for the Investment Department which in turn is responsible for managing the investment functions of the Group.

2. DIRECTORS' REMUNERATION

2.1. The Level and Make-up of Remuneration

The Board has adopted a remuneration policy for Directors of the Company which sets out that Directors' remuneration shall be determined based on the following criteria:-

- (a) overall performance of the Group;
- (b) level of responsibility; and
- (c) attendance at meetings.

Individual Directors shall abstain from discussion of their own remuneration.

Statement on Corporate Governance

2.2. Procedure

The Remuneration Committee recommends to the Board the remuneration to be paid to each Director based on the remuneration policy as approved by the Board. It is, nevertheless the ultimate responsibility of the entire Board to decide the quantum for each Director.

2.3. Disclosure

The Non-Executive Directors who are not representing the interest of the major shareholder are paid an annual fee and meeting allowance of RM800 per meeting. The Executive Directors received only the remuneration paid to them for their respective designated position held in the Company.

The Directors' remuneration (including benefits-in-kind) for the financial year ended 31 December 2009 are detailed below:-

(a) The aggregate remuneration of Directors, distinguishing between Executive and Non-Executive Directors, according to their appropriate categories.

Categories of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries and bonuses	189	-
Fees and allowance	-	399
Benefits (including estimated monetary value of benefits-in-kind)	186	51
Total	375	450

(b) The number of Directors whose total remuneration falls into each successive band of RM50,000.

Band	No. of Executive Directors	No. of Non-Executive Directors
RM0 - RM50,000	-	2
RM50,001 - RM100,000	1	2
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	1	1

3. SHAREHOLDERS AND INVESTORS RELATIONSHIP

3.1. Dialogue with Shareholders/Investors

The Board acknowledges the need for shareholders to be informed of all material information affecting the Group. As such, information in respect of the Group's performance, corporate exercises and matters affecting shareholders' interests are disseminated to shareholders and investing public through annual reports, quarterly reports, shareholder circulars and specific announcements released to the Bursa Securities on a timely manner, in accordance with the provisions of the MMLR.

In addition to the above, the Group also issues press releases and conducts media/analysts/investors briefings to provide the stakeholders of the Group with the up-to-date information in respect of the Group's business and/or corporate initiatives.

Shareholders of the Company are able to obtain up-to-date information on the Group's various activities including announcements released to Bursa Securities and presentations made by the Group during the analyst briefings, by accessing to the Group's website at www.allianz.com.my.

Statement on Corporate Governance

The Corporate Communications Department of the Company addresses inquiries from shareholders, investors and the public on all corporate matters relating to the Company.

The personnel to be contacted in relation to investor relations matters is as follows:-

Ms. Joannica Dass	Tel : 603-22640780
Group Head of Corporate Communications	Email : joannica.dass@allianz.com.my

3.2. Annual General Meeting

The Annual General Meeting is the forum to communicate with the shareholders of the Company. Shareholders are encouraged to raise questions or seek clarification pertaining to the operations and the financial status of the Group. Members of the Board, the Management and the Auditors are present at the Annual General Meeting to respond to various questions raised by the shareholders.

4. ACCOUNTABILITY AND AUDIT

4.1. Financial Reporting

In presenting the annual financial statements, quarterly reports and the annual report to the shareholders of the Company, the Board takes appropriate steps to present a clear and balanced assessment of the Group's position and prospects. This also applies to other price-sensitive public announcements and reports to regulators.

The financial statements of the Group before presenting to the Board for approval will be reviewed by the Audit Committee. The Audit Committee assists the Board by reviewing the information to be disclosed in the financial statements to ensure that the information disclosed is accurate, adequate and in compliance with the various disclosure requirements imposed by the relevant authorities. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Group.

4.2. Relationship with Auditors

Through the Audit Committee, the Board has established a formal and appropriate relationship with the external auditors. At least 2 private discussions will be held on a yearly basis between the Audit Committee and the external auditors without the presence of the Management, to exchange views and opinions.

Details of the role of the Audit Committee in relation to the external auditors are described in the Audit Committee Report set out on pages 40 to 49 of this Annual Report.

The appointment and re-appointment of the external auditors will be reviewed by the Audit Committee and the recommendation from the Audit Committee will be presented to the Board for consideration prior to the said proposal being presented to the shareholders for approval. The terms of engagement of the external auditors for services rendered and their audit and non-audit fees are reviewed by the Audit Committee and approved by the Board.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS

The Board, in preparing the financial statements, has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. All applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis.

The Board is responsible for ensuring that the Company maintains accounting records that disclose reasonable accuracy of the financial position of the Group and the Company.

The Board has overall responsibilities for taking such steps, as are reasonably available to them, to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 in respect of the preparation of the Company's financial statements for the financial year ended 31 December 2009 is set out on page 159 of this Annual Report.

Statement on Corporate Governance

STATEMENT ON INTERNAL CONTROL**Board Responsibility**

The Board recognises the importance of sound internal controls that cover risk management, financial, operational and compliance controls. The Board affirms its overall responsibilities for the Group's internal control and risk management system ("System"). Such a system, designed to safeguard shareholders' investments and the Group's assets, however, can only mitigate rather than eliminate the risk of failure to achieve the business objectives of the Group. The System, by its nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

The Board recognises the importance of having in place a risk management system to identify principal risks and implement appropriate controls to manage such risks as an integral part of the Group's operations. The Group has in place a Master Risk Management Framework Manual ("RMFM") for all companies within the Group ("OEs"). The Master RMFM outlines the guiding principles of the risk management approach, structure, roles, responsibilities, accountabilities, reporting requirements as well as the risk identification, evaluation and monitoring process of the Group. It is designed to formalise the risk management functions and practices across the Group and to increase awareness of the Company's employees to risk identification, measurement, control, on-going monitoring and reporting.

Other Internal Control Processes

The Group's key internal control processes include the following:-

- Defined delegation of responsibilities to Committees of the Board and the Management of OEs, including authorisation levels for all aspects of the businesses of the Group to ensure proper identification of accountabilities and segregation of duties.
- The internal policies and procedures of the insurance OEs, which incorporate the relevant requirements of BNM, Persatuan Insuran Am Malaysia/ Persatuan Insuran Hayat Malaysia, Insurance Act 1996 and Insurance Regulations 1996 as well as internal guidelines, are documented in procedural workflow of departments and branch operations. These workflows are subject to review and improvement to reflect changing risks and process enhancement as and when required.
- Operational authority limits covering underwriting of risks, claims settlement, and capital expenditures were reviewed and updated regularly. In addition, the insurance OEs also exercise control over underwriting exposures covering both risks accepted and reinsured. Exposure limits are reviewed annually.
- The reinsurance treaty programs of the insurance OEs ensure that reinsurers have secured ratings from accredited rating agencies. The securities of treaty reinsurers are stringently reviewed on an annual basis.
- The Investment Committee is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. The Group has implemented a Master Investment Manual for all OEs. The Master Investment Manual sets out the detailed procedures and controls, including an Investment Code of Ethics to ensure that the Group's interests prevail over the personal interests of the employees.
- The Information Technology ("IT") Steering Committees of the insurance OEs, chaired by the respective Chief Executive Officer of the said OEs, are responsible for establishing effective IT plans, authorising IT related expenditure and monitoring the progress of approved IT projects for the respective insurance OEs.
- Yearly business plan and budget of the respective OEs are submitted to the respective Boards for approval. Financial reports are also submitted to the respective Boards for review at their regular meetings as part of the regular monitoring of the respective OEs' performance. These reports cover all key operation and provide a sound basis for the respective Boards to assess the financial performance of the respective OEs and to identify potential problems faced by the respective OEs. Results of stress tests of the insurance OEs are also presented to the respective Boards on a regular basis for deliberation.

Statement on Corporate Governance

- The Group has in place a documented organisational structure, allocation of duties and responsibilities and an on-going process to ensure the allocated key functionaries fulfil the minimum criteria of "A Fit and Proper Person" prescribed in Part XII of the Insurance Regulations 1996.
- The Group has formalised the Code of Conduct for Business Ethics and Compliance that represent minimum standards for all employees and agents to reiterate the importance of integrity in conducting the business.
- Business Continuity Plans for all OEs have been formulated to ascertain that the Group suffers no material interruptions to its systems, processes or operations, or material damages to its assets upon the occurrence of any disastrous events.
- Training and development programs are conducted to enhance staff competencies and maintain a risk control conscious culture.
- The Internal Audit function undertakes reviews of the Group's operations and its system of internal controls. It provides continuous monitoring of the controls and risk management procedures. Internal audit findings are discussed at management level and actions are taken in response to the internal audit recommendations. The Audit Committee reviews all internal audit findings and management responses.
- The Whistleblowing Committees have been established for the respective OEs to further enhance corporate governance and to meet the expectations of the Code of Conduct for Business Ethics and Compliance of the Group. Guidelines and procedures of the Whistleblowing Committees have been in place to handle, review, assess and take appropriate actions on the complaints or concerns raised by the employees relating to any illegal or questionable activities in the Group. Such complaints or concerns may be made anonymously. The whistleblowing procedure will help to promote transparency and accountability throughout the Group.
- The Ethics and Compliance Committees for the insurance OEs have been set up to meet the expectations of the Sales Policy and the Sales Agent Code and Conduct of the insurance subsidiaries. Guidelines and procedures of the Ethics and Compliance Committees have been in place to handle, review, assess and take appropriate actions on the complaints or concerns on agents. This will help to promote the professionalism of the sales force throughout the insurance OEs.
- The Anti-Fraud Committees have been set up in 2009 by the respective OEs to coordinate all activities concerning fraud prevention and detection. The Anti-Fraud Policy, framework and procedures have been in place to assist the Anti-Fraud Committee. The Anti-Fraud Committee is also responsible for all fraud investigations and ensuring that necessary remedial actions are taken to mitigate the recurrence of fraud.
- The Group has in place a Product Development Management Framework ("Framework") which sets out the policies and procedures on product development. The Framework aims to promote sound risk management practices in managing and controlling product risks by ensuring the appropriate assessment and mitigation of risks during the development and marketing stages. The Framework will also assist to ensure that the products developed and marketed by the Group are appropriate to the needs and resources of the targeted consumer segments.

Through the Audit Committee, the Board has established a formal and appropriate relationship with the External Auditors. Details of the role of the Audit Committee in relation to the External Auditors are set out in the Audit Committee Report.

This statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 26 April 2010.

Additional Compliance Information

1. SHARE BUY-BACKS

During the financial year ended 31 December 2009, there were no share buy-backs by the Company.

2. OPTIONS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2009, the Company has not issued any options or convertible securities.

3. DEPOSITORY RECEIPT PROGRAMME

During the financial year ended 31 December 2009, the Company did not sponsor any depository receipt programme.

4. SANCTIONS AND/OR PENALTIES

Save for a tax penalty of RM226 imposed by the Inland Revenue Board on a subsidiary of the Company, there were no other sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or Management by any regulatory bodies during the financial year ended 31 December 2009.

5. NON-AUDIT FEES

The non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2009 by the external auditor of the Group, Messrs. KPMG, amounted to RM155,500.

6. VARIATION IN RESULTS

There was no deviation between the audited results for the financial year ended 31 December 2009 and the unaudited results for the financial year ended 31 December 2009 of the Group.

7. PROFIT GUARANTEE

During the financial year ended 31 December 2009, there was no profit guarantee given by the Company.

8. MATERIAL CONTRACTS

Save as disclosed below, the Company and its subsidiaries have not entered into any material contracts involving the interest of the Directors and major shareholders, which either still subsisting at the end of the financial year ended 31 December 2009 or, had been entered into since the end of the previous financial year ended 31 December 2008.

- (a) By an agreement dated 26 July 2007, the Company and its major shareholder, Allianz SE entered into an agreement pursuant to which Allianz SE agreed to make available to the Company, a facility denominated in Euro and agreed by the parties to be equivalent to RM490 million ("Facility") to enable the Company to acquire the entire issued and paid-up capital of Commerce Assurance Berhad (now known as Bright Mission Berhad) from Commerce International Group Berhad. The parties agreed that no interest or any other charges shall be payable by the Company to Allianz SE on any amount that is drawn under the Facility. The repayment by the Company to Allianz SE of the amounts drawn under the Facility shall be in compliance with the terms and conditions imposed by the Controller of Foreign Exchange and at a date to be notified to the Company by Allianz SE.
- (b) In consideration of an amount of RM1.00 paid by the Company to Allianz SE, Allianz SE provided an irrevocable undertaking to the Company on 7 April 2010, that :-
 - (i) Allianz SE shall subscribe all the new irredeemable convertible preference shares of RM1.00 each in the Company ("ICPS") that Allianz SE shall be entitled to subscribe (pursuant to the proposed renounceable rights issue of ICPS of the Company) based on Allianz SE's shareholding in the Company on the entitlement date to be determined by the Company and subsequently notified in writing to Allianz SE. The total consideration for the subscription by Allianz SE of its entitlements shall be set-off against an equivalent amount from the Facility granted by Allianz SE to the Company.
 - (ii) Allianz SE shall not convert the ICPS into ordinary shares of the Company if such conversion will result in Allianz SE holding more than its existing shareholding in the Company.

Additional Compliance Information

9. ANALYSIS OF SHAREHOLDINGS AS AT 22 APRIL 2010

Authorised Share Capital	:	RM200,000,000
Issued and Paid-up Share Capital	:	RM153,869,238
Class of Shares	:	Ordinary shares of RM1 each
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Less than 100	15	0.86	417	0.00
100 to 1,000	1,118	64.22	266,759	0.18
1,001 to 10,000	374	21.48	1,643,879	1.07
10,001 to 100,000	188	10.80	6,448,266	4.19
100,001 to less than 5% of issued shares	45	2.58	30,147,622	19.59
5% and above of issued shares	1	0.06	115,362,295	74.97
Total	1,741	100.00	153,869,238	100.00

SUBSTANTIAL SHAREHOLDER

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Allianz SE	115,362,295	74.97	-	-

DIRECTOR'S SHAREHOLDINGS

Name	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Ong Eng Chow	100	^	-	-

^ Negligible

THIRTY LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS

Name of Shareholders	No. of Shares Held	% of Shares
1 Citigroup Nominees (Asing) Sdn Bhd Allianz SE	115,362,295	74.97
2 Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)	4,624,800	3.01
3 Pertubuhan Keselamatan Sosial	3,334,422	2.17
4 Amanahraya Trustees Berhad Public Smallcap Fund	2,676,500	1.74
5 Employees Provident Fund Board	2,504,100	1.63
6 Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Saham Amanah Sabah (Acc 2-940410)	2,126,300	1.38
7 Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	1,546,600	1.01
8 Mayban Nominees (Tempatan) Sdn Bhd HwangDBS Investment Management Bhd for Employees Provident Fund (230571)	852,600	0.55
9 Lim Su Tong @ Lim Chee Tong	802,000	0.52
10 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for HwangDBS Select Opportunity Fund (3969)	768,000	0.50

Additional Compliance Information

Name of Shareholders	No. of Shares Held	% of Shares
11 RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming (CEB)	589,700	0.38
12 Mayban Nominees (Tempatan) Sdn Bhd HwangDBS Investment Management Bhd for Pertubuhan Keselamatan Social (240234)	572,900	0.37
13 Neoh Choo Ee & Company, Sdn. Berhad	502,000	0.33
14 Amsec Nominees (Tempatan) Sdn Bhd Lim Su Tong @ Lim Chee Tong (8335-1101)	500,000	0.32
15 Chua Saw Yean	500,000	0.32
16 Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Noble Sound Sdn Bhd (MY0403)	500,000	0.32
17 Kumpulan Wang Simpanan Pekerja	500,000	0.32
18 Sai Yee @ Sia Say Yee	495,000	0.32
19 Tanjong Equities Sdn Bhd	491,200	0.32
20 DB (Malaysia) Nominee (Tempatan) Sendirian Berhad HwangDBS Investment Management Berhad for Malaysian Timber Council	437,400	0.28
21 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for HwangDBS Select Income Fund (4850)	431,500	0.28
22 HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	415,000	0.27
23 Chong Mei Ngor	400,000	0.26
24 Thong Kok Yoon	400,000	0.26
25 Insas Plaza Sdn Bhd	393,000	0.26
26 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	318,000	0.21
27 Thong Kok Khee	304,100	0.20
28 Jaya Kumar A/L Ganason @ Kanajan	250,000	0.16
29 Au Yong Mun Yue	220,000	0.14
30 HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-Asing)	220,000	0.14

10. REVALUATION POLICY

The self-occupied properties of the Group are revalued every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. The Group is using fair value model for the measurement of its investment properties after recognition.

11. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2009 OWNED BY THE GROUP

Location	Existing Use	Tenure	Land Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
Level 10, 12, 13, 13A & 15 Block 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur	Head office	Freehold	3,745	Corporate office	8 years	21/09/2007	22,831
Wisma Allianz 33, Jalan Gereja 50100 Kuala Lumpur	Branch office	Lot PT1- Leasehold Expiring 09/06/2072	525	Office building	26 years	28/05/2006	4,969
		Lot 263-Freehold			28 years	31/05/2006	4,024
No. 11, 12, 13 and 14, Jalan 53 Desa Jaya Commercial Centre Taman Desa, 52100 Kepong Kuala Lumpur	Branch office	Leasehold Expiring 08/03/2081	637	Terrace shop/office	24 years	20/10/2009	4,116

Additional Compliance Information

11. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2009 OWNED BY THE GROUP (CONTINUED)

Location	Existing Use	Tenure	Land Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
No. 46, Jalan Tiara 2C Bandar Baru Klang 41150, Klang, Selangor	Branch office	Leasehold Expiring 08/05/2093	551	Terrace shop/office	7 years	20/10/2009	3,578
Lot G-1-1, G-1-2 & G-1-3 No.11, Jalan Tiara 2D/Kul Bdr Baru Klang, 41150 Klang, Selangor	Branch office	Leasehold Expiring 08/05/2093	525	Terrace shop/ office	2 years	03/08/2009	2,470
Unit Nos. A-G-1, A-1-1, A-2-1 Block A Greentown Square Jalan Dato' Seri Ahmad Said 30450 Ipoh, Perak	Branch office	Leasehold Expiring 08/05/2093	595	Commercial building	4 years	23/10/2009	1,850
No.7,9,11,13,15,17 Jalan Seksyen 3/5 Taman Kajang Utama 43000 Kajang, Selangor	Branch office	Freehold	612	Terrace shop/ office	10 years	21/09/2007	1,748
No. 15, Jalan 8/1D Section 8 46050 Petaling Jaya, Selangor	Branch office	Leasehold Expiring 07/08/2066	174	Terrace shop/ office	43 years	31/05/2006	1,670
No. 1, Phase 4A, Jalan Prima 9 Metro Prima Business Centre 52100 Kepong, Kuala Lumpur	Branch office	Leasehold Expiring 02/04/2096	239	Terrace shop/ office	12 years	21/09/2007	1,571
No. 300 & 301, Jalan Lumpur 05100 Alor Setar, Kedah	Branch office	Freehold	386	Terrace shop/ office	6 years	31/05/2006	1,452

The date refers to the date of acquisition.

12. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the financial year ended 31 December 2009 were as follows:-

Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) Amount RM'000
Reinsurance arrangements between the Company's insurance subsidiaries and Allianz SE Group where the risk and premium are shared between the parties in accordance with the reinsurance arrangement entered into between the parties.	*Allianz SE Group	(128,877)
Payment of annual maintenance and support fees for software system by the Company's life insurance subsidiary	*Allianz SE	(117)
The Group's sharing of marketing measures undertaken by Allianz SE	*Allianz SE	(834)
Payment of fund management fees by the Company's life insurance subsidiary in relation to its funds managed by Allianz Global Investors Singapore Limited	*Allianz Global Investors Singapore Limited	(160)
The Group's sharing of Allianz Worldwide Intranet Network access	*Allianz SE Group	(306)
Payment of investment advisory service fees by the Company's insurance subsidiaries to Allianz Investment Management Singapore Pte Ltd	*Allianz Investment Management Singapore Pte Ltd	(429)
Payment of telemarketing fee by the Company's life insurance subsidiary to Symphony BPO Solutions Sdn Bhd	**Symphony BPO Solutions Sdn Bhd	(2,134)
Payment of fees for conducting performance attribution analysis by the Company's life insurance subsidiary	*IDS GmbH	(19)

Note:-

* Deemed to be related parties to the Company via Allianz SE's direct interest as the major shareholder of the Company.

** Symphony BPO Solutions Sdn Bhd is a subsidiary of Symphony House Berhad of which Mr. Foo San Kan, an Independent Director of the Company, is a Director and shareholder.



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Calendar of Moments



January 2009

Allianz and MOBILITI

The Group renewed its sponsorship to Persatuan Mobiliti Selangor dan Kuala Lumpur ("MOBILITI"), a non-profit charitable organisation that provides door-to-door transport for the disabled within Klang Valley. The vans are specially modified with hydraulic lifts and a wheelchair restrain system that allows them to travel comfortably. The Group sponsors three of its vehicles operational costs that include fuel, toll, maintenance and motor insurance. The partnership has been established since 2006.

The Group also participated in MOBILITI's Annual Charity Bazaar. Prior to the bazaar, a book and magazine donation drive was organised amongst staff. The Group also contributed stationery and the Allianz Formula One dictionary. These items were sold and all proceeds were channeled to MOBILITI.



LOMA Education Excellence Award

Allianz Life Insurance Malaysia Berhad ("ALIM") emerged as one of the 85 companies to be awarded LOMA's Excellence in Education ("EIE") Award out of 1,200 participating LOMA member companies. Criteria for the award include pass rates, number of examination enrolments and the continuous promotion of LOMA educational programmes within the company.



Streamlining of General Insurance Business

Commerce Assurance Berhad (CAB) transferred its general insurance business ("Transfer of Business") to AGIC on 1 January 2009. The Transfer of Business was undertaken to streamline the general insurance business which has operated through two subsidiaries namely CAB and AGIC since the acquisition of CAB in 2007.

Upon the completion of the Transfer of Business, CAB is now known as Bright Mission Berhad ("BMB").

Agents Receive Early Profit Commission

For the third consecutive year, AGIC kept to its promise and handed out RM5.2 million in profit commission to its qualifying general agents before the Lunar New Year.



February 2009

ALIM Launches PowerSaver

ALIM launched PowerSaver, a savings endowment plan that provides 30 years insurance protection. PowerSaver also has an option for the policy holder to convert to a fully paid up policy. At the end of the fifth year customers will enjoy a yearly guaranteed cash payment equivalent to four percent of the Basic Sum Assured.



March 2009

Allianz Co-branded Credit Card

ALIM and Alliance Bank launched a new co-branded credit card. Cardholders will enjoy rebates when premium is paid with the card.



April 2009

First Town Hall for 2009

A town hall meeting was held at Wisma MCA for all employees of the Group. The CEOs' of AGIC and ALIM presented the 2008 and first quarter 2009 performance of respective companies. This was followed by the presentation of OPEX Certificates to Blue Belt Qualifiers and ended with a status update of the ONE ALLIANZ initiative.



Calendar of Moments



April 2009

German Day in Kuching, Sarawak

The German Embassy of Kuala Lumpur together with Malaysian based German companies organised a three day event from 22 to 24 April 2009 at Universiti Malaysia Sarawak ("UNIMAS") campus. The event aimed to familiarise students, local business community and the public on the various aspects of German academic and business activities in Malaysia.



Besides setting up an Allianz booth during the event, Zakri Mohd Khir, Head of Operations of AGIC presented an overview of Allianz while Hans Appel, Risk Consultant from Allianz Indonesia spoke on the various scope of insurance risks covered by Allianz.

May 2009

Annual Strategic Dialogue

The Annual Strategic Dialogue was held in Kuantan, Pahang from 13 to 15 May 2009. Senior Management teams from the Group got together to discuss and brainstorm on strategies for 2010. The top five strategic initiatives for both entities were then decided and these determined the targets and deliverables for the coming year.

Prof Dr. Michael Heise Visits Kuala Lumpur

Prof Dr. Michael Heise Allianz Group Chief Economist, was in Malaysia on 28 May 2009 as part of his Asia Pacific visit. Heise presented his overview of the challenges and opportunities for Asia, in the wake of the economic crisis at a press conference in the AMB head office. He then adjourned to a business luncheon at the residence of the Ambassador of Germany to Malaysia. This was followed by an exclusive interview with the Malaysian National News Agency ("Bernama").



ALIM Agency Awards Night 2009

The annual ALIM Agency Awards Night 2009 was held at the Genting International Convention Centre on 21 May 2009 to honour top Allianz Life agents, which recognised the various categories of achievers including MDRT Qualifiers, Million Dollar Agencies and the coveted agency of the year title. Allianz Chairman, Tan Sri Razali Ismail was present to grace the gala event.



May 2009



Global i2s Innovation Awards 2009

The Product Web Manual innovation was a finalist at the 2009 Global i2s Innovation Awards for the category of Best Innovation from bottom-up i2s. This innovation was contributed by Siti Sarah Omar from AGIC's Customer Service Department. This simple innovation has provided front liners and back office staff with updated and most current underwriting guidelines at a click of a button.

ALIM Breaks RM100 Million AFYP

For the first time in the history of ALIM, the agency channel hit the RM100 million mark in Annualised First Year Premium (AFYP) in just 5 months. This result reflects the success of the high activity based selling philosophy of ALIM's agency model.



June 2009



Strategic Dialogue with Dr. Zedelius

Dr. Werner Zedelius, Board Member of Allianz SE, responsible for Insurance Growth Markets, had a strategic dialogue with the management team of the Group from 11 to 12 June 2009. During this session the Group management team presented the top 5 strategic initiatives of the respective Companies for his endorsement which will form the basis for the financial planning for the coming year.



AGIC National Marketing Convention 2009

The AGIC National Marketing Convention was held at Club Med in Cherating, Pahang from 16 to 19 June 2009. The four day event was filled with team building activities, business seminars and ended with a gala Dinner themed "Summer Romance".



Lau Nai Liang (fondly known as Rajang Lau) received the Royal Eagle Award after consecutively winning the Golden Eagle award for the last five years. Participants were then treated to a dazzling display of fireworks as a surprise finale.

Calendar of Moments



June 2009

AMB Annual General Meeting 2009

The 35th Annual General Meeting, held on 25 June 2009, at Hotel Nikko Kuala Lumpur was presided by the Chairman and the Board of Directors of AMB. Top management attended to questions from the members of the media after the meeting.



July 2009

Penang Hosts Durian Fest

As a way of thanking our business partners and customers, AGIC's Penang Branch hosted a durian fest at its branch office on 2 July 2009. The guests enjoyed the camaraderie as well as the variety of durians served.



August 2009

Investor Relations Page on the Website

Recognising the importance of Investor Relations, AMB launched a new Investor Relations section on www.allianz.com.my. Users can now have online access to the Group's updated financial reports and announcements.

September 2009

2009 Leadership Culture Survey ("LCS") & Employee Engagement Survey ("EES")

Allianz Group places high emphasis on its leadership values and employee engagement. An annual LCS and EES are conducted to gauge these key factors.

The LCS provides an insight of how well the Group practises its leadership values while the ES aims to measure the commitment and engagement levels of employees through understanding their perception of the workplace and the Company.

The surveys were conducted from 16 to 30 September 2009. This was the first participation in EES by Allianz Malaysia.

Internal Net Promoter Score

As a customer centric organisation, the Group recognises the importance of customer service interaction between departments. In an effort to listen to the voice of internal customers, the Internal Net Promoter Score ("iNPS") campaign was introduced. The iNPS is a simple tool for measuring internal customer satisfaction as well as gathering feedback to form the basis of setting service level standards between departments.

October 2009

Motor Theft Prevention Workshop

AGIC organised a motor theft prevention workshop on 13 October 2009 at the Gardens Hotel, Kuala Lumpur. The well participated event was attended by industry representatives, stakeholders including Polis DiRaja Malaysia ("PDRM"), Bank Negara Malaysia ("BNM"), and Jabatan Pengangkutan Jalan ("JPJ"). Dr Hartmuth Wolff, a consultant on vehicle security and theft prevention with Allianz Center for Technology ("AZT") shared his research findings on car theft and counter measures as well as experience in Germany.



German Day in Penang

Dr. Wolff's visit coincided with the second German Day event for the year held in Penang. He shared interesting facts on car safety including showing simulation videos of the impact of not wearing seatbelts in an accident at various speeds. This created an importance to adherence of safety rules for the participants.



Appreciating German Culture

ALIM participated in the Oktoberfest celebrations organised by Holiday Inn, Melaka on 9 October 2009. Guests were given a deeper appreciation of this important German festival. This event gave ALIM an opportunity to get closer and treat our agents to an authentic German experience.

Whereas in Petaling Jaya, some 100 agents from the AGIC PJ branch were also given a taste of Oktoberfest celebrations at a restaurant in Petaling Jaya.



2010 Branch Budget Meeting

AGIC held its branch budget meeting from 26 to 28 October 2009 at Impiana KLCC Hotel & Spa Kuala Lumpur. This is an annual meeting of all Regional & Branch Managers across our 35 locations together with the Management Team from Head Office where business targets for the coming year are cascaded to all branches.

Calendar of Moments



November 2009

Town Hall with Special Guests

About 600 staff attended the Group's Town Hall Meeting held at Wisma MCA on 20 November 2009. This platform allows the Management to share important business information with all staff.

This time around, we were honoured to invite several Paralympic delegates and local disabled athletes to this meeting. The experience shared by these special guests touched the hearts of our employees and inspired them to strive beyond their limits.



Team Allianz Emerges Champion!

The Group's futsal team won the HeiTech 1 Futsal 2009 tournament organised by HeiTech Managed Services Sdn Bhd, which was participated by 48 teams from various government agencies and financial institutions on 14 November 2009. Azlan Abu Bakar's goal in the finals against Tabung Haji gave our team a 1-0 win. Manikkam Rajagopal of AMB was named Man of the Match for his performance.



Paralympics Award Gala 2009

Through Allianz SE's partnership with the International Paralympics Committee, about 20 employees of the Group were invited to attend the Paralympics Award Gala Night held on 21 November 2009 in Kuala Lumpur. This event showcased outstanding sportsmanship, team spirit and the unending strive for perfection. The CEOs of the Group were among the award presenters for the night.

December 2009

Visit to the NSTP Printing Plant

20 children of Allianz staff were taken on a tour of the New Straits Time Press ("NSTP") in Shah Alam on 16 December 2009. NSTP staff were on hand to explain the diverse procedures involved before a newspaper is ready to be distributed. The children witnessed a demonstration on printing the next day's newspaper.



Sweating It Out Together

Both management and staff members of the Group were brought together in a football match on 17 December 2009. This was organized following a successful first match early in the year. Each team comprised of players from all three companies where "The Mighty Whites" were led by Alexander Ankel and "The Blues" were led by Horst Habbig.

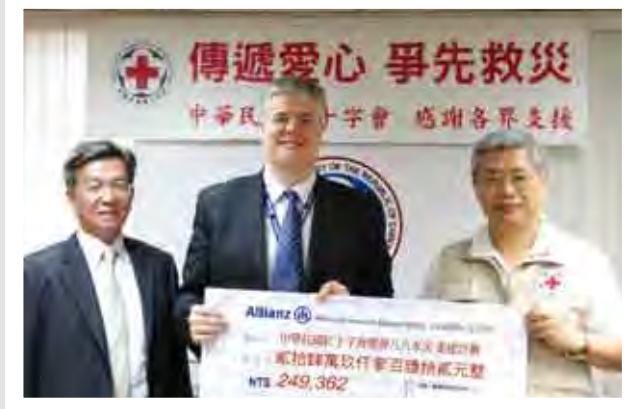
The April match which took place at Selayang Municipal Stadium was won by "The Mighty Whites" with a 3-2 score while the match in December at Ulu Kelang Recreation Club Football Field led to a 5-1 victory for "The Mighty Whites".



Calendar of Moments

January 2010

ALIM Agents Donate to Taiwan Typhoon Victims
 ALIM agents responded to the plight of victims in the recent typhoon in Taiwan. The amount collected was donated to the Red Cross Society through Allianz Taiwan Life Insurance Company Ltd.



AGIC Launches Allianz Protect Platinum

AGIC together with Allianz Re Asia Pacific, Singapore launched the Allianz Protect Platinum on 18 January 2010 at Hilton Hotel, Kuala Lumpur. The plan has been designed specifically to protect directors and officers as well as their companies from potential litigation proceedings in the event of a negligence.



First in Profit Commission Payout Again

In keeping with our promise, AGIC again paid its qualifying agents their profit commission before the Lunar New Year. The Group commits to building real partnerships with our distributors and this is just one way of showing our commitment. A total of RM6.26 million was paid to 1,285 qualifying agents.

Financial Statements

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Directors' Report

for the year ended 31 December 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

Principal activity

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group	Company
	RM'000	RM'000
Profit for the year	118,857	1,902

Dividends

Since the end of the previous financial year, the Company paid a first and final ordinary dividend of 2.00 sen per ordinary share less tax at 25% totaling RM2,308,038 in respect of the financial year ended 31 December 2008 on 3 August 2009.

The Directors recommended a first and final ordinary dividend of 2.00 sen per ordinary share less tax at 25% totaling RM2,308,038 in respect of the financial year ended 31 December 2009.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Directors of the Company

The Directors who served since the date of the last report are:

Tan Sri Razali Ismail (Chairman)
 Dato' Seri Nik Abidin Bin Nik Omar
 Foo San Kan
 Craig Anthony Ellis
 Dung Tri Nguyen @ Don Tri Nguyen
 Cornelius Alexander Ioannis Ankel
 Ong Eng Chow (appointed on 26 June 2009)

Directors' interests

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Interest in the Company	Number of ordinary shares at RM1.00 each			At 31.12.2009
	At 26.6.2009 *	Bought	Sold	
Ong Eng Chow	100	-	-	100

Interest in the ultimate holding company, Allianz SE	Number of registered shares**			At 31.12.2009
	At 1.1.2009	Bought	Sold	
Craig Anthony Ellis	33	-	-	33
Dung Tri Nguyen @ Don Tri Nguyen	439	-	-	439

* Appointment date of Ong Eng Chow as Director

** The shares have no par value

Save as disclosed above, none of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related companies / corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object 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.

Employee Share Scheme

The Company implemented an employee share scheme ("ESS") on 24 July 2007 for eligible employees of the Group. The ESS involves the issuance of new ordinary shares to the eligible employees of the Group who meet the eligible criteria as prescribed under the By-Laws for the ESS. The ESS expired on 23 July 2009.

During the financial year, no shares were issued to the eligible employees of the Group pursuant to the ESS prior to its expiry.

Issue of shares

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

Directors' Report

Significant events during the year**a) Transfer of property, plant and equipment to Allianz General Insurance Company (Malaysia) Berhad**

During the year, the Board of Directors of the Company approved the proposed disposal of 14 properties and assets from the Company to its wholly-owned subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") ("Proposed Disposal"). The Proposed Disposal is subject to the approval from the following authorities:-

- a) the Foreign Investment Committee ("FIC") for the proposed disposal of 14 properties pursuant to the FIC's Guidelines on the Acquisition of Properties by Local and Foreign Interest;
- b) the relevant state authorities for the proposed transfer of 14 properties; and
- c) any other relevant authorities (if applicable).

The following agreements were entered into between the Company and AGIC:

- a) 10 Sale and Purchase Agreements ("SPAs") dated 26 March 2009 and 4 SPAs dated 13 April 2009 for the disposal of 14 properties from the Company to AGIC;
- b) an Assets Purchase Agreement dated 26 March 2009 ("APA") for the disposal of certain assets from the Company to AGIC; and
- c) a Master Subordinated Loan Agreement dated 26 March 2009 in relation to the final sale consideration of the above mentioned 14 properties.

FIC had, vide its letter dated 17 April 2009, informed that it has no objection to the proposed disposal of 14 properties from the Company to AGIC.

Following the approval obtained from the relevant state authorities, 13 out of the 14 SPAs in relation to 13 properties in East and West Malaysia have been completed during the year pursuant to the terms and conditions of their respective SPAs with a total sale consideration of RM18,332,669.

The APA was completed on 1 April 2009, with a sale consideration of RM30,669,577. The said sale consideration was treated as a subordinated loan owing from AGIC to the Company.

Bank Negara Malaysia ("BNM") has granted approval for the subordinated loans arising from the sale of the 14 properties from the Company to AGIC to be treated as AGIC's "Tier 2" capital and capital available under the Risk-Based Capital Framework issued by BNM.

The application made to the relevant state authority for disposal of the remaining 1 property in West Malaysia is currently pending approval from the said state authority ("Land Office").

Upon approval granted by the Land Office, application for stamp duty exemption for the disposal of the 14 properties will be submitted to the relevant authority for approval and the instruments of transfer in respect thereto will be subsequently presented for registration with the relevant land authorities.

On 11 December 2009, the Company sought BNM's consideration for the proposed repayment of subordinated loan via the issuance and allotment of ordinary shares of RM1.00 each at par by AGIC to the Company for an amount equivalent to the total sale consideration of the 14 properties.

BNM had on 18 January 2010 approved the Company's application for the proposed repayment of the said subordinated loan and the increase in issued and paid-up share capital of AGIC.

Other statutory information

Before the balance sheets and income statements in the Group and the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there was adequate insurance claims liabilities in the Group in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework issued by BNM;
- ii) all known bad debts have been written off and adequate provision made for doubtful debts; and
- iii) any current assets which were unlikely to be realised in the ordinary course of business have 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:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts or the insurance claims liabilities, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets and liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors' Report

Holding company

The holding and ultimate holding company is Allianz SE, a public company incorporated and domiciled in Germany.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Razali Ismail

Cornelius Alexander Ioannis Ankel

Kuala Lumpur,
Date: 29 March 2010

Balance Sheets

as at 31 December 2009

	Note	Group		Company		
		2009 RM'000	2008 RM'000 Restated	2009 RM'000	2008 RM'000 Restated	
Assets						
General business and shareholders' fund assets						
Property, plant and equipment	3	74,620	72,397	187	821	
Intangible assets	4	318,135	328,550	-	-	
Prepaid lease payments	5	5,139	5,219	-	-	
Investment properties	6	1,662	1,662	-	-	
Investments in subsidiaries	7	-	-	926,613	793,408	
Subordinated loans	17.2	-	-	30,670	3,600	
Deferred tax assets	18	2,371	11,257	-	-	
Loans	9	4,123	3,215	766	728	
Other receivables, deposits and prepayments	11	5,828	1,423	631	-	
Placements with financial institutions	13	39,754	55,614	-	15,715	
Total non-current general business and shareholders' fund assets		451,632	479,337	958,867	814,272	
Investments in debt and equity securities	8	1,499,032	1,232,024	*	**	
Subordinated loans	17.2	-	-	35,932	14,000	
Loans	9	803	905	131	118	
Insurance receivables	10	107,337	121,939	-	-	
Other receivables, deposits and prepayments	11	44,445	68,156	1,838	5,812	
Current tax assets		5,276	8,441	2,181	2,942	
Assets classified as held for sale	12	-	-	1,452	53,169	
Placements with financial institutions	13	212,964	222,311	28,435	15,720	
Cash and cash equivalents		1,419	4,172	320	23	
Total current general business and shareholders' fund assets		1,871,276	1,657,948	70,289	91,784	
Less: Due from life fund	11	(12,000)	(40,622)	-	-	
		1,859,276	1,617,326	70,289	91,784	
Total life business assets (page 89)						
Non-current assets		88,485	90,460	-	-	
Current assets		2,316,482	1,796,930	-	-	
Total assets		2,404,967	1,887,390	-	-	
Equity						
Share capital	21	153,869	153,869	153,869	153,869	
Reserves	22	350,874	234,249	228,356	227,666	
Total equity attributable to shareholders' of the Company		504,743	388,118	382,225	381,535	
Total life policyholders' funds (page 89)		2,190,743	1,688,146	-	-	

* Denote RM2

** Denote RM3

Balance Sheets

	Note	Group		Company		
		2009 RM'000	2008 RM'000 Restated	2009 RM'000	2008 RM'000 Restated	
Liabilities						
General business and shareholders' fund liabilities						
Insurance payables	15	17,683	27,769	-	-	
Other payables and accruals	16	783	1,811	133,205	1,811	
Deferred tax liabilities	18	5,765	5,293	108	3,702	
Subordinated loan	17.1	490,000	490,000	490,000	490,000	
Total non-current general business and shareholders' fund liabilities		514,231	524,873	623,313	495,513	
Insurance premium liabilities	19	320,163	318,366	-	-	
Insurance claims liabilities	14	691,854	648,192	-	-	
Insurance payables	15	189,945	183,675	-	-	
Other payables and accruals	16	95,809	74,061	23,618	29,008	
Current tax liabilities		6,163	-	-	-	
Total current general business and shareholders' fund liabilities		1,303,934	1,224,294	23,618	29,008	
Total life business liabilities (page 89)						
Non-current liabilities		40,435	23,792	-	-	
Current liabilities		173,789	175,452	-	-	
Less: Due to shareholders' fund	16	(12,000)	(40,622)	-	-	
		161,789	134,830	-	-	
Total equity and liabilities		4,715,875	3,984,053	1,029,156	906,056	

The notes on pages 94 to 158 are an integral part of these financial statements.

Income Statements

for the year ended 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating revenue	23	2,222,642	1,898,867	1,236	16,344
Shareholders' fund:					
Investment income	24	5,094	4,992	1,236	16,344
Other operating income	25	115	179	114	179
Other operating expenses	26	(9,238)	(18,311)	(345)	(5,751)
Management expenses	27	(2,446)	(10,317)	(1,307)	(13,265)
		(6,475)	(23,457)	(302)	(2,493)
Transfer from insurance revenue account:					
General insurance		160,993	130,451	-	-
Life insurance		12,000	5,317	-	-
Profit/(Loss) before tax		166,518	112,311	(302)	(2,493)
Tax expense	29	(47,661)	(41,583)	2,204	(1,847)
Profit/(Loss) for the year		118,857	70,728	1,902	(4,340)
Basic earnings per ordinary share (sen):	30	77.25	45.97		

The notes on pages 94 to 158 are an integral part of these financial statements.

General Insurance Revenue Account

for the year ended 31 December 2009

	Note	Marine, aviation										Total 2009 RM'000	Total 2008 RM'000		
		Fire		Motor		and transit		Miscellaneous							
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000				
Group															
Gross premium		260,165	244,981	516,532	411,647	116,424	89,471	309,268	328,791	1,202,389	1,074,890				
Less : Reinsurance		(134,684)	(128,408)	(27,711)	(22,118)	(97,337)	(62,812)	(154,882)	(167,764)	(414,614)	(381,102)				
Net premium		125,481	116,573	488,821	389,529	19,087	26,659	154,386	161,027	787,775	693,788				
(Increase)/Decrease in insurance premium liabilities	19	(123)	(4,209)	(10,769)	(33,282)	3,805	(2,633)	5,290	1,307	(1,797)	(38,817)				
Earned premium		125,358	112,364	478,052	356,247	22,892	24,026	159,676	162,334	785,978	654,971				
Net claims incurred	32	(33,168)	(23,469)	(338,539)	(282,530)	(9,657)	(11,292)	(74,930)	(75,968)	(456,294)	(393,259)				
Net commission		(4,885)	289	(52,427)	(37,562)	(69)	(508)	(19,912)	(13,096)	(77,293)	(50,877)				
		(38,053)	(23,180)	(390,966)	(320,092)	(9,726)	(11,800)	(94,842)	(89,064)	(533,587)	(444,136)				
Underwriting surplus before management expenses		87,305	89,184	87,086	36,155	13,166	12,226	64,834	73,270	252,391	210,835				
Management expenses	27											(149,981)	(131,387)		
Underwriting surplus												102,410	79,448		
Investment income	24											57,951	51,771		
Other operating income	25											4,117	7,343		
Other operating expenses	26											(3,485)	(8,111)		
Transfer to income statements												160,993	130,451		

The notes on pages 94 to 158 are an integral part of these financial statements.

Life Fund Balance Sheet

as at 31 December 2009

	Note	Group	
		2009 RM'000	2008 RM'000
Assets			
Property, plant and equipment	3	11,157	11,983
Intangible assets	4	46	242
Prepaid lease payments	5	4,671	4,732
Investment properties	6	2,650	2,620
Deferred tax assets	18	-	438
Loans	9	2,097	2,333
Other receivables, deposits and prepayments	11	100	100
Placements with financial institutions	13	65,246	65,472
Total life business non-current assets		85,967	87,920
Investment-linked business non-current assets	35	2,518	2,540
		88,485	90,460
Investments in debt and equity securities	8	1,672,222	1,383,812
Loans	9	43,702	33,354
Insurance receivables	10	34,381	39,185
Other receivables, deposits and prepayments	11	24,897	19,942
Current tax assets		-	2,755
Placements with financial institutions	13	269,928	79,528
Cash and cash equivalents		5,499	12,139
		2,050,629	1,570,715
Investment-linked business current assets	35	265,853	226,215
Total life business current assets		2,316,482	1,796,930
Total life business assets		2,404,967	1,887,390
Life policyholders' funds			
Life policyholders' fund	20	2,189,781	1,687,184
Life assets revaluation reserves	20	962	962
Total life policyholders' funds		2,190,743	1,688,146
Liabilities			
Other payables and accruals	16	39,061	23,723
Deferred tax liabilities	18	392	-
		39,453	23,723
Investment-linked business non-current liabilities	35	982	69
Total life business non-current liabilities		40,435	23,792
Benefits and claims liabilities	14	36,929	31,564
Insurance payables	15	71,870	62,222
Other payables and accruals	16	64,440	81,178
Current tax liabilities		174	-
		173,413	174,964
Investment-linked business current liabilities	35	376	488
Total life business current liabilities		173,789	175,452
Total life business liabilities		214,224	199,244
Total life policyholders' funds and life business liabilities		2,404,967	1,887,390

The notes on pages 94 to 158 are an integral part of these financial statements.

Life Fund Revenue Account

for the year ended 31 December 2009

		Group	
	Note	2009 RM'000	2008 RM'000
Gross premium		868,727	692,038
Less: Reinsurance		(55,778)	(52,181)
Net premium		812,949	639,857
Net benefits and claims paid and payable:			
Surrender		(66,387)	(73,123)
Death		(19,153)	(15,444)
Maturity		(5,696)	(9,437)
Cash bonus		(15,909)	(14,248)
Others		(43,537)	(31,200)
		(150,682)	(143,452)
		662,267	496,405
Commission and agency expenses		(205,645)	(157,830)
Management expenses	27	(73,207)	(67,030)
Underwriting surplus		383,415	271,545
Investment income	24	78,264	63,578
Other operating income	25	18,353	3,318
Other operating expenses	26	(5,011)	(26,723)
Surplus before tax		475,021	311,718
Tax expense	29	(7,327)	(3,337)
Surplus after tax and before policy reserve		467,694	308,381
Surplus/(Deficit) after tax and before policy reserve from investment-linked business	35	46,903	(34,814)
Fund at beginning of year		1,687,184	1,418,934
Surplus transfer to shareholders' fund		(12,000)	(5,317)
Fund at end of year	20	2,189,781	1,687,184

The notes on pages 94 to 158 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2009

	Note	Non-distributable		Distributable		Total equity RM'000
		Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Retained earnings RM'000	
Group						
At 1 January 2008		153,869	5,529	5,547	154,585	319,530
Profit for the year		-	-	-	70,728	70,728
Dividends to shareholders	31	-	-	-	(2,277)	(2,277)
Effect of change in tax rate	29	-	-	137	-	137
At 31 December 2008/1 January 2009		153,869	5,529	5,684	223,036	388,118
Profit for the year		-	-	-	118,857	118,857
Dividends to shareholders	31	-	-	-	(2,308)	(2,308)
Disposal of land and buildings		-	-	(363)	363	-
Effect of deferred tax	29	-	-	76	-	76
At 31 December 2009		153,869	5,529	5,397	339,948	504,743
Company						
At 1 January 2008		153,869	5,529	5,547	223,159	388,104
Loss for the year		-	-	-	(4,340)	(4,340)
Dividends to shareholders	31	-	-	-	(2,277)	(2,277)
Effect of change in tax rate	29	-	-	48	-	48
At 31 December 2008/1 January 2009		153,869	5,529	5,595	216,542	381,535
Profit for the year		-	-	-	1,902	1,902
Dividends to shareholders	31	-	-	-	(2,308)	(2,308)
Disposal of land and buildings		-	-	(289)	289	-
Effect of deferred tax	29	-	-	(4,894)	5,990	1,096
At 31 December 2009		153,869	5,529	412	222,415	382,225

The notes on pages 94 to 158 are an integral part of these financial statements.

Cash Flow Statements

for the year ended 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash flows from operating activities					
Profit/(Loss) before taxation		166,518	112,311	(302)	(2,493)
Adjustments for:					
Accretion of discounts		(2,640)	(10,216)	-	(300)
Amortisation of premiums		4,563	3,603	-	-
Amortisation of prepaid lease payments		141	143	-	76
Amortisation of intangible assets		10,918	10,936	-	1,713
(Write back of)/Allowance for diminution in value of investments in debt and equity securities		(9,741)	9,189	-	-
Impairment loss on unquoted bonds of corporations		-	5,694	-	5,694
Write back of doubtful debts		(11,241)	(2,857)	-	-
Bad debts written off		9,500	1,987	-	-
Depreciation of property, plant and equipment		9,810	9,784	173	6,221
(Gain)/Loss on disposal of investments in debt and equity securities		(23,713)	18,339	-	-
Change in fair value of investment property		(30)	(125)	-	-
Gain on disposal of property, plant and equipment		(162)	(129)	(39)	(100)
Gain on disposal of leasehold land		-	(71)	-	(71)
Increase in insurance premium liabilities		1,797	38,817	-	-
Investment-linked fund surplus/(deficit) before tax and before policy reserve	35	50,026	(36,265)	-	-
Investment income		(153,623)	(125,324)	(1,236)	(16,044)
Interest expense		2,706	1,861	-	-
Life fund surplus before tax and before policy reserve		475,021	311,718	-	-
Property, plant and equipment written off		381	104	3	6
Intangible assets written off		-	117	-	-
Unrealised (gain)/loss on investments in debt and equity securities of investment-linked funds		(23,963)	50,351	-	-
Life fund surplus transfer		(12,000)	(5,317)	-	-
Bad debts recovered		(180)	-	-	-
Unrealised foreign exchange loss/(gain) on investment-linked funds		284	(2,805)	-	-
Operating profit/(loss) before changes in operating assets and liabilities		494,372	391,845	(1,401)	(5,298)
Purchase of investments		(1,566,656)	(2,158,620)	-	-
Proceeds from disposal of investments		1,034,606	1,713,486	-	3,000
(Increase)/decrease in placements with financial institutions		(175,447)	(79,995)	3,000	(2,378)
Increase in loans		(10,916)	(5,967)	(51)	(449)
Decrease/(Increase) in receivables		38,742	36,082	3,380	(3,443)
Increase in benefits and claims liabilities		48,860	45,550	-	-
Increase in payables		24,932	736	129,485	19,085
Net cash (used in)/generated from operations		(111,507)	(56,883)	134,413	10,517
Investment income received:					
Dividend		6,088	9,251	-	4,928
Interest		146,304	112,113	383	536
Others		244	192	816	10,589
Interest paid		(2,069)	(1,628)	-	-
Taxes (paid)/refunded		(33,664)	(43,017)	467	(3,526)
Net cash generated from operating activities carried forward		5,396	20,028	136,079	23,044

Cash Flow Statements

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Net cash generated from operating activities brought forward		5,396	20,028	136,079	23,044
Cash flows for investing activities					
Proceeds from disposal of property, plant and equipment		2,198	388	506	339
Proceeds from disposal of leasehold land		-	312	-	312
Transfer of Assets		-	-	53,372	-
Acquisition of property, plant and equipment		(13,610)	(21,694)	(1,643)	(20,297)
Acquisition of intangible assets		(250)	(1,467)	(21)	(1,467)
Increase of investment in subsidiaries		-	-	(133,205)	-
Net cash used in investing activities		(11,662)	(22,461)	(80,991)	(21,113)
Cash flows for financing activities					
Dividends paid		(2,308)	(2,277)	(2,308)	(2,277)
(Repayment of)/Drawdown of finance lease liabilities		(1,520)	234	(3,481)	234
Increase in subordinated loans		-	-	(49,002)	-
Net cash used in financing activities		(3,828)	(2,043)	(54,791)	(2,043)
Net (decrease)/increase in cash and cash equivalents		(10,094)	(4,476)	297	(112)
Cash and cash equivalents at 1 January		17,722	22,198	23	135
Cash and cash equivalents at 31 December	a)	7,628	17,722	320	23
a) Cash and cash equivalents comprise of:					
Cash and bank balances:					
General business and shareholders' fund		1,419	4,172	320	23
Life fund		5,499	12,139	-	-
Investment-linked business	35	710	1,411	-	-
		7,628	17,722	320	23

The notes on pages 94 to 158 are an integral part of these financial statements.

Notes to the Financial Statements

Principal activities and general information

Allianz Malaysia Berhad is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Suite 3A-15, Level 15, Block 3A
 Plaza Sentral, Jalan Stesen Sentral 5
 Kuala Lumpur Sentral
 50470 Kuala Lumpur

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2009 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 7.

The holding and ultimate holding company is Allianz SE, a public company incorporated and domiciled in Germany.

The financial statements were approved by the Board of Directors on 19 March 2010.

1. Basis of preparation

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS"), accounting principles generally accepted in Malaysia, and the Companies Act, 1965, the Insurance Act and Regulations, 1996.

The following accounting standards, amendments and interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective:

[FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009](#)

FRS 8, Operating Segment

[FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010](#)

FRS 4, Insurance Contracts

FRS 7, Financial Instruments: Disclosures

FRS 101, Presentation of Financial Statements

FRS 123, Borrowing Costs (revised)

FRS 139, Financial Instruments: Recognition and Measurement

Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 132, Financial Instruments, Presentation and FRS 101, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 132, Financial Instruments, Presentation (Paragraphs 95A, 97AA and 97AB)

Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010 (continued)

Amendments to FRS 139, Financial Instruments: Recognition and Measurement Improvements to FRSs (2009)

IC Interpretation 9, Reassessment of Embedded Derivatives

IC Interpretation 10, Interim Financial Reporting and Impairment

IC Interpretation 11, FRS 2, Group and Treasury Shares Transactions

IC Interpretation 13, Customer Loyalty Programmes

IC Interpretation 14, FRS 119, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

Amendments to FRS 132, Financial Instruments, Presentation (Paragraphs 11, 16 and 97E)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

FRS 1, First-time Adoption of Financial Reporting Standards (revised)

FRS 3, Business Combinations (revised)

FRS 127, Consolidated and Separated Financial statements (revised)

Amendments to FRS 2, Share-based Payment

Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 138, Intangible Assets

IC Interpretation 12, Service Concession Agreements

IC Interpretation 15, Agreements for the Construction of Real Estate

IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17, Distribution of Non-cash Assets to Owners

Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

Amendments to FRS 1, Limited Exemption from Comparative FRS 7 Disclosures for First-Time Adopters

Amendments to FRS 7, Improving Disclosures about Financial Instruments

The Group and the Company plan to adopt the abovementioned FRSs, amendments or interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on 1 July 2009 and 1 January 2010, except for FRS 123, Amendments to FRS 2, IC interpretations 11, 13 and 14 which are not applicable to the Group and the Company.
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on 1 March 2010, 1 July 2010 and 1 January 2011, except for FRS 1, Amendments to FRS 1, FRS 2, FRS 5 and FRS 132 (Paragraphs 11, 16 and 97E), IC interpretations 12, 15, 16 and 17 which are not applicable to the Group and the Company.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of other applicable standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Group and of the Company or any material changes in accounting policy.

Notes to the Financial Statements

1. Basis of preparation (continued)**1.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following assets as explained in their respective accounting policy notes:

- Property, plant and equipment
- Investment property
- Investment in debt and equity securities of investment-linked business

General business assets and liabilities relate to both the general insurance fund and shareholders' fund.

1.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

1.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2.3 - revaluation of owner occupied properties
- Note 2.7 - determination of fair value of investment property
- Note 2.16.2 - valuation of insurance premium liabilities
- Notes 2.16.3 and 2.17.4 - valuation of insurance claims liabilities, and valuation of benefits and claims liabilities
- Note 2.18 - valuation of life insurance liabilities
- Notes 4 and 7 - determination of recoverable amounts of intangible assets and investments in subsidiaries
- Note 38.3 - fair value estimation of unquoted investments in debt and equity securities

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, except as discussed in Notes 2.16.2 and 2.16.3. Certain comparative figures have been reclassified to conform with current year's presentation (see Note 40).

2. Significant accounting policies (continued)

2.1 Basis of consolidation

2.1.1 Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is held for sale.

2.1.2 Transactions eliminated on consolidation

Intra-group transactions and balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees, if any, are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.2 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statements/revenue accounts.

Notes to the Financial Statements

2. Significant accounting policies (continued)

2.3 Property, plant and equipment

2.3.1 Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group revalues its properties comprising land and buildings every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

The revalued amounts of properties are determined by using comparison and investment methods. The comparison method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustments for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics. The investment method entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income. The annual net income is capitalised using a rate of interest to arrive at the capital value of the property.

Valuation of properties involves a degree of judgment before arriving at the respective property's revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statements/revenue accounts.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expenses" respectively in the income statements/ revenue accounts. When revalued assets are sold, the amounts included in the revaluation reserve account are transferred to retained earnings.

2. Significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

2.3.2 Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to income statements/revenue accounts. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements/revenue accounts as incurred.

2.3.3 Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statements/revenue accounts.

2.3.4 Depreciation

Depreciation is recognised in the income statements/revenue accounts on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Office equipment, computers, furniture and fittings	3 to 10 years
Motor vehicles	5 years
Office renovations and partitions	10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at end of the reporting period.

2.4 Intangible assets

2.4.1 Goodwill

Goodwill arising on business combination is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements/revenue accounts.

Notes to the Financial Statements

2. Significant accounting policies (continued)**2.4 Intangible assets (continued)****2.4.2 Development costs**

Expenditure incurred on software development is capitalised.

The expenditure capitalised includes the cost of materials, direct labour and other directly attributable costs. Other development expenditure is recognised in the income statements/revenue accounts as an expense as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

2.4.3 Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group are measured at cost less any accumulated amortisation and accumulated impairment losses.

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

2.4.4 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statements/revenue accounts as incurred.

2.4.5 Amortisation

Goodwill with indefinite useful lives is not amortised but are tested for impairment annually and whenever there is an indication that it may be impaired.

Intangible assets with finite useful lives are amortised from the date that they are available for use.

Amortisation is recognised in the income statements/revenue accounts on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the current and comparative periods are as follows:

Capitalised software development costs	5 years
Other intangible assets	3 and 10 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2.5 Leased assets**2.5.1 Finance lease**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2. Significant accounting policies (continued)

2.5 Leased assets (continued)

2.5.1 Finance lease (continued)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2.5.2 Operating lease

Leases, where the Group does not assume substantially all the risk and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

A leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, except for leasehold land classified as investment property.

Payments made under operating leases are recognised in the income statements/revenue accounts on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in the income statements/revenue accounts as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to income statements/revenue accounts in the reporting period in which they are incurred.

2.6 Investments in debt and equity securities

Investments in debt and equity securities are recognised initially at purchase price plus attributable transaction costs.

Subsequent to initial recognition:

- Malaysian government securities, Malaysian government guaranteed bonds, Multilateral development bank guaranteed bonds, Cagamas bonds, quoted and unquoted bonds of corporations are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on a straight-line basis, from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the income statements/revenue accounts.
- Quoted investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments. Specific allowance for diminution in value of quoted investments which is other than temporary will be made if any, when the market value of a quoted investment has been less than 80% of its cost at all times during the preceding 24 months, by writing down the cost of that quoted investment to the average median price for each month during that 24 months.
- Unquoted investments are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in value of unquoted investments, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

Notes to the Financial Statements

2. Significant accounting policies (continued)**2.6 Investments in debt and equity securities (continued)**

- Investments of the investment-linked business are stated at the closing market prices. Any increase or decrease in value of these investments is taken into the investment-linked business revenue account.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements/revenue accounts.

All investments in debt and equity securities are accounted for using trade date accounting. Trade date accounting refers to:

- a) the recognition of an asset on the day it is transacted by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is transacted.

2.7 Investment property**2.7.1 Investment property carried at fair value**

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements/revenue accounts in the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in the income statements/revenue accounts in the period in which the item is derecognised.

2.7.2 Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statements/revenue accounts. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statements/revenue accounts.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

2.7.3 Determination of fair value

The Directors estimate the fair values of the Group's investment properties.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

2. Significant accounting policies (continued)

2.7 Investment property (continued)

2.7.3 Determination of fair value (continued)

In arriving at the market value, the Directors adopted the comparison method and investment method. The comparison method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustments for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics. The investment method entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income. The annual net income is capitalised using a rate of interest to arrive at the capital value of the property.

The determination of the fair values involves a degree of judgment. As such, the fair value of the investment properties may be different from its actual market price.

2.8 Loans

Loans which consist of policy loans, mortgage loans, automatic premium loans, other secured loans and other unsecured loans are stated at cost.

2.9 Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and specific allowance for doubtful debts is made as follow:

- a) motor premiums which remain outstanding for more than thirty days.
- b) non-motor premiums including agents and reinsurance balances which remain outstanding for more than six months.

Receivables are not held for the purpose of trading.

2.10 Non-current assets held for sale

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment loss.

Notes to the Financial Statements

2. Significant accounting policies (continued)**2.11 Cash and cash equivalents and placements with financial institutions****2.11.1 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks, excluding fixed and call deposits.

2.11.2 Placements with financial institutions

Placements with financial institutions refer to investments in fixed deposits and money market instruments issued by any financial institution in Malaysia, and deposits such as call deposits and Negotiable Instruments of Deposits ("NIDs") and Bankers' Acceptances including structured deposits/products that are valued at cost, regardless of the duration for such instruments.

NID is measured at the lower of the face value or market value, in the aggregate for all such NID.

2.12 Impairment of assets

The carrying amount of assets, except for financial assets (other than investments in subsidiaries), deferred tax assets, non-current assets classified as held for sale and investment property that are measured at fair value, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, the recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised in the income statements/revenue accounts if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the same asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements/revenue accounts in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation reserve. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements/revenue accounts.

2. Significant accounting policies (continued)

2.13 Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

2.14 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

2.15 Payables

Payables including subordinated loan, are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

2.16 General insurance underwriting results

Arising from the adoption of the Risk-Based Capital Framework for insurers ("RBC Framework") by the Group's insurance subsidiaries with effect from 1 January 2009, the Group has changed its Group accounting policy on insurance liabilities (premium liabilities and claims liabilities) as mentioned below (see Note 2.16.2 and Note 2.16.3).

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

2.16.1 Premium income

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being ceded and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

Notes to the Financial Statements

2. Significant accounting policies (continued)**2.16 General insurance underwriting results (continued)****2.16.2 Premium liabilities**

Premium liabilities refer to the higher of the aggregate of the unearned premium reserves ("UPR") and the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall level. The URR requirement was established pursuant to the RBC Framework which became effective on 1 January 2009.

Unearned premium reserves

The UPR represent the portion of the net premiums of insurance policies written less deductible acquisition costs that relate to the unexpired period of the policies at the end of the financial year.

The method used that most accurately reflects the actual unearned premium reserves is as follows:

- a) 25% method for Malaysian marine cargo, aviation cargo and transit business of annual Malaysian general policies business
- b) 1/24th method for all other classes of annual Malaysian general policies business
- c) 1/8th method for all other classes of annual overseas inward business
- d) Non-annual policies are time-apportioned over the period of the risks

The UPR is adjusted for additional UPR in respect of premiums ceded to overseas reinsurers as required under the guidelines issued by BNM.

Unexpired risk reserves

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during administering these policies and settling the relevant claims, and expected future premium refunds.

Prior to 1 January 2009, premium liabilities only comprise UPR.

2.16.3 Claims liabilities

Claim liabilities are recognised in respect of both direct insurance and inward reinsurance. Claims liabilities refer to the obligations by the Group, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. These include provision for claims reported, claims incurred but not reported (IBNR), claims incurred but not enough reserved (IBNER) together with related claims handling costs. Claims liabilities consist of the best estimate value of the claim liabilities and the PRAD calculated at the overall level.

The valuation of claim liabilities is carried out by an independent qualified actuary using his professional judgement in applying actuarial method and assumptions, based on the subsidiary's current and past claims experience taking into account the subsidiary's underwriting practice and the industry experience.

2. Significant accounting policies (continued)

2.16 General insurance underwriting results (continued)

2.16.3 Claims liabilities (continued)

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience. These uncertainties may arise from changes in underlying risks, changes in spread of risk, claims settlement as well as uncertainties in the projection model and underlying assumptions adopted.

Prior to 1 January 2009, claims handling costs have not been included in the valuation of claim liabilities. The effect, had the claims handling costs been included in the valuation of claims liabilities, was not material to the financial statements prior to 1 January 2009.

2.16.4 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. Acquisition costs or ceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

2.17 Life insurance underwriting results

2.17.1 Surplus of Life Fund

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.

2.17.2 Premium income

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

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

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

2.17.3 Commission and agency expenses

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

Notes to the Financial Statements

2. Significant accounting policies (continued)**2.17 Life insurance underwriting results (continued)****2.17.4 Benefits, claims and expenses**

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

Benefits and claims including settlement costs, are accounted for using the case-by-case basis method and for this purpose, the amounts payable under a life insurance policy are recognised as follows:

- a) maturity and 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; and
- c) bonus on Discretionary Participation Features ("DPF") policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

2.18 Life insurance liabilities

Arising from the adoption of the RBC Framework by the Group's insurance subsidiaries with effect from 1 January 2009, the Group has changed its Group accounting policy on life insurance liabilities. Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

These insurance liabilities are measured by using a prospective actuarial valuation method. The insurance liabilities are determined as the sum of the present value of future guaranteed and, in the case of participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The insurance liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

The insurance liabilities in respect of a participating insurance contract is taken as the higher of the guaranteed benefit insurance liabilities or the total benefit insurance liabilities at the fund level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount shall be the reserves if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the insurance liabilities for such life insurance contracts comprise the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

2. Significant accounting policies (continued)

2.18 Life insurance liabilities (continued)

The insurance liabilities are derecognised when the contract expires, is discharged or is cancelled.

Valuation method prior to 1 January 2009 is the net premium valuation method, where the policy liability shall be equal to the present value of future guaranteed benefits and vested bonuses less the present value of future net premiums payable.

For a whole life policy or endowment policy, with or without other benefits, or for a term policy where a surrender value is required to be paid, the premium may be adjusted to the lower of the full preliminary term premium, or the premium with zillmer adjustment at 3% of the sum insured.

2.19 Other revenue recognition

2.19.1 Interest income

Interest income is recognised as it accrues, using the effective interest method except where an interest bearing investment is considered non-performing i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

2.19.2 Rental income

Rental income from investment property is recognised in the income statements/revenue accounts on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease on an accrual basis.

2.19.3 Dividend income

Dividend income is recognised in the income statements/revenue accounts on the date the Group's and Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2.20 Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the statutory pension funds are charged to the income statements/revenue accounts in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Notes to the Financial Statements

2. Significant accounting policies (continued)**2.21 Tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statements/revenue accounts except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.22 Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

2.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

Group	Note	Freehold land RM'000	Buildings RM'000	Land & Buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work in progress RM'000	Total RM'000
General business and shareholders' fund									
Cost/Valuation									
At 1 January 2008		5,998	15,143	24,110	23,081	1,364	6,135	8,431	84,262
Additions		-	-	-	9,779	-	1,202	9,414	20,395
Disposals		-	(200)	-	(28)	(170)	-	-	(398)
Written off		-	-	-	(863)	-	(564)	-	(1,427)
Reclassification		-	-	-	1,527	-	7,025	(15,672)	(7,120)**
At 31 December 2008/1 January 2009		5,998	14,943	24,110	33,496	1,194	13,798	2,173	95,712
Additions		-	-	2,500	1,629	216	2,223	5,469	12,037
Disposals		(368)	(1,212)	-	(163)	-	(341)	-	(2,084)
Written off		-	-	-	(20,873)	-	(2,343)	-	(23,216)
At 31 December 2009		5,630	13,731	26,610	14,089	1,410	13,337	7,642	82,449
Depreciation									
At 1 January 2008		-	697	183	13,388	589	2,174	-	17,031
Depreciation for the year		-	475	548	5,195	270	1,367	-	7,855
Disposals		-	(20)	-	(28)	(103)	-	-	(151)
Written off		-	-	-	(856)	-	(564)	-	(1,420)
At 31 December 2008/1 January 2009		-	1,152	731	17,699	756	2,977	-	23,315
Depreciation for the year		-	444	578	5,215	260	1,572	-	8,069
Disposals		-	(76)	-	(154)	-	(295)	-	(525)
Written off		-	-	-	(20,714)	-	(2,316)	-	(23,030)
At 31 December 2009		-	1,520	1,309	2,046	1,016	1,938	-	7,829
Carrying amounts									
At 1 January 2008		5,998	14,446	23,927	9,693	775	3,961	8,431	67,231
At 31 December 2008/1 January 2009		5,998	13,791	23,379	15,797	438	10,821	2,173	72,397
At 31 December 2009		5,630	12,211	25,301	12,043	394	11,399	7,642	74,620

* The carrying amounts of land and buildings are not segregated as the required information is not available.

** Certain work in progress were reclassified as software development costs (intangible assets) in 2008.

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Group		Freehold land RM'000	Buildings RM'000	Land & Buildings RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work in progress RM'000	Total RM'000
Life fund	Note								
Cost/Valuation									
At 1 January 2008		520	4,310	-	12,673	1,824	6,748	58	26,133
Additions		-	-	-	593	-	620	86	1,299
Disposals		-	-	-	(30)	-	-	-	(30)
Written off		-	-	-	(107)	-	(158)	-	(265)
Revaluation of property		30	-	-	-	-	-	-	30
At 31 December 2008/1 January 2009		550	4,310	-	13,129	1,824	7,210	144	27,167
Additions		-	-	-	389	313	240	631	1,573
Disposals		-	-	-	(262)	(778)	-	-	(1,040)
Written off		-	-	-	(545)	(3)	(205)	(1)	(754)
Reclassification		-	-	-	102	-	342	(501)	(57)**
Revaluation of property		20	-	-	-	-	-	-	20
At 31 December 2009		570	4,310	-	12,813	1,356	7,587	273	26,909
Depreciation									
At 1 January 2008		-	104	-	9,313	818	3,217	-	13,452
Depreciation for the year		-	57	-	1,127	56	689	-	1,929
Disposals		-	-	-	(18)	-	-	-	(18)
Written off		-	-	-	(80)	-	(88)	-	(168)
Offset of accumulated depreciation on revaluation surplus		-	(11)	-	-	-	-	-	(11)
At 31 December 2008/1 January 2009		-	150	-	10,342	874	3,818	-	15,184
Depreciation for the year		-	58	-	969	53	661	-	1,741
Disposals		-	-	-	(238)	(323)	-	-	(561)
Written off		-	-	-	(468)	-	(91)	-	(559)
Offset of accumulated depreciation on revaluation surplus		-	(53)	-	-	-	-	-	(53)
At 31 December 2009		-	155	-	10,605	604	4,388	-	15,752
Carrying amounts									
At 1 January 2008		520	4,206	-	3,360	1,006	3,531	58	12,681
At 31 December 2008/1 January 2009		550	4,160	-	2,787	950	3,392	144	11,983
At 31 December 2009		570	4,155	-	2,208	752	3,199	273	11,157

** Certain work in progress were reclassified as software development costs (intangible assets).

3. Property, plant and equipment (continued)

Company	Note	Freehold land RM'000	Buildings RM'000	Land & Buildings RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work in progress RM'000	Total RM'000
Shareholders' fund									
Cost/Valuation									
At 1 January 2008		5,798	10,188	-	17,207	1,419	6,945	8,252	49,809
Additions		-	-	-	9,681	-	1,202	9,414	20,297
Disposals		-	(200)	-	-	(88)	-	-	(288)
Written off		-	-	-	(589)	-	(503)	-	(1,092)
Reclassification		-	-	-	1,527	-	7,025	(15,672)	(7,120)**
Transfer to assets classified as held for sale	12	(5,430)	(9,876)	-	(27,822)	(483)	(14,653)	(1,994)	(60,258)
At 31 December 2008/1 January 2009		368	112	-	4	848	16	-	1,348
Additions		-	-	-	132	-	1,511	-	1,643
Disposals		(368)	(112)	-	-	-	-	-	(480)
Written off		-	-	-	(4)	-	-	-	(4)
Transfer of Assets		-	-	-	(122)	-	(1,512)	-	(1,634)
At 31 December 2009		-	-	-	10	848	15	-	873
Depreciation									
At 1 January 2008		-	654	-	10,377	665	3,157	-	14,853
Depreciation for the year		-	350	-	4,249	258	1,364	-	6,221
Disposals		-	(20)	-	-	(29)	-	-	(49)
Written off		-	-	-	(583)	-	(503)	-	(1,086)
Transfer to assets classified as held for sale	12	-	(971)	-	(14,040)	(385)	(4,016)	-	(19,412)
At 31 December 2008/1 January 2009		-	13	-	3	509	2	-	527
Depreciation for the year		-	-	-	3	168	2	-	173
Disposals		-	(13)	-	-	-	-	-	(13)
Written off		-	-	-	(1)	-	-	-	(1)
At 31 December 2009		-	-	-	5	677	4	-	686
Carrying amounts									
At 1 January 2008		5,798	9,534	-	6,830	754	3,788	8,252	34,956
At 31 December 2008/1 January 2009		368	99	-	1	339	14	-	821
At 31 December 2009		-	-	-	5	171	11	-	187

** Certain work in progress were reclassified as software development costs (intangible assets) in 2008.

Notes to the Financial Statements

3. Property, plant and equipment (continued)**3.1 Transfer of Assets**

Transfer of Assets refers to Properties and Other Assets transferred to AGIC (see Note 39.1).

3.2 Revaluation of properties

All the Group and the Company's freehold land and buildings were revalued in 2006 and 2007 by independent professional qualified valuers using the comparison and investment methods.

Had the freehold land and buildings of the Group and the Company been carried under the cost model, their carrying amounts would have been as follows:

Group	General business and shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Freehold land	5,077	5,378	446	446
Buildings	8,137	9,255	3,805	3,851
Land and buildings	17,321	15,201	-	-
	30,535	29,834	4,251	4,297
Company				
Freehold land	-	368		
Buildings	-	72		
	-	440		

3.3 Leased computers

At 31 December 2009, the net carrying amounts of leased computers of the Group and of the Company were RM2,120,971 and Nil (2008 – RM3,646,000 and RM3,646,000), respectively.

3.4 Title deed

The legal titles of freehold land and buildings included in the property, plant and equipment of the Group (general business and shareholders' fund) at carrying amount of RM22,831,000 (2008 – RM23,379,000) are still in the process of being registered in the subsidiary's name. The subsidiary has submitted the relevant documents to the authorities for the transfer of legal title to the subsidiary, and is waiting for the process and formalities of the transfer to be completed.

Notes to the Financial Statements

4. Intangible assets

Group	General business and shareholders' fund					Life fund		
	Note	Goodwill RM'000	Software development costs RM'000	Other intangible assets RM'000	Total RM'000	Software development costs RM'000	Other intangible assets RM'000	Total RM'000
Cost								
At 1 January 2008		333,533		-	333,533	3,454	300	3,754
Reclassification		(88,933)	7,120	88,933	7,120	-	-	-
Additions		-	1,467	-	1,467	-	-	-
Written off		-	-	-	-	-	(300)	(300)
At 31 December 2008 / 1 January 2009		244,600	8,587	88,933	342,120	3,454	-	3,454
Reclassification	3	-	-	-	-	57	-	57
Additions		-	250	-	250	-	-	-
At 31 December 2009		244,600	8,837	88,933	342,370	3,511	-	3,511
Amortisation								
At 1 January 2008		-	-	-	-	2,964	100	3,064
Amortisation for the year		-	1,713	11,857	13,570	248	83	331
Written off		-	-	-	-	-	(183)	(183)
At 31 December 2008/1 January 2009		-	1,713	11,857	13,570	3,212	-	3,212
Amortisation for the year		-	1,772	8,893	10,665	253	-	253
At 31 December 2009		-	3,485	20,750	24,235	3,465	-	3,465
Carrying amounts								
At 1 January 2008		333,533	-	-	333,533	490	200	690
At 31 December 2008/1 January 2009		244,600	6,874	77,076	328,550	242	-	242
At 31 December 2009		244,600	5,352	68,183	318,135	46	-	46

Company	Software development cost RM'000
Cost	
At 1 January 2009	-
Addition	21
Transfer of Assets	(21)
At 31 December 2009	-
Amortisation	
At 1 January 2009/ At 31 December 2009	-
Carrying amounts	
At 1 January 2009/ At 31 December 2009	-

Notes to the Financial Statements

4. Intangible assets (continued)**4.1 Goodwill**

The aggregate carrying amount of goodwill are attributable to the acquisition of the following subsidiaries:

	Group	
	2009 RM'000	2008 RM'000
Allianz Life Insurance Malaysia Berhad ("ALIM")	4,990	4,990
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")/Bright Mission Berhad ("BMB")	239,610	239,610
	244,600	244,600

AGIC and BMB (formerly known as Commerce Assurance Berhad ("CAB")) entered into a Business Transfer Agreement dated 17 September 2008 ("BTA") to undertake a scheme of transfer under Part XI of the Insurance Act, 1996 as approved by Bank Negara Malaysia ("Scheme"), which involved the transfer and vesting by CAB to AGIC of CAB's entire general insurance business, undertaking of assets including CAB's liabilities and obligations save for the specified excluded assets and liabilities as detailed in the BTA. The Scheme was confirmed by the High Court of Malaya on 9 December 2008 and took effect on 1 January 2009. Consequently, the carrying amount of goodwill arising from the acquisition of CAB has now been allocated to the entire integrated general insurance business of the Group.

4.1.1 Impairment test for cash-generating unit ("CGU") containing goodwill

For goodwill attributable to the acquisition of CAB, following the Scheme on 1 January 2009, the carrying amount of goodwill has been allocated to the entire integrated general insurance business of the Group as one CGU, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount is the value in use of the entire general insurance business which represents the present value of combined future profits before tax for ten years discounted at the shareholders' required rate of return. The projected future profits before tax of ten years were based on management approved budgets for three years and the use of several key assumptions over the next seven years as set out below.

The projected future profits before tax for the entire integrated general insurance business were prepared based on the following key assumptions:

Key assumptions

Premium growth rate	4 – 5% per annum
Discount rate	9%
Investment yield	3.5% per annum

For goodwill attributable to the acquisition of ALIM, the annual impairment test was done by comparing the recoverable amount of ALIM with its carrying amount including the goodwill attributed. The recoverable amount is the value in use which is measured by the Embedded Value attributable to ALIM calculated by an appointed actuary. Embedded Value is the present value of future shareholders distributable profits after tax discounted at the shareholders' required rate of return, or the risk discount rate plus the Net Assets Value. The cash flows used to project future shareholder distributable profits are based on the best estimate of assumptions, either derived from the operating unit experience or industry experience.

The recoverable amounts of both the CGUs were determined to be higher than their carrying amounts and thus no impairment loss was recognised.

4. Intangible assets (continued)

4.2 Software development costs

The software development costs are in relation to internal development expenditures incurred for the Open Product Underwriting System ("OPUS") and Integrated Insurance Management System ("IIMS"). Both systems are integrated systems designed to improve the efficiency of the business activities of the subsidiaries. These software development costs are amortised over a period of five years.

4.3 Other intangible assets

The other intangibles assets are as follows:

Group	Note	General business and shareholders' fund	
		2009 RM'000	2008 RM'000
Cost			
The Bancassurance Agreement	4.3.1	88,933	88,933

4.3.1 The Bancassurance Agreement

The Bancassurance Agreement was entered between the Group's general insurance entity, AGIC and CIMB Bank Berhad and formed an integral part of the acquisition of BMB by the Company on 28 August 2007 from Commerce International Group Berhad ("CIG"). The Group's general insurance business is further enhanced through the leverage on CIMB Bank's customer base and nationwide network. The future economic benefits that are attributable to the Bancassurance Agreement was valued at the present value of projected profits to be derived from the tenure of the agreement of ten years using the discounting cash flow model. The recognised intangible asset is amortised over its useful life of ten years.

The following key assumptions have been used in the calculation of intangible asset in respect of the Bancassurance Agreement:

Key assumptions

Bancassurance premium growth rate	8% per annum
Discount rate	9%
Investment yield	4.5% per annum

Notes to the Financial Statements

5. Prepaid lease payments

Group	Note	Unexpired period more than 50 years	
		General business and shareholders' fund RM'000	Life fund RM'000
Cost			
At 1 January 2008		5,699	4,915
Disposal		(250)	-
At 31 December 2008/1 January 2009/31 December 2009		5,449	4,915
Amortisation			
At 1 January 2008		157	122
Disposal		(9)	-
Amortisation for the year	27	82	61
At 31 December 2008/1 January 2009		230	183
Amortisation for the year	27	80	61
At 31 December 2009		310	244
Carrying amounts			
At 1 January 2008		5,542	4,793
At 31 December 2008/1 January 2009		5,219	4,732
At 31 December 2009		5,139	4,671

6. Investment properties

Group	Note	General business and shareholders' fund		Life fund	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January		1,662	1,662	2,620	2,495
Change in fair value	25	-	-	30	125
At 31 December		1,662	1,662	2,650	2,620
Included in the above are:					
Freehold land		600	600	410	395
Leasehold land with unexpired lease period of less than 50 years		242	242	-	-
Buildings		820	820	2,240	2,225
		1,662	1,662	2,650	2,620

The investment properties are determined based on market values using the comparison and investment methods. The following are recognised in the income statements/revenue accounts in respect of investment properties:

Group	General business and shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Rental income	-	-	128	65

Notes to the Financial Statements

7. Investments in subsidiaries

Company	Shareholders' fund	
	2009 RM'000	2008 RM'000
Unquoted shares:		
At 1 January	793,408	793,408
Addition	133,205	-
At 31 December	926,613	793,408

The principal activities of the subsidiaries, the place of incorporation and the interest of the Company are as follows:

Name of company	Principal activity	Country of incorporation	Effective ownership interest	
			2009 %	2008 %
Allianz Life Insurance Malaysia Berhad ("ALIM")	Underwriting life insurance	Malaysia	100	100
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")	Underwriting general insurance	Malaysia	100	100
Bright Mission Berhad ("BMB")	Investment holding (with effect from 1 January 2009)	Malaysia	100	100

8. Investments in debt and equity securities

Group	2009		2008	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
General business and shareholders' fund				
Malaysian government securities	911,695		642,312	
Accretion of discounts	537		289	
Amortisation of premiums	(5,355)		(3,548)	
Allowance for diminution in value	-		(166)	
	906,877		638,887	
Malaysian government guaranteed bonds	81,710		60,709	
Accretion of discounts	1,279		554	
	82,989		61,263	
Multilateral development bank guaranteed bonds	86,426		86,426	
Accretion of discounts	31		14	
Amortisation of premiums	(32)		(24)	
	86,425		86,416	
Cagamas bonds	-		3,740	
Accretion of discounts	-		10	
	-		3,750	
Unquoted equity securities of corporations in Malaysia	2,166		2,166	
Allowance for diminution in value	(19)		(19)	
	2,147		2,147	
Quoted bonds of corporations in Malaysia	4,010		4,583	
Accretion of discounts	2,254		2,487	
	6,264	6,565	7,070	7,323
Balance carried forward	1,084,702		799,533	

Notes to the Financial Statements

8. Investments in debt and equity securities (continued)

Group	2009		2008	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
General business and shareholders' fund				
Balance brought forward	1,084,702		799,533	
Unquoted bonds of corporations in Malaysia	410,959		431,225	
Accretion of discounts	2,861		2,265	
Amortisation of premiums	(2,313)		(3,560)	
Impairment loss	(4,722)		(5,694)	
	406,785		424,236	
Commercial loans	7,345		8,255	
Investment in Investment- Linked Fund	200		-	
Total investments	1,499,032		1,232,024	
Life fund				
Malaysian government securities	750,396		633,891	
Accretion of discounts	1,570		925	
Amortisation of premiums	(3,343)		(2,027)	
	748,623		632,789	
Malaysian government guaranteed bonds	145,171		86,156	
Accretion of discounts	5,391		3,869	
Amortisation of premiums	(1)		-	
	150,561		90,025	
Multilateral development bank guaranteed bonds	87,930		87,930	
Accretion of discounts	128		72	
Amortisation of premiums	(60)		(45)	
	87,998		87,957	
Balance carried forward	987,182		810,771	

8. Investments in debt and equity securities (continued)

Group	2009		2008	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Life fund				
Balance brought forward	987,182		810,771	
Quoted equity securities of corporations in Malaysia	76,598		32,839	
Allowance for diminution in value	(664)		(7,190)	
	75,934	75,934	25,649	25,649
Quoted bonds of corporations in Malaysia	2,269		2,593	
Accretion of discounts	1,239		1,371	
	3,508	3,673	3,964	4,153
Unquoted bonds of corporations in Malaysia	581,656		526,188	
Accretion of discounts	7,104		6,066	
Amortisation of premiums	(2,879)		(3,366)	
	585,881		528,888	
Quoted unit trusts in Malaysia	-		5,824	
Allowance for diminution in value	-		(2,130)	
	-	-	3,694	3,694
Unquoted unit trusts in Malaysia	250		241	
Unquoted unit trusts outside Malaysia	10,031		-	
Commercial loans	9,436		10,605	
Total investments	1,672,222		1,383,812	
Investment-linked funds				
Malaysian government securities	15,665		5,002	
Amortisation of premium	(89)		-	
Unrealised gain	112		261	
	15,688		5,263	
Quoted equity securities of corporations in Malaysia	99,820		62,309	
Unrealised gain /(loss)	11,271		(6,055)	
	111,091	111,091	56,254	56,254
Quoted bonds of corporations in Malaysia	720		822	
Accretion of discounts	187		179	
Unrealised gain	36		64	
	943	943	1,065	1,065
Unquoted bonds of corporations in Malaysia	51,352		76,250	
Accretion of discounts	1,107		2,253	
Amortisation of premiums	(288)		(1,063)	
Unrealised gain	682		139	
	52,853		77,579	
Unquoted unit trusts outside Malaysia	31,756		35,130	
Unrealised loss	(6,409)		(11,691)	
Unrealised foreign exchange loss	(658)		(375)	
	24,689		23,064	
Quoted unit trusts in Malaysia	360		6,190	
Unrealised gain /(loss)	26		(977)	
	386	386	5,213	5,213
Commercial loans	170		192	
Total investments (Note 35)	205,820		168,630	

Notes to the Financial Statements

8. Investments in debt and equity securities (continued)

Company	Cost	
	2009 RM'000	2008 RM'000
Shareholders' fund		
Unquoted bonds of corporations	4,619	5,571
Accretion of discounts	103	123
Impairment loss	(4,722)	(5,694)
	*	**
Total investments	*	**

* Denotes RM2

** Denotes RM3

9. Loans

Group	General business and shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current				
Mortgage loans	3,555	2,657	2,026	2,252
Other secured loans	568	558	69	77
Other unsecured loans	-	-	2	4
	4,123	3,215	2,097	2,333
Current				
Policy loans	-	-	7,752	6,148
Mortgage loans	487	490	219	373
Automatic premium loans	-	-	35,699	26,797
Other secured loans	276	403	28	24
Other unsecured loans	40	12	4	12
	803	905	43,702	33,354

Company	Shareholders' fund	
	2009 RM'000	2008 RM'000
Non-current		
Mortgage loans	712	654
Other secured loans	54	74
	766	728
Current		
Mortgage loans	104	95
Other secured loans	23	23
Other unsecured loans	4	-
	131	118

10. Insurance receivables

Group	General business and shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current				
Due premiums including agents, brokers and co-insurers balances	101,538	128,989	34,391	39,464
Due from reinsurers and cedants	35,824	36,934	532	389
Group claims receivable	-	-	433	334
	137,362	165,923	35,356	40,187
Less: Allowance for doubtful debts	(38,384)	(49,652)	(975)	(1,002)
	98,978	116,271	34,381	39,185
Due from related companies	8,359	5,668	-	-
	107,337	121,939	34,381	39,185

The amounts due from related companies are unsecured, interest free and repayable on demand.

11. Other receivables, deposits and prepayments

Group	Note	General business and shareholders' fund		Life fund	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current					
Other receivables		5,338	176	-	-
Deposits		-	757	-	-
Malaysian Institute of Insurance ("MII") bonds		490	490	100	100
		5,828	1,423	100	100
Current					
Other receivables, deposits and prepayments		19,552	16,513	3,675	2,118
Less: Allowance for doubtful debts		(3,236)	(3,236)	(455)	(401)
		16,316	13,277	3,220	1,717
Income due and accrued		16,105	14,254	21,298	17,791
Due from life fund	16	12,000	40,622	-	-
Due from related companies		24	3	379	434
		44,445	68,156	24,897	19,942

Company	Shareholders' fund	
	2009 RM'000	2008 RM'000
Non-current		
Other receivables	631	-
	631	-
Current		
Other receivables, deposits and prepayments	858	3,404
Income due and accrued	263	226
Due from subsidiaries	717	2,182
	1,838	5,812

The amounts due from subsidiaries and related companies are unsecured, interest free and repayable on demand.

Notes to the Financial Statements

12. Assets classified as held for sale**Company**

The Company commenced its effort to sell certain property, plant and equipment, intangible assets, prepaid lease payments and investment property to its subsidiary company, AGIC in year 2008 and accordingly classified the assets as a disposal group held for sale. At 31 December 2009, the Company has completed the transfer of all assets except one property pending the approval to be obtained from the relevant state authority. The assets of the disposal group are as follow:

	Note	2009 RM'000	2008 RM'000
Shareholders' fund			
Property, plant and equipment	12.1	1,452	40,846
Intangible assets	12.2	-	6,874
Prepaid lease payments	12.3	-	4,707
Investment properties	12.4	-	742
		1,452	53,169

12.1 Property, plant and equipment

Property, plant and equipment held for sale comprise the following:

	2009 RM'000	2008 RM'000
Shareholders' fund		
Freehold land	750	5,430
Cost/carrying amount		
Buildings	750	9,876
Cost	(48)	(971)
Accumulated depreciation		
Carrying amount	702	8,905
Office equipment, computers, furniture and fittings		
Cost	-	27,822
Accumulated depreciation	-	(14,040)
Carrying amount	-	13,782
Motor vehicles		
Cost	-	483
Accumulated depreciation	-	(385)
Carrying amount	-	98
Office renovations and partitions		
Cost	-	14,653
Accumulated depreciation	-	(4,016)
Carrying amount	-	10,637
Work in progress		
Cost	-	1,994
Carrying amount	1,452	40,846

12. Assets classified as held for sale (continued)

12.2 Intangible assets

	2008 RM'000
Shareholders' fund	
Software development costs	
Cost	8,587
Amortisation	(1,713)
Carrying amounts	6,874

12.3 Prepaid lease payments

	2008 RM'000
General business and shareholders' fund	
Cost	4,929
Amortisation	(222)
Carrying amounts	4,707

12.4 Investment properties

Investment properties consists of freehold land and leasehold land, and are carried at fair value.

13. Placements with financial institutions

Group	General business and shareholders' fund	
	2009 RM'000	2008 RM'000
Non-current		
Structured deposits with:		
Licensed banks	2,000	2,000
Negotiable certificates of deposits with:		
Licensed banks	37,754	37,899
Fixed and call deposits with:		
Licensed banks	-	15,715
	39,754	55,614
Current		
Bankers' acceptances with:		
Licensed banks	-	4,985
Fixed and call deposits with:		
Licensed banks	212,964	217,326
	212,964	222,311

Notes to the Financial Statements

13. Placements with financial institutions (continued)

Group	Life fund	
	2009 RM'000	2008 RM'000
Non-current		
Negotiable certificates of deposits with :		
Other licensed financial institutions	12,246	12,472
Structured deposits with:		
Licensed banks	53,000	53,000
	65,246	65,472
Current		
Structured deposits with:		
Licensed banks	-	20,000
Fixed and call deposits with:		
Licensed banks	269,928	51,875
Other licensed financial institutions	-	7,653
	269,928	79,528
Group	Investment-linked funds	
	2009 RM'000	2008 RM'000
Non-current		
Negotiable certificates of deposits with :		
Other licensed financial institutions	400	424
Structured deposits with:		
Licensed banks	2,118	2,116
	2,518	2,540
Current		
Fixed and call deposits with:		
Licensed banks	57,356	52,332
Other licensed financial institutions	99	-
	57,455	52,332
Company	Shareholders' fund	
	2009 RM'000	2008 RM'000
Non-Current		
Fixed and call deposits with:		
Licensed banks	-	15,715
Current		
Fixed and call deposits with:		
Licensed banks	28,435	15,720

14. Insurance claims liabilities / Benefits and claims liabilities

Group	General business and shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Gross claims liabilities/Gross benefits and claims liabilities	1,300,759	1,169,626	42,486	36,394
Less: Recoverable from reinsurers	(608,905)	(521,434)	(5,557)	(4,830)
Net claims liabilities/Net benefits and claims liabilities	691,854	648,192	36,929	31,564

15. Insurance payables

Group	Note	General business and shareholders' fund		Life fund	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current					
Performance bond deposits	15.2	17,683	27,769	-	-
Current					
Due to reinsurers and cedants		78,359	88,818	6,595	3,153
Due to agents, brokers, co-insurers and insureds		35,103	49,778	63,369	51,738
Due to related companies	15.1	17,188	7,961	1,906	7,286
Due to ultimate holding company	15.1	-	-	-	45
Performance bond deposits	15.2	130,650	146,557	71,870	62,222
		59,295	37,118	-	-
		189,945	183,675	71,870	62,222

15.1 Amounts due to ultimate holding company and related companies

The amounts due to the ultimate holding company and related companies are unsecured, interest free and repayable on demand.

15.2 Performance bond deposits

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

16. Other payables and accruals

Group	Note	General business and shareholders' fund		Life fund	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current					
Other payables and accrued expenses	16.2	-	-	39,061	23,723
Finance lease liabilities	16.3	783	1,811	-	-
		783	1,811	39,061	23,723
Current					
Finance lease liabilities	16.3	1,178	1,670	-	-
Other payables and accrued expenses	16.2	94,631	72,391	51,859	39,747
Due to shareholders' fund	11	-	-	12,000	40,622
Due to immediate holding company	16.1	-	-	581	809
		95,809	74,061	64,440	81,178

Notes to the Financial Statements

16. Other payables and accruals (continued)

Company	Note	2009 RM'000	2008 RM'000
Non-current			
Due to subsidiary company	16.1	133,205	-
Finance lease liabilities	16.3	-	1,811
Current			
Finance lease liabilities	16.3	-	1,670
Other payables and accrued expenses	16.2	23,618	27,073
Due to subsidiaries	16.1	-	265
		23,618	29,008

16.1 Amounts due to immediate holding company and subsidiaries

The amounts due to ultimate holding company, subsidiaries and related companies are unsecured, interest free and repayable on demand.

16.2 Other payables and accrued expenses

Included in other payables of the Group (life fund) is an amount of RM45,826,000 (2008: RM24,275,000) relating to premium received in advance.

Included in other payables and accrued expenses (current) of the Group (life fund) is an amount of RM14,347,000 (2008: RM15,509,000) relating to premium deposits.

Included in other payables (non-current) of the Company and the Group (general business and shareholders' fund) is an amount of RM21,836,000 (2008: RM21,087,000) relating to a sum received by the Company as a stakeholder.

16.3 Finance lease liabilities

Group	Minimum lease payments 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000	Minimum lease payments 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000
Less than one year	1,282	104	1,178	1,886	216	1,670
Between one and five years	811	28	783	1,936	125	1,811
	2,093	132	1,961	3,822	341	3,481
Company						
Company	Minimum lease payments 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000	Minimum lease payments 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000
Less than one year	-	-	-	1,886	216	1,670
Between one and five years	-	-	-	1,936	125	1,811
	-	-	-	3,822	341	3,481

17. Subordinated loans

17.1 Subordinated loan from ultimate holding company – Group and Company

In accordance with the Exchange Control of Malaysia Notice 10, the Controller of Foreign Exchange had on 27 June 2007 approved the Company's application to obtain the foreign currency credit facility denominated in Euro and equivalent to RM490,000,000 from its holding company, to enable the Company to acquire the entire issued and paid-up capital of Bright Mission Berhad (formerly known as Commerce Assurance Berhad) ("the Acquisition") from Commerce International Group Berhad.

By a letter dated 11 June 2007, Bank Negara Malaysia ("BNM") informed that the Minister of Finance had approved the Acquisition. The foreign currency credit facility is interest free and cannot be repaid without the prior approval from BNM.

17.2 Subordinated loans to subsidiaries - Company

17.2.1 Subordinated loan to Allianz General Insurance Company (Malaysia) Berhad

Subordinated loan I

On 1 July 2007, with the approval from BNM, the Company extended a RM14,000,000 subordinated loan to AGIC. The subordinated loan has no fixed tenure, interest free and cannot be repaid without prior approval from BNM.

On 11 December 2009, the Company sought BNM's consideration for the proposed repayment of the Subordinated loan I via the issuance and allotment of new ordinary shares of RM1.00 each at par by AGIC to the Company for an amount equivalent to Subordinated loan I.

BNM had on 18 January 2010 approved the Company's application for the proposed repayment of the Subordinated loan I and the increase in issued and paid-up share capital of AGIC.

Subordinated loan II

The Subordinated loan II comprises:

- a) Subordinated loan arising from Assets Purchase Agreement dated 26 March 2009 ("APA") of RM30,669,577;
- b) Subordinated loan arising from Master Subordinated Loan Agreement dated 26 March 2009 of RM18,332,669.

The Master Subordinated Loan Agreement was entered into between AGIC and the Company in relation to the proposed disposal of 14 Sale and Purchase Agreements ("SPAs") of which 13 out of 14 SPAs have been completed with a total consideration of RM18,332,669.

On 11 December 2009, the Company sought BNM's consideration for the proposed repayment of the subordinated loan via the issuance and allotment of new ordinary shares of RM1.00 each at par by AGIC to the Company for an amount equivalent to the total sale consideration of the 14 properties. BNM had on 18 January 2010 approved the Company's application for the proposed repayment of the subordinated loan and the increase in issued and paid-up capital of AGIC.

The remaining portion of Subordinated loan II of RM30,669,577 is not expected to be repaid within the next twelve months.

Notes to the Financial Statements

17. Subordinated loans (continued)

17.2 Subordinated loan to subsidiaries - Company (continued)

17.2.2 Subordinated loan to Allianz Life Insurance Malaysia Berhad

On 20 December 2004, with the approval from BNM, the Company extended a RM3,600,000 subordinated loan to ALIM. The subordinated loan is for a period of 2 years, interest free and cannot be repaid without prior approval from BNM.

With the approval from BNM, the tenure of the subordinated loan was extended to 22 December 2006 and subsequently to 22 December 2008. Accordingly, the subordinated loan will be due for repayment in December 2010.

On 11 December 2009, the Company sought BNM's consideration for the proposed repayment of the subordinated loan via the issuance and allotment of new ordinary shares of RM1.00 each at par by ALIM to the Company for an amount equivalent to the subordinated loan.

BNM had on 18 January 2010 approved the Company's application for the proposed repayment of the said subordinated loan and the increase in issued and paid-up capital of ALIM.

18. Deferred tax assets and liabilities

18.1 Deferred tax assets/(liabilities) are attributable to the following:

Group	Assets		Liabilities		Net	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
General business and shareholders' fund						
Property, plant and equipment	-	-	(5,663)	(5,390)	(5,663)	(5,390)
Investment properties	-	90	-	-	-	90
Intangible assets	-	-	(1,338)	(924)	(1,338)	(924)
Tax loss carry forward	2,371	6,373	-	-	2,371	6,373
Provisions	937	1,687	-	-	937	1,687
Other items	380	4,128	(81)	-	299	4,128
Tax assets/(liabilities)	3,688	12,278	(7,082)	(6,314)	(3,394)	5,964
Set off	(1,317)	(1,021)	1,317	1,021	-	-
Net tax (liabilities)/assets	2,371	11,257	(5,765)	(5,293)	(3,394)	5,964
Life fund						
Property, plant and equipment	-	-	(392)	(308)	(392)	(308)
Other items	-	746	-	-	-	746
Net tax (liabilities)/assets	-	746	(392)	(308)	(392)	438
Company	Assets		Liabilities		Net	
Shareholders' fund	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Property, plant and equipment	-	-	(108)	(3,771)	(108)	(3,771)
Other items	-	69	-	-	-	69
Net tax (liabilities)/assets	-	69	(108)	(3,771)	(108)	(3,702)

Deferred tax liabilities and assets 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 taxation authority.

18. Deferred tax assets and liabilities (continued)

18.2 Movement in temporary differences during the year:

Group	At 1.1.2008 RM'000	Recognised in income statement (Note 29) RM'000	Recognised in equity (Note 29) RM'000	At 31.12.2008 RM'000	Recognised in income statement (Note 29) RM'000	Recognised in equity (Note 29) RM'000	At 31.12.2009 RM'000
General business and shareholders' fund							
Property, plant and equipment	(3,890)	(1,637)	137	(5,390)	(349)	76	(5,663)
Investment property	(92)	182	-	90	(90)	-	-
Intangible assets	-	(924)	-	(924)	(414)	-	(1,338)
Tax losses carry forward	8,720	(2,347)	-	6,373	(4,002)	-	2,371
Capital allowances carry forward	80	(80)	-	-	-	-	-
Provisions	8,979	(7,292)	-	1,687	(750)	-	937
Other items	1,618	2,510	-	4,128	(3,829)	-	299
	15,415	(9,588)	137	5,964	(9,434)	76	(3,394)

Group	At 1.1.2008 RM'000	Set-off* RM'000	Recognised in revenue account (Note 29) RM'000	At 31.12.2008 RM'000	Recognised in revenue account (Note 29) RM'000	Recognised in equity (Note 29) RM'000	At 31.12.2009 RM'000
Life fund							
Property, plant and equipment	(384)	-	76	(308)	(11)	(73)	(392)
Other items	(2,753)	2,273	1,226	746	(746)	-	-
	(3,137)	2,273	1,302	438	(757)	(73)	(392)

* Set-off against investment-linked funds' temporary differences

Company	At 1.1.2008 RM'000	Recognised in income statement (Note 29) RM'000	Recognised in equity (Note 29) RM'000	At 31.12.2008 RM'000	Recognised in income statement (Note 29) RM'000	Recognised in equity (Note 29) RM'000	At 31.12.2009 RM'000
Shareholders' fund							
Property, plant and equipment	(1,666)	(2,153)	48	(3,771)	2,567	1,096	(108)
Investment property	(113)	182	-	69	(69)	-	-
Other items	277	(277)	-	-	-	-	-
	(1,502)	(2,248)	48	(3,702)	2,498	1,096	(108)

Notes to the Financial Statements

19. Insurance premium liabilities

Group	Fire RM'000	Motor RM'000	Marine, aviation and transit RM'000	Miscellaneous RM'000	Total RM'000
General business					
2009					
At 1 January 2009	54,154	186,678	10,616	66,918	318,366
Increase/(decrease) during the year	123	10,769	(3,805)	(5,290)	1,797
At 31 December 2009	54,277	197,447	6,811	61,628	320,163
2008					
At 1 January 2008	49,945	153,396	7,983	68,225	279,549
Increase/(decrease) during the year	4,209	33,282	2,633	(1,307)	38,817
At 31 December 2008	54,154	186,678	10,616	66,918	318,366

20. Total life policyholders' fund

Group	Note	Life fund	
		2009 RM'000	2008 RM'000
Life policyholders' fund	20.1	2,189,781	1,687,184
Life assets revaluation reserves	20.2	962	962

20.1 Life policyholders' fund

Group	Note	Life fund	
		2009 RM'000	200 RM'000 Restated
Actuarial liabilities		1,841,364	1,387,203
Unallocated surplus		348,417	299,981
Actuarial liabilities		2,189,781	1,687,184
At 1 January		1,566,459	1,315,294
Effect of adopting the Valuation Basis for Life Insurance Liabilities as required by RBC Framework		(179,256)	(173,770)
At 1 January, restated		1,387,203	1,141,524
Add: Increase /(Decrease) in policy reserve:			
Participating policies		254,889	229,921
Non-participating policies		121,144	11,678
Investment-linked		45,170	(26,561)
Bonus allocated to participating policyholders (including interim bonus)		34,798	31,210
Less: Interim bonus		(1,840)	(569)
At 31 December	(a)	1,841,364	1,387,203
Unallocated surplus			
At 1 January		120,725	103,640
Effect of adopting the Valuation Basis for Life Insurance Liabilities as required by RBC Framework		179,256	173,770
At 1 January, restated		299,981	277,410
Add: Surplus arising during the year		95,234	59,098
Less: Bonus allocated to participating policyholders (including interim bonus)		(34,798)	(31,210)
Less: Transfer to shareholders' fund		(12,000)	(5,317)
At 31 December	(b)	348,417	299,981
Life policyholders' fund at 31 December	(a)+(b)	2,189,781	1,687,184

Notes to the Financial Statements

20. Total life policyholders' fund (continued)

20.2 Life assets revaluation reserves

Group	Life fund	
	2009 RM'000	2008 RM'000
At 1 January	962	921
Surplus on revaluation of owner-occupied properties	73	41
	1,035	962
Less: Effect of deferred tax	(73)	-
At 31 December	962	962

21. Share capital

	Group/Company			
	Amount 2009 RM'000	Number of shares 2009 '000	Amount 2008 RM'000	Number of shares 2008 '000
Ordinary shares of RM1 each:				
Authorised	200,000	200,000	200,000	200,000
Issued and fully paid	153,869	153,869	153,869	153,869

22. Reserves

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Share premium	22.1	5,529	5,529	5,529	5,529
Revaluation reserve	22.2	5,397	5,684	412	5,595
Retained earnings	22.3	339,948	223,036	222,415	216,542
At 31 December		350,874	234,249	228,356	227,666

22.1 Share premium

	Group/Company	
	2009 RM'000	2008 RM'000
At 1 January / At 31 December		5,529

22.2 Revaluation reserve

The revaluation reserve relates to the revaluation of owner occupied properties for the general business and shareholder's fund.

Owner occupied properties are stated at valuation based on revaluation conducted by independent professional qualified valuers using the comparison and investment methods.

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	5,684	5,547	5,595	5,547
Disposal of land and building	(363)	-	(289)	-
Effect of deferred tax	76	-	(4,894)	-
Effect of change in tax rate	-	137	-	48
At 31 December	5,397	5,684	412	5,595

Notes to the Financial Statements

22. Reserves (continued)**22.3 Section 108 tax credit**

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank in full all of its retained earnings at 31 December 2009 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiring of the six years transitional period on 31 December 2013, whichever is earlier.

23. Operating revenue

Group	Note	Shareholders' fund RM'000	General business RM'000	Life business RM'000	Total RM'000
2009					
Gross premium		-	1,202,390	868,727	2,071,117
Investment income	24	5,094	57,951	78,264	141,309
Investment income from investment-linked business	35	-	-	10,216	10,216
		5,094	1,260,341	957,207	2,222,642
2008					
Gross premium		-	1,074,890	692,038	1,766,928
Investment income	24	4,992	51,771	63,578	120,341
Investment income from investment-linked business	35	-	-	11,598	11,598
		4,992	1,126,661	767,214	1,898,867
Company					
2009					
Investment income	24	1,236	-	-	1,236
2008					
Investment income	24	16,344	-	-	16,344

24. Investment income

Group	Shareholders' Fund	
	2009 RM'000	2008 RM'000
Coupon interest from:		
Malaysian government securities	2,389	743
Malaysian government guaranteed bonds	13	156
Multilateral development bank guaranteed bonds	147	116
Unquoted bonds of corporations	1,834	2,107
Negotiable certificates of deposits	169	169
Structured deposits	105	35
Fixed and call deposits	646	1,279
Mortgage loans	32	61
Other secured loans	4	1

24. Investment income (continued)

Group	Shareholders' Fund	
	2009 RM'000	2008 RM'000
Accretion of discounts on:		
Malaysian government securities	22	20
Malaysian government guaranteed bonds	77	87
Multilateral development bank guaranteed bonds	3	3
Unquoted bonds of corporations	-	407
Bankers' acceptances	15	11
Amortisation of premiums on:		
Malaysian government securities	(231)	(18)
Malaysian government guaranteed bonds	-	(4)
Negotiable certificates of deposits	(49)	(50)
Unquoted bonds of corporations	(82)	(131)
	5,094	4,992
Group	General business	
	2009 RM'000	2008 RM'000
Coupon interest from:		
Malaysian government securities	31,642	21,952
Malaysian government guaranteed bonds	2,336	960
Multilateral development bank guaranteed bonds	3,346	2,833
Cagamas bonds	6	153
Quoted bonds of corporations	-	-
Unquoted bonds of corporations	17,967	16,187
Commercial loans	574	690
Negotiable certificates of deposits	325	1,336
Structured deposits	-	-
Fixed and call deposits	4,205	4,780
Policy loans	-	-
Mortgage loans	116	103
Automatic premium loans	-	-
Other secured loans	29	19
Gross dividends from:		
Quoted equity securities of corporations in Malaysia	32	432
Quoted unit trusts in Malaysia	-	331
Unquoted unit trusts in Malaysia	-	-
Rental of premises from:		
Immediate holding company	-	-
Related company	-	-
Third parties	25	27

Notes to the Financial Statements

24. Investment income (continued)

Group	General business		Life business	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Accretion of discounts on:				
Malaysian government securities	329	146	646	848
Malaysia government guaranteed bonds	648	2,210	1,522	1,721
Multilateral development bank guaranteed bonds	14	7	56	63
Cagamas bonds	-	3	-	-
Quoted bonds of corporations in Malaysia	423	387	40	213
Unquoted bonds of corporations	422	2,648	1,038	3,361
Bankers' acceptances	-	46	-	83
Other income	-	-	31	-
Amortisation of premiums on:				
Malaysian government securities	(3,269)	(2,024)	(1,665)	(1,397)
Malaysia government guaranteed bonds	-	(4)	(1)	(13)
Multilateral development bank guaranteed bonds	(8)	(8)	(14)	(14)
Quoted bonds of corporations	(341)	-	-	-
Unquoted bonds of corporations	(776)	(1,348)	(865)	(1,271)
Negotiable certificates of deposits	(94)	(95)	(227)	(227)
	57,951	51,771	78,264	63,578
Company				
Shareholders' Fund				
		2009 RM'000	2008 RM'000	
Coupon interest from:				
Unquoted bonds of corporations		217		36
Fixed and call deposits		166		464
Mortage loans		32		26
Other secured loans		4		1
Gross dividends from unquoted equity securities of corporations in Malaysia		-		4,928
Accretion of discounts on unquoted bonds of corporations		-		300
Rental of premises from subsidiary company		817		1,257
Rental of office equipment		-		9,332
		1,236		16,344

25. Other operating income

Group	Shareholders' Fund	
	2009 RM'000	2008 RM'000
Gain on disposal of property, plant and equipment	40	100
Gain on disposal of leasehold land	-	71
Realised gain on foreign exchange	6	8
Gain on disposal of unquoted bonds of corporations	69	-
	115	179

25. Other operating income (continued)

Group	General business		Life business	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Gain on disposal of investments in:				
Quoted equity securities of corporations in Malaysia	-	-	4,987	-
Quoted bonds of corporations	-	-	69	-
Unquoted bonds of corporations	1,062	242	551	119
Malaysian government securities	166	380	1,130	4
Malaysian government guaranteed bonds	-	2	-	-
Quoted unit trusts in Malaysia	-	-	-	43
Gain on disposal of property, plant and equipment	200	39	-	-
Change in fair value of investment property	-	-	30	125
Write back of allowance for diminution in value of quoted investments in Malaysia	-	-	8,656	131
Services and transfer fee	-	641	-	-
Realised gain on foreign exchange	-	90	-	-
Interest from reinsurance deposits	-	31	-	-
Interest from overdue premiums	-	-	174	156
Sundry income	2,689	5,918	2,756	2,740
	4,117	7,343	18,353	3,318
Company	Shareholders' Fund			
	2009 RM'000	2008 RM'000		
Gain on disposal of property, plant and equipment	39	100		
Gain on disposal of prepaid lease payments	-	71		
Realised gain on foreign exchange	6	8		
Sundry income	69	-		
	114	179		

26. Other operating expenses

Group	Shareholders' Fund	
	2009 RM'000	2008 RM'000
Property, plant and equipment written off	4	7
Impairment loss on unquoted bonds of corporations	-	5,694
Amortisation of intangible assets	8,893	11,857
Sundry expenses	341	753
	9,238	18,311

Notes to the Financial Statements

26. Other operating expenses (continued)

Group	General business		Life business	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loss on disposal of investments in:				
Quoted equity securities of corporations in Malaysia	-	4,382	-	15,126
Quoted unit trusts in Malaysia	-	2,092	2,014	-
Realised loss on foreign exchange	133	11	-	-
Loss on disposal of property, plant and equipment	-	-	78	10
Allowance for diminution in value of quoted investments in Malaysia	-	-	-	9,320
Property, plant and equipment written off	182	-	195	96
Intangible assets written off	-	-	-	117
Interest expense on:				
Cash collateral refund	1,254	815	-	-
Reinsurance deposits	112	-	151	175
Survival benefits	-	-	722	590
Agency Provident Fund	-	-	307	173
Claims	-	-	160	107
Sundry expenses	1,804	811	1,384	1,009
	3,485	8,111	5,011	26,723
Company				
			Shareholders' Fund	
			2009 RM'000	2008 RM'000
Impairment loss on unquoted bonds of corporations		-		5,694
Property, plant and equipment written off		3		6
Sundry expenses		342		51
		345		5,751

27. Management expenses

Group	Shareholders' Fund	
	2009 RM'000	2008 RM'000
Auditors' remuneration	171	121
Advertising expenses	1	69
Bank charges	5	2
Depreciation of property, plant and equipment	721	6,225
Directors' remuneration:		
Non-executive directors		
Fees	254	219
Other remuneration	215	178
Rental of premises	27	16
Rental of office equipment	8	2
Staff costs (including executive director)		
Contribution to Employee Provident Fund	-	174
Wages, salaries and others	209	1,903
Amortisation of prepaid lease payments	-	76
Amortisation of intangible assets	-	1,713
Other expenses	835	(381)
	2,446	10,317

27. Management expenses (continued)

Group	General business		Life business	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Advertising and marketing expenses	1,298	3,847	10,784	9,400
Amortisation of prepaid lease payments	80	6	61	61
Amortisation of intangible assets	1,772	-	253	331
Auditors' remuneration	180	160	189	79
Bank charges	90	147	5,907	4,390
(Write back of)/Allowance for doubtful debts	(11,268)	(1,981)	27	(876)
Bad debts written off	9,500	1,987	-	9
Depreciation of property, plant and equipment	7,348	1,630	1,741	1,929
Directors' remuneration:				
Non-executive directors				
Fees	195	215	195	155
Other remuneration	14	75	86	157
Rental of office equipment	94	127	-	-
Insurance guarantee scheme fund and levies	2,179	1,956	104	142
Rental of premises:				
Related company	-	-	-	2
Third parties	3,120	3,687	3,342	2,982
Staff costs (including executive director)				
Contribution to Employee Provident Fund	9,386	7,338	3,207	3,103
Wages, salaries and others	82,010	61,587	30,641	30,182
Bad debts recovered	(180)	-	-	-
Other expenses	44,163	50,606	16,670	14,984
	149,981	131,387	73,207	67,030
Company	Shareholders' Fund			
	2009 RM'000	2008 RM'000		
Amortisation of prepaid lease payments	-	-	76	
Amortisation of intangible assets	-	-	1,713	
Advertising expenses	1		69	
Bank charges	5		2	
Auditors' remuneration		125	115	
Depreciation of property, plant and equipment		173	6,221	
Directors' remuneration:				
Non-executive directors				
Fees	214		219	
Other remuneration	185		178	
Rental of office equipment	8		2	
Rental of premises to third parties	27		16	
Staff costs (including executive director)				
Contribution to Employee Provident Fund	-		174	
Wages, salaries and others	225		1,903	
Other expenses	344		2,577	
	1,307		13,265	

Notes to the Financial Statements

28. Key management personnel compensation

The key management personnel compensation is as follows:

Group	General business and shareholders' fund		Life business	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-executive directors:				
Fees	449	434	195	155
Other remuneration (including estimated monetary value of benefits-in-kind)	280	253	158	157
	729	687	353	312
Executive directors:				
Remuneration	1,013	745	2,136	1,370
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	303	443	1,439	1,075
	1,316	1,188	3,575	2,445
Other key management personnel*				
Short-term employee benefits	4,599	3,062	3,978	4,866
	6,644	4,937	7,906	7,623

Company	Shareholders' Fund	
	2009 RM'000	2008 RM'000
Non-executive directors:		
Fees	214	219
Other remuneration (including estimated monetary value of benefits-in-kind)	236	178
	450	397
Executive director:		
Remuneration	165	139
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	177	170
	342	309
Other key management personnel*		
Short-term employee benefits	33	29
	825	735

* Other key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and Company either directly or indirectly.

29. Tax expense**29.1 Recognised in the income statements/revenue accounts**

Group	Note	General business and shareholders' fund		Life business	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current tax expense					
Current year		40,281	31,427	6,565	3,656
(Over)/Under provision in prior years		(2,054)	568	5	983
		38,227	31,995	6,570	4,639

29. Tax expense (continued)

29.1 Recognised in the income statements/revenue accounts (continued)

Group	Note	General business and shareholders' fund		Life business		
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	
Deferred tax expense						
Derecognition of previously recognised tax assets		-	8,380	-	-	
Origination of temporary differences		9,101	1,722	714	(886)	
Effect of change in tax rate		-	574	-	-	
Under/(Over) provision in prior years		333	(1,088)	43	(416)	
	18.2	9,434	9,588	757	(1,302)	
Tax expense		47,661	41,583	7,327	3,337	
Company						
	Note	Shareholders' fund				
		2009 RM'000	2008 RM'000			
Current tax expense						
Current year			57	(83)		
Under/(Over) provision in prior years			237	(318)		
			294	(401)		
Deferred tax expense						
Origination of temporary differences			8	2,290		
Effect of change in tax rate			-	(81)		
Effect from the Transfer of Assets			(2,506)	-		
Under provision in prior years			-	39		
	18.2		(2,498)	2,248		
Tax expense			(2,204)	1,847		

29.2 Recognised directly in statement of changes in equity

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revaluation reserve				
Effect of change in tax rate *	-	137	-	48
Disposal of property	76	-	1,096	-

* The corporate tax rates are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets are measured using these tax rates.

Notes to the Financial Statements

29. Tax expense (continued)

29.3 Reconciliation of tax expense

Group	General business and shareholders' fund		Life business	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit before tax / Surplus before tax	166,518	112,311	475,021	311,718
Tax at Malaysian tax rates	41,629	29,201	38,002	24,937
Items excluded from life insurer tax computation	2	5	(30,723)	(21,924)
Non-deductible expenses	7,700	4,256	-	-
Tax exempt income	-	(62)	-	-
Utilisation of unabsorbed losses	-	(856)	-	-
Derecognition of previously recognised tax assets	-	8,380	-	-
Other items	51	605	-	(243)
Effect of change in tax rate	-	574	-	-
	49,382	42,103	7,279	2,770
(Over)/Under provision in prior years	(1,721)	(520)	48	567
Total tax expense	47,661	41,583	7,327	3,337

Company	Shareholders' fund	
	2009 RM'000	2008 RM'000
Loss before tax	(302)	(2,493)
Tax at Malaysian tax rates	(76)	(648)
Non-deductible expenses	105	2,385
Other items	(2,470)	470
Effect of change in tax rate	-	(81)
	(2,441)	2,126
Under/(Over) provision in prior year	237	(279)
Total tax expense	(2,204)	1,847

The income of the general business and shareholders' fund is taxed at 25%. The income tax provided in the Life Fund for the current financial year and previous financial year is in respect of investment income which is taxed at a reduced tax rate of 8% applicable for life insurance business and 25% on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967.

30. Basic earnings per ordinary share – Group

The calculation of basic earnings per ordinary share at 31 December 2009 was based on the profit attributable to ordinary shareholders of RM118,857,000 (2008: RM70,728,000) and the number of ordinary shares outstanding during the year of 153,869,238 (2008: 153,869,238).

31. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2009			
Final 2008 ordinary paid	1.50	2,308	3 August 2009
2008			
Final 2007 ordinary paid	1.48	2,277	1 August 2008

After the balance sheet date, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)	Total amount RM'000
Final 2009 ordinary	1.50	2,308

32. Net claims incurred

Group	Fire RM'000	Motor RM'000	Marine, aviation and transit RM'000	Miscellaneous RM'000	Total RM'000
General business					
2009					
Gross claims paid less salvage	100,470	316,392	35,155	128,046	580,063
Reinsurance recoveries	(62,243)	(17,467)	(27,406)	(60,315)	(167,431)
Net claims paid	38,227	298,925	7,749	67,731	412,632
Net insurance claims liabilities					
At 31 December	54,110	487,684	21,569	128,491	691,854
At 1 January	(59,169)	(448,070)	(19,661)	(121,292)	(648,192)
Net claims incurred	33,168	338,539	9,657	74,930	456,294
2008					
Gross claims paid less salvage	71,157	250,835	19,084	137,411	478,487
Reinsurance recoveries	(42,738)	(11,651)	(12,877)	(65,145)	(132,411)
Net claims paid	28,419	239,184	6,207	72,266	346,076
Net insurance claims liabilities					
At 31 December	59,169	448,070	19,661	121,292	648,192
At 1 January	(64,119)	(404,724)	(14,576)	(117,590)	(601,009)
Net claims incurred	23,469	282,530	11,292	75,968	393,259

Notes to the Financial Statements

33. Operating leases**33.1 Leases as lessee**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Less than one year	6,486	3,013	-	-
Between one and five years	5,040	2,765	-	-
	11,526	5,778	-	-

The leases typically run for an initial period of three years, with an option to renew the leases. None of the leases include contingent rentals.

33.2 Leases as lessor

The Group leases out its investment property under operating leases (see Note 6). The future minimum lease receipts under non-cancellable leases are as follows:

	Group	
	2009 RM'000	2008 RM'000
Less than one year	96	65
Between one and five years	80	43
	176	108

34. Capital expenditure commitments

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Property, plant and equipment				
Approved but not contracted for	7,250	12,023	-	-
Contracted but not provided for	5,310	5,093	-	2,219

35. Investment-linked business - Group

Balance sheet as at 31 December 2009

	Note	Group	
		2009 RM'000	2008 RM'000
Assets			
Placements with financial institutions	13	2,518	2,540
Total non-current assets		2,518	2,540
Investments in debt and equity securities	8	205,820	168,630
Receivables, deposits and prepayments		1,868	3,260
Current tax assets		-	582
Placements with financial institutions	13	57,455	52,332
Cash and bank balances		710	1,411
Total current assets		265,853	226,215
Total assets		268,371	228,755

35. Investment-linked business – Group (continued)

Balance sheet as at 31 December 2009 (continued)

		Group	
	Note	2009 RM'000	2008 RM'000
Liabilities			
Deferred tax liabilities		982	69
Total non-current liabilities		982	69
Benefits and claims liabilities		230	396
Other payables and accruals		146	92
Total current liabilities		376	488
Total liabilities		1,358	557
Net asset value of funds		267,013	228,198
Represented by:			
Unit holders' account		267,013	228,198

Income statement for the year ended 31 December 2009

	Note	2009 RM'000	2008 RM'000
Investment income	23	10,216	11,598
Net gain on disposal of investments in debt and equity securities		18,847	2,470
Unrealised gain/(loss) of investments in debt and equity securities		23,963	(50,351)
Unrealised foreign exchange (loss)/gain		(284)	2,805
Other operating income		14	-
Other operating expenses		(2,730)	(2,787)
Surplus/(Deficit) before tax		50,026	(36,265)
Tax expense		(3,123)	1,451
Surplus/(Deficit) after tax and before policy reserve for the year		46,903	(34,814)

36. Segment information

Segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segmental capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

36.1 Business segments

The Group comprises the following main business segments:

Investment holding	Investment holding
General insurance	Underwriting of all classes of general insurance business
Life insurance	Underwriting of all classes of life insurance business

Notes to the Financial Statements

36. Segment information (continued)**36.2 Geographical segments**

The Group operates predominantly in Malaysia and, accordingly, the Directors are of the opinion that the financial information by geographical segments of the Group's operations is not necessary to be presented.

Business segments	Investment holding RM'000	General business and shareholders' fund RM'000	Life business RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
2009						
Segment revenue	8,433	1,260,721	957,207	2,226,361	(3,719)	2,222,642
Segment results	285	156,569	12,000	168,854	(2,336)	166,518
Profit before tax						166,518
Tax expense						(47,661)
Profit for the year						118,857
Segment assets	1,332,640	1,818,708	2,404,967	5,556,315	(840,440)	4,715,875
Segment liabilities	666,551	1,364,357	202,224	2,233,132	(212,743)	2,020,389
Capital expenditure	1,643	10,394	1,595	13,632	-	13,632
Depreciation of property, plant and equipment	173	7,348	1,741	9,262	548	9,810
Amortisation of:						
Prepaid lease payments	-	80	61	141	-	141
Intangible assets	-	1,772	253	2,025	8,893	10,918
(Write back of)/Allowance for doubtful debts	-	(11,268)	27	(11,241)	-	(11,241)
Write back of diminution in value of investments	-	-	(8,656)	(8,656)	(1,085)	(9,741)
Amortisation of premiums	36	4,527	-	4,563	-	4,563
Accretion of discounts	-	(1,836)	(804)	(2,640)	-	(2,640)
2008						
Segment revenue	19,072	1,128,098	767,214	1,914,384	(15,517)	1,898,867
Segment results	215	120,600	5,317	126,132	(13,821)	112,311
Profit before tax						112,311
Tax expense						(41,583)
Profit for the year						70,728
Segment assets	987,053	1,598,332	1,887,390	4,472,775	(488,722)	3,984,053
Segment liabilities	528,180	1,240,492	158,622	1,927,294	(19,505)	1,907,789
Capital expenditure	20,298	97	1,299	21,694	-	21,694
Depreciation of property, plant and equipment	6,225	1,630	1,929	9,784	-	9,784
Amortisation of:						
Prepaid lease payments	76	6	61	143	-	143
Intangible assets	1,713	-	331	2,044	8,893	10,937
Impairment loss on unquoted bonds of corporations	5,694	-	-	5,694	-	5,694
Write back of doubtful debts	-	(1,981)	(876)	(2,857)	-	(2,857)
Allowance for diminution in value of investments	-	-	9,189	9,189	-	9,189
Amortisation of premiums	-	3,603	-	3,603	-	3,603
Accretion of discounts	(397)	(5,498)	(4,321)	(10,216)	-	(10,216)

37. Related parties

37.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. The key management personnel include all the Directors of the Group and the Company, and certain members of senior management of the Group and the Company. Compensation of key management personnel have been disclosed in Note 28. Apart from this, there are no other transactions with key management personnel.

37.2 The significant transactions and balances with related parties are as follows:

Group	2009		2008	
	Transactions amount RM'000	Balance outstanding RM'000	Transactions amount RM'000	Balance outstanding RM'000
General business and shareholders' fund				
Trade				
Related companies				
Reinsurance premium	(110,473)	(8,829)	(120,739)	(2,293)
Reinsurance commission	20,160	-	17,030	-
Non-trade				
Holding company				
Subordinated loan	-	(490,000)	-	(490,000)
Payment of global marketing cost	(391)	-	(573)	-
Payment of intranet portal network cost	-	-	(120)	-
Related companies				
Payment of intranet portal network cost	(196)	-	-	-
Payment of investment advisory fees	(123)	-	-	-
Group				
Life fund				
Group	2009		2008	
	Transactions amount RM'000	Balance outstanding RM'000	Transactions amount RM'000	Balance outstanding RM'000
Trade				
Related companies				
Reinsurance premium and commission	(38,564)	(1,906)	(33,837)	(7,286)
Non-trade				
Holding company				
Group equity incentive	(54)	-	(315)	-
Payment of IT service cost	(117)	-	(320)	-
Reimbursement of personnel expenses	-	-	(4)	-
Payment of global marketing cost	(443)	-	(661)	-
Payment of intranet portal network cost	-	-	(39)	-
Related companies				
Investment in foreign unit trusts	(10,000)	-	-	-
Payment of fund management fees and advisory fees	(471)	-	(265)	-
Reimbursement of personnel expenses	(131)	-	-	-
Payment of intranet portal network cost	(110)	-	-	-

Notes to the Financial Statements

37. Related parties (continued)

37.2 The significant transactions and balances with related parties are as follows: (continued)

Company	2009		2008	
	Transactions amount RM'000	Balance outstanding RM'000	Transactions amount RM'000	Balance outstanding RM'000
Shareholders' fund				
Non-trade				
Holding company				
Reimbursement of staff costs	(277)	-	(644)	-
Subordinated loan	-	(490,000)	-	(490,000)
Subsidiaries				
Rental of other premises	817	-	1,257	7
Rental of property, plant and equipment	-	-	9,276	1,184
Reimbursement of expenses related to common resources	7,499	717	6,331	727
Subordinated loans	(66,602)	66,602	-	17,600
Advances	133,205	(133,205)	-	-
Related companies				
Reimbursement of staff costs	-	-	(230)	-

The terms and conditions for the above transactions are based on normal trade terms. All outstanding are unsecured and expected to be settled with cash.

No allowance for doubtful debts was made for the transactions during the year.

38. Financial instruments

38.1 Financial risk management objectives and policies

Exposure to market, underwriting, credit, liquidity, foreign currency and interest rate risks arise in the normal course of the Group business. The Group is guided by its risk management framework as well as policies and guidelines from the ultimate holding company which set out its general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure their appropriateness to the strategic, operational and financial risks tolerance.

38.1.1 Market risk

The carrying amounts of the investments by the Group may fluctuate due to changing economic, political or market conditions. Market risk is managed through portfolio diversification and asset allocation.

38.1.2 Underwriting risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Group seeks to minimise underwriting risks with an appropriate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits and standards applied to the security of reinsurers.

38. Financial instruments (continued)

38.1 Financial risk management objectives and policies (continued)

38.1.3 Credit risk

Credit risk involves the potential losses that may result due to the default of counterparties to meet their contractual obligations. The Group is exposed to credit risk from the underwriting of insurance business and the Group has credit policies in place to mitigate this risk. The exposure to credit risk is monitored on an ongoing basis.

All bond investments must carry a minimum rating of A or P2 by rating agencies established in Malaysia or by any internationally recognised rating agency as outlined in the Company's Manual on Investment Policies, Organisation, Function and Processes approved by the Board of Directors.

At balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset.

38.1.4 Liquidity risk

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

38.1.5 Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Exposures to foreign currency risk are monitored on an ongoing basis. The Group does not hedge their foreign currency risk.

38.1.6 Interest rate risk

The Group earnings are affected by changes in market interest rate due to the impact of such changes on interest income from investments.

In managing interest rate risk, the Group aims to reduce the impact of short term fluctuations on its earnings by adopting an approach which focuses on achieving the overall targeted interest rate based on its long term view of the interest rate and the macroeconomic conditions. Over the longer term, however, any prolonged adverse changes in interest rates would have an impact on earnings.

Notes to the Financial Statements

38. Financial instruments (continued)**38.2 Effective interest rates and repricing analysis**

In respect of interest-earning financial assets, the following table indicates their average effective interest rates at balance sheet date and the period in which they mature, or if earlier, reprice.

Group	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	More than 5 years RM'000
General business and shareholders' fund								
2009								
Fixed income instruments:								
Malaysian government securities	3.79	906,877	115,098	328,330	104,533	60,569	226,228	72,119
Malaysian government guaranteed bonds	3.91	82,989	14,975	44,750	-	-	20,000	3,264
Multilateral development bank guaranteed bonds	4.04	86,425	5,002	8,001	-	69,952	-	3,470
Cagamas bonds	-	-	-	-	-	-	-	-
Commercial loans	7.67	7,345	-	-	-	7,345	-	-
Quoted bonds of corporations in Malaysia	9.21	6,264	-	6,264	-	-	-	-
Unquoted bonds of corporations	4.63	406,785	112,968	120,141	55,479	59,197	47,000	12,000
Bankers' acceptances	-	-	-	-	-	-	-	-
Structured deposits	5.25	2,000	-	-	-	-	-	2,000
Negotiable certificates of deposits	4.36	37,754	-	37,754	-	-	-	-
Fixed and call deposits	2.11	212,964	212,964	-	-	-	-	-
Mortgage loans	4.00	4,042	487	465	451	409	368	1,862
Other secured loans	4.00	844	276	237	172	92	47	20
2008								
Fixed income instruments:								
Malaysian government securities	3.85	638,887	39,944	115,476	329,106	104,359	14,765	35,237
Malaysian government guaranteed bonds	3.98	61,263	-	14,458	44,619	-	-	2,186
Multilateral development bank guaranteed bonds	4.04	86,416	-	5,009	8,002	-	69,938	3,467
Cagamas bonds	4.07	3,750	3,750	-	-	-	-	-
Commercial loans	7.67	8,255	-	-	-	-	8,255	-
Quoted bonds of corporations in Malaysia	7.38	7,070	-	-	-	7,070	-	-
Unquoted bonds of corporations	4.65	424,236	76,208	120,411	124,389	54,079	37,149	12,000
Bankers' acceptances	3.11	4,985	4,985	-	-	-	-	-
Structured deposits	5.25	2,000	-	-	-	-	-	2,000
Negotiable certificates of deposits	4.34	37,899	-	-	37,899	-	-	-
Fixed and call deposits	3.18	233,041	217,326	15,715	-	-	-	-
Mortgage loans	4.14	3,147	490	392	366	352	315	1,232
Other secured loans	4.33	961	403	237	174	107	29	11

38. Financial instruments (continued)

38.2 Effective interest rates and repricing analysis (continued)

Group	Average effective interest rate	Total	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
Life fund	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009								
Fixed income instruments:								
Malaysian government securities	4.10	748,623	-	33,163	-	-	-	715,460
Malaysian government guaranteed bonds	4.47	150,561	29,952	-	-	-	35,000	85,609
Multilateral development bank guaranteed bonds	4.19	87,998	10,004	11,992	-	10,000	-	56,002
Commercial loans	7.68	9,436	-	-	-	9,436	-	-
Quoted bonds of corporations in Malaysia	9.92	3,508	-	3,508	-	-	-	-
Unquoted bonds of corporations	5.43	585,881	25,654	60,512	93,277	53,535	56,032	296,871
Structured deposits	5.26	53,000	-	-	-	-	-	53,000
Negotiable certificates of deposits	4.27	12,246	-	12,246	-	-	-	-
Fixed and call deposits	2.01	269,928	269,928	-	-	-	-	-
Policy loans	7.50	7,752	7,752	-	-	-	-	-
Mortgage loans	4.19	2,245	219	219	211	207	204	1,185
Automatic premium loans	7.50	35,699	35,699	-	-	-	-	-
Other secured loans	4.00	97	28	27	24	18	-	-
2008								
Fixed income instruments:								
Malaysian government securities	4.17	632,789	20,009	-	33,253	-	-	579,527
Malaysian government guaranteed bonds	3.90	90,025	-	28,992	-	-	-	61,033
Multilateral development bank guaranteed bonds	4.19	87,957	-	10,018	11,988	-	10,000	55,951
Commercial loans	7.68	10,605	-	-	-	-	10,605	-
Quoted bonds of corporations in Malaysia	9.92	3,964	-	-	3,964	-	-	-
Unquoted bonds of corporations	5.44	528,888	16,206	25,609	65,432	93,102	53,545	274,994
Structured deposits	3.86	73,000	20,000	-	-	-	-	53,000
Negotiable certificates of deposits	4.27	12,472	-	-	12,472	-	-	-
Fixed and call deposits	3.19	59,528	59,528	-	-	-	-	-
Policy loans	7.50	6,148	6,148	-	-	-	-	-
Mortgage loans	4.25	2,625	373	367	361	355	348	821
Automatic premium loans	7.50	26,797	26,797	-	-	-	-	-
Other secured loans	4.00	101	24	22	19	18	17	1

Notes to the Financial Statements

38. Financial instruments (continued)**38.2 Effective interest rates and repricing analysis (continued)**

Group	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	More than 5 years RM'000
Investment-linked fund								
2009								
Fixed income instruments:								
Malaysian government securities	3.68	15,688	-	-	-	-	15,688	-
Quoted bonds of corporations in Malaysia	8.60	943	-	943	-	-	-	-
Unquoted bonds of corporations	5.29	52,853	7,515	7,295	6,000	22,012	8,039	1,992
Commercial loans	7.68	170	-	-	-	170	-	-
Negotiable certificates of deposits	4.27	400	-	400	-	-	-	-
Structured deposits	4.80	2,118	-	-	-	2,118	-	-
Fixed and call deposits	2.12	57,455	57,455	-	-	-	-	-
2008								
Fixed income instruments:								
Malaysian government securities	4.27	5,263	-	-	-	-	-	5,263
Quoted bonds of corporations in Malaysia	8.60	1,065	-	-	1,065	-	-	-
Unquoted bonds of corporations	5.47	77,579	16,279	12,414	12,424	5,770	20,865	9,827
Commercial loans	7.68	192	-	-	-	-	192	-
Negotiable certificates of deposits	4.27	424	-	-	424	-	-	-
Structured deposits	4.80	2,116	-	-	-	-	2,116	-
Fixed and call deposits	3.20	52,332	52,332	-	-	-	-	-
Company								
Shareholders' fund								
2009								
Unquoted bonds of corporations	-	*	-	*	-	-	-	-
Fixed and call deposits	2.89	28,435	28,435	-	-	-	-	-
Mortgage loans	4.00	816	104	104	104	104	102	298
Other secured loans	4.00	77	23	23	23	8	-	-
2008								
Unquoted bonds of corporations	-	*	-	*	-	-	-	-
Fixed and call deposits	3.39	31,435	15,720	15,715	-	-	-	-
Mortgage loans	4.00	749	95	95	95	95	95	274
Other secured loans	4.00	97	23	23	23	23	5	-

* Denotes RM2 for 2009 and RM3 for year 2008.

38. Financial instruments (continued)

38.3 Fair values

The carrying amounts of financial instruments in respect of cash and bank balances, receivables, deposits and prepayments and payables and accruals approximate their fair values due to the relatively short term nature of these financial instruments.

The aggregate fair values of the other financial assets and liabilities on the balance sheet as at 31 December are as shown below:

Group	2009		2008	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
General business and shareholders' fund				
Financial assets				
Malaysian government securities	906,877	915,485	638,887	652,604
Malaysian government guaranteed bonds	82,989	84,038	61,263	61,957
Multilateral development bank guaranteed bonds	86,245	85,105	86,416	84,914
Cagamas bonds	-	-	3,750	3,751
Unquoted equity securities of corporations in Malaysia	2,147	*	2,147	*
Quoted bonds of corporations in Malaysia	6,264	6,565	7,070	7,323
Unquoted bonds of corporations in Malaysia	406,785	410,733	424,236	424,920
Commercial loans	7,345	7,345	8,255	8,255
Investment in Investment Linked Funds	200	200	-	-
Bankers' acceptances	-	-	4,985	4,985
Negotiable certificates of deposits	37,754	38,894	37,899	37,954
Structured deposits	2,000	2,000	2,000	2,318
Fixed and call deposits	212,964	212,964	233,041	233,041
Mortgage loans	4,042	4,042	3,147	3,147
Other secured loans	844	844	961	961
Other unsecured loans	40	40	12	12
Financial liabilities				
Subordinated loan	490,000	*	490,000	*
Life fund				
Financial assets				
Malaysian government securities	748,623	747,354	632,789	674,433
Malaysian government guaranteed bonds	150,561	150,777	90,025	92,069
Multilateral development bank guaranteed bonds	87,998	87,387	87,957	86,887
Quoted equity securities of corporations in Malaysia	75,934	75,934	25,649	25,649
Quoted bonds of corporations in Malaysia	3,508	3,673	3,964	4,153
Quoted unit trusts in Malaysia	-	-	3,694	3,694
Unquoted unit trusts in Malaysia	250	319	241	241
Unquoted unit trusts outside Malaysia	10,031	10,031	-	-
Unquoted bonds of corporations	585,881	589,409	528,888	524,258
Commercial loans	9,436	9,436	10,605	10,605
Structured deposits	53,000	53,000	73,000	81,054
Negotiable certificates of deposits	12,246	12,000	12,472	12,722
Fixed and call deposits	269,928	269,928	59,528	59,528
Policy loans	7,752	7,752	6,148	6,148
Mortgage loans	2,245	2,245	2,625	2,625
Automatic premium loans	35,699	35,699	26,797	26,797
Other secured loans	97	97	101	101
Other unsecured loans	6	6	16	16

Notes to the Financial Statements

38. Financial instruments (continued)

38.3 Fair values (continued)

Group	2009		2008	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Investment-linked funds				
Financial assets				
Malaysian government securities	15,688	15,688	5,263	5,263
Quoted equity securities of corporations in Malaysia	111,091	111,091	56,254	56,254
Quoted bonds of corporations	943	943	1,065	1,065
Quoted unit trusts in Malaysia	386	386	5,213	5,213
Unquoted unit trusts outside Malaysia	24,689	24,689	23,064	23,064
Unquoted bonds of corporations in Malaysia	52,853	52,853	77,579	77,579
Commercial loans	170	170	192	192
Structured deposits	2,118	2,118	2,116	2,116
Negotiable certificates of deposits	400	400	424	424
Fixed and call deposits	57,455	57,455	52,332	52,332
Company				
Shareholders' fund				
Financial assets				
Unquoted bonds of corporations in Malaysia	**	**	**	**
Fixed and call deposits	28,435	28,435	31,435	31,435
Mortgage loans	816	816	749	749
Other secured loans	77	77	97	97
Other unsecured loans	4	4	-	-
Subordinated loans	66,602	*	17,600	*
Financial liabilities				
Subordinated loan	490,000	*	490,000	*

* It was not practicable to estimate the fair value of the Group's and Company's subordinated loans as the loans were obtained from the holding company at zero interest cost; and not practicable to estimate the fair value of the investment in unquoted equities of corporations due to the lack of comparable quoted market prices and inability to estimate fair value without incurring excessive costs.

** Denotes RM2 for 2009 and RM3 for 2008.

The basis of estimation of fair values for financial instruments is as follows:

- The fair values of Malaysian government securities, Malaysian government guaranteed bonds and Cagamas bonds are based on the indicative market prices;
- The fair values of quoted equity securities of corporations quoted in Malaysia, quoted bonds of corporations in Malaysia and quoted unit trusts in Malaysia are based on quoted closing market prices as at balance sheet date;
- The fair values of unquoted foreign unit trusts are based on the net asset values of the unit trusts as at the date of the statements of assets and liabilities obtained from fund managers;
- The fair values of multilateral development bank guaranteed bonds and unquoted bonds of corporations are based on the average indicative market yields obtained from three financial institutions; and

38. Financial instruments (continued)

38.3 Fair values (continued)

The basis of estimation of fair values for financial instruments is as follows (continued):

- e) The carrying amount of commercial loans, policy loans, automatic premium loans, mortgage loans, other secured loans, other unsecured loans, structured deposits, negotiable certificate of deposits, bankers' acceptances and fixed and call deposits are assumed to approximate their fair values.

Estimation of the fair values of multilateral development bank guaranteed bonds and unquoted bonds of corporations are based on the average indicative market yields obtained from three financial institutions which involve projections of the market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in underlying risk and overall economic conditions. As such, the projected market yield may be different from its actual market yields in future.

39. Significant events during the year

39.1 Transfer of property, plant and equipment to Allianz General Insurance Company (Malaysia) Berhad

During the year, the Board of Directors of the Company approved the proposed disposal of 14 properties and assets from the Company to AGIC ("Proposed Disposal"). The Proposed Disposal is subject to the approval from the following authorities:-

- (a) the Foreign Investment Committee ("FIC") for the proposed disposal of 14 properties pursuant to the FIC's Guidelines on the Acquisition of Properties by Local and Foreign Interest;
- (b) the relevant state authorities for the proposed transfer of 14 properties; and
- (c) any other relevant authorities (if applicable).

The following agreements were entered into between the Company and AGIC:

- (a) 10 SPAs dated 26 March 2009 and 4 SPAs dated 13 April 2009 for the disposal of 14 properties from the Company to AGIC;
- (b) an APA for the disposal of certain assets from the Company to AGIC; and
- (c) a Master Subordinated Loan Agreement dated 26 March 2009 in relation to the final sale consideration of the above mentioned 14 properties.

FIC had, vide its letter dated 17 April 2009, informed that it has no objection to the proposed disposal of 14 properties from the Company to AGIC.

Following the approval obtained from the relevant state authorities, 13 out of the 14 SPAs in relation to 13 properties in East and West Malaysia have been completed during the year pursuant to the terms and conditions of their respective SPAs with a total sale considerations of RM18,332,669.

The APA was completed on 1 April 2009 with a sale consideration of RM30,669,577. The said sale consideration was treated as a subordinated loan owing from AGIC to the Company.

Notes to the Financial Statements

39. Significant events during the year (continued)**39.1 Transfer of property, plant and equipment to Allianz General Insurance Company (Malaysia) Berhad (continued)**

BNM has granted approval for the subordinated loans arising from the sale of the 14 properties from the Company to AGIC to be treated as AGIC's "Tier 2" capital and capital available under the Risk-Based Capital Framework issued by BNM.

The application made to the relevant state authority for disposal of the remaining 1 property in West Malaysia is currently pending approval from the said state authority ("Land Office").

Upon approval granted by the Land Office, application for stamp duty exemption for the disposal of the 14 properties will be submitted to the relevant authority for approval and the instruments of transfer in respect thereto will be subsequently presented for registration with the relevant land authorities.

On 11 December 2009, the Company sought BNM's consideration for the proposed repayment of subordinated loan via the issuance and allotment of new ordinary shares of RM1.00 each at par by AGIC to the Company an amount equivalent to the total sale consideration of the 14 properties.

BNM had on 18 January 2010 approved the Company's application for the proposed repayment of the said subordinated loan and increase in issued and paid-up capital of AGIC.

40. Comparatives

BNM has issued detailed guidelines under the RBC Framework which is effective for annual period beginning on or after 1 January 2009. The insurance subsidiaries of the Company have adopted the accounting policies on investments in debt and equity securities and general and life insurance liabilities as specified in the RBC Framework for the annual period beginning on 1 January 2009.

Certain comparative figures were reclassified arising from the adoption of the RBC Framework as follows to conform with current year's presentation:

	As restated RM'000	As previously stated RM'000
Balance sheets:		
Group		
Non-current assets		
Receivables, deposits and prepayments	-	1,423
Other receivables, deposits and prepayments	1,423	-
Placements with financial institutions	55,614	-
Current assets		
Investments in debt and equity securities	1,232,024	1,509,949
Receivables, deposits and prepayments	-	190,095
Insurance receivables	121,939	-
Other receivables, deposits and prepayments	68,156	-
Placements with financial institutions	222,311	-

40. Comparatives (continued)

	As restated RM'000	As previously stated RM'000
Balance sheets (continued):		
Group (continued)		
Non-current liabilities		
Payables and accruals	-	29,580
Insurance payables	27,769	-
Other payables and accruals	1,811	-
Current liabilities		
Unearned premium reserves	-	318,366
Insurance premium liabilities	318,366	-
Provision for outstanding claims	-	648,192
Insurance claims liabilities	648,192	-
Payables and accruals	-	257,736
Insurance payables	183,675	-
Other payables and accruals	74,061	-
Company		
Non-current assets		
Placements with financial institutions	15,715	-
Current assets		
Investments in debt and equity securities	*	31,435
Receivables, deposits and prepayments	-	5,812
Other receivables, deposits and prepayments	5,812	-
Placements with financial institutions	15,720	-
Non-current liabilities		
Payables and accruals	-	1,811
Other payables and accruals	1,811	-
Current liabilities		
Payables and accruals	-	29,008
Other payables and accruals	29,008	-
Life fund		
Non-current assets		
Other receivables, deposits and prepayments	100	-
Receivables, deposits and prepayments	-	100
Placements with financial institutions	65,472	-

Notes to the Financial Statements

40. Comparatives (continued)

	As restated RM'000	As previously stated RM'000
Balance sheets (continued):		
Life fund (continued)		
Current assets		
Investments in debt and equity securities	1,383,812	1,528,812
Receivables, deposits and prepayments	-	59,127
Insurance receivables	39,185	-
Other receivables, deposits and prepayments	19,942	-
Placements with financial institutions	79,528	-
Current liabilities		
Provision for outstanding claims	-	31,564
Benefits and claims liabilities	31,564	-
Payables and accruals	-	143,400
Insurance payables	62,222	-
Other payables and accruals	81,178	-
Investment-linked business		
Non-current assets		
Placements with financial institutions	2,540	-
Current assets		
Investments in debt and equity securities	168,630	223,502
Placements with financial institutions	52,332	-
Cash flow statements:		
Group		
Increase in provision for outstanding claims	-	45,550
Increase in benefits and claims liabilities	45,550	-
Increase in structures deposits	-	(77,000)
Increase in banker's acceptances	-	(4,984)
Decrease in negotiable certificate of deposits	-	9,803
Increase in fixed and call deposits	-	(7,814)
Increase in placements with financial institutions	(79,995)	-
Company		
Increase in fixed and call deposits	-	(2,378)
Increase in placements with financial institutions	(2,378)	-

* Denotes RM3

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 85 to 158 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2009 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Razali Ismail

Cornelius Alexander Ioannis Ankel

Kuala Lumpur,
Date: 29 March 2010

Statutory Declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Ong Eng Chow**, the Director primarily responsible for the financial management of Allianz Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 85 to 158 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Wilayah Persekutuan on 29 March 2010.

Ong Eng Chow

Before me:

Manmohan Singh A/L Chanan Singh

W186

Commissioner of Oaths

Kuala Lumpur

Independent Auditors' Report to the members of Allianz Malaysia Berhad

Report on the Financial Statements

We have audited the financial statements of Allianz Malaysia Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, revenue accounts, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 85 to 158.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report to the members of Allianz Malaysia Berhad

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- ii) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- iii) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong

Approval Number: 2613/12/10(J)
Chartered Accountant

Petaling Jaya,
Date: 29 March 2010

ALLIANZ MALAYSIA BERHAD (12428-W)
(Incorporated in Malaysia)

FORM OF PROXY

Number of Shares Held	
CDS Account No.	

I/We (*name of shareholder*) _____

NRIC No./Passport No./Company No. _____ (new) _____ (old) _____

of (*full address*) _____

being a member of ALLIANZ MALAYSIA BERHAD, hereby appoint (*name of proxy/proxies*) _____

NRIC No./Passport No. _____ of (*full address*) _____

or failing him/her, _____ NRIC No./Passport No. _____

of (*full address*) _____

as my/our proxy to attend and vote for me/us on my/our behalf at the 36th Annual General Meeting of the Company to be held at Junior Ballroom, Level 2, Hotel Nikko, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 24 June 2010 at 10.00 a.m. and at any adjournment thereof.

NO. RESOLUTIONS	FOR	AGAINST
1 Receipt of Audited Financial Statements for the financial year ended 31 December 2009 and the Reports of the Directors and Auditors thereon		
2 Declaration of a first and final dividend		
3 Approval of payment of Directors' fees		
4 Re-election of Mr. Foo San Kan as Director		
5 Re-election of Mr. Dung Tri Nguyen @ Don Tri Nguyen as Director		
6 Re-election of Mr. Ong Eng Chow as Director		
7 Re-election of Encik Zakri bin Mohd Khir as Director		
8 Re-appointment of Y. Bhg. Tan Sri Razali Ismail as Director		
9 Re-appointment of Messrs KPMG as Auditors and authority to the Directors to fix the Auditors' remuneration		
Special Business		
10 Proposed Renewal of Shareholders' Mandate		

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain as he/she thinks fit.

As witness my/our hand this _____ day of _____ 2010.

Signature of shareholder/common seal

Representation at Meeting

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member who is an authorised nominee as defined under the Central Depository Act, may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy/proxies must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
5. The instrument of proxy shall be deposited at the Registered Office of the Company at Suite 3A-15, Level 15, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than forty-eight (48) hours before the appointed time for holding the Annual General Meeting.

Affix Stamp

Allianz Malaysia Berhad (12428-W)

Suite 3A-15, Level 15 Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

Attention : The Company Secretary

Allianz Malaysia Berhad (12428-W)

Allianz General Insurance Company (Malaysia) Berhad (735426-V)

Bright Mission Berhad (59131-M)

Suite 3A-15, Level 15, Block 3A,
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50470 Kuala Lumpur,
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