

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

ALLIANZ MALAYSIA BERHAD (12428-W)

Condensed consolidated statement of financial position

As at 31 December 2010- unaudited

	31 December 2010 RM'000	31 December 2009 RM'000 Restated
Assets		
Property, plant and equipment	87,423	95,587
Investment properties	3,392	4,312
Reinsurance assets	76,895	67,158
Intangible assets	309,629	318,181
Deferred tax assets	2,075	1,674
Investments	852,893	514,128
Other receivables, deposits and prepayments	13,863	12,913
Total non-current assets	1,346,170	1,013,953
Assets classified as held for sale	2,440	-
Investments	3,780,448	3,071,784
Reinsurance assets	971,919	931,608
Deferred acquisitions costs	42,598	39,400
Insurance receivables	100,164	141,717
Other receivables, deposits and prepayments	106,733	71,343
Current tax assets	1,890	5,102
Cash and cash equivalents	494,755	490,265
Total current assets	5,500,947	4,751,219
Total assets	6,847,117	5,765,172

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of financial position**

As at 31 December 2010- unaudited (continued)

	31 December 2010 RM'000	31 December 2009 RM'000 Restated
Equity, policyholders' fund and liabilities		
Share capital	153,869	153,869
Irredeemable Convertible Preference Shares	192,337	-
Share premium	424,823	5,529
Reserves	488,572	345,345
Total equity	1,259,601	504,743
Liabilities		
Insurance contract liabilities	2,034,339	1,577,432
Other financial liabilities	1,582	1,697
Insurance payables	16,606	17,683
Other payables and accruals	49,921	38,148
Deferred tax liabilities	10,425	6,442
Subordinated loan	-	490,000
Total non-current liabilities	2,112,873	2,131,402
Insurance contract liabilities	2,984,943	2,663,495
Other financial liabilities	2,013	2,099
Insurance payables	275,134	259,723
Other payables and accruals	146,907	160,387
Benefits and claims liabilities	59,546	37,160
Current tax liabilities	6,100	6,163
Total current liabilities	3,474,643	3,129,027
Total liabilities	5,587,516	5,260,429
Total equity and liabilities	6,847,117	5,765,172
Net asset per ordinary share (RM)	8.19	3.28
Diluted net asset per ordinary share (RM)	3.64	3.28

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

As at 31 December 2010 - unaudited

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Operating revenue *	663,795	618,147	2,509,037	2,221,616
Gross earned premiums	614,177	577,999	2,324,869	2,070,225
Less: Premiums ceded to reinsurers	(108,703)	(122,717)	(488,136)	(473,631)
Net earned premiums	505,474	455,282	1,836,733	1,596,594
Investment income	49,618	40,148	184,168	151,391
Realised gains and losses	3,221	6,974	41,611	24,958
Fair value gains and losses	(338)	(970)	1,506	23,709
Fee and commission income	18,057	18,873	84,709	78,658
Other operating income **	21,843	3,329	25,004	14,499
Other revenue	92,401	68,354	336,998	293,215
Gross benefits and claim paid	(177,334)	(161,392)	(971,831)	(761,324)
Claims ceded to reinsurers	8,051	28,230	277,389	198,011
Gross change to contract liabilities	(170,373)	(159,303)	(688,453)	(633,344)
Change in contract liabilities ceded to reinsurers	(19,828)	26,380	72,611	87,085
Net claims	(359,484)	(266,085)	(1,310,284)	(1,109,572)
Fee and commission expense	(106,041)	(107,126)	(409,605)	(359,261)
Management expenses	(58,821)	(61,516)	(232,654)	(225,635)
Other operating expenditure	(11,714)	(5,987)	(29,638)	(18,372)
Other expenses	(176,576)	(174,629)	(671,897)	(603,268)
Profit before taxation	61,815	82,922	191,550	176,969
Taxation	(20,061)	(22,730)	(62,350)	(58,112)
Profit for the year	41,754	60,192	129,200	118,857
Other comprehensive income				
Fair value of available-for-sale financial assets	(2,447)	-	2,386	-
Disposal of property, plant and equipment	(42)	(369)	(42)	(363)
Income tax thereon	611	76	(619)	76
Other comprehensive income for the year	(1,878)	(293)	1,725	(287)
Total comprehensive income for the year	39,876	59,899	130,925	118,570
Basic earnings per ordinary share (sen)	27.14	39.12	83.97	77.25
Diluted earnings per ordinary share (sen)	11.28	39.12	50.33	77.25

* Operating revenue consists of gross earned premiums and investment income.

** Included in the other operating income for the current quarter is the recognition of the RM 17.5 million, being the last payment of the out of court settlement amounting to RM25.0 million in relation to a legal suit (Summons Number D2-24-377-1997) (2009: RM 2.5 million).

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of changes in equity
As at 31 December 2010 - unaudited**

	Attributable to owners of the Company							Total Equity
	Share Capital	Preference Shares	Share Premium	Asset Revaluation Reserve	Fair Value Reserve	Retained Earnings	Distributable	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	153,869	-	5,529	5,684	-	223,036	388,118	
Total comprehensive income for the year	-	-	-	(287)	-	118,857	118,570	
Disposal of land and buildings	-	-	-	-	-	363	363	
Dividends to shareholders	-	-	-	-	-	(2,308)	(2,308)	
At 31 December 2009	153,869	-	5,529	5,397	-	339,948	504,743	
At 1 January 2010, as previously stated	153,869	-	5,529	5,397	-	339,948	504,743	
Effect of adopting FRS 139	-	-	-	-	9,669	4,941	14,610	
At 1 January 2010, as restated	153,869	-	5,529	5,397	9,669	344,889	519,353	
Total comprehensive income for the period	-	-	-	(42)	1,767	129,200	130,925	
Issuance of Irredeemable Convertible Preference Shares	-	192,337	419,294	-	-	-	611,631	
Dividends to shareholders	-	-	-	-	-	(2,308)	(2,308)	
At 31 December 2010	153,869	192,337	424,823	5,355	11,436	471,781	1,259,601	

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of cash flows
As at 31 December 2010 - unaudited**

	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000 Restated
Cash flows from operating activities		
Profit before taxation	191,550	176,969
Adjustments for non-cash items	(200,179)	(199,655)
Operating loss before changes in working capital	<u>(8,629)</u>	<u>(22,686)</u>
Net change in operating assets	(985,420)	(529,445)
Net change in operating liabilities	888,076	707,753
Net cash (used in)/generated from operating activities	<u>(105,973)</u>	<u>155,622</u>
Net cash used in investing activities	<u>(7,754)</u>	<u>(11,662)</u>
Net cash generated from/(used in) financing activities	<u>118,217</u>	<u>(3,828)</u>
Net increase in cash and cash equivalents	4,490	140,132
Cash and cash equivalents at beginning of period	490,265	350,133
Cash and cash equivalents at end of period	<u>494,755</u>	<u>490,265</u>
Cash and cash equivalents comprise:-		
Cash and bank balances		
General business and shareholders' fund	299,313	188,429
Life fund	164,950	248,102
Investment-linked business	30,492	53,734
	<u>494,755</u>	<u>490,265</u>

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)

Part A: Explanatory notes to the condensed consolidated interim financial statements

1. Basis of preparation

The quarterly condensed financial statements of Allianz Malaysia Berhad ("AMB" or "Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") are unaudited and have been prepared in accordance with:

- (a) The requirements of Financial Reporting Standard ("FRS") 134: Interim Financial Reporting;
- (b) Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"); and
- (c) Guidelines/circular issued by Bank Negara Malaysia ("BNM")
- (d) Financial Reporting Standards as modified by BNM ("Modified FRSs")

and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2009.

On 23 February 2011, an application was made by AMB to the Companies Commission of Malaysia ("CCM") for relief under sub-section 169A(1) of the Companies Act, 1965 ("Application"). This is relating to the preparation of consolidated financial statements and to allow the Company to consolidate the results of its insurance subsidiaries which are prepared in accordance with Modified FRSs.

In the event that the Application by the Company is not approved by CCM, the Company will remove the modification on the FRSs by BNM and prepare the consolidated interim financial statements for the financial year ended 31 December 2010 ("Financial Statements") in accordance with the FRSs and the amended Financial Statements will be accordingly released to Bursa Securities.

The removal of the modification on the FRSs by BNM guidelines on the Financial Statements has the following financial effects:

	Cumulative period twelve months ended 31 December			
	2010 As reported Modified FRS RM'000	2010 As restated FRS RM'000	2009 As reported Modified FRS RM'000	2009 As restated FRS RM'000
Condensed consolidated statement of financial position:				
Reserves	488,572	690,724	345,345	528,173
Net asset per ordinary share (RM)	8.19	9.50	3.28	4.47
Diluted net asset per ordinary share (RM)	3.64	4.22	3.28	4.47
Condensed consolidated statement of comprehensive income:				
Profit before tax	191,550	217,315	176,969	202,565
Basic earnings per ordinary share (sen)	83.97	96.53	77.25	89.72
Diluted earnings per ordinary share (sen)	50.33	57.86	77.25	89.72

The notes attached to the quarterly condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

2. Changes in accounting policies

The accounting policies adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following:

FRSs/Amendment to FRSs/Interpretations	Effective date
FRS 8, Operating Segments	1 July 2009
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments : Disclosures	1 January 2010
FRS 101, Presentation of Financial Statements	1 January 2010
FRS 139, Financial Instruments : Recognition and Measurement	1 January 2010
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 7, Financial Instruments: Disclosures	1 January 2010
Amendments to FRS 101, Presentation of Financial Statements- Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2010
Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 132, Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement - Reclassification of Financial Assets	1 January 2010
Improvements to FRSs (2009)	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

Save as the implications discussed below, the initial adoption of the above FRSs, Amendment to FRSs and Interpretations do not have any material impact on the financial statements of the Group for the year ended 31 December 2010:

(i) FRS 4, Insurance Contracts

The adoption of FRS 4 does not have any significant impact on the financial statements of the Group other than expanded disclosure requirements. Certain comparative information has been restated to comply with FRS 4.

(ii) FRS 8, Operating Segments

FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group presents its segment information based on its business segments, which is also the basis of presenting its internal management reports. The basis of measurement of segment results, segment assets and segment liabilities are the same as the basis of measurement for external reporting.

2. Changes in accounting policies (continued)

(iii) FRS 101, Presentation of Financial Statements

Arising from the adoption of FRS 101, condensed consolidated income statement, revenue account of general insurance business and life fund for the year ended 31 December 2010 have been re-presented in a single statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

(iv) FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments. The accounting policies relating to these financial instruments change from 1 January 2010 shall be disclosed in the Group's annual financial statements.

FRS 139 is applied prospectively and its effect to the fair value reserve and retained earnings of the Group as at 1 January 2010 is as follows:

Condensed consolidated statement of changes in equity

	As at 1 January 2010	Effect of adopting FRS 139	As at 1 January 2010 restated
	RM'000	RM'000	RM'000
Fair value reserve	-	9,669	9,669
Retained earnings	339,948	4,941	344,889

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 March 2010

Amendments to FRS 132, Financial Instruments, Presentation- Classification of Rights Issues

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 Separate 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 16, Hedges of a Net Investment in a Foreign Operation

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

Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

2. Changes in accounting policies (continued)

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

Amendments to FRS 1, First-time Adoption of Financial Reporting Standards

- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Additional Exemption for First-Time Adopters

Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions

Amendments to FRS 7, Financial Instruments: Disclosure

- Improving Disclosures about Financial Instruments

IC Interpretation 4, Determining whether an Arrangement contains a Lease

IC Interpretation 18, Transfers of Asset from Customers

Improvements to FRSs (2010)

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

Amendment to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

FRS 124, Related Party Disclosure (revised)

IC Interpretation 15, Arrangements for the Construction of Real Estate

The Group plans to adopt the abovementioned standards, interpretations and amendments:

- from the annual period beginning 1 January 2011 for those standards, interpretations and amendments that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for FRS 1 (revised), Amendments to FRS 2, Amendments to FRS 1, IC Interpretations 12, 16, and 17 which are not applicable to the Group.
- from the annual period beginning 1 January 2012 for those standards, interpretations and amendments that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for IC Interpretation 15 which is not applicable to the Group.

The initial application of the aforesaid standards, interpretations and amendments are not expected to have any material impact on the financial statements of the Group or any material changes in accounting policy.

3. Items of an unusual nature

The results of the Group for the year under review were not substantially affected by any item, transaction or event of a material and unusual nature.

4. Changes in estimates

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect in the year under review.

5. Seasonal or cyclical factors

The operations of the Group for the year under review were not significantly affected by seasonality or cyclical factors.

6. Property, plant and equipment

The Group's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. The Group recognised an impairment loss of RM1,040,770 on its property upon valuation and RM317,433 for properties held for sale during the year under review.

7. Changes in group composition

There were no changes in the composition of the Group during the year under review.

8. Capital commitments

As at 31 December 2010	Group RM'000
Property, plant and equipment:	
Approved but not contracted for	17,051
Contracted but not provided for	4,769

9. Changes in contingent liabilities

There were no contingent liabilities as at the date of this report.

10. Debt and equity securities

During the year, the Company issued 192,336,547 new Irredeemable Convertible Preference Shares of RM1 each.

Save as disclosed above, there were no other issuances, repurchases, and repayments of debt and equity securities.

11. Subsequent events

There were no material events subsequent to the end of the quarter under review that have not been reported in this report for the quarter under review and financial year to date.

12. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer of the Company reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Reportable segments	Principal activities
Investment holding	Investment holding
General business	Underwriting of all classes of general insurance business
Life business	Underwriting of all classes of life insurance business

12. Operating segments (continued)

Information about reportable segments

As at 31 December 2010 - unaudited

	Investment holding		General business		Life business		Total	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Operating revenue	6,706	4,679	1,362,853	1,259,830	1,139,478	957,107	2,509,037	2,221,616
Inter-segment revenue	(4,099)	(3,718)	-	-	-	-	(4,099)	(3,718)
Segment profit	2,661	2,040	162,512	152,479	26,377	22,450	191,550	176,969
Segment assets	281,784	210,269	3,430,901	3,079,203	3,134,432	2,475,700	6,847,117	5,765,172
Segment liabilities	8,589	519,118	2,444,495	2,265,611	3,134,432	2,475,700	5,587,516	5,260,429

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13. Related parties

The significant related party transactions are as follows:

Name	Nature	Income RM'000	Expense RM'000
Allianz SE Group	Reinsurance arrangements between AMB's insurance subsidiaries and Allianz SE Group where the risk and premium are shared between the parties in accordance with the reinsurance arrangements entered into between the parties*	45,139	190,486
	Sharing of cost for usage of eLearning solution of Allianz SE by AMB Group	-	109
	The Group's sharing of global marketing measures undertaken by Allianz SE	-	1,052
	Fund management fee from AMB's life insurance subsidiary to Allianz Global Investors Singapore Limited	-	162
	The Group's sharing of Allianz Worldwide Intranet Network access with Allianz SE	-	417
	Investment advisory service fees from AMB's insurance subsidiaries to Allianz Investment Management Singapore Pte Ltd	-	956
	Annual maintenance and support fee for software system from AMB's life insurance subsidiary to Allianz SE	-	138
	Risk survey fee from AMB's general insurance subsidiary to Allianz Australia Insurance Ltd	-	10
Symphony Solutions Bhd**	BPO Telemarketing fee from AMB's life insurance subsidiary to Symphony BPO Solutions Sdn Bhd	-	1,252

* As the Group is in the insurance business, the figures do not include payment obligations arising from claims duly made pursuant to any insurance policies issued.

** 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.

14. Dividend paid

The first and final dividend of 2.00 sen per ordinary share less tax at 25% amounting to RM2,308,038 for the financial year ended 31 December 2009 was paid to the entitled shareholders of the Company on 3 August 2010.

15. Comparative figures

Certain comparative figures have been restated to comply with the adoption of FRSs, Amendment to FRSs and Interpretations.

Part B: Explanatory notes pursuant to Bursa Malaysia Listing Requirements

1. Review of results

1.1 Results of the current year-to-date ("YTD") against preceding year-to-date (YTD 4th Quarter 2010 versus YTD 4th Quarter 2009)

Operating revenue

The Group recorded an increase in operating revenue by 12.9% or RM287.4 million. The general and life insurance gross earned premiums grew by RM93.9 million or 7.8% and RM160.7 million or 18.5% respectively.

Profit before tax

Profit before tax of the Group increased by 8.2% or RM14.6 million. The increase was due mainly to the increase in other operating income from the general insurance business and the transfer of surplus from Life Fund to Shareholders' Fund of RM 15.0 million (2009: RM12.0 million).

1.2 Results of the current quarter against the preceding quarter (4th Quarter 2010 versus 3rd Quarter 2010)

Operating revenue

Operating revenue increased by 9.3% or RM56.7 million due mainly to higher gross earned premiums from life insurance business.

Profit before tax

The profit before tax of the Group for the quarter under review increased by 22.7% or RM11.4 million due mainly to the recognition of the final payment of RM17.5 million of the out of court settlement of a legal suit totalling RM25.0 million in the general insurance business and the transfer of surplus from Life Fund to Shareholders' Fund of RM 15.0 million (2009: RM12.0 million).

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2. Current year prospects

Based on the current economic outlook, the insurance industry is expected to grow in 2011.

The Group is undertaking numerous initiatives to improve its distribution capabilities in order to strengthen the top line growth and to sustain profitability.

The Group expects to grow in tandem with the economy and the insurance industry. The Group's performance in 2011 is expected to be satisfactory.

3. Profit forecast

The Group did not issue any profit forecast or profit guarantee as at the date of this report.

4. Taxation

	Individual period		Cumulative period	
	Three months ended		twelve months ended	
	31 December		31 December	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Profit before taxation	61,815	82,922	191,550	176,969
Current tax expense				
Income tax	19,505	17,183	69,635	52,565
Deferred tax	556	5,547	(7,285)	5,547
Total income tax expense	20,061	22,730	62,350	58,112
Effective tax rate	32%	27%	33%	33%

The Group's consolidated effective tax rate for 31 December 2010 was higher than the statutory tax rate of 25% (2009: 25%) due mainly to the following factors:

- The income tax for the Life fund is calculated based on the tax rate of 8% (2009 : 8%) of the assessable investment income net of allowable deductions for the period; and
- Effects of certain non-deductible expenses.

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5. Unquoted investments and properties

There was no sale of property for the quarter under review. During the year ended 31 December 2010, the Group sold a property to a third party and incurred a loss of RM37,399.

For the quarter under review, the Group disposed part of its unquoted investments and incurred a loss of RM167,000. During the year ended 31 December 2010, the Group incurred total loss of RM1,049,928 in its disposals of unquoted investments.

6. Quoted investments

There were no purchase or disposal of quoted investments by the Group during the period under review. The insurance subsidiaries are exempted from such disclosure.

7. Status of corporate proposal announced/implemented

The status of corporate proposals announced but not fully completed by the Company are as follows:-

Corporate Proposals	Status
Proposed acquisition of equity interest in Takaful Ikhlas Sdn. Bhd. by the Company ("Proposed Acquisition")	<p>On 20 December 2010, the Company announced to Bursa Securities that Bank Negara Malaysia has via its letter dated 17 December 2010 granted approval to the Company to commence negotiation with MNRB Holdings Berhad ("MNRB") on the Proposed Acquisition.</p> <p>The negotiation between the Company and MNRB is currently in progress.</p>

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8. Borrowings and debts securities

Save as disclosed below, the Group has no other outstanding borrowings and debts securities for the quarter under review and year ended 31 December 2010.

As at 31 December 2010

Group
RM'000

Finance lease liability (interest bearing)

856

9. Changes in material litigation

Save as disclosed below, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant as at the date of this Quarterly Report and the Directors have no knowledge of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Group.

The status of the litigation instituted against Bright Mission Berhad (formerly known as Commerce Assurance Berhad ("CAB")) and Allianz General Insurance Company (Malaysia) Berhad ("AGIC") are disclosed below. For detailed litigation background, please refer to the Company's Quarterly Report for the financial quarter ended 31 March 2008.

Name of subsidiaries	Litigation	Status
Bright Mission Berhad	<p>a) <i>Kuala Lumpur High Court Civil Suit No: S4-22-1194-2007 in the matter of Duopharma Properties Sdn Bhd, Michaelian (Malaysia) Sdn Bhd, Michaelian Holdings Sdn Bhd & Duomark Properties Sdn Bhd -v- Commerce International Group Berhad & CAB</i></p> <p>b) <i>Kuala Lumpur High Court Originating Summons No : S1-24-2518-2007 in the matter of CAB-v- Duomark Properties Sdn Bhd, Michaelian (Malaysia) Sdn Bhd & Michaelian Holdings Sdn Bhd</i></p>	<p>The Court vacated trial which was scheduled from 27 September to 29 September 2010. Last Case Management date was on 3 November 2010. The Court has fixed the next Case Management date on 4 April 2011.</p> <p>Appeal by CAB for removal of the private caveats was heard and dismissed by the Court of Appeal on 18 November 2010. On 15 December 2010, CAB filed the application for leave to appeal to the Federal Court. CAB's application is fixed for hearing on 7 March 2011.</p>

9. Changes in material litigation (continued)

Name of subsidiaries	Litigation	Status
Bright Mission Berhad	<p>c) Kota Bahru High Court Suit No: 22-119-2010 in the matter of Mohd Shokri Bin Abdul Rahim -v- CAB</p> <p>This is a fresh suit filed by the Plaintiff against CAB after his previous action under Kota Bahru High Court Suit No: 22-115-05 (Mohd Shokri bin Abdul Rahim -v-AGIC) was struck off by the High Court on 5 August 2010.</p> <p>The claim is premised on similar facts as the previous suit. In the present suit, the Plaintiff claims that the termination of his agency business and suspension of his insurance agency licence has prevented him from doing business and earning income from his insurance business.</p> <p>Among others, the Plaintiff claims RM60,000.00 per annum from 2003 until the date of Judgment; a declaration that the Defendant's termination of the Plaintiff's business is unlawful and that the suspension of his Insurance Agency Licence be uplifted and his Agency account be reinstated.</p>	<p>The Plaintiff filed a Writ of Summons dated 7 September 2010 against CAB at the Kota Bahru High Court. CAB filed its Memorandum of Appearance dated 16 November 2010.</p> <p>This suit will not be further reported as it is not regarded as a material litigation to the Group.</p>
AGIC	<p>High Court of Sabah & Sarawak Originating Summons No: T(24) 15 of 2006 in the matter of Lau Yee Fai @ Lau Yee Ming -v- CAB *</p>	<p>No hearing date has yet been fixed for the Appeal by CAB dated 3 December 2007 against the judgment in favour of the Plaintiff.</p>

* Following the transfer of the entire general insurance business from CAB to AGIC with effect from 1 January 2009, this suit is now regarded as a suit against AGIC and shall be defended by AGIC and necessary documents will be filed in Court to record AGIC as the defendant of the same at the appropriate time.

10. Auditors' report on preceding annual financial statements

The auditors' report of the Group's financial statements for the financial year ended 31 December 2009 was not qualified.

11. Dividend

For the financial year ended 31 December 2010, the Board is recommending a payment of a first and final dividend of 3.50 sen per ordinary share less 25% tax (2009: 2.00 sen less 25% tax) and a preference share dividend of 4.20 sen per preference share under single tier system, for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

The dates of the entitlement and payment for the dividend for both ordinary shares and preference shares will be announced at a later date.

12. Earnings per ordinary share

(a) Basic earnings per ordinary share

Basic earning per ordinary share of the Group are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2010	2009	2010	2009
Net profit attributable to shareholders	(RM'000)	41,754	60,192	129,200	118,857
Weighted average number of ordinary shares in issue	('000)	153,869	153,869	153,869	153,869
Basic earnings per ordinary share	(sen)	<u>27.14</u>	<u>39.12</u>	<u>83.97</u>	<u>77.25</u>

12. Earnings per ordinary share (continued)

(b) Diluted earnings per ordinary share

Diluted earning per ordinary share of the Group are calculated by dividing the net diluted profit attributable to shareholders by the diluted weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2010	2009	2010	2009
Net diluted profit attributable to shareholders	(RM'000)	41,754	60,192	129,200	118,857
Weighted average number of ordinary shares in issue	('000)	177,672	153,869	177,672	153,869
Effect of conversion of ICPS	('000)	192,337	-	79,042	-
Diluted weighted average number of ordinary shares in issue	('000)	370,009	153,869	256,714	153,869
Diluted earnings per ordinary share	(sen)	11.28	39.12	50.33	77.25

13. Disclosure of derivatives

There were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 December 2010.

14. Disclosure of gains/losses arising from fair value changes of financial liabilities

There were no gains/losses arising from fair value changes of the financial liabilities for the current quarter and financial year ended 31 December 2010.

15. Disclosure of realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follow:

	As at 31 December 2010 RM'000
Total retained earnings of the Group:	
- Realised	555,878
- Unrealised	3,611
	<hr/>
	559,489
Less: Consolidation adjustments	(87,708)
Total retained earnings	<hr/> <u>471,781</u>

The determination of realised and unrealised earnings is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

In compliance with the Bursa Securities Listing Requirements, no disclosure of comparative figures in relation to the immediate preceding quarter is necessary; this being the interim financial report effecting this new disclosure requirement.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
25 February 2011