

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2011

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
As at 31 December 2011- unaudited**

	31 December 2011 RM'000	31 December 2010 RM'000
Assets		
Property, plant and equipment	91,809	87,423
Intangible assets	299,013	309,629
Investment properties	3,732	3,392
Deferred tax assets	-	2,074
Investments	973,262	871,064
Reinsurance assets	544,946	502,384
Other receivables, deposits and prepayments	13,026	13,864
Total non-current assets	1,925,788	1,789,830
Investments	4,618,635	3,762,277
Reinsurance assets	609,205	546,430
Deferred acquisitions costs	49,667	42,598
Insurance receivables	116,933	100,164
Other receivables, deposits and prepayments	97,016	106,733
Current tax assets	3,138	1,890
Assets classified as held for sale	-	2,440
Cash and cash equivalents	511,892	494,755
Total current assets	6,006,486	5,057,287
Total assets	7,932,274	6,847,117

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 2011- unaudited (continued)**

	31 December 2011 RM'000	31 December 2010 RM'000
Equity		
Share capital	156,428	153,869
Irredeemable Convertible Preference Shares	189,778	192,337
Reserves	1,046,711	913,395
Total equity	1,392,917	1,259,601
Liabilities		
Insurance contract liabilities	3,472,397	2,033,555
Other financial liabilities	1,463	1,582
Insurance payables	18,007	16,589
Other payables and accruals	56,964	49,921
Deferred tax liabilities	13,224	10,427
Total non-current liabilities	3,562,055	2,112,074
Insurance contract liabilities	2,482,332	2,985,726
Other financial liabilities	2,789	2,013
Insurance payables	265,175	275,151
Other payables and accruals	156,312	146,906
Benefits and claims liabilities	68,573	59,545
Current tax liabilities	2,121	6,101
Total current liabilities	2,977,302	3,475,442
Total liabilities	6,539,357	5,587,516
Total equity and liabilities	7,932,274	6,847,117
Net asset per ordinary share (RM)	8.90	8.19
Diluted net asset per ordinary share (RM)	4.02	3.64

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

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated income statement
For the year ended 31 December 2011 - unaudited**

	Note	Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		736,548	663,795	2,751,805	2,509,037
Gross earned premiums		674,115	614,177	2,519,233	2,324,869
Premiums ceded to reinsurers		(117,650)	(108,703)	(436,999)	(488,136)
Net earned premiums		556,465	505,474	2,082,234	1,836,733
Investment income	4	62,433	49,618	232,572	184,168
Realised gains and losses	5	(458)	3,220	34,237	41,611
Fair value gains and losses	6	14,083	(745)	509	1,150
Fee and commission income		17,087	18,057	70,853	84,709
Other operating income		2,858	21,895	6,547	25,004
Other revenue		96,003	92,045	344,718	336,642
Gross benefits and claim paid		(229,179)	(177,153)	(990,686)	(971,830)
Claims ceded to reinsurers		52,711	8,051	254,871	277,389
Gross change to contract liabilities		(248,516)	(171,037)	(834,047)	(689,111)
Change in contract liabilities ceded to reinsurers		7,777	(19,828)	74,744	72,606
Net benefits and claims		(417,207)	(359,967)	(1,495,118)	(1,310,946)
Fee and commission expense		(114,940)	(106,039)	(436,620)	(409,604)
Management expenses		(61,853)	(61,669)	(261,708)	(235,502)
Other operating expenditure		(6,635)	(8,029)	(28,623)	(25,773)
Other expenses		(183,428)	(175,737)	(726,951)	(670,879)
Profit before taxation	7	51,833	61,815	204,883	191,550
Taxation	8	(17,657)	(20,061)	(72,956)	(62,350)
Net profit for the year		34,176	41,754	131,927	129,200

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

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

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of comprehensive income
For the year ended 31 December 2011 - unaudited**

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Net profit for the year	34,176	41,754	131,927	129,200
Other comprehensive income				
Fair value of available-for-sale financial assets	5,920	-	12,164	2,386
Revaluation/(Disposal) of property, plant and equipment	-	-	5,425	(42)
Income tax thereon	(1,926)	-	(4,086)	(619)
Other comprehensive income for the year	3,994	-	13,503	1,725
Total comprehensive income for the year	38,170	41,754	145,430	130,925
Profit attributable to: Owners of the Company	34,176	41,754	131,927	129,200
Total comprehensive income for the year attributable to: Owners of the Company	38,170	41,754	145,430	130,925
Basic earnings per ordinary share (sen)	22.16	27.14	85.53	83.97
Diluted earnings per ordinary share (sen)	9.13	11.28	35.26	50.33

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
For the year ended 31 December 2011 - unaudited**

	←————— Attributable to owners of the Company —————→						
	←————— Non-Distributable —————→				Distributable		
	Share Capital	Preference Shares	Share Premium	Asset Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010	153,869	-	5,529	5,397	9,669	344,889	519,353
Total comprehensive income for the year	-	-	-	(42)	1,767	129,200	130,925
Issuance of Irredeemable Convertible Preference Shares	-	192,337	419,294	-	-	-	611,631
Dividends to owners of the Company	-	-	-	-	-	(2,308)	(2,308)
At 31 December 2010	153,869	192,337	424,823	5,355	11,436	471,781	1,259,601
Total comprehensive income for the year	-	-	-	4,380	9,123	131,927	145,430
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares	2,559	(2,559)	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	(12,114)	(12,114)
At 31 December 2011	156,428	189,778	424,823	9,735	20,559	591,594	1,392,917

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

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated cash flow statement
For the year ended 31 December 2011 - unaudited**

	As at 31 December 2011 RM'000	As at 31 December 2010 RM'000
Cash flows from operating activities		
Profit before taxation	204,883	191,550
Investment income	(232,572)	(184,168)
Realised gains recorded in income statement	(34,529)	(41,480)
Fair value on investments recorded in income statement	(169)	(1,370)
Change in fair value of investment property	(340)	220
Purchases of financial investments	(2,240,839)	(5,240,551)
Maturity of financial investments	496,245	2,993,728
Proceeds from sale of financial investments	837,021	1,482,556
Decrease/(Increase) in loans and receivables	7,743	(161,248)
Unrealised foreign exchange gain	(710)	-
Adjustments for non-cash items:		
Decrease in fair value changes	(14,495)	(60,370)
Amortisation of intangible assets	11,349	11,202
Depreciation of property, plant and equipment	11,400	10,210
Bad debts written off	6,525	2,951
Writeback of doubtful debts	(11,056)	(1,063)
Property, plant and equipment written off	862	49
Interest expense	1,788	1,343
Loss/(Gain) on disposal of property, plant and equipment - Net	60	(131)
Loss on disposal of investment properties	232	-
Bad debts recovered	(233)	(122)
Impairment loss on property, plant and equipment	-	1,041
Impairment loss on properties held for sale	-	538
Operating loss before changes in working capital	(956,835)	(995,115)
Increase in contract liabilities	936,104	778,353
Increase/(Decrease) in other payables	20,148	(4,709)
Increase/(Decrease) in other financial liabilities	657	(201)
Increase in benefits and claims liabilities	9,028	22,386
Decrease/(Increase) in other receivables, deposits and prepayments	5,824	(33,342)
(Increase)/Decrease in insurance receivables	(11,825)	47,382
Increase in deferred acquisition costs	(7,069)	(3,198)
(Decrease)/Increase in insurance payables	(8,558)	14,334
Increase in reinsurance assets	(105,337)	(50,048)
Cash used in operations	(117,863)	(224,158)

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated cash flow statement
For the year ended 31 December 2011 - unaudited**

	As at 31 December 2011 RM'000	As at 31 December 2010 RM'000
Cash flows from operating activities (continued)		
Tax paid	(77,840)	(62,015)
Coupon interest received	219,554	172,658
Dividend received	13,929	10,467
Others	240	(2,925)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	38,020	(105,973)
	<hr/>	<hr/>
Investing activities		
Proceeds from disposal of property, plant and equipment	2,421	1,203
Proceeds from disposal of investment properties	468	-
Acquisition of plant and equipment	(10,820)	(7,438)
Acquisition of intangible assets	(149)	(1,519)
	<hr/>	<hr/>
Net cash used in investing activities	(8,080)	(7,754)
	<hr/>	<hr/>
Financing activities		
Dividends paid	(12,114)	(2,308)
Increase in subordinated loans	-	(490,000)
Payment of finance lease liabilities	(689)	(1,106)
Proceeds from issuance of preference shares	-	611,631
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(12,803)	118,217
	<hr/>	<hr/>
Net increase in cash and cash equivalents	17,137	4,490
Cash and cash equivalents at beginning of year	494,755	490,265
	<hr/>	<hr/>
Cash and cash equivalents at end of year	511,892	494,755
	<hr/>	<hr/>
Cash and cash equivalents comprise:-		
Fixed and call deposits (with maturity less than three months):		
Licensed banks	488,592	488,121
Cash and bank balances	23,300	6,634
	<hr/>	<hr/>
	511,892	494,755
	<hr/>	<hr/>

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

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

1. Basis of preparation

The condensed consolidated quarterly financial statements of Allianz Malaysia Berhad ("AMB" or "Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") as at and for the year ended 31 December 2011 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 2010.

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 2010.

2. Changes in accounting policies

The accounting policies adopted by the Group for the condensed consolidated interim financial statements are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2010.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group:

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

- Issues Committee ("IC") Interpretation 19, Extinguishing Financial Liabilities with Equity
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

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

- FRS 124, Related Party Disclosures (revised)
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets
- Amendments to FRS 112, Income Taxes – Deferred Tax: Recovery of Underlying Assets

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

- Amendments to FRS 101, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

2. Changes in accounting policies (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 9, Financial Instruments (2009)
- FRS 9, Financial Instruments (2010)
- FRS 10, Consolidated Financial Statements
- FRS 11, Joint Arrangements
- FRS 12, Disclosure of Interests in Other Entities
- FRS 13, Fair Value Measurement
- FRS 119, Employee Benefits (2011)
- FRS 127, Separate Financial Statements (2011)
- FRS 128, Investments in Associates and Joint Ventures (2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine

The Group's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group will not be adopting the above FRSs, Interpretations and amendments.

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 quarter 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. During the year, the Group has revalued its property, plant and equipment and the revaluation surpluses amounting to:

	Group RM'000
General insurance operations	5,425
Life insurance operations	1,729
	<hr/>
	7,154
	<hr/>

ALLIANZ MALAYSIA BERHAD (12428-W)

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 2011

Property, plant and equipment:

Approved but not contracted for

Contracted but not provided for

**Group
RM'000**

28,796

2,928

9. Changes in contingent liabilities

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

10. Debt and equity securities

There were no issuance and repayment of debts and equity securities, share buy backs, share cancellations, share held as treasury shares and resale of treasury shares by the Group during the year under review.

11. Subsequent events

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

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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 life insurance and investment-linked business

Information about reportable segments

For the year ended 31 December 2011 - unaudited

	Investment holding		General business		Life business		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	9,318	6,706	1,456,918	1,362,853	1,285,569	1,139,478	2,751,805	2,509,037
Inter-segment revenue	(17,626)	(4,099)	-	-	-	-	(17,626)	(4,099)
Segment (loss)/profit	(2,236)	2,661	175,745	162,512	31,374	26,377	204,883	191,550
Segment assets	288,604	281,784	3,845,074	3,430,901	3,798,596	3,134,432	7,932,274	6,847,117
Segment liabilities	4,790	8,589	2,735,971	2,444,495	3,798,596	3,134,432	6,539,357	5,587,516

13. Dividend paid

The first and final dividend of 3.50 sen per ordinary share less 25% tax amounting to RM4,036,316 and a preference share dividend of 4.20 sen per irredeemable convertible preference share under the single tier system amounting to RM8,078,154 for the financial year ended 31 December 2010, were paid to the entitled shareholders of the Company on 8 August 2011.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results

1.1 Results of the current year-to-date ("YTD") against preceding YTD (YTD 4th Quarter 2011 versus YTD 4th Quarter 2010)

Operating revenue

The Group recorded an operating revenue of RM2.75 billion for the financial year ended 31 December 2011, an increase of 9.7% or RM242.8 million as compared to the preceding year ended 31 December 2010 of RM2.51 billion due to the higher gross earned premiums and investment income by RM194.4 million and RM48.4 million respectively.

The increase in gross earned premiums was mainly contributed by the life insurance operations which recorded an increase of 11.1% or RM114.3 million delivered predominantly by premium growth from the agency distribution channel. Investment income was also due mainly to higher contribution from the life insurance operations which registered a growth of 28.9% or RM 31.8 million due to higher investment asset base.

The general insurance operations recorded an increase in gross earned premiums by 6.2% or RM80.1 million and investment income by 20.8% or RM14.0 million respectively. The premium growth was mainly attributed to the multi-distribution channels and service capabilities as strategised in the business plan to sustain the organic growth in premium and to maintain the market share of the general insurance operations. Most distribution channels recorded growth against the preceding year with the main contribution from agencies. The income increased in tandem with the growth in gross written premiums which gave rise to higher investment asset base.

Profit before tax

The Group recorded a profit before tax of RM204.9 million for the year ended 31 December 2011, an increase of 7.0% or RM13.3 million as compared to the preceding year ended 31 December 2010 of RM191.6 million.

The increase was due mainly to the increase of profit before tax from the general insurance operations of 8.1% or RM13.2 million. The operating revenue of general insurance operations grew 10.5% from RM1.36 billion in 2010 to RM1.46 billion in 2011 and the management expenses ratio reduced from 18.4% in 2010 to 17.0% in 2011 although the actual management expenses increased by 6.5% or RM10.4 million as compared to the year ended 31 December 2010 of RM160.2 million. The general insurance operations contained its claims ratio at 62.8% and delivered an underwriting profit of RM103.4 million in 2011 with a combined ratio of 89.7% despite the share of loss amounting RM10.0 million incurred in Malaysian Motor Insurance Pool ("MMIP") in the last quarter of 2011.

1.1 Results of the current year-to-date ("YTD") against preceding YTD (YTD 4th Quarter 2011 versus YTD 4th Quarter 2010)

Profit before tax (continued)

The general insurance operations sustained the profitable growth through portfolio and product management by maintaining a diversified and balanced portfolio mix and the implementation of prudent underwriting guidelines and various operational improvement measures.

The life insurance operations recorded a higher profit before tax due to the transfer of higher surplus from the life fund to the shareholders' fund of RM18.0 million as compared to RM15.0 million in preceding year. The higher surplus transfer was attributable to the emerging surplus from the in-force business and favourable claim experience. As a result, the capital base and solvency of life insurance operations continue to improve.

The investment holding segment registered a loss before tax of RM2.2 million as compared to a profit before tax of RM2.7 million in the preceding year caused mainly by the share of an out of court settlement of a legal suit.

1.2 Results of the current quarter against the preceding quarter (4th Quarter 2011 versus 3rd Quarter 2011)

Operating revenue

The Group recorded an operating revenue of RM736.5 million for the current quarter under review, an increase of 7.1 % or RM49.1 million as compared to the preceding quarter of RM687.4 million due mainly to the higher gross earned premiums of RM46.5 million. The increase in gross earned premiums was mainly contributed by the life insurance operations which recorded an increase of 11.4% or RM31.8 million delivered predominantly by premium growth from its agency distribution channels.

The general insurance operations registered an increase in gross earned premiums of 4.2% or RM14.7 million as compared to the preceding quarter.

Profit before tax

The Group recorded a profit before tax of RM51.8 million for the current quarter under review, an increase of 11.8% or RM5.5 million as compared to the preceding quarter of RM46.4 million. The higher profit before tax was due mainly to higher transfer of surplus from the life fund to the shareholders' fund of RM18.0 million (2010: RM15.0 million).

The general insurance operations recorded a profit before tax of RM29.7 million for the current quarter under review, a decrease of 41.1% or RM20.8 million when compared to the preceding quarter of RM50.5 million. The lower profit before tax was due mainly to the lower underwriting profit and the recognition of our share of loss in MMIP of RM10.0 million.

The investment holding segment registered a profit before tax of RM0.4 million for the current quarter, an increase of 107.0% or RM5.6 million as compared to the preceding quarter due mainly to our share of loss in an out of court settlement of a legal suit.

2. Prospects for year 2012

For the financial year 2012, the Group expects its general insurance operations to have a challenging time ahead with the softer growth rate of local economy as a result of the uncertainties in global economies and Euro debt crisis. However, the Group will endeavour to retain its leading position in the general insurance operations by continuing to leverage on the brand's strength and to build on the extensive distribution reach and wide product range to maintain growth momentum.

The prevailing global economic uncertainties coupled with the current low interest rate environment that will probably continue throughout 2012, will create challenges for the life insurance operations to maintain similar level of investment returns to meet customer expectations. The Group expects its life insurance operations to maintain premium growth and to innovate its products to adapt to the evolving business environments and changing needs of customers. The growth of the life insurance operations will be primarily driven by the agency channel.

The Group's overall strategy remains unchanged and will continue to build on the foundation of sustainability and risk diversification to pursue long term profitable growth. The Group will continue to offer comprehensive insurance solutions and focus on improving operational efficiency and customer services to gain wider market share.

The Board is cautiously optimistic that the Group will maintain its profitable growth in 2012.

3. Profit forecast

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

4. Investment income

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Coupon interest income	58,110	47,189	215,217	171,308
Dividend income	3,667	2,397	14,662	10,467
Accretion of discounts	1,668	1,012	6,402	4,443
Rental income	60	62	240	249
Other income	1,208	1,043	4,616	3,949
Amortisation of premiums	(2,279)	(2,085)	(8,565)	(6,248)
	62,434	49,618	232,572	184,168

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5. Realised gains and losses

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Realised gains on disposal of investments in debt and equity securities:				
Malaysian government securities	-	89	-	8,199
Quoted equity securities of corporations in Malaysia	(589)	3,175	33,324	34,262
Quoted unit trusts in Malaysia	-	49	-	74
Quoted bonds of corporations in Malaysia	-	195	1,219	1,058
Unquoted debts securities in Malaysia	-	115	1,587	157
Realised losses on disposal of investments in debt and equity securities:				
Quoted equity securities of corporations outside Malaysia	81	-	(582)	-
Quoted unit trusts in Malaysia	12	-	-	-
Quoted unit trusts outside Malaysia	29	(396)	(1,016)	(2,270)
Unquoted debts securities in Malaysia	-	-	(3)	-
Realised (losses)/gains on disposal of plant and equipment	9	(5)	(60)	131
Realised losses on disposal of investment properties	-	-	(232)	-
	(458)	3,222	34,237	41,611

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Fair value gains/(losses) on:				
Investment properties	340	(220)	340	(220)
Financial assets - held for trading	14,132	(391)	558	1,505
Impairment loss on financial investments	(389)	(135)	(389)	(135)
	14,083	(746)	509	1,150

ALLIANZ MALAYSIA BERHAD (12428-W)**7. Profit before taxation**

Profit before taxation for the year is arrived at after charging/(crediting):

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Depreciation on property, plant and equipment	3,737	2,787	11,400	10,210
Amortisation of intangible assets	2,878	2,870	11,349	11,202
Write back of allowance for doubtful debts	(12,155)	(6,155)	(11,056)	(1,063)
Bad debts written off	4,659	318	6,525	2,951
Interest expense	355	(578)	1,788	1,343
Impairment loss on property, plant and equipment	-	-	-	1,041
Impairment loss on property held for sale	-	-	-	538
Unrealised foreign exchange gain	(710)	-	(710)	-
Property, plant and equipment written off	5	-	862	49
Bad debts recovered	(68)	(15)	(233)	(122)

Other than as disclosed in Note 6 and 7, there were no gain or loss on derivatives and exceptional items for the current quarter and year ended 31 December 2011.

8. Taxation

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	51,833	61,815	204,883	191,550
Current tax expense				
Income tax	15,711	19,505	72,782	69,635
Deferred tax	1,946	556	174	(7,285)
Total income tax expense	17,657	20,061	72,956	62,350
Effective tax rate	34%	32%	36%	33%

The Group's consolidated effective tax rate for the current quarter and year ended 31 December 2011 was higher than the statutory tax rate of 25% (2010: 25%) due mainly to the following:

- In addition to the 25% income tax on the assessable income of the Shareholders' Fund, there is also an 8% income tax on the assessable investment income net of allowable deductions of the Life Fund; and
- Effects of certain non-deductible expenses.

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9. Status of corporate proposal announced/implemented

As at the date of this report, there are no corporate proposals announced but not completed.

10. Borrowings and debts securities

Save as disclosed below, the Group has no other outstanding borrowings and debts securities for the year ended 31 December 2011.

As at 31 December 2011

Group
RM'000

Finance lease liability (interest bearing)

167

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

Name of subsidiaries	Litigation	Status
BMB	<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 (collectively referred to as the "Plaintiffs") -v- Commerce International Group Berhad & CAB (collectively referred to as the "Defendants") ("Suit")</i>	On 18 November 2011, the Company announced to Bursa Securities that the Plaintiffs and Defendants have agreed to an out of court settlement of RM15 million in respect of the Suit on a no fault basis and the Plaintiffs' claims against the Defendants in the Suit have been discharged. Accordingly, there will be no further reporting on this matter.

11. Changes in material litigation (continued)

Name of subsidiaries	Litigation	Status
AGIC	<p><i>High Court of Sabah & Sarawak Originating Summons No: T(24) 15 of 2006 in the matter of Lau Yee Ming -v- CAB*</i></p> <p><i>In the Court of Appeal of Malaysia (Appellate Jurisdiction) Civil Application No. S-08-1113-11/2011: AGIC v Lau Yee Fai @ Lau Yee Ming</i></p>	<p>On 16 June 2011, the Court of Appeal decided to consolidate the hearing of this appeal with another similar appeal. The Court will inform parties of the new hearing date by letter.</p> <p>The matter was fixed for hearing on 20 September 2011, on which date CAB withdrew its appeal with liberty to file afresh as the Court of Appeal instructed CAB to file in a formal application for leave to appeal.</p> <p>On 17 November 2011, AGIC had filed its application for:</p> <ul style="list-style-type: none"> i) extension of time to enlarge the time for leave to appeal; and ii) leave to appeal to the Court of Appeal. <p>No date has yet been fixed for the hearing of the application.</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.

12. Auditors' report on preceding annual financial statements

The auditors' report of the Group's audited financial statements for the financial year ended 31 December 2010 was not qualified.

13. 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	
		2011	2010	2011	2010
Net profit attributable to shareholders	(RM'000)	34,176	41,754	131,927	129,200
Weighted average number of ordinary shares in issue	('000)	154,244	153,869	154,244	153,869
Basic earnings per ordinary share	(sen)	22.16	27.14	85.53	83.97

(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	
		2011	2010	2011	2010
Net diluted profit attributable to shareholders	(RM'000)	34,176	41,754	131,927	129,200
Weighted average number of ordinary shares in issue	('000)	184,367	177,672	184,367	177,672
Effect of conversion of ICPS	('000)	189,778	192,337	189,778	79,042
Diluted weighted average number of ordinary shares in issue	('000)	374,145	370,009	374,145	256,714
Diluted earnings per ordinary share	(sen)	9.13	11.28	35.26	50.33

14. Dividend

For the financial year ended 31 December 2011, the Board is recommending a payment of a first and final dividend of 5.25 sen per ordinary share less 25% tax (2010: 3.50 sen less 25% tax) and a preference share dividend of 6.30 sen (2010: 4.20 sen) per preference share under single tier system, for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

The entitlement and payment dates for the abovementioned dividends will be announced at a later date.

15. Disclosure of derivatives

There were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 December 2011.

16. 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 2011.

17. Disclosure of realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 31 December 2011, into realised and unrealised profits, is as follow:

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
Total retained earnings of the Group:		
- Realised	690,482	555,878
- Unrealised	13,810	3,611
	<hr/>	<hr/>
	704,292	559,489
Less: Consolidation adjustments	(112,698)	(87,708)
	<hr/>	<hr/>
Total retained earnings	591,594	471,781
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The disclosure of realised and unrealised profit or loss above is solely for complying with the disclosure requirements of Bursa Securities and should not be applied for any other purposes.

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 Securities' Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
24 February 2012