

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

Company No.

277714

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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

CONTENT	PAGE
Directors' Report	2 - 10
Statement by Directors	11
Statutory declaration	11
Independent auditors' report	12 - 13
Statement of financial position	14 - 15
Income statement	16
Statement of comprehensive income	17
Statement of changes in equity	18
Statement of cash flows	19
Notes to the financial statements	20 - 88

Company No.

277714

A

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 March 2011.

PRINCIPAL ACTIVITY

The Company is engaged principally in the underwriting of life insurance business including investment-linked business. There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u>22,003</u>

DIVIDENDS

No dividend has been paid or declared by the Company since 31 March 2010. The Directors do not recommend the payment of any dividend for the financial year ended 31 March 2011.

RESERVES AND PROVISIONS

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

PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk Based Capital Framework.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the allowance for impairment in the financial statements of the Company inadequate to any substantial extent.

Company No.

277714

A

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

No contingent or other liability of the Company 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 Company which to meet its obligations as and when they fall due.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

ITEMS OF AN UNUSUAL NATURE (CONTINUED)

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the period in which this report is made.

CORPORATE GOVERNANCE

(a) Importance and commitment

The Company, with the leadership of the Board of Directors ("the Board"), is adopting the necessary measures to ensure that the corporate and management practices are consistent with the regulatory requirements and best practice standards ordained under JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers ("the Framework") issued on 10 May 2000 by Bank Negara Malaysia ("BNM"). JPI 13/2009 issued on 19 May 2009 supplemented the framework with additional guidelines and measures to be adopted by insurers. The Company's policy is to achieve best practices in their business standards for all activities throughout the Company and good corporate governance, which the Board fully recognises to be one of its principal responsibilities.

(b) Key issues and aspects

Key elements of the industry's corporate governance captured by the Framework are:

- i. An effective and balanced board appointed through a predetermined appointment procedure;
- ii. Executive remuneration set by the Remuneration Committee that attracts and retains the people needed to run the Company;
- iii. A sound system of internal controls that safeguards the Company's assets and investments, and identifies and manages business risks.

The Company's commitment to the corporate governance standards entails the following:

- i. The Board has a mix of independent and non-independent Directors. The Board comprises 7 non-executive Directors with vast experience, of which 3 are independent non-executive Directors of the calibre necessary to carry sufficient weight in Board's decisions. The role of independent non-executive Directors is important in ensuring that the strategies proposed by management are fully discussed and examined, and takes into account the long-term interest of various stakeholders. The Board appoints new Directors on the recommendation of the Nominating Committee.
- ii. Executive remuneration is set by the Remuneration Committee. The Company's executive remuneration policy is to reward employees competitively, taking into account individual performance, company performance, market comparisons and the competitiveness in the local insurance industry. Remuneration packages are reviewed annually and comprise a mix of basic salary and performance-linked elements.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(b) Key issues and aspects (continued)

iii. The Board is responsible for the Company's system of internal controls and risk management, and reviewing the effectiveness of these systems which are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. In achieving this, the following are put in place:

- the Risk Management Committee which oversees and provides overall direction on risk management efforts;
- a system of financial and business controls which provides regular reports by the Chief Financial Officer ("CFO") and the Chief Executive Officer ("CEO") to the Board;
- regular assessments of internal controls by the Company's internal audit department; and
- review of the effectiveness of the internal control processes by the Audit Committee, on behalf of the Board.

(c) Board responsibilities

The Board is ultimately responsible for the Company's strategic direction and overseeing the performance of the Company. Its focuses are:

- i. Strategy
- ii. Development
- iii. Shareholder value
- iv. Oversight and control
- v. Corporate governance

(d) Supply of information

All the Directors are provided with the agenda at the meeting and the Board reports with sufficient time prior to a Board meeting. This is to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. As and when necessary, the Board, in furtherance of their duties may seek independent professional advice at the Company's expense. All the Directors have access to the advice and services of the Company Secretary.

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

Board Members

Lee Chin Yong (Deputy Chairman)
Dato' Sri Haji Mohd Khamil bin Jamil
Dato' Dr. Mohd. Shahari bin Ahmad Jabar
Dato' Khalid bin Abdol Rahman
Lee Siang Korn @ Lee Siang Chin
Yeong Chee Wah
Chan Kok Seong
Toi See Jong (resigned on 31 August 2010)

Category of Directorship

Non-Independent Director
Non-Independent Director
Independent Director
Non-Independent Director
Independent Director
Independent Director
Non-Independent Director
Non-Independent Director

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(d) Supply of information (continued)

The Board meetings and attendance for the financial year ended 31 March 2011 are as follows:

<u>Directors</u>	<u>Number of Board meeting</u>	
	<i>Held</i>	<i>Attended</i>
Lee Chin Yong	6	6
Dato' Sri Haji Mohd Khamil bin Jamil	6	4
Dato' Dr. Mohd Shahari bin Ahmad Jabar	6	5
Dato' Khalid bin Abdol Rahman	6	6
Lee Siang Korn @ Lee Siang Chin	6	5
Yeong Chee Wah	6	6
Chan Kok Seong	6	6
Toi See Jong (resigned on 31 August 2010)	6	2

(e) Appointment/ reappointment of Directors

The appointments/reappointments of the Directors are based on the Company's Articles of Association. All the Directors who are appointed by the Board are subject to re-election every succeeding year, thereafter one-third of the Directors (being those who have been longest in office) shall retire or be re-elected.

(f) Directors' training

The Directors are encouraged to attend continuous education programs and seminars to keep abreast with developments in the industry. The Company has established a mechanism for all the Directors to be kept abreast of changes and new legal and regulatory requirements on a regular basis. The Company also keeps a record of the Directors' training programs and attendance to the said programme.

(g) Directors' responsibility statement with respect to the financial statements and supporting statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") and comply with the provisions of the Companies Act, 1965 and the Insurance Act, 1996, and give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

- (g) Directors' responsibility statement with respect to the financial statements and supporting statements (continued)

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility for ensuring that the Company keeps accounting records, which disclose with reasonable accuracy, the financial position of the Company and to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibility to take steps to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

- (h) Financial reporting

In presenting the annual financial statements, the Directors aim to present a balanced and understandable assessment of the Company's position and prospects.

- (i) Board committees

The Board has assigned specific responsibilities to six board committees (Audit, Remuneration, Nomination, Risk Management, Executive and Investment Committees), details of which are set out below. These committees 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 Board.

- (j) Audit Committee

The Audit Committee is chaired by Dato' Dr. Mohd. Shahari bin Ahmad Jabar and comprises two other Directors, namely Yeong Chee Wah and Lee Siang Korn @ Lee Siang Chin.

The Audit Committee reviews the Company's accounting policies, systems of internal controls and risk management, reports from the Company's internal and external auditors and determines that appropriate actions are being taken by the management. Its conclusions are reported to the Board, which takes responsibility for the Company's system of internal controls.

The Audit Committee also considers the Company's published financial statements for statutory compliance and best practice standards, and recommends to the Board appropriate disclosure in these reports. It also reviews the performance of the Company's external auditors annually to ensure an objective, professional and cost-effective relationship. It recommends to the Board, the external auditors fees for their audit services.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(k) Remuneration Committee

The Remuneration Committee comprises four Directors and is chaired by Lee Siang Korn @ Lee Siang Chin. The other members are Lee Chin Yong, Dato' Sri Haji Mohd Khamil bin Jamil, Dato' Khalid bin Abdol Rahman and Toi See Jong (resigned on 31 August 2010).

The Remuneration Committee sets the remuneration policy for the Directors, the CEO and senior executives reporting to the Board. Specifically, the Remuneration Committee agrees their service/employment contracts, salaries, other benefits, including bonuses and participation in the Company's long-term incentive plans, and other terms and conditions of service/employment.

It also agrees terms for their cessation of service/employment, approves changes in the Company's long term incentive plans, recommends to the Board those plans which require shareholder approval and oversees their operations.

Remuneration of the Directors and the CEO

The aggregate remuneration of the Directors and the remuneration of the CEO have been disclosed in Note 24 to the financial statements, meeting the minimum requirement of JPI: 32/2003.

(l) Nomination Committee

The Nomination Committee established in July 2003, is chaired by Lee Siang Korn @ Lee Siang Chin and consists of Lee Chin Yong, Dato' Sri Haji Mohd Khamil bin Jamil, Dato' Dr. Mohd. Shahari bin Ahmad Jabar, Dato' Khalid bin Abdol Rahman, Yeong Chee Wah and Toi See Jong (resigned on 31 August 2010). The Nomination Committee recommends to the Board the appointments of all Directors and regularly reviews, a profile of the skills and attributes required from the Directors as a whole to ensure an appropriate balance of expertise and ability. This profile is used to assess the suitability of candidates put forward by the Directors and shareholder's.

(m) Risk Management Committee

The Risk Management Committee, formed in July 2003, is chaired by Yeong Chee Wah, and consists of Lee Chin Yong, Chan Kok Seong and Dato' Khalid bin Abdol Rahman. The roles of the Risk Management Committee are:

- to oversee the development of risk management capabilities and development of an acceptable risk culture for the Company;
- to review the completeness of risk identification, assessment, controls and the managing of risks on a group-wide basis and assess their effectiveness on a regular basis;
- to oversee the development of general risk policies and procedures, and to monitor and evaluate their effectiveness;
- to oversee the implementation of a risk management framework in a manner that is consistent with the overall risk management objectives of the Company.

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(n) Executive Committee

The Executive Committee, formed in March of 2003, is chaired by Lee Chin Yong and consists of Dato' Sri Haji Mohd Khamil bin Jamil, Dato' Khalid bin Abdol Rahman, Chan Kok Seong, Toi See Jong (resigned on 31 August 2010) and the CEO, Ooi Say Teng (resigned on 27 August 2010). It reviews matters relevant to the operations of the Company and is empowered by the Board with relevant authority for effective and efficient decision making.

(o) Investment Committee

The Committee is chaired by Lee Siang Korn @ Lee Siang Chin and consists of Lee Chin Yong, Dato' Sri Haji Mohd Khamil bin Jamil, Dato' Khalid bin Abdol Rahman and Chan Kok Seong. The Investment Committee is empowered by the Board to assist the Board and management in its strategic responsibilities and accountabilities in the investment areas of the Company. Its meeting is also scheduled to coincide with the Board meeting. The Committee shall report to the Board the results, observations and recommendations for their deliberation and formalisation pertaining to the investment activities of the Company.

DIRECTOR'S INTEREST IN SHARES

According to the Register of Directors' shareholdings, particulars of deemed interests of Directors who held office at the end of the financial year, in shares of the Company and in its related corporations were as follows:-

	As at 1 April 2010	Acquired	Disposed	As at 31 March 2011
Ultimate holding company				
Direct Dato' Sri Haji Mohd Khamil Jamil	30,000	-	-	30,000

Other than as disclosed above, according to the Register of Directors' Shareholdings, none of the Directors in office at the end of the financial year held any interest in shares in the Company or its related corporations during the financial year.

Company No.

277714

A

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Director's remuneration as shown in Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

ULTIMATE HOLDING COMPANY

The Directors regard Etika Strategi Sdn Bhd, a company incorporated in Malaysia, as the ultimate holding company and DRB-Hicom Berhad, as the penultimate holding company.

AUDITORS

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

Signed on behalf of the Board in accordance with their resolution dated 24 June 2011.

DATO' KHALID BIN ABDOL RAHMAN
DIRECTOR

CHAN KOK SEONG
DIRECTOR

Kuala Lumpur, Wilayah Persekutuan

Company No.

277714

A

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO
SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, Dato' Khalid Bin Abdol Rahman and Chan Kok Seong, two of the Directors, state that, in the opinion of the Directors, the financial statements set out on pages 14 to 88 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2011 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") and comply with the provisions of the Companies Act, 1965 and the Insurance Act, 1996.

Signed on behalf of the Board of Directors in accordance with their resolution dated 24 June 2011.

DATO' KHALID BIN ABDOL RAHMAN
DIRECTOR

CHAN KOK SEONG
DIRECTOR

Kuala Lumpur, Wilayah Persekutuan

STATUTORY DECLARATION PURSUANT TO
SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Kwo Shih Kang, the officer primarily responsible for the financial management of Uni.Asia Life Assurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 14 to 88 are, in my opinion, 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.

Kwo Shih Kang

Subscribed and solemnly declared by the abovenamed Kwo Shih Kang at Kuala Lumpur, Wilayah Persekutuan in Malaysia on 24 June 2011, before me.

COMMISSIONER FOR OATHS

Company No.

277714

A

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)
(Company No. 277714 A)**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Uni.Asia Life Assurance Berhad, which comprise the statement of financial position as at 31 March 2011, and the statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 88.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM"), and comply with the provisions of the Companies Act, 1965 and the Insurance Act, 1996, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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 of financial statements that give a true and fair view 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 statements.

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 the Financial Reporting Standards, being the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM"), and comply with the provisions of the Companies Act, 1965 and the Insurance Act, 1996, so as to give a true and fair view of the financial position of the Company as of 31 March 2011 and of its financial performance and cash flows for the year then ended.

Company No.

277714	A
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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)
(Company No. 277714 A)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that, in our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provision 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.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
24 June 2011

SRIDHARAN NAIR
(No. 2656/05/12 (J))
Chartered Accountant

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

	Note	<u>2011</u> RM'000	<u>2010</u> RM'000
ASSETS			
Property and equipment	3	14,858	14,122
Investment properties	4	9,800	9,500
Intangible assets	5	5,329	3,027
Prepaid land lease payment	6	253	256
Investments	7	1,767,879	1,454,467
Malaysian government securities		170,855	121,492
Debt securities		1,069,383	891,644
Equity securities		208,639	123,488
Structured investments		112,568	114,965
Unit and property trust funds		112,024	113,260
Loans		76,695	70,003
Deposit with financial institutions		17,715	19,615
Reinsurance assets	8	2,911	-
Insurance receivables	9	8,763	10,836
Other receivables	10	1,884	30,487
Tax recoverable		795	719
Deferred tax assets	13	2,158	2,728
Cash and cash equivalents	29	374,330	405,628
TOTAL ASSETS		<u>2,188,960</u>	<u>1,931,770</u>

The accompanying notes form an integral part of the financial statements.

Company No.

277714

A

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011 (CONTINUED)

	Note	<u>2011</u> RM'000	<u>2010</u> RM'000
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	11	125,000	125,000
Retained earnings		23,290	1,287
Available-for-sale reserve		2,107	190
TOTAL EQUITY		<u>150,397</u>	<u>126,477</u>
Insurance contract liabilities	12	1,804,095	1,577,035
Deferred tax liabilities	13	5,194	2,183
Subordinated loan	14	53,000	53,000
Insurance payables	15	157,493	160,129
Tax payable		1,427	2,922
Other payables	16	17,354	10,024
TOTAL LIABILITIES		<u>2,038,563</u>	<u>1,805,293</u>
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		<u><u>2,188,960</u></u>	<u><u>1,931,770</u></u>

The accompanying notes form an integral part of the financial statements.

Company No.

277714

A

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Note	2011 RM'000	2010 RM'000
Operating revenue	17	489,417	470,662
Gross premiums	18 (a)	415,286	411,065
Premiums ceded to reinsurers	18 (b)	(8,427)	(9,040)
Net premiums		406,859	402,025
Investment Income	19	74,131	59,597
Realised gains and losses	20	18,813	20,986
Fair value gains and losses	21	18,682	88,749
Fee income	22	62	14
Other operating revenue		1,333	1,285
Other revenue		113,021	170,631
Gross benefits and claims	23 (a)	(197,968)	(171,962)
Claims ceded to reinsurers	23 (b)	2,773	6,401
Gross change to contract liabilities	23 (c)	(188,368)	(276,405)
Net claims		(383,563)	(441,966)
Fee and commission expenses		(42,415)	(37,091)
Management expenses	24	(51,735)	(44,375)
Other expenses		(94,150)	(81,466)
Profit from operations		42,167	49,224
Finance costs	25	(2,619)	(2,308)
Profit/surplus before taxation		39,548	46,916
Taxation	26	(17,545)	(21,143)
Net profit for the financial year		22,003	25,773
Earnings per share-basic (sen)		17.60	20.62

The accompanying notes form an integral part of the financial statements.

Company No.

277714

A

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Note	<u>2011</u> RM'000	<u>2010</u> RM'000
Net profit for the financial year (page 16)		<u>22,003</u>	<u>25,773</u>
Other comprehensive income/(loss):			
Available-for-sale fair value reserves			
Net gain arising during the financial year		2,591	163
Net realised loss transferred to Income Statement		(26)	-
Revaluation reserves			
Net loss arising during the financial year		-	(607)
Deferred taxation	13	<u>2,565</u> (648)	<u>(444)</u> (41)
		<u>1,917</u>	<u>(485)</u>
Total comprehensive income for the financial year		<u><u>23,920</u></u>	<u><u>25,288</u></u>

The accompanying notes form an integral part of the financial statements.

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

		<u>Non-distributable</u>		<u>Distributable</u>	
	Share capital RM'000	Revaluation reserve RM'000	Available-for-sale fair value reserves RM'000	Retained earnings RM'000	Total RM'000
As at 1 April 2009	125,000	607	68	(24,486)	101,189
Total comprehensive income for the year (page 17)	-	(607)	122	25,773	25,288
At 31 March 2010	<u>125,000</u>	<u>-</u>	<u>190</u>	<u>1,287</u>	<u>126,477</u>
At 1 April 2010	125,000	-	190	1,287	126,477
Total comprehensive income for the year (page 17)	-	-	1,917	22,003	23,920
At 31 March 2011	<u>125,000</u>	<u>-</u>	<u>2,107</u>	<u>23,290</u>	<u>150,397</u>

The accompanying notes form an integral part of the financial statements.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Note	<u>2011</u> RM'000	<u>2010</u> RM'000
OPERATING ACTIVITIES			
Cash used in operating activities	28	(80,566)	71,134
Dividend income received		7,757	5,005
Interest/profit income received		64,889	47,691
Rental income on investment properties received		369	288
Finance cost paid		(2,384)	(2,314)
Income tax refund		-	1,611
Income tax paid		(16,532)	(2,204)
Net cash flow from operating activities		<u>(26,467)</u>	<u>121,211</u>
INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		1	2,319
Purchase of property and equipment		(1,698)	(902)
Purchase of intangibles		(3,134)	(2,224)
Net cash flow from investing activities		<u>(4,831)</u>	<u>(807)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>405,628</u>	<u>285,224</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	<u>374,330</u>	<u>405,628</u>
Cash and cash equivalents comprise:			
Fixed and call deposits		367,242	392,147
Cash and bank balances		7,088	13,481
		<u>374,330</u>	<u>405,628</u>

The accompanying notes form an integral part of the financial statements.

Company No.

277714

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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of life insurance business including investment-linked business. There has been no significant change in the nature of this activity during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 9th Floor, Menara Uni.Asia, 1008, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The principal place of business of the Company is located at 16, Jalan Tun Tan Siew Sin, 50050 Kuala Lumpur.

The holding and ultimate holding and penultimate holding companies are Uni.Asia Capital Sdn Bhd, Etika Strategi Sdn Bhd and DRB-HICOM Berhad respectively, which are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 24 June 2011.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Financial Reporting Standards, being the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM"), and comply with the provisions of the Companies Act, 1965 and the Insurance Act, 1996.

The preparation of financial statements in conformity with the FRS requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 2.3 to the financial statements.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(i) The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Company's financial year beginning on or after 1 April 2010 are as follows:

- FRS 4 : Insurance Contracts
- FRS 7 : Financial Instruments - Disclosures and the related Amendments
- FRS 123 : Borrowing Costs
- FRS 139 : Financial Instruments - Recognition and Measurement and the related Amendments
- Revised FRS 101: Presentation of Financial Statement
- Improvements to FRSs (2009)

The adoption of the new above accounting standards, amendments and improvements to published standards and interpretation does not have any significant impact to the financial statements of the Company, except as stated.

FRS 4 : Insurance Contracts

FRS 4 requires the classification of policies issued by an insurer to be classified as an insurance contract or investment contract. It also requires unbundling and separate measurement of the deposit component bundled in an insurance contract, if certain conditions are met. This is because the deposit component is subject to financial risk, rather than insurance risk, hence should be included in the scope of FRS 139. In addition, this FRS requires extensive disclosures to allow the users of financial statements to understand the measurement bases adopted, the materiality of the reported amounts arising from insurance contracts and the factors that affect the uncertainty of amount and timing of the cash flows arising from insurance and reinsurance contracts.

FRS 7 : Financial Instruments - Disclosures

FRS 7 introduces new disclosures relating to financial instruments but does not have any impact on the classification and valuation of the Company's financial instruments.

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

FRS 101(Revised) : Presentation of financial Statements

FRS 101(revised) prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in the statement of comprehensive income. As a result, the Company presents all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact to the Company's results.

FRS 139 : Financial Instruments - Recognition and Measurement

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. However, as the Company adopted the Risk-Based Capital Framework for Insurers ("the Framework") issued by BNM on 1 January 2009, certain principles in relation to the recognition, derecognition and measurement of financial instruments, which are consistent with those prescribed by FRS 139, have already been adopted by the Company. Therefore, the adoption of FRS 139 on 1 January 2010 did not have any material impact to the financial statements of the Company.

(ii) The new accounting standards, amendments and improvements to published standards and interpretations that are effective but not applicable for the Company's financial year beginning on or after 1 April 2010 are as follows:

- FRS 8 : Operating Segments
- Amendments to FRS 1 : First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and or Associate Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity
- Amendments to FRS 2 : Share-based payment Group cash-settled share based payment transactions.
- Revised FRS 101 : Presentation of Financial Statement - Puttable financial instruments and obligations arising on liquidation

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(ii) The new accounting standards, amendments and improvements to published standards and interpretations that are effective but not applicable for the Company's financial year beginning on or after 1 April 2010 are as follows: (continued)

- IC Interpretation 9 : Reassessment of Embedded Derivatives and the related Amendments
- IC Interpretation 11 : Interim Financial Reporting and Impairment
- IC Interpretation 13 : FRS 2 Group and Treasury Share Transactions
- IC Interpretation 14 : FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

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

FRSs/Interpretations	Effective Date
• FRS 3 : Business combinations	1 July 2010
• Revised FRS 127 : Consolidated and separate financial statements	1 July 2010
• IC Interpretation 12 : Service concession arrangements	1 July 2010
• IC Interpretation 16 : Hedges of a net investment in a foreign operation	1 July 2010
• Amendments to FRS 2 : Share-based payment: Group cash-settled share-based payment transactions	1 July 2010
• Amendments to FRS 7 : Financial instruments - Disclosures and FRS 1 "First-time adoption financial reporting standards"	1 January 2011
• IC Interpretation 4 : Determining whether an arrangement contains a lease	1 January 2011
• IC Interpretation 18 : Transfers of assets from customers	1 January 2011

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

FRSs/Interpretations	Effective Date
<ul style="list-style-type: none"> • Amendments to 19 : Extinguishing financial liabilities with equity instruments. 	1 July 2011
<ul style="list-style-type: none"> • Amendments to IC Interpretation 14 and FRS 119 : The limit on a defined benefit assets, minimum funding requirements and their interaction. 	1 July 2011
<ul style="list-style-type: none"> • Revised FRS 134 : Related party disclosures 	1 January 2012
<ul style="list-style-type: none"> • IC Interpretation 15 : Agreements for construction of real estates. 	1 January 2012
 Improvements to FRSs	
<ul style="list-style-type: none"> • FRS 5 : Non-current assets held for sale and discontinued operations 	1 July 2010
<ul style="list-style-type: none"> • FRS 2 : Shared-based payment 	1 July 2010
<ul style="list-style-type: none"> • IC Interpretation 9 : Reassessment of embedded derivatives 	1 July 2010
<ul style="list-style-type: none"> • FRS 3 : Business combinations 	1 January 2011
<ul style="list-style-type: none"> • FRS 101 : Presentation of financial statements 	1 January 2011
<ul style="list-style-type: none"> • FRS 138 : Intangible assets 	1 July 2011

The adoption of the above revised standards, amendments and interpretations is not expected to have any significant financial impact on the financial statements of the Company.

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of Significant Accounting Policies

(a) Property and equipment

Property and equipment are initially stated at cost. Land and building are subsequently shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

The surplus arising on revaluation is credited to the revaluation reserve account except that a surplus, to the extent that such surplus is related to and not greater than a deficit arising on revaluation previously recorded as an expense, is credited to profit or loss. A deficit arising from revaluation is recognised as an expense except that, to the extent that such a deficit is related to a surplus which was previously recorded as a credit to the asset revaluation reserve account and which has not been subsequently reversed or utilised, it is charged directly to that account.

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

Freehold building	50 – 70 years
Motor vehicles	7 years
Furniture, fixtures, fittings and office equipment	3 – 5 years

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(v) on impairment of assets.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the income statement. On disposal of revalued assets, the revaluation reserve relating to those assets is transferred to retained earnings and/or unallocated surplus.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies

(b) Intangible assets – computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives of 5 years.

(c) Investment properties

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

Investment properties are initially stated at cost and subsequently carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying value of the investment properties differs materially from the fair value. Changes in fair values are recorded in the income statement as part of other income.

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

(d) Prepaid land lease payment

Payment for rights to use land and buildings over the predetermined period is classified as prepaid lease properties and is stated at cost less accumulated amortisation and accumulated impairment. The prepaid lease properties are amortised on a straight line basis over the lease periods of up to 99 years.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(e) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(v).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(v), have been met.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

(g) Payables

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

(i) Borrowings

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

Interest relating to borrowings is reported within finance cost in the income statement.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(j) Share capital

Proceeds from ordinary shares issued are accounted for as equity, with the nominal value of the share being separately disclosed as share capital. Costs directly attributable to the issuance of new ordinary shares are accounted for as a deduction from equity.

Dividends to equity holders are recognised as a liability in the period in which they are declared.

(k) Contingent liabilities and contingent assets

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

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

(l) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accounted in the financial year in which the associated services are rendered by employees of the Company.

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Company pays fixed contributions to the state pension scheme, the Employees Provident Fund ("EPF").

The Company's contributions to defined contribution plans are charged to the income statement in the financial year to which they relate. Once the contributions have been made, the Company has no further payment obligations.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(m) Product classification

The Company issues contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. The Company defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Based on the Company's assessment, all contracts underwritten by the Company meet the definition of insurance contracts and accordingly are classified as insurance contracts.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as supplement to guaranteed benefits, additional benefits that are:

- i) Likely to be significant portion of the total contractual benefits;
- ii) Whose amount or timing is contractually at the discretion of the issuer, and
- iii) That are contractually based on the:
 - performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - the profit or loss of the Company, fund or other entity that issues the contract.

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(m) Product classification (continued)

Surplus, in the DPF fund is distributed between policyholders and shareholders subject to Insurance Act 1996 regulations. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders.

Surpluses in the non-DPF funds are attributable wholly to the shareholders, and the amount and timing of distribution to shareholders is subject to the advice of the Company's appointed actuary.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and /or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the balance sheet similar to investment contracts.

(n) Reinsurance

The Company cedes insurance risk in the normal course of businesses for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(o) Life insurance underwriting results

Transfer of life fund surplus to Shareholders' fund

The surplus transferable from the Life insurance fund to the profit or loss is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 and related regulations by the Company's Appointed Actuary.

Gross Premium

Premium income includes premium recognised in the Life fund and the Investment-linked funds. Premium income of the Life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

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

Reinsurance premium

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

Commission and agency expenses

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

Benefits, claims and expenses

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

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

Benefits and claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(o) Life insurance underwriting results (continued)

Benefits, claims and expenses (continued)

- (i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- (ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

(p) Other revenue recognition

Interest income on loans is recognised on an accrual basis except where a loan is considered non-performing, where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

Other interest income including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis that takes into account the effective yield of the assets.

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for more than six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

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

Profits or losses arising on disposal of investments are credited or charged to the income statement.

(q) Taxation

Income tax on profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus for the financial year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

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

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or when the deferred tax liability is settled.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(r) Dividends

Dividends on ordinary shares are recognised as a liability in the financial year in which it is declared.

(s) Foreign currencies

The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Foreign currency transactions of the Company are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the statement of financial position date.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

(t) Financial instruments

Classification, recognition and measurement of financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, available-for-sale ("AFS") financial assets and loans and receivables ("LAR").

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) FVTPL

Financial assets at FVTPL include financial assets held of trading and those designated at fair value through income statement at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis, or
- the assets and liabilities are part of group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value and transaction costs are expensed in profit or loss. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in the profit and loss.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(t) Financial instruments (continued)

(ii) HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investments. All transaction costs directly attributable to the acquisition are also included in the cost of the investments. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(ii) AFS

AFS are non-derivate financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial measurement, AFS are remeasured at fair value.

Fair value gains and losses of these investments are reported as a separate component of equity or insurance contract liabilities until the investments are derecognised or the investments are determined to be impaired.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity or insurance contract liabilities is transferred to profit or loss.

Financial assets are decocognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

All financial assets, except for FVTPL, are subject to review for impairment (see Note 2.2(v)).

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(t) Financial instruments (continued)

Derecognition and impairment of financial assets

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred and the Company have also transferred substantially all risks and rewards of ownership.

All financial assets, except for FVTPL, are subject to review for impairment (see Note 2.2(v)).

(u) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and other prices for liabilities, at the close of business on the reporting date.

For investments in unit and real estate investments trusts, fair value is determined by reference to published bid values.

For financial instruments where there is no an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among others factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value i.e. the cost of the deposits/placements and accrued interest/profits. The fair value of fixed interest/yield-bearing deposit is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(v) Impairment of assets

Financial assets

The company assesses at each reporting date whether a financial asset or group financial assets is impaired.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the impairment loss is recorded in profit or loss.

- Assets carried at amortised costs

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

- AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from equity or insurance contract liabilities to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(iii) Impairment of assets (continued)

Non-financial assets

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

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in profit or loss unless it reverse an impairment loss on a revalued asset, in which case it is taken a revaluation surplus.

(w) Life insurance contract liabilities

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The valuation of life insurance contract liabilities is determined according to BNM's RBC Framework as follows:

Participating Fund Insurance Contract Liabilities

Participating plans are valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed and 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 participating life insurance liability is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities.

Non-Participating Fund Insurance Contract Liabilities

The liability of non-participating life plans is valued using a prospective actuarial valuation based on the sum of the present value of future 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.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(w) Life insurance contract liabilities (continued)

Investment-Linked Fund Insurance Contract Liabilities

The liability is the sum of:

- (i) The unit reserves, calculated as the value of the underlying assets backing the units relating to the policy; and
- (ii) The non-unit reserves, calculated as expected future payments arising from the policy (other than those related to the unit reserves), including any expenses that the insurer expects to incur in administering the policies and setting the relevant claims and any provision made for any adverse deviation from the expected experience, less expected future receipts arising from the policy (other than those relating to the unit reserves).

Unallocated Surplus

Surpluses in the DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Surpluses in the non-DPF fund are attributable wholly to the shareholders, and the amount and timing of the distribution to the shareholders is subject to the advice of the Company's Appointed Actuary.

As required by BNM Guidelines on Financial Reporting for (BNM/RH/GL003-28), unallocated surplus of the DPF and non-DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year, are held within insurance contract liabilities.

Liability Adequacy Test

BNM Guidelines on Financial Reporting for Insurers (BNM/RM/GL003-28) stipulate that insurers are deemed to comply with the requirements of the liability adequacy test under FRS4 Insurance contracts as long as the valuation methods used are in accordance with Appendix VI or Appendix VII of the RBC Framework for Insurers. As the Company complies with the valuation method stipulated in RBC Framework, the Company is deemed to comply with the liability test.

2.3 Critical Accounting Estimates and Judgements

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

A. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting will by definition rarely equal the related actual results.

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Critical Accounting Estimates and Judgements (Continued)

A. Critical accounting estimates and assumptions (Continued)

To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Valuation of life insurance contract liabilities

The valuation of the ultimate liability arising from policy benefits made under life insurance contracts is the Company's most critical accounting estimate.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, targets markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market return as well as expectation about future economic and financial developments.

Assumptions on future expenses are based on current expenses level, adjusted for expected expense inflation adjustments, if appropriate. Lapse and surrender rates are based on the Company's historical of lapses and surrenders.

Discount rate for non-participating policies guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian Government Security ("MGS"). In the case of total benefits liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund.

Any movement in the above key assumptions will have an effect in determining the insurance business liabilities. It should be noted that movements in these assumptions are non-linear and would vary according to the current economic assumptions.

Refer to Note 32 for the sensitivities analysis of the above mentioned key assumptions.

B. Critical judgements in applying the entity's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies, which require significant judgment to be exercised.

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

3 PROPERTY AND EQUIPMENT

	Note	Freehold land RM'000	Freehold building RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Furniture fittings and renovation RM'000	Total RM'000
<u>Cost/Valuation</u>							
At 1 April 2010		5,800	5,460	640	11,950	3,812	27,662
Additions		-	-	-	566	1,132	1,698
Disposals		-	-	-	(231)	(248)	(479)
Elimination of accumulated depreciation		-	(59)	-	-	(59)	(59)
Revaluation surplus/ (reversal)	12(e)	500	(141)	-	-	-	359
At 31 March 2011		<u>6,300</u>	<u>5,260</u>	<u>640</u>	<u>12,285</u>	<u>4,696</u>	<u>29,181</u>
<u>Accumulated Depreciation</u>							
At 1 April 2010		-	-	171	10,644	2,725	13,540
Disposals		-	-	-	(223)	(247)	(470)
Elimination of accumulated depreciation		-	(59)	-	-	-	(59)
Depreciation charge		-	59	65	752	436	1,312
At 31 March 2011		<u>-</u>	<u>-</u>	<u>236</u>	<u>11,173</u>	<u>2,914</u>	<u>14,323</u>
<u>Net Book Value</u>							
At 31 March 2011		<u>6,300</u>	<u>5,260</u>	<u>404</u>	<u>1,112</u>	<u>1,782</u>	<u>14,858</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Note	Freehold land RM'000	Freehold building RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Furniture fittings and renovation RM'000	Total RM'000
<u>Cost/Valuation</u>							
At 1 April 2009 of year		7,850	4,368	728	11,598	3,427	27,971
Additions		-	-	4	503	395	902
Disposals		-	-	(92)	(151)	(10)	(253)
Elimination of accumulated depreciation		-	(264)	-	-	-	(264)
Revaluation (reversal) / surplus	12(e)	(2,050)	1,356	-	-	-	(694)
At 31 March 2010		5,800	5,460	640	11,950	3,812	27,662
<u>Accumulated Depreciation</u>							
At 1 April 2009		-	179	102	9,748	2,430	12,459
Disposals		-	-	(27)	(148)	(9)	(184)
Elimination of accumulated depreciation		-	(264)	-	-	-	(264)
Depreciation charge		-	85	96	1,044	304	1,529
At 31 March 2010		-	-	171	10,644	2,725	13,540
<u>Net Book Value</u>							
At 31 March 2010		5,800	5,460	469	1,306	1,087	14,122

The land and building were revalued in 2011 based on open market values of the properties on existing use basis carried out by an independent professional valuer, Knight Frank, Registered Valuer (V-335).

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

4 INVESTMENT PROPERTIES

	<u>2011</u> RM'000	<u>2010</u> RM'000
At 1 April	9,500	8,200
Fair value changes (Note 21)	300	1,300
	<hr/>	<hr/>
At 31 March	<u>9,800</u>	<u>9,500</u>
The following investment properties are held under lease terms:		
Leasehold land and buildings	<u>9,800</u>	<u>9,500</u>

Investment properties are stated at fair value, which had been determined based on valuations performed by an external independent valuer in 2011. Valuation are performed on an annual basis and fair value changes are recorded in the income statement. Investment properties were revalued in 2011 based on open market values of the properties on existing use basis carried out by an independent professional valuer, Knight Frank, Registered Valuer (V-335).

5 INTANGIBLE ASSETS

	<u>2011</u> RM'000	<u>2010</u> RM'000
<u>Software Costs</u>		
<u>Cost</u>		
At 1 April	3,678	1,454
Additions	3,134	2,224
	<hr/>	<hr/>
At 31 March	<u>6,812</u>	<u>3,678</u>
<u>Accumulated amortisation</u>		
At 1 April	651	237
Charge for the year	832	414
	<hr/>	<hr/>
At 31 March	<u>1,483</u>	<u>651</u>
<u>Net Book Value</u>		
At 31 March	<u>5,329</u>	<u>3,027</u>

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

6	PREPAID LAND LEASE PAYMENT	<u>2011</u> RM'000	<u>2010</u> RM'000
	<u>Life Fund</u>		
	<u>Cost</u>		
	At 1 April / 31 March	265	265
		-----	-----
	<u>Accumulated amortisation</u>		
	At 1 April	9	6
	Charge for the year	3	3
		-----	-----
	At 31 March	12	9
		-----	-----
	<u>Net Book Value</u>		
	At 31 March	253	256
		=====	=====
7	INVESTMENTS	<u>2011</u> RM'000	<u>2010</u> RM'000
	Malaysian government securities	170,855	121,492
	Debt securities	1,069,383	891,644
	Equity securities	208,639	123,488
	Structured investments	112,568	114,965
	Unit and property trust funds	112,024	113,260
	Loans	76,695	70,003
	Deposits with financial institutions	17,715	19,615
		-----	-----
		1,767,879	1,454,467
		=====	=====
	Held-to-maturity financial assets ("HTM")	332,758	285,668
	Loans and receivables ("LAR")	94,410	89,618
	Available-for-sale financial assets ("AFS")	897,300	716,578
	Fair value through profit and loss ("FVTPL")	443,411	362,603
		-----	-----
		1,767,879	1,447,664
		=====	=====
	The following investments mature after 12 months:		
	HTM	323,784	282,116
	LAR	74,717	48,494
	AFS	843,968	699,579
		-----	-----
		1,242,469	1,030,189
		=====	=====

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

7 INVESTMENTS (CONTINUED)

(a)	HTM		<u>2011</u>	<u>2010</u>
			RM'000	RM'000
	<u>Amortised Cost</u>			
	Unquoted in Malaysia			
	Malaysian government securities	20,037	20,053	
	Corporate debt securities	308,648	262,063	
	Accrued interest	4,073	3,552	
		<u>332,758</u>	<u>285,668</u>	
	<u>Fair Value</u>			
	Unquoted in Malaysia			
	Malaysian government securities	20,707	20,701	
	Corporate debt securities	320,958	265,771	
	Accrued interest	4,073	3,552	
		<u>345,738</u>	<u>290,024</u>	
(b)	LAR		<u>2011</u>	<u>2010</u>
			RM'000	RM'000
	<u>Amortised Cost</u>			
	Fixed and call deposits (i)	17,691	19,544	
	Policy loans	21,623	17,789	
	Secured loans	45,000	45,000	
	Unsecured loans	3,664	-	
	Staff loans	3	411	
	Accrued Interest	6,429	6,874	
		<u>94,410</u>	<u>89,618</u>	
	<u>Fair Value</u>			
	Fixed and call deposits (i)	17,691	19,544	
	Policy loans (i)	21,623	17,789	
	Secured loans (ii)	45,000	45,000	
	Unsecured loans (iii)	3,664	-	
	Staff loans (ii)	3	411	
	Accrued Interest	6,429	6,874	
		<u>94,410</u>	<u>89,618</u>	

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

7 INVESTMENTS (CONTINUED)

The fair values of the LAR have been established by comparing current market interest rates for similar financial instruments to the rates offered when the LAR were first recognised together with appropriate market credit adjustment.

- (i) The carrying value approximate the fair value due to the relatively short term maturity of these balances.
- (ii) The carrying values approximate the fair value as the differences between market rate interest and fixed interest rate is not material.
- (iii) RM5 million interest free unsecured loan was disbursed in 30 September 2010 to the Company's agents. The carrying value approximates the fair value as the fair value has already been imputed upon initial measurement.

(c) AFS	<u>2011</u>	<u>2010</u>
	RM'000	RM'000
<u>Fair Value</u>		
Unquoted in Malaysia		
Equity securities	2,138	2,103
Debt securities	735,874	605,690
Malaysian government securities	149,666	100,629
Accrued interest	9,622	8,156
	<u>897,300</u>	<u>716,578</u>
	<u><u>897,300</u></u>	<u><u>716,578</u></u>
(d) FVTPL	<u>2011</u>	<u>2010</u>
	RM'000	RM'000
<u>Fair Value</u>		
Quoted in Malaysia		
Held-for-Trading		
Equity securities	155,791	63,686
Unit and property trusts funds	16,711	5,103
By Designation		
Equity securities	50,710	37,175
Accrued interest	202	218
Quoted outside Malaysia		
Held-for-Trading		
Equity securities	-	20,524
Unquoted in Malaysia		
By Designation		
Corporate debt securities	12,116	12,775
Unquoted outside Malaysia		
Held-for-Trading		
Unit and property trusts funds	7,282	8,576
By Designation		
Structured investments	112,568	114,965
Unit and property trusts funds	88,031	99,581
	<u>443,411</u>	<u>362,603</u>
	<u><u>443,411</u></u>	<u><u>362,603</u></u>

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

7 INVESTMENTS (CONTINUED)

(e) Fair Value of Financial Investments

The following tables show financial investments excluding accrued interest, recorded at fair value analysed by the different basis of fair value as follows:

	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>Total</u> RM'000
<u>31 March 2011</u>			
Quoted market price	-	112,568	112,568
Valuation techniques - market observable inputs	895,162	330,843	1,226,005
Valuation techniques – non-market observable inputs	2,138	-	2,138
	<u>897,300</u>	<u>443,411</u>	<u>1,340,711</u>

	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>Total</u> RM'000
<u>31 March 2010</u>			
Quoted market price	-	114,965	114,965
Valuation techniques - market observable inputs	714,475	247,638	962,113
Valuation techniques – non-market observable inputs	2,103	-	2,103
	<u>716,578</u>	<u>362,603</u>	<u>1,079,181</u>

8 REINSURANCE ASSETS

	<u>2011</u> RM'000	<u>2010</u> RM'000
Reinsurance of insurance contracts (Note 12)	<u>2,911</u>	<u>-</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

9 INSURANCE RECEIVABLES

	<u>2011</u> RM'000	<u>2010</u> RM'000
Outstanding premiums including agents, brokers and co-insurers balances	5,784	3,969
Amounts due from reinsurers	3,001	6,973
Allowance for impairment	(22)	(106)
	<u>8,763</u>	<u>10,836</u>

10 OTHER RECEIVABLES

	<u>2011</u> RM'000	<u>2010</u> RM'000
Income due and accrued	665	391
Other receivables, deposits and prepayments	1,337	30,214
Allowance for impairment	(118)	(118)
	<u>1,884</u>	<u>30,487</u>

11 SHARE CAPITAL

	<u>2011</u>		<u>2010</u>	
	<u>No. of shares</u> '000	RM'000	<u>No. of shares</u> '000	RM'000
Authorised:				
Ordinary shares of RM1.00 each				
At beginning and end of year	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>
Issued and Paid-up:				
Ordinary shares of RM1.00 each				
At beginning and end of year	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES

	Note	2011			2010		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	(a)	62,202	(2,911)	59,291	42,196	-	42,196
Actuarial liabilities	(b)	1,178,464	-	1,178,464	1,052,091	-	1,052,091
Unallocated surplus	(c)	260,187	-	260,187	193,200	-	193,200
Available-for-sale reserves	(d)	17,457	-	17,457	(284)	-	(284)
Assets revaluation reserves	(e)	9,815	-	9,815	8,871	-	8,871
Net assets value attributable to unit holders	(f)	275,970	-	275,970	280,961	-	280,961
		<u>1,804,095</u>	<u>(2,911)</u>	<u>1,801,184</u>	<u>1,577,035</u>	<u>-</u>	<u>1,577,035</u>

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	<u>2011</u> Gross RM'000	<u>2010</u> Gross RM'000
(a) <u>Provision for outstanding claims</u>		
Balance at beginning of year	42,196	13,604
Movements during the year	20,006	28,592
Balance at end of year	<u>62,202</u>	<u>42,196</u>
(b) <u>Actuarial liabilities</u>		
Balance at beginning of year	1,052,091	781,234
Change in life assurance fund contract liabilities		
Due to assumptions change		
Expenses	514	(13,442)
Mortality/Morbidity	11,898	(14,575)
Lapse/Withdrawal	(829)	(2,996)
Interest and bonus rate	(26,514)	26,268
Others	5,302	22,299
Projected cashflow for inforce policies		
Premium	166,612	110,471
Investment Return	45,169	37,951
Benefits	(91,443)	(61,204)
Expense/Commission	(27,432)	(22,338)
Variance on inforce policies	33,845	19,743
New business reserves	8,391	166,916
Others	860	1,764
Balance at end of year	<u>1,178,464</u>	<u>1,052,091</u>
Contracts with DPF	894,844	809,133
Contracts without DPF	276,091	237,882
Investment-Linked Contracts	7,529	5,076
	<u>1,178,464</u>	<u>1,052,091</u>
(c) <u>Unallocated surplus</u>		
Balance at beginning of year	193,200	134,517
Movement of surplus over the year	96,987	86,683
Transfer to Income Statement	(30,000)	(28,000)
Balance at end of year	<u>260,187</u>	<u>193,200</u>

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

12	INSURANCE CONTRACT LIABILITIES (CONTINUED)			
		Note	<u>2011</u> RM'000	<u>2010</u> RM'000
(d)	<u>Available-for-sale fair value reserves</u>			
			(284)	254
			19,340	(640)
		13	(1,599)	102
			<u>17,457</u>	<u>(284)</u>
(e)	<u>Asset revaluation reserves</u>			
			8,871	9,565
		3	359	(694)
		13	585	-
			<u>9,815</u>	<u>8,871</u>
(f)	<u>NAV attributable to unitholders</u>			
			280,961	333,273
			(4,991)	(52,312)
			<u>275,970</u>	<u>280,961</u>
13	DEFERRED TAX LIABILITIES			
			<u>2011</u> RM'000	<u>2010</u> RM'000
			545	11,349
			(1,919)	(10,865)
			(648)	(41)
			(1,014)	102
			<u>(3,036)</u>	<u>545</u>
			<u>2011</u> RM'000	<u>2010</u> RM'000
			2,158	2,728
			(5,194)	(2,183)
			<u>(3,036)</u>	<u>545</u>

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

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

13 DEFERRED TAX LIABILITIES (CONTINUED)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Note	Fair value of investment assets RM'000	Unabsorbed tax losses RM'000	Fair value of investment properties RM'000	Accelerated capital allowance on property and equipment RM'000	Accretion of discounts on investment RM'000	Total RM'000
At 1 April 2009		10,116	2,185	-	(53)	(899)	11,349
Recognised in:							
Profit or loss		(7,788)	(2,185)	(746)	14	(160)	(10,865)
Other comprehensive income		(41)	-	-	-	-	(41)
Insurance contract liabilities	12 (d)	102	-	-	-	-	102
At 31 March 2010		2,389	-	(746)	(39)	(1,059)	545
Recognised in:							
Profit or loss		(1,911)	-	161	(132)	(37)	(1,919)
Other comprehensive income		(648)	-	-	-	-	(648)
Insurance contract liabilities	12 (d),(e)	(1,599)	-	585	-	-	(1,014)
At 31 March 2011		<u>(1,769)</u>	<u>-</u>	<u>-</u>	<u>(171)</u>	<u>(1,096)</u>	<u>(3,036)</u>

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

14 SUBORDINATED TERM LOAN

	<u>2011</u> RM'000	<u>2010</u> RM'000
Subordinated term loan	53,000	53,000

On 18 February 2009, a subordinated term loan of RM53 million was obtained from the holding Company, Uni.Asia Capital Sdn Bhd, to supplement the Company's capital requirements. The term of the loan facility is for a period of ten (10) years commencing from the date of first drawdown on 27 February 2009. The subordinated term loan shall be repaid in full on the maturity date (i.e. on 26 February 2019) and prior approval from Bank Negara Malaysia is required for prepayment of the loan in whole or in part before the maturity date.

The rate of interest payable is KLIBOR plus 2% per annum for the first five (5) years of the tenure and KLIBOR plus 4% per annum for the remaining five (5) years of the tenure. The Company shall not be obligated to pay any interest which is otherwise payable if the Company does not record operating profit in the relevant financial year of such payment of interest. Accordingly, the related unpaid interest shall cease to accrue or accumulate to the holding company.

Interest expense on the loan, amounting to RM2,618,868 (2010: RM2,308,273), is reported within finance cost in the income statement.

As this is a floating rate subordinated loan, the fair value is equivalent to its carrying amount.

15 INSURANCE PAYABLES

	<u>2011</u> RM'000	<u>2010</u> RM'000
Amount due to insureds	147,340	145,404
Amount owing to agents and brokers co-insurers	5,633	5,732
Amount owing to reinsurers and cedants	4,520	8,993
	<u>157,493</u>	<u>160,129</u>

The carrying amounts disclosed above approximate fair value at the statement of financial position date.

All amounts are payable within one year.

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

16. OTHER PAYABLES

	<u>2011</u> RM'000	<u>2010</u> RM'000
Other payables and accruals	17,354	10,024

The carrying amounts disclosed above approximate fair value at the statement of financial position date.

All amounts are payable within one year.

17. OPERATING REVENUE

	<u>2011</u> RM'000	<u>2010</u> RM'000
Gross premium (Note 18)	415,286	411,065
Investment income (Note 19)	74,131	59,597
	<u>489,417</u>	<u>470,662</u>

18. NET PREMIUMS

	<u>2011</u> RM'000	<u>2010</u> RM'000
(a) Gross premiums : Insurance contracts	415,286	411,065
(b) Premiums ceded to reinsurers : Insurance contracts	(8,427)	(9,040)
Net premiums	<u>406,859</u>	<u>402,025</u>

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

19	INVESTMENT INCOME	<u>2011</u> RM'000	<u>2010</u> RM'000
	Rental income from investment properties	59	144
	Financial assets at FVTPL - held for trading purposes:		
	Dividend / distribution income		
	- equity securities quoted in Malaysia	7,609	5,620
	HTM financial assets:		
	Interest / profit income	18,300	9,295
	AFS financial assets:		
	Interest / profit income	30,563	24,429
	Accretion of discounts net of amortisation of premiums	3,103	3,665
	LAR interest / profit income	3,574	4,583
	Cash and cash equivalents interest / profit income	10,923	11,861
		<u>74,131</u>	<u>59,597</u>
20.	REALISED GAINS AND LOSSES	<u>2011</u> RM'000	<u>2010</u> RM'000
	Property and equipment	(3)	1,078
	Financial assets at FVTPL - held for trading purposes:		
	- equity securities quoted in Malaysia	16,375	19,717
	HTM financial assets:		
	- debt securities unquoted in Malaysia	245	191
	AFS financial assets:		
	- debt securities	2,196	-
	Total realised gains and losses	<u>18,813</u>	<u>20,986</u>
21.	FAIR VALUE GAINS AND LOSSES	<u>2011</u> RM'000	<u>2010</u> RM'000
	Investment properties (Note 4)	300	1,300
	Financial investments – held of trading purposes	14,811	50,354
	Financial investments – designated upon initial recognition	7,649	40,633
	Total fair value gains on financial statements at FVTPL	<u>22,760</u>	<u>92,287</u>
	LAR – Unsecured loans	(1,014)	-
	Impairment on AFS	(3,064)	(3,538)
		<u>18,682</u>	<u>88,749</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

22 FEE INCOME

	<u>2011</u> RM'000	<u>2010</u> RM'000
Policyholder administration and investment management services	62	14

23 NET BENEFITS AND CLAIMS

	<u>2011</u> RM'000	<u>2010</u> RM'000
(a) Gross Benefits and Claims Paid :		
Insurance contracts		
Death	15,794	17,383
Maturity	87,785	82,695
Surrender	61,203	52,044
Others	33,186	19,840
	<u>197,968</u>	<u>171,962</u>
(b) Claims Ceded to Reinsurers :		
Insurance contracts	<u>(2,773)</u>	<u>(6,401)</u>
(c) Gross Change in Contract Liabilities :		
Insurance contracts	<u>188,368</u>	<u>276,405</u>

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

24	MANAGEMENT EXPENSES	Note	<u>2011</u> RM'000	<u>2010</u> RM'000
	Employee benefits expense	24 (a)	22,045	20,382
	Directors' remuneration	31 (d)	295	310
	Auditors' remuneration:			
	- current year		198	183
	- prior year over provision		(2)	-
	Depreciation of property, plant and equipment		1,253	1,540
	Amortisation of intangible assets		832	414
	Amortisation of prepaid land lease payment		3	3
	Training expenses		1,255	3,102
	Reversal of allowance for doubtful debts		(84)	(1)
	Bad debts written off		12	-
	Printing and stationery		964	931
	Postage, telephone and telefax		1,335	1,107
	EDP expenses		689	574
	Rental of office from third parties		935	613
	Rental of office from other related companies		-	-
	Administration and general expenses		22,001	15,217
	Write-off of property, plant and equipment		4	-
			<u>51,735</u>	<u>44,375</u>
			<u>2011</u> RM'000	<u>2010</u> RM'000
(a)	Employee Benefits Expense			
	Wages, salaries and bonuses		17,503	16,595
	Contributions to social security ("SOCSSO")		141	120
	Contributions to EPF		2,684	2,255
	Other benefits		1,717	1,412
	Total Employee Benefits Expenses		<u>22,045</u>	<u>20,382</u>

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM1,160,178 (2010: RM921,665).

25.	FINANCE COSTS	<u>2011</u> RM'000	<u>2010</u> RM'000
	Interest on subordinated term loan (Note 14)	<u>2,619</u>	<u>2,308</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

26	TAXATION		
		<u>2011</u>	<u>2010</u>
		RM'000	RM'000
	Tax expense for the year		
	- Tax at 8%	6,459	5,946
	- Tax at 25%	7,956	3,894
	Tax (over)/under-provided in prior year		
	- Tax at 8%	(101)	375
	- Tax at 25%	1,312	63
		<u>15,626</u>	<u>10,278</u>
	Deferred tax (Note 12)	<u>1,919</u>	<u>10,865</u>
		<u>17,545</u>	<u>21,143</u>

Domestic income tax for shareholders' fund is calculated at the Malaysian statutory rate of 25% of the estimated assessable profit for the year.

The amount of tax charged on the life fund is based on the method prescribed under the Income Tax Act, 1967 for life business. The statutory tax rate for the life insurance business is 8%.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance as at 31 March 2011.

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

26 TAXATION (CONTINUED)

A reconciliation of income tax expenses applicable to profit/surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the life business and shareholder's fund is as follows:

	<u>2011</u> RM'000	<u>2010</u> RM'000
Profit before tax	39,548	46,916
Taxation at Malaysian statutory tax rate of 25%	9,887	11,729
Tax rate differential of 17% in respect of Life Fund	(1,388)	(2,306)
Expenses not deductible for tax purposes	11,647	15,633
Income not subject to tax	(1,544)	(2,572)
Section 110B credit	(1,057)	(1,341)
Tax expense for the year	<u>17,545</u>	<u>21,143</u>

Previously, investment income and gains from disposal of investments from the life fund was taxed twice, once at a tax rate of 8% in the life fund and again at a tax rate of 25% (2010: 25%) when the surplus from the life fund is transferred to the shareholders' fund. In Budget 2008 which was enacted via a Gazette order on 21 April 2008 and effective from year of assessment 2008 onwards, insurance companies are permitted a set-off ("Section 110B credits") from the total amount of tax imposed on the shareholders' fund to overcome the incidence of double taxation.

Section 110B credits are governed by a specific Inland Revenue Board ("IRB") guideline issued on 5 November 2008 which details the computation of said credits available to the shareholders' fund of an insurance company. Section 110B credits are applied before dividend tax credits when computing net tax payable to IRB.

27 EARNINGS PER SHARE

	<u>2011</u> RM'000	<u>2010</u> RM'000
Basic :		
Net profit for the year attributable to shareholders (RM'000)	<u>22,003</u>	<u>25,773</u>
Number of ordinary shares of RM1 each ('000)	<u>125,000</u>	<u>125,000</u>
Basic earnings per share (sen)	<u>17.60</u>	<u>20.62</u>

Company No.

277714

A

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

28 CASH FLOWS

	<u>2011</u> RM'000	<u>2010</u> RM'000
Profit/surplus before taxation	39,548	46,916
Investment income	(74,189)	(59,378)
Realised gains recorded in profit or loss	(14,804)	(20,798)
Fair value gains recorded in profit or loss	(46,913)	(135,394)
Purchases of investment properties	-	-
Purchases of FVTPL financial investments	(579,672)	(992,784)
Maturity/Proceeds from sale of FVTPL financial investments	558,738	814,561
Purchases of AFS financial investments	(312,751)	-
Maturity/Proceeds from sale of AFS financial investments	156,425	-
Purchase of HTM financial investments	(50,504)	-
Maturity of HTM financial investments	5,100	-
Increase in LAR	(3,426)	(1,997)
Non-cash items:		
Depreciation of property and equipment	1,253	1,540
Amortisation of intangible assets	832	414
Amortisation of prepaid land lease payment	3	3
Interest expense	2,619	2,308
Gain on of property, plant and equipment	3	630
Gain on of investment properties	-	(188)
Gain on other income	(4,011)	3,785
Expenses deferred during the year	4	-
Amortisation of deferred expenses	-	-
Allowance for doubtful debts	-	-
Reversal of allowance for doubtful debts	(84)	(1)
Bad debts written off	-	-
Provisions	-	-
Reversal of unutilised provisions	-	-
Utilisation of provisions	-	-
Changes in working capital:		
Increase in reinsurance assets	357	(1,006)
Increase in insurance receivables	2,157	(6,012)
Increase in other receivables	28,603	24,656
Increase in insurance contract liabilities	205,451	307,259
Increase in insurance payables	(2,636)	8,490
Increase in other payables	7,330	78,130
Cash generated from operating activities	<u>(80,566)</u>	<u>71,134</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

29 CASH AND CASH EQUIVALENTS

	<u>2011</u> RM'000	<u>2010</u> RM'000
Fixed deposits with licensed banks	367,063	391,767
Cash and bank balances	7,088	13,481
Accrued interest	179	380
	<u>374,330</u>	<u>405,628</u>

Fixed deposits of the Company have an average maturity of 71 days (2010:138 days).

The interest rate per annum of fixed deposits, that was effective as at the end of the reporting period, was 2.89% per annum (2010: 2.70% per annum).

30 CAPITAL COMMITMENTS

As of 31 March 2011, capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	<u>2011</u> RM'000	<u>2010</u> RM'000
Authorised and contracted but not provided for:		
Computer hardware & software	268	3,003
	<u>268</u>	<u>3,003</u>

31 RELATED PARTY DISCLOSURES

(a) Related Parties

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. In the normal course of business, the Company undertakes various transactions with other companies deemed related parties by virtue of them being members of DRB-Hicom Berhad group of companies ("DRB-HICOM Group") and other related parties on agreed terms.

<u>Related companies</u>	<u>Country of incorporation</u>	<u>Relationship</u>
DRB-HICOM Berhad	Malaysia	Penultimate holding company
Etika Strategi Sdn Bhd	Malaysia	Ultimate holding company
Uni.Asia Capital Sdn Bhd	Malaysia	Immediate holding company

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

31 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related Parties (continued)

Affiliated company

United Overseas Bank Berhad	Malaysia	Substantial shareholder of the immediate holding company
Key management personnel	Malaysia	Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

(b) Related Party Balances

Significant related party balances as at end of the financial year are as follows:

	<u>Note</u>	<u>2011</u> RM'000	<u>2010</u> RM'000
Included in investment:			
Loan receivables due from key management personnel	7	3	410
Fixed and call deposits placed with other related companies		<u>94,975</u>	<u>59,332</u>
Included in insurance receivables:			
Outstanding premium including agents/brokers and co-insurers balances due from related companies	9	<u>294</u>	<u>203</u>
Included in insurance payables:			
Outstanding premiums due to related companies	15	(4)	(35)
Outstanding commissions due to other related companies		<u>(923)</u>	<u>(627)</u>
Included in other payables:			
Outstanding interest due to holding company	16	<u>(235)</u>	<u>(197)</u>
Included in subordinated term loan:			
Subordinated term loan from holding company	14	<u>(53,000)</u>	<u>(53,000)</u>
Bank balances included in cash and bank balances			
Placed with other related companies		<u>2,809</u>	<u>8,059</u>

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

31 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related Party Transactions

In the normal course of business, the Company undertakes various transactions with other companies deemed related parties by virtue of being subsidiaries and associated companies of DRB-HICOM. The Company sold insurance policies to related parties on agreed terms.

The significant related party transactions of the Company with related parties during the financial year are as follows:

	<u>2011</u> RM'000	<u>2010</u> RM'000
Gross premium received/receivable from:		
Related companies	1,183	1,161
Key management personnel	10	19
	<u> </u>	<u> </u>
Commission expenses paid/payable to:		
Other related companies	7,388	6,841
	<u> </u>	<u> </u>
Interest income received/receivable from:		
Other related companies	1,841	1,225
Key management personnel	26	92
	<u> </u>	<u> </u>
Purchase of securities from:		
Other related companies	31,396	68,210
	<u> </u>	<u> </u>
General and administrative expenses paid/payable to:		
Other related companies	625	332
	<u> </u>	<u> </u>
Subordinated term loan interest paid/payable to:		
Holding company	2,619	2,308
	<u> </u>	<u> </u>

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

31 RELATED PARTY DISCLOSURES (CONTINUED)

(d) Compensation of key management personnel

The compensation of the key management personnel including the Chief Executive Officer is as follows:

	<u>Note</u>	<u>2011</u> RM'000	<u>2010</u> RM'000
Short term employee benefits		2,392	2,237
Defined contribution plan		364	337
Other employee benefits		-	26
		<u>2,756</u>	<u>2,600</u>
Salaries and other short-term employee benefits			
		<u>2,756</u>	<u>2,600</u>
Non-Executive Directors' remuneration	24	<u>295</u>	<u>310</u>

32 RISK MANAGEMENT FRAMEWORK

(a) Enterprise Risk Management Overview

Systematic enterprise-wide risk management is a key element of our corporate management. The role of enterprise risk management is to ensure that material risks are properly and adequately identified, evaluated, treated, monitored and reported, so as to safeguard our financial strength as well as business continuity and enable us to fulfill our obligations to our customers and stakeholders. We achieve these objectives by having in place an enterprise risk management framework that encompasses all key areas of our operations.

(b) Enterprise Risk Management Principles

Risk is defined as the possibility that an event will occur and adversely impact the achievement of an entity's mission or business objectives. Risk is a key part of our business and the main objective of enterprise risk management is to ensure that all key risks are properly and adequately identified, evaluated, treated, monitored and reported.

Under the Enterprise Risk Management ("ERM") Framework, risks are classified into five broad categories which are considered to be most central to our business:

1. Insurance Risk
2. Asset Risk (Market and Credit Risk)
3. Asset-Liability Management ("ALM") Risk
4. Operational Risk
5. Strategic / Business Risk

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Capital Management

UAL's capital management policy is to ensure that scenarios under which the possibility of future shortage of capital are accurately and timely identified and reported so that immediate remedial actions can be taken, utilize capital efficiently given limited resources for life insurers, achieve optimal balance in the management of risk, return, capital requirement as well as capital availability, and reduce the capital requirement by putting in place proper controls, risk management processes and procedures to eliminate unanticipated.

Regulatory Capital

UAL is required to comply with the Risk-Based Capital Framework ("RBC Framework") which is the capital adequacy framework for all insurers licensed under the Insurance Act 1996. The RBC Framework took effect from 1 January 2009 and the company is expected to comply by maintaining the Capital Adequacy Ratio ("CAR") at above the supervisory target level of 130% at all times. The CAR is calculated as follows:

$$\text{CAR} = \frac{\text{Total Capital Available ('TCA')}}{\text{Total Capital Required ('TCR')}} \times 100\%$$

As at 31 March 2011, the company's TCA was RM586.4 million (31 March 2010: RM483.4 million), TCR was RM193.9 million (31 March 2010: RM156.1 million) and the CAR was at 303% level (31 March 2010: 310%).

The Company has met all the regulatory requirements throughout the financial year.

(d) Governance Framework

UAL's Board of Directors ("the Board") retains the overall risk management responsibilities in accordance with JPI/GPI 25 (Consolidated): Prudential Framework of Corporate Governance for Insurers, which requires the Board to establish an effective risk management and internal control system.

Whilst the Board still retains ultimate responsibilities for risk management and for determining the appropriate level of risk appetite, a Board Risk Management Committee consisting of non-executive directors has been established to assist the Board in overseeing the risk management strategies and provide an independent risk management reporting line for the Company.

An Executive Risk Management Committee is also established at senior management level and shall meet at least once every quarter, preferably once every month, to review the Company's risk exposure and to raise and discuss matters regarding risk and risk management.

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Governance Framework (continued)

Whilst Risk Management and Regulatory Assurance Department spearheads the development and implementation of the ERM Framework for the Company, the senior management is responsible for the development of detailed policies, procedures and limits for managing risks inherent in the Company's activities based on the business and risk management strategies approved by the Board.

As stated in the ERM Framework, operational management or business lines are accountable for managing the day-to-day business activities and all types of risks associated with these activities within the established limits. Meanwhile, the internal audit function shall provide the Board with an independent assurance that the risk management systems, internal controls and governance processes of the Company are adequate and effective.

(e) Insurance Risks of Life Insurance Contracts

The Company is exposed to life insurance risks when it signs a contract with the insured party or policyholder for a premium amount and in return promises to compensate the policyholder if a specified uncertain future event or an insured event adversely affects the policyholder. Life insurance risks arise when the prices charged for life insurance contracts will be ultimately inadequate to support the future contractual obligations due to adverse deviation of the assumptions used in pricing the insurance contracts from the actual experience. Sources of pricing assumptions affecting insurance risks include policy lapses, policy claims such as mortality and morbidity, expenses as well as investment return and discount rate.

Proper experience studies are carried out annually to ensure that all pricing assumptions on mortality, morbidity, lapses, discount rate and investment return, and expenses are adequate, appropriate and consistent with the actual experience for insurance product pricing purposes.

The company has implemented underwriting and claims management guidelines and procedures to manage its life insurance risks. Whilst proper underwriting process is put in place to control the risk of anti-selection, appropriate claims management systems also help to identify fraudulent claims.

The mortality and morbidity risks are also managed through reinsurance programme. The bulk of UAL's reinsurance is in the form of automatic Treaties. These Treaties are of risk premium type and cover both individual business and group business. In addition, there is another layer of reinsurance that is in the form of a Catastrophe Treaty. Both of these types of reinsurance serve to protect the Company's solvency, especially when there is an accumulation of risk, for example a natural disaster.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Insurance Risks of Life Insurance Contracts (continued)

The Company's reinsurance structures are set based on the types of risk such as mortality, accidental death and critical illness. The following table provides a summary of the Company's current retention limits for different types of risk:

<u>Type of</u>	<u>Individual</u> RM'000	<u>MRTA</u> RM'000	<u>Group</u> RM'000
Mortality	100	105	100
Accidental	50	-	50
Critical Illness	100	-	100

A substantial portion of the company's life insurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the Company has the option of revising the bonus rates and dividends payable to the policyholders.

For non-participating funds, the risk is that policy benefits are guaranteed to the policyholders and these obligations must be fulfilled in spite of the Company's poor investment performance or unfavorable claims experience. To mitigate this risk, investment mandate is put in place to ensure that appropriate investment strategy that focuses on Low Risk Assets ("LRA") and Private Debt Securities ("PDS") assets with minimum equity exposure is adopted by the fund managers.

For investment-linked funds, the risk exposure for the Company is limited only to the underwriting aspect as all investment risks are borne by the policyholders and proper expense management is in place to minimize actual costs incurred.

As required by the Bank Negara Malaysia's Guidelines on Stress Testing for Insurers, Stress Testing is performed at least once on a half-yearly basis. The purpose of Stress Testing is to test the solvency of life insurance funds under various scenarios according to the prescribed statutory valuation basis, simulating drastic changes in major parameters like interest rates, investment return, inflation rate, investment asset value, new business volume, mortality/morbidity patterns as well as expense patterns. In addition, Stress Testing also provides an early warning signal for the Company to take necessary measures to protect its financial position.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

INSURANCE RISK

Life Insurance Contracts

Table 31(A): The table below shows the concentration of life insurance contract liabilities by type of contract.

	<u>Gross</u> RM'000
<u>2011</u>	
Whole Life	76,296
Endowment	876,369
Term - Mortgage	223,603
Term - Others	2,282
Riders	(86)
Total life insurance	<u>1,178,464</u>
<u>2010</u>	
Whole Life	68,657
Endowment	795,406
Term - Mortgage	189,984
Term - Others	1,370
Riders	(3,326)
Total life insurance	<u>1,052,091</u>

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Valuation assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Valuation assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Valuation assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Key Assumptions (continued)

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality rates

Best estimate assumptions are based on the company's recent experience studies.

Expenses

Best estimate assumptions are based on the experience of the Company. An inflation rate of 4% per annum is adopted for each policy expenses. The Company conducts an expense study annually. Maintenance expense overrun expected over future years has been capitalized and set aside. Allowance is also made for payment of commission to distributors.

Lapse and surrender rates

Best estimate assumptions are based on the experience studies. The Company conducts a persistency study annually, or on a more regular basis when appropriate. Statistical methods are used to determine appropriate lapse and surrender rates. Lapse and surrender rates vary by product type and policy duration.

Discount rate

Risk free discount rate is used in the valuation of actuarial liabilities for non-participating fund and the non-unit liabilities of investment-linked funds and the guaranteed benefit liabilities of participating funds.

These risk free rates from durations of 1 to 15 years are the Malaysian Government Securities ("MGS") yields taken from BondWeb, which is recognized bond pricing agency in Malaysia. As the MGS yields are only available for terms of 1, 2, 3, 5, 7, 10, and 15, the yields in between these terms are interpolated.

The risk free discount rate is derived as follows:

- i) For cash flows with duration of less than 15 years or more, weighted average of MGS zero coupon spot yields of matching duration are used.
- ii) For cash flows with duration of 15 years or more, weighted average of MGS zero-coupon spot yields with 15 years term to maturity is used.

where duration is the term to maturity of each future cash flow.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Key Assumptions (continued)

Fund based yield

Fund Based Yield is used in the valuation of actuarial liabilities for participating fund to discount the cash flow for corresponding durations where total guaranteed and non-guaranteed benefits are considered.

A flat gross fund-based yield is assumed for all duration for all Par products except Gain Assure 1 and Gain Assure 2. For Gain Assure 1 and Gain Assure 2, different yields are used to reflect the investment return obtained on these funds, which are segregated and managed separately. The fund-based yields employed are deducted for tax.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. No management actions (eg, possible revision of bonus rates for participating fund products) have been assumed in the calculation of net and gross liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Impact on change in <u>assumptions</u> RM'000	Impact on gross <u>liabilities</u> RM'000	Impact on net <u>liabilities</u> RM'000
<u>2011</u>			
Mortality/morbidity	+ 25%	56,801	44,745
Expenses	+ 25%	29,995	29,995
Lapse and surrender rates	+ 25%	608	505
Discount rate	- 1%	113,976	114,181
<u>2010</u>			
Mortality/morbidity	+ 25%	40,787	33,174
Expenses	+ 25%	30,328	30,328
Lapse and surrender rates	+ 25%	(3,708)	(3,894)
Discount rate	- 1%	102,363	102,553

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period. In the sensitivity analysis above, the impact from changes in best estimate assumptions for the life fund is retained within the insurance contract liabilities.

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

ASSET RISKS

(f) Credit Risk

Credit risk is the potential financial loss resulting from counterparty's inability or unwillingness to fully meet its contractual financial obligations as and when they fall due. The counterparties may include debtors, borrowers, brokers, policyholders, reinsurers and guarantors.

The Company's primary exposure to credit risk is through its investments in fixed income securities, lending activities such as policy loans are secured against the surrender value of policies and carry substantial no credit risk and potential obligations of reinsurers arising out of reinsurance arrangements.

The Company's Investment Committee manages credit risk associated with investments in fixed income securities through the setting of investment policies as well as credit exposure limits approved by the Board and within the guidelines issued by BNM.

Credit evaluation of an issuer of credit facilities is undertaken by the Investment Department. The credit profile of an issuer is assessed by considering factors such as industry and business background, operating performance or viability of a project, business risk factors, financial ratio analysis, financial strength and flexibility, availability of cash flows and identified sources of repayment, management credibility and shareholders' profile as well as security enhancement.

In addition, a credit review of individual exposure is also conducted by the investment team at least once a year to review and monitor the creditworthiness of issuers or counterparties. Additional review will be carried out when there is a downgrade of credit rating, a change in the nature of an issuer's business or a corporate restructuring of an issuer.

Reinsurance programme is arranged with reinsurers that have a good credit rating in order to reduce credit risk arising from reinsurance arrangements.

Credit risk in respect of policyholder balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated.

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

ASSET RISKS (CONTINUED)

<u>Credit Exposure</u> (continued)	Insurance and Shareholders' Fund RM'000	Investment -Linked RM'000	<u>Total</u> RM'000
<u>31 March 2011</u>			
HTM financial investments :			
Malaysian government securities	20,037	-	20,037
Debt securities	308,648	-	308,648
LAR :			
Loan	70,290	-	70,290
Fixed and call deposits	16,628	1,063	17,691
AFS financial investments :			
Equity securities	2,138	-	2,138
Debt securities	735,874	-	735,874
Malaysian government securities	149,666	-	149,666
Financial investment at FVTPL :			
Equity securities	155,791	50,710	206,501
Structured investment	-	112,568	112,568
Debt securities	-	12,116	12,116
Trust funds	23,993	88,031	112,024
Reinsurance assets	2,911	-	2,911
Insurance receivables	8,763	-	8,763
Other receivables	1,855	2,982	4,837
Cash and cash equivalents	361,440	12,711	374,151
Interest income accrued	20,257	248	20,505
	<u>1,878,291</u>	<u>280,429</u>	<u>2,158,720</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

ASSET RISKS (CONTINUED)

Credit Exposure (continued)

	Insurance and Shareholders' Fund RM'000	Investment -Linked RM'000	Total RM'000
<u>31 March 2010</u>			
HTM financial investments :			
Malaysian government securities	20,053	-	20,053
Debt securities	262,063	-	262,063
LAR :			
Loan	63,200	-	63,200
Fixed and call deposits	18,481	1,063	19,544
AFS financial investments :			
Equity securities	2,103	-	2,103
Debt securities	605,690	-	605,690
Malaysian government securities	100,629	-	100,629
Financial investment at FVTPL :			
Equity securities	84,210	37,175	121,385
Structured investment	-	114,965	114,965
Debt securities	-	12,775	12,775
Trust funds	13,679	99,581	113,260
Reinsurance assets	-	-	-
Insurance receivables	10,836	-	10,836
Other receivables	30,306	3,628	33,934
Cash and cash equivalents	392,647	12,601	405,248
Interest income accrued	18,908	272	19,180
	<u>1,622,805</u>	<u>282,060</u>	<u>1,904,865</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Credit Risk (Continued)

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired						Past-due but not impaired	Total
	Investment grade	Non-Investment Grade: Satisfactory	Non-investment Grade: unsatisfactory	Not rated	Not subject to credit risk	Investment-linked		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2011								
HTM financial investments								
Malaysian government securities	-	20,037	-	-	-	-	-	20,037
Debt securities	302,663	-	-	5,985	-	-	-	308,648
LAR								
Loan	-	70,290	-	-	-	-	-	70,290
Fixed and call deposits	16,628	-	-	-	-	1,063	-	17,691
AFS financial investments								
Equity securities	-	-	-	-	2,138	-	-	2,138
Debt securities	735,874	-	-	-	-	-	-	735,874
Malaysian government securities	-	149,666	-	-	-	-	-	149,666
Financial investments at FVLTPL								
Equity securities	-	-	-	-	155,791	50,710	-	206,501
Structured investment	-	-	-	-	-	112,568	-	112,568
Debt securities	-	-	-	-	-	12,116	-	12,116
Trust funds	-	-	-	-	23,993	88,031	-	112,024
Reinsurance assets	2,911	-	-	-	-	-	-	2,911
Insurance receivables	-	-	-	8,763	-	-	-	8,763
Other receivables	-	-	-	1,855	-	2,982	-	4,837
Cash and bank balances	305,790	391	-	55,259	-	12,711	-	374,151
Accrued Interest	12,616	6,439	-	1,202	-	248	-	20,505
	<u>1,376,482</u>	<u>246,823</u>	<u>-</u>	<u>73,064</u>	<u>181,922</u>	<u>280,429</u>	<u>-</u>	<u>2,158,720</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Credit Risk (Continued)

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired						Past-due but not impaired	Total
	Investment grade	Non-Investment Grade: Satisfactory	Non-investment Grade: unsatisfactory	Not rated	Not subject to credit risk	Investment-linked		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2010								
HTM financial investments								
Malaysian government securities	-	20,053	-	-	-	-	-	20,053
Debt securities	256,004	-	-	6,059	-	-	-	262,063
LAR								
Loan	-	63,200	-	-	-	-	-	63,200
Fixed and call deposits	18,481	-	-	-	-	1,063	-	19,544
AFS financial investments								
Equity securities	-	-	-	-	2,103	-	-	2,103
Debt securities	605,690	-	-	-	-	-	-	605,690
Malaysian government securities	-	100,629	-	-	-	-	-	100,629
Financial investments at FVLTPL								
Equity securities	-	-	-	-	84,210	37,175	-	121,385
Structured investment	-	-	-	-	-	114,965	-	114,965
Debt securities	-	-	-	-	-	12,775	-	12,775
Trust funds	-	-	-	-	13,679	99,581	-	113,260
Reinsurance assets	-	-	-	-	-	-	-	-
Insurance receivables	-	-	-	10,836	-	-	-	10,836
Other receivables	-	-	-	30,306	-	3,628	-	33,934
Cash and bank balances	334,669	588	-	57,390	-	12,601	-	405,248
Accrued interest	11,024	6,999	-	885	-	272	-	19,180
	<u>1,225,868</u>	<u>191,469</u>	<u>-</u>	<u>105,476</u>	<u>99,992</u>	<u>282,060</u>	<u>-</u>	<u>1,904,865</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Impaired Financial Assets

At 31 March 2011, impaired financial assets comprised of available-for-sales financial assets of RM7,659,000 (2010: RM4,595,000). A reconciliation of the allowance for impairment losses for available-for-sales financial assets is as follows:

	<u>2011</u> RM'000	<u>2010</u> RM'000
At 1 April	4,595	1,073
Charge for the year	3,064	4,595
Recoveries	-	(1,073)
At 31 March	<u>7,659</u>	<u>4,595</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Collateral

Credit risk is mitigated by entering into collateral agreements. For staff loans, the title of the properties are held as collateral.

(g) Asset-Liability Management Risk

Liquidity risk is the risk of exposure to losses in the event that insufficient liquid asset will be available from among the assets supporting the policy obligations to meet the cash flow requirements of the obligations to policyholders when they fall due. For example, lower than expected investment income to meet claims necessitate unexpected realization of assets. Unexpected demands for liquidity may also be triggered by market conditions that encourage widespread exercise of embedded options, adverse change in the surrender rate as well as uncertainty in the level of new business growth.

The Company monitors its liquidity risk and maintains a level of cash and cash flow deemed adequate by the management to finance its operations and to mitigate the effects of fluctuations in cash requirements. Liquidity management requires the Company to maintain a liquid position at all times to meet unexpected claims payments when they fall due and simultaneously hold an asset mix that meets the Company's target return.

The Company manages its liquidity risk by maintaining an adequate level of cash and cash equivalents as well as calculating the asset and liability durations and monitoring the asset-liability gap on a monthly basis. The liquidity risk is also minimized by close monitoring of surrenders and redemptions.

In addition, guidelines on asset allocation, portfolio limit structure and maturity profile of assets are also put in place to ensure sufficient funding is available to meet insurance and investment contracts' obligations. Compliance with the guidelines and policies, exposures and breaches are monitored and reported monthly to the Company's Executive Risk Management Committee ("ERMC").

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Liquidity Profiles

The table below summarises the liquidity profile of the financial liabilities based on remaining undiscounted contractual obligations, including interest / profit payable.

For insurances contracts liabilities, liquidity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the “up to a year” column. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 March 2011	Carrying Value RM'000	Current* RM'000	1 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Insurance Contract Liabilities	1,804,095	257,947	434,523	1,061,018	557,018	-	2,310,506
Insurance Payables	157,493	20,040	37,619	77,185	22,649	-	157,493
Subordinated Loan	53,000	-	-	53,000	-	-	53,000
Other Payables	17,354	16,365	965	24	-	-	17,354
	<u>2,031,942</u>	<u>294,352</u>	<u>473,107</u>	<u>1,191,227</u>	<u>579,667</u>	<u>-</u>	<u>2,538,353</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Liquidity Profiles (Cont'd)

	Carrying Value RM'000	Current* RM'000	1 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 March 2010							
Insurance Contract Liabilities	1,577,035	250,985	461,837	944,658	486,676	-	2,144,156
Insurance Payables	160,129	40,992	48,335	70,632	170	-	160,129
Subordinated Loan	53,000	-	-	53,000	-	-	53,000
Other Payables	10,024	8,975	1,040	9	-	-	10,024
	<u>1,800,188</u>	<u>300,952</u>	<u>511,212</u>	<u>1,068,299</u>	<u>486,676</u>	<u>-</u>	<u>2,367,309</u>

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Maturity Profiles

The table below summarises the expected utilisation or settlement of assets on a discounted basis:

	<u>Current*</u> RM'000	<u>Non-current</u> RM'000	<u>Unit-linked</u> RM'000	<u>Total</u> RM'000
<u>31 March 2011</u>				
Property and equipment	-	14,858	-	14,858
Investment Properties	-	9,800	-	9,800
Intangible assets	-	5,329	-	5,329
Prepaid Land lease payment	-	253	-	253
Financial instruments:				
HTM	4,960	323,725	-	328,685
LAR	12,200	74,718	1,063	87,981
AFS	42,638	845,040	-	887,678
FVTPL	-	179,784	263,425	443,209
Reinsurance assets	2,911	-	-	2,911
Insurance receivables	8,763	-	-	8,763
Other receivables	1,855	-	2,982	4,837
Cash and bank balances	361,440	-	12,711	374,151
Accrued interest	6,801	13,456	248	20,505
Total assets	<u>441,568</u>	<u>1,466,963</u>	<u>280,429</u>	<u>2,188,960</u>
<u>31 March 2010</u>				
Property and equipment	-	14,122	-	14,122
Investment Properties	-	9,500	-	9,500
Intangible assets	-	3,027	-	3,027
Prepaid Land lease payment	-	256	-	256
Financial instruments:				
HTM	-	282,116	-	282,116
LAR	13,347	68,334	1,063	82,744
AFS	14,844	693,578	-	708,422
FVTPL	-	97,889	264,496	362,385
Reinsurance assets	-	-	-	-
Insurance receivables	10,836	-	-	10,836
Other receivables	30,306	-	3,628	33,934
Cash and bank balances	392,647	-	12,601	405,248
Accrued interest	7,520	11,388	272	19,180
Total assets	<u>469,500</u>	<u>1,180,210</u>	<u>282,060</u>	<u>1,931,770</u>

* expected utilisation or settlement within 12 months from the Balance Sheet date

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(h) Market Risk

Market risk is the risk that the fair value of assets or future cash flows of assets supporting the insurance / investment contract liabilities, or the carrying value of the contract liabilities will fluctuate because of changes in market prices and rates. These include changes in equity prices, interest rates and exchange rates. Market risk also includes such factors as changes in economic environment, consumption pattern and investor's expectation that may have significant impact on the value of the investments.

The Company distinguishes market risk as follows:

- (i) Interest rate risk;
- (ii) Equity price risk; and
- (iii) Currency risk.

The Company manages market risk by putting in place investment mandates and policies to ensure that appropriate investment strategy is adopted by the fund managers. In addition, asset allocation, portfolio and exposure limit structure as well as performance benchmark are also set to ensure that assets support the specific contract liabilities and that assets held are adequate and sufficient to deliver income and gains to policyholders in accordance with the terms of respective contracts and in line with the policyholders' expectations. Compliance with the investment mandates and policies is monitored and reported monthly to the Company's Executive Risk Management Committee ("ERMC") and exposures and breaches are reported as soon as practicable.

The Company also issues investment-linked policies. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the net asset value of the funds. The Company's exposure to market risk on this business is therefore limited to the extent that income arising from asset management charges is based on the net asset value of the funds.

(i) Interest Rate Risk

The Company is exposed to interest rate risk primarily through investments of insurance funds in fixed income securities, credit facilities as well as cash deposits.

The presence of interest rate risk is the result of asset-liability duration mismatch. To illustrate, since the duration of contract liabilities is longer than the duration of assets, the Company's financial position is vulnerable to decrease in interest rates. When interest rates fall, the value of liabilities will increase significantly more than the value of assets due to the asset-liability duration mismatch, thus reducing the insurance fund's surplus.

As one of the reasons for asset-liability duration mismatch is the scarcity of longer tenure assets in the local financial market, the Company has adopted investment strategy that focuses on identifying suitable investment opportunities which can lengthen the duration of assets and acquiring longer tenure assets whenever available so as to mitigate interest rate risk.

The Company has no significant concentration of interest rate risk.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(h) Market Risk (continued)

(i) Interest Rate Risk (continued)

The sensitivity analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax for the year ending:

	Change in <u>variables</u>	Impact on profit <u>before tax</u> RM'000	Impact on equity, policyholders' fund and <u>liabilities</u> RM'000
<u>31 March 2011</u>			
MYR	+50 basis points	275	4,116
MYR	-50 basis points	(275)	(4,652)
<u>31 March 2010</u>			
MYR	+50 basis points	154	2,920
MYR	-50 basis points	(154)	(3,128)

* The above impact to the Company's equity arises from the shareholders' fund investment in fixed income securities which are classified as financial assets. In the above analysis, the impact arising from changes in interest rate risk to fixed income securities and liabilities of the life fund are retained in the life insurance contract liabilities.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

(ii) Equity Price Risk

The Company is exposed to equity price risk through direct investments in equity of listed and unlisted companies by both life insurance funds and shareholders' fund as the Company bears all or most of the volatility in returns and investment performance risk.

Equity price risk also exists in investment-linked products as the revenue of the insurance operations are linked to the value of the underlying equity funds and this has an impact on the level of fees earned.

The Company monitors its equity exposure against a benchmark set and agreed by the Investment Committee. The portfolio benchmarks include indices such as the Kuala Lumpur Composite Index and the FTSE Bursa Malaysia Index.

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(h) Market Risk (continued)

(ii) Equity Price Risk (continued)

The Company's investment policy also requires it to manage market risk by monitoring the country, sector and single security exposure of the portfolio against the internal investment limits as well as regulatory limits stipulated by BNM. The Company has complied with both the internal and BNM stipulated investment limits during the financial year and has no significant concentration of equity price risk.

The sensitivity analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit before Tax for the year ending:

	Change in <u>variables</u>	Impact on profit <u>before tax</u> RM'000	Impact on equity, policyholders' fund and <u>liabilities</u> RM'000
<u>31 March 2011</u>			
Bursa Malaysia	40%	1,480	67,520
Bursa Malaysia	- 40%	(1,480)	(67,520)
Bursa Malaysia	30%	-	-
Hong Kong Exchange	30%	-	-
Australia Exchange	40%	-	-
Singapore Exchange			
Bursa Malaysia	-30%	-	-
Hong Kong Exchange	-30%	-	-
Australia Exchange	-30%	-	-
Singapore Exchange	-40%	-	-
<u>31 March 2010</u>			
Bursa Malaysia	40%	-	-
Bursa Malaysia	- 40%	-	-
Bursa Malaysia	30%	1,033	19,604
Hong Kong Exchange	30%	-	1,124
Australia Exchange	30%	-	3,053
Singapore Exchange	40%	-	2,641
Bursa Malaysia	- 30%	(1,033)	(19,604)
Hong Kong Exchange	- 30%	-	(1,124)
Australia Exchange	- 30%	-	(3,053)
Singapore Exchange	- 40%	-	(2,641)

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(h) Market Risk (continued)

(ii) Equity Price Risk (continued)

The potential impact arising from other market indices are deemed insignificant as the Company's holdings in equity securities listed in other bourses are not material.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

(iii) Currency Risk

Currency risk is the risk that relative changes in currency values will ultimately decrease the value of foreign assets or increase the value of financial obligations denominated in foreign currencies.

As the Company operates mainly in Malaysia, its financial assets are primarily maintained in Malaysia as required under the Insurance Act, 1996, and are primarily denominated in the same currency (the local RM) as its insurance and investment contract liabilities. Therefore, the main foreign exchange risk from recognized assets and liabilities arises from transactions other than those in which the insurance and investment contract liabilities are expected to be settled.

The Company does not engage in derivative transactions for speculative or hedging purposes.

As the Company's main foreign exchange risk from recognized assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realized in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

In the investment-linked business, the policyholders bear the currency risk on the foreign assets held in some of the investment-linked funds as the policy benefits are directly linked to the net asset value of the funds. The Company's exposure to currency risk on this business is therefore limited to the extent that income arising from asset management charges is based on the net asset value of the funds.

	Singapore Dollar RM'000	Hong Kong Dollar RM'000	Australian Dollar RM'000	Total RM'000
<u>At 31 March 2011</u>				
Financial instruments:				
FVTPL	102,924	-	-	102,924
Total assets	102,924	-	-	102,924

UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(h) Market Risk (continued)

(iii) Currency Risk (continued)

	Singapore Dollar RM'000	Hong Kong Dollar RM'000	Australian Dollar RM'000	Total RM'000
<u>At 31 March 2010</u>				
Financial instruments:				
FVTPL	102,636	34,745	10,177	134,558
Total assets	<u>102,636</u>	<u>34,745</u>	<u>10,177</u>	<u>134,558</u>

(i) Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human factors and systems, or from external events. When risk control measures are inadequate or not properly implemented, operational risks can cause damage to the Company's reputation, have legal or regulatory implications or can lead to financial losses.

The day-to-day management of operational risk is through the maintenance of comprehensive internal controls supported by infrastructure, systems and procedures to monitor processes and transactions. These include effective segregation of duties, check and balance, clear reporting lines, access controls, authorization and reconciliation procedures, staff training and evaluation procedures.

Control Self-Assessment ("CSA") exercise is also carried out twice every year to review and examine the effectiveness of the Company's key business processes, internal controls and risk management procedures.

The Internal Auditor reviews the system of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to the Audit Committee.

(j) Strategic / Business Risk

Business risk is the risk of loss arising from uncertainty about the demand for products, the price that can be charged for those products, or the cost of producing and delivering the products. The Company manages business risk by having in place a proper product development process and implementing effective product risk management procedures.

Strategic risk is the risk of loss arising from adverse business decisions, improper implementation of those decisions, and lack of responsiveness to industry or competitive environmental changes. This risk is monitored through the Company's strategic planning and budgeting process.

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

33 COMPARATIVE FIGURES

FRS 4 prohibits offsetting of income and expenses from reinsurance contract against the income and expenses from the related insurance contracts and offsetting of reinsurance assets against the related insurance liabilities. Following the adoption of FRS 4, reinsurance assets are required to be presented on a gross basis. As the impact of presentation of reinsurance assets on gross basis is not material to the Company, no restatement of the comparative figures in the statement of financial position has been made.

In the previous financial year based on BNM's guidelines, Garis Panduan Insurans ("GPI") 15 "Model Insurance Company Accounts", the primary statements of the Company's financial statement comprised of a balance sheet and income statement for the shareholders' fund and a separate balance sheet and revenue account for the life fund, the statement of changes in equity and cash flow statement. Assets and liabilities together with the statement of income and expenditure of the investment-linked business is separately disclosed in the notes to the financial statements.

In the current financial year, following the Company's adoption of the new Guidelines on Financial Reporting for Insurers issued by BNM, balance sheet of shareholders' fund and life fund (including investment-linked business) are consolidated and presented as the statement of financial position and income statement of shareholders' fund and revenue account of life fund (including investment-linked business) are consolidated and presented as the income statement and the statement of comprehensive income and details of disclosure by shareholders' fund, life fund and investment-linked funds are separately disclosed in the financial statements together with the comparatives for 2010.

Company No.

277714 A

UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

33 INSURANCE FUNDS (CONTINUED)

The Company's activities are organized by funds and segregated into the life and shareholders' funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.

**Statement of Financial Position by Funds
As at 31 March**

	Shareholders' Fund		Life Fund		Investment-linked Fund		Elimination*		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property and equipment	-	-	14,858	14,122	-	-	-	-	14,858	14,122
Investment properties	-	-	9,800	9,500	-	-	-	-	9,800	9,500
Intangible assets	-	-	5,329	3,027	-	-	-	-	5,329	3,027
Prepaid land lease payment	-	-	253	256	-	-	-	-	253	256
Investments	127,039	125,196	1,376,148	1,063,492	264,692	265,779	-	-	1,767,879	1,454,467
Reinsurance assets	-	-	2,911	-	-	-	-	-	2,911	-
Insurance receivables	-	-	8,763	10,836	-	-	-	-	8,763	10,836
Other receivables	30,234	24,504	4,728	30,417	47	207	(33,125)	(24,641)	1,884	30,487
Tax recoverable	18	26	-	-	777	693	-	-	795	719
Deferred tax assets	-	-	-	-	2,158	2,728	-	-	2,158	2,728
Cash and bank balances	47,901	30,750	313,674	362,225	12,755	12,653	-	-	374,330	405,628
	<u>205,192</u>	<u>180,476</u>	<u>1,736,464</u>	<u>1,493,875</u>	<u>280,429</u>	<u>282,060</u>	<u>(33,125)</u>	<u>(24,641)</u>	<u>2,188,960</u>	<u>1,931,770</u>
Share capital	125,000	125,000	-	-	-	-	-	-	125,000	125,000
Retained reserve	23,290	1,287	-	-	-	-	-	-	23,290	1,287
Available-for-sale reserve	2,107	190	-	-	-	-	-	-	2,107	190
Total Equity	<u>150,397</u>	<u>126,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,397</u>	<u>126,477</u>
Insurance contract liabilities	-	-	1,528,125	1,296,076	275,970	280,959	-	-	1,804,095	1,577,035
Deferred tax liabilities	1,099	341	3,063	1,198	1,032	644	-	-	5,194	2,183
Insurance payables	-	-	157,493	160,129	-	-	-	-	157,493	160,129
Subordinate loan	53,000	53,000	-	-	-	-	-	-	53,000	53,000
Tax payable	-	-	1,427	2,922	-	-	-	-	1,427	2,922
Other payables	696	658	46,356	33,550	3,427	457	(33,125)	(24,641)	17,354	10,024
Total policyholders' fund and liabilities	<u>54,795</u>	<u>53,999</u>	<u>1,736,464</u>	<u>1,493,875</u>	<u>280,429</u>	<u>282,060</u>	<u>(33,125)</u>	<u>(24,641)</u>	<u>2,038,563</u>	<u>1,805,483</u>
	<u>205,192</u>	<u>180,476</u>	<u>1,736,464</u>	<u>1,493,875</u>	<u>280,429</u>	<u>282,060</u>	<u>(33,125)</u>	<u>(24,641)</u>	<u>2,188,960</u>	<u>1,931,770</u>

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

33 INSURANCE FUNDS (CONTINUED)

Income Statement / Revenue Accounts by Funds
For the year ended 31 December

	Shareholders' fund		Life fund		Investment-linked Fund		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating revenue	-	-	374,060	443,525	115,357	27,137	489,417	470,662
Gross premium	-	-	310,189	393,042	105,097	18,023	415,286	411,065
Premium ceded to reinsurers	-	-	(8,427)	(9,040)	-	-	(8,427)	(9,040)
Net premiums	-	-	301,762	384,002	105,097	18,023	406,859	402,025
Investment Income	7,115	3,785	63,871	50,483	3,145	5,329	74,131	59,597
Realised gains and losses	(401)	(745)	9,231	15,964	9,983	5,767	18,813	20,986
Fair value gains and losses	(866)	5,481	11,899	42,635	7,649	40,633	18,682	88,749
Fee income	-	-	62	14	-	-	62	14
Other operating revenue / (expenses)	-	-	1,333	1,285	-	-	1,333	1,285
Other revenue	5,848	8,521	86,396	110,381	20,777	51,729	113,021	170,631
Gross benefit and claims paid	-	-	(71,935)	(55,217)	(126,033)	(116,745)	(197,968)	(171,962)
Claims ceded to reinsurers	-	-	2,773	6,401	-	-	2,773	6,401
Gross change to contract liabilities	-	-	(193,357)	(329,520)	4,989	53,115	(188,368)	(276,405)
Change in contract liabilities to reinsurers	-	-	-	-	-	-	-	-
Net claims	-	-	(262,519)	(378,336)	(121,044)	(63,630)	(383,563)	(441,966)

Company No.

277714	A
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UNI.ASIA LIFE ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONTINUED)

33 INSURANCE FUNDS (CONTINUED)

**Income Statement / Revenue Accounts by Funds
For the year ended 31 March (continued)**

	<u>Shareholders' fund</u>		<u>Life fund</u>		<u>Investment-linked Fund</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fee and commission expenses	-	-	(42,415)	(37,091)	-	-	(42,415)	(37,091)
Management expenses	(1,848)	(860)	(46,970)	(41,242)	(2,917)	(2,273)	(51,735)	(44,375)
Other expenses	(1,848)	(860)	(89,385)	(78,333)	(2,917)	(2,273)	(94,150)	(81,466)
Profit from operations	4,000	7,661	36,254	37,714	1,913	3,849	42,167	49,224
Finance Costs	(2,619)	(2,308)	-	-	-	-	(2,619)	(2,308)
Transfer from Revenue Accounts*	30,000	28,000	(30,000)	(28,000)	-	-	-	-
Profit/Surplus before Tax	31,381	33,353	6,254	9,714	1,913	3,849	39,548	46,916
Taxation (Note 26)	(9,378)	(7,580)	(6,254)	(9,714)	(1,913)	(3,849)	(17,545)	(21,143)
Net profit/surplus after Tax	22,003	25,773	-	-	-	-	22,003	25,773

* The amount transferred from the Life Fund's Revenue Accounts to the Shareholders' Fund Income Statement is net of tax.