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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other independent adviser immediately.

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ALLIANZ MALAYSIA BERHAD (12428-W)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY
TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The ordinary resolution in respect of the Proposed Renewal of Shareholders' Mandate will be tabled at the 37th Annual General Meeting of the Company to be held at Junior Ballroom, Level 2, Hotel InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 23 June 2011 at 10.00 a.m. The Notice of the 37th Annual General Meeting and the Form of Proxy are despatched together with the 2010 Annual Report of the Company and this Circular.

A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his behalf. The Form of Proxy shall be lodged at the Registered Office of the Company at Suite 3A-15, Level 15, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for holding the 37th Annual General Meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

The last day and time for lodging the Form of Proxy is on 21 June 2011 at 10.00 a.m.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

AGM	:	Annual General Meeting
Bursa Securities	:	Bursa Malaysia Securities Berhad
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
Director	:	Shall have the meaning given in section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of AMB or its subsidiary or holding company, or a chief executive officer of AMB, its subsidiary or holding company
Allianz SE	:	A major shareholder and holding company of AMB
Allianz SE Group	:	Allianz SE and its subsidiary and associated companies
AMB or Company	:	Allianz Malaysia Berhad
AMB Group or Group	:	AMB and its subsidiary companies
ALIM	:	Allianz Life Insurance Malaysia Berhad, a wholly-owned subsidiary of AMB
AGIC	:	Allianz General Insurance Company (Malaysia) Berhad, a wholly-owned subsidiary of AMB
BMB	:	Bright Mission Berhad, a wholly-owned subsidiary of AMB
major shareholder	:	A person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:- (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the Company; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company.

For the purpose of this definition, "interest in shares" shall have the meaning given in section 6A of the Companies Act, 1965. A major shareholder includes any person who is or was within the preceding 6 months of the date on which the terms of the

transaction were agreed upon, a major shareholder of the Company or any other corporation which is its subsidiary or holding company

person connected : In relation to a Director or a major shareholder, means such person who falls under any one of the following categories:-

- (a) a family member of the Director or major shareholder;
- (b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the Director, major shareholder or a family member of the Director or major shareholder is the sole beneficiary;
- (c) a partner of the Director, major shareholder or a partner of a person connected with that Director or major shareholder;
- (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or major shareholder;
- (e) a person in accordance with whose directions, instructions or wishes the Director or major shareholder is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate or its Directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or major shareholder;
- (g) a body corporate or its directors whose directions, instructions or wishes the Director or major shareholder is accustomed or under an obligation, whether formal or informal, to act;
- (h) a body corporate in which the Director, major shareholder or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
- (i) a body corporate which is a related corporation

For the purpose of this definition, "family" means such person who falls within any one of the following categories:-

- (i) spouse;
- (ii) parent;
- (iii) child including an adopted child and step-child;
- (iv) brother or sister; and
- (v) spouse of the person referred to in items (iii) and (iv) above

Proposed Renewal of Shareholders' Mandate : Proposed renewal of the existing mandate from the shareholders of AMB for Recurrent Related Party Transactions

- Recurrent Related Party Transaction : The related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the Group's day-to-day operations
- Related Party or Related Parties : The "Director", "major shareholder" or "person connected" with such Director or major shareholder
- related party transaction : A transaction entered into by the Company or its subsidiaries which involves the interest, direct or indirect, of a related party

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

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ALLIANZ MALAYSIA BERHAD (12428-W)
(Incorporated in Malaysia)

Registered Office:-

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

1 June 2011

Board of Directors:-

Tan Sri Razali Ismail (Chairman – Independent Non-Executive Director)
Dato' Seri Nik Abidin Bin Nik Omar (Independent Non-Executive Director)
Foo San Kan (Independent Non-Executive Director)
Craig Anthony Ellis (Non-Independent Non-Executive Director)
Jens Reisch (Non-Independent Executive Director)
Zakri Bin Mohd Khir (Non-Independent Non-Executive Director)
Ong Eng Chow (Non-Independent Executive Director)

To: **The Shareholders of AMB**

Dear Shareholders

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS

1. INTRODUCTION

At the 36th AGM of the Company held on 24 June 2010, the Company obtained a renewal of the mandate from its shareholders for the Group to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations with the Related Parties.

The said mandate shall lapse at the conclusion of the forthcoming 37th AGM unless authority for its renewal is obtained from the shareholders of the Company.

AMB has on 22 March 2011 announced that it proposes to seek shareholders' approval to renew the shareholders' mandate in order for AMB and its subsidiaries to continue enter into the Recurrent Related Party Transactions provided that such transactions are made at arm's length, in the ordinary course of business, on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

The purpose of this Circular is to provide you with information on the Proposed Renewal of Shareholders' Mandate and to seek your approval on the ordinary resolution in respect of the Proposed Renewal of Shareholders' Mandate to be tabled at the forthcoming 37th AGM of the Company scheduled to be held at Junior Ballroom, Level 2, Hotel InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 23 June 2011 at 10.00 a.m.

2. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

2.1 Background

Pursuant to Paragraph 10.09(2) of the Listing Requirements, the Company may seek mandate from its shareholders for the Recurrent Related Party Transactions subject to, inter alia, the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where:-
 - (i) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transactions is RM1 million or more; or
 - (ii) any one of the percentage ratios as prescribed in Paragraph 10.02(g) of the Listing Requirements of such Recurrent Related Party Transaction is 1 % or more,

whichever is the higher;

- (c) in a meeting to obtain shareholders' mandate, the interested Director, interested major shareholder or interested person connected with a Director or major shareholder and where it involves the interest of an interested person connected with a Director or major shareholder, such Director or major shareholder, must not vote on the resolution approving the transactions. An interested Director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (d) the Company immediately announces to Bursa Securities when the actual value of a Recurrent Related Party Transaction entered into by the Company, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in this Circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

The Proposed Renewal of Shareholders' Mandate once approved by the shareholders at the forthcoming 37th AGM will take effect from the passing of the ordinary resolution proposed at the 37th AGM and will continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the forthcoming 37th AGM at which the Proposed Renewal of Shareholders' Mandate is passed, at which time it will lapse, unless by an ordinary resolution passed at the said AGM, the authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

The Group is involved in the business of investment holding, underwriting of life insurance, investment-linked business and underwriting of general classes of insurance.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as follows:-

Name of Subsidiary Companies	Effective equity interest %	Principal activities
ALIM	100	Underwriting of life insurance and investment-linked business
AGIC	100	Underwriting of all classes of general insurance business
BMB	100	Investment holding

It is anticipated that the Group will, in the ordinary course of business, enter into Recurrent Related Party Transactions with classes of related parties as set out in section 2.2 of this Circular.

In view of time sensitivity and the frequent nature of such related party transactions, the Directors of the Company are seeking shareholders' approval for the Proposed Renewal of Shareholders' Mandate which allow the Group, in its ordinary course of business, to enter into categories of Recurrent Related Party Transactions with the Related Parties referred to in section 2.2 of this Circular, provided that such transactions are made on arm's length basis and are on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

2.2 Nature of the Recurrent Related Party Transactions and Related Parties

The Proposed Renewal of Shareholders' Mandate will apply to the Recurrent Related Party Transactions by the Group with the following Related Parties:-

Name of Related Party	Principal Activities of Related Party	Relationship	Nature of Recurrent Related Party Transactions	Mandate	Existing Mandate ^{N1}				Estimated value of income to the Group ^{N4} (RM)	Estimated value of expenses to the Group ^{N4} (RM)
					Income to the Group	Expenses to the Group	Actual value ^{N3} (RM)	Actual value ^{N3} (RM)		
Allianz SE Group	Insurance and reinsurance business, financial and asset management services	Allianz SE Group are deemed to be Related Parties via Allianz SE's direct interest as a major shareholder of AMB	^(a) Reinsurance arrangement with AGIC for general insurance business where the risk and premium are shared between the parties in accordance with reinsurance arrangements entered or to be entered into between the parties	Existing	Estimated value ^{N2} (RM)	Expenses to the Group ^{N2} (RM)	Actual value ^{N3} (RM)	Actual value ^{N3} (RM)	Estimated value of income to the Group ^{N4} (RM)	Estimated value of expenses to the Group ^{N4} (RM)
					55,000,000	180,000,000	28,232,786	112,935,051	40,000,000 ^{N5}	145,000,000 ^{N5}

Name of Related Party	Principal Activities of Related Party	Relationship	Nature of Recurrent Party Transactions	Mandate	Existing Mandate ^{N1}				Estimated value of income to the Group ^{N4} (RM)	Estimated value of expenses to the Group ^{N4} (RM)
					Income to the Group		Expenses to the Group			
					Estimated value ^{N2} (RM)	Actual value ^{N3} (RM)	Estimated value ^{N2} (RM)	Actual value ^{N3} (RM)		
			(^a) Reinsurance arrangement with ALIM for life insurance business, where the risk and premium are shared between the parties in accordance with reinsurance arrangements entered or to be entered into between the parties	Existing	14,000,000	5,257,150	56,000,000	47,245,865	14,000,000 ^{N5}	56,000,000 ^{N5}
			(^b) Payment of fees by AGIC to Allianz SE Group for risk management services provided by Allianz SE Group pursuant to the reinsurance arrangements entered into between the parties	New	-	-	-	-	-	471,000

Name of Related Party	Principal Activities of Related Party	Relationship	Nature of Recurrent Party Transactions	Mandate	Existing Mandate ^{N1}				Estimated value of income to the Group ^{N4} (RM)	Estimated value of expenses to the Group ^{N4} (RM)
					Income to the Group Estimated value ^{N2} (RM)	Actual value ^{N3} (RM)	Expenses to the Group Estimated value ^{N2} (RM)	Actual value ^{N3} (RM)		
			^(c) Payment of annual maintenance and support fees for software system by ALIM to Allianz SE	Existing	-	-	125,000	102,653	-	125,000
			^(d) Investment by ALIM in funds distributed by Allianz Global Investors Singapore Limited ("AGI")	Existing	-	-	80,000,000	19,200,015	-	80,000,000
			^(e) Payment of fees by ALIM to IDS GmbH for conducting performance attribution analysis	Existing	-	-	20,000	8,918	-	10,000
			^(f) AMB Group's sharing of Human Resource ("HR") database platform of Allianz SE	Existing	-	-	18,500	18,500	-	26,000

Name of Related Party	Principal Activities of Related Party	Relationship	Nature of Recurrent Party Transactions	Mandate	Existing Mandate ^{N1}				Estimated value of income to the Group ^{N4} (RM)	Estimated value of expenses to the Group ^{N4} (RM)
					Income to the Group		Expenses to the Group			
					Estimated value ^{N2} (RM)	Actual value ^{N3} (RM)	Estimated value ^{N2} (RM)	Actual value ^{N3} (RM)		
			⁽⁹⁾ AMB Group's sharing of marketing measures undertaken by Allianz SE	Existing	-	-	850,000	896,478	900,000	
			⁽⁶⁾ AMB Group's sharing of Allianz Worldwide Intranet Network ("AWIN") access	Existing	-	-	510,000	299,934	500,000	
			⁽⁷⁾ Payment of service fees by AGIC to Mondial Assistance (Asia) Pte Ltd ("Mondial") for road assistance services provided by Mondial to the policyholders of AGIC	New	-	-	-	-	4,700,000	

Name of Related Party	Principal Activities of Related Party	Relationship	Nature of Recurrent Related Party Transactions	Mandate	Existing Mandate ^{N1}				Estimated value of income to the Group ^{N4} (RM)	Estimated value of expenses to the Group ^{N4} (RM)
					Income to the Group		Expenses to the Group			
					Estimated value ^{N2} (RM)	Actual value ^{N3} (RM)	Estimated value ^{N2} (RM)	Actual value ^{N3} (RM)		
			⁽¹⁾ Payment of annual membership fees by ALIM and AGIC to All Net GmbH ("All Net") for participating in the Allianz International Employee Benefits Network	New	-	-	-	-	12,500	
			⁽⁶⁾ Payment for investment advisory services fees by AMB Group to Allianz Investment Management Singapore Pte Ltd ("AIM")	Existing	-	-	1,400,000	1,010,815	1,500,000	

Notes:

- N1 Refers to existing mandate obtained from the 36th AGM held on 24 June 2010 up to the 37th AGM to be held on 23 June 2011.*
- N2 Estimated value as disclosed in the preceding year's circular to shareholders dated 2 June 2010.*
- N3 Actual value incurred since the 36th AGM held on 24 June 2010 to 3 May 2011, being the latest practical date prior to printing of this Circular.*
- N4 The estimated value of the transactions set out above are based on values transacted for the period of 12 months from 1 January 2010 to 31 December 2010 or the estimated amount to be transacted for the period from 1 January 2011 to 31 December 2011. The estimated value of these transactions may vary and subject to changes.*
- N5 As the Group is in the insurance business, the figures (actual or contingent) do not include payments obligations arising from claims duly made pursuant to any insurance policies issued.*
- (a) Reinsurance is an arrangement for the transfer or sharing of business risk, to another or between insurance and reinsurance companies. For the purposes of the Proposed Renewal of Shareholders' Mandate, where AGIC/ALIM enters into reinsurance arrangements with a related party, and vice versa, AGIC/ALIM incurs expenses or earned revenues from premiums or commissions payable or receivable pursuant to reinsurance arrangements entered into between the relevant parties.*
- (b) This is in relation to the risk management surveys to be conducted by Allianz SE Group to evaluate the risks to be underwritten under the reinsurance arrangements to be entered into between AGIC, Allianz SE Group and other insurers/reinsurers. The cost for conducting the risk management survey will be shared equally among all the co-insurers and reinsurers based on their respective percentage of participation in the reinsurance arrangement to be entered by all parties.*
- (c) This is pertaining to a software system provided by Allianz SE to ALIM. The implementation of the said system is to improve business processes and critical customer services, which in turn will help in supporting the business growth of ALIM.*
- (d) This is in relation to the investment by ALIM's Investment-Linked Funds and Life Fund in funds distributed by AGI, an open-ended investment company wholly-owned by Allianz SE.*
- (e) This is in relation to the engagement of IDS GmbH by ALIM to conduct performance attribution analysis on ALIM's investment-linked funds in order for ALIM to identify and understand the factors contributing to the performance of the said funds.*
- (f) This is pertaining to the standard tools and applications to provide a common HR database that will enable Allianz SE to tap on relevant employee information worldwide, thus ensuring consistency of AMB Group's HR procedures with Allianz global best practices. The data is managed locally by AMB Group HR.*

- (g) *This is pertaining to AMB Group's sharing of cost for global marketing measures of common benefits undertaken by Allianz SE for all operating entities within the Allianz SE Group. The marketing measures undertaken by Allianz SE would further enhance the public awareness of the brand name of Allianz as well as the wide range of financial services and solutions provided by Allianz SE Group. In addition, with the centralisation of the marketing approach at the ultimate holding company level, AMB Group will be benefited from the cost-efficiency arising from the centralised approach with regard to the organisation and the evaluation of the marketing measures and hence, strengthen the AMB Group's customer bases as well as the revenues and profit in the core fields of the business of the AMB Group.*
- (h) *This is pertaining to AMB Group's sharing of cost for the use of AWIN, an international secured network platform made available by Allianz SE Group to all companies within the Allianz SE Group. Via AWIN, the AMB Group will be able to access to the expertise, technical know-how and best practices of the Allianz SE Group and at the same time leverage on benefits from the Central IT Purchasing facility to achieve cost saving.*
- (i) *This is in relation to the engagement of Mondial, a wholly-owned subsidiary of Allianz SE, by AGIC to provide road assistance services for AGIC's policyholders who have purchased such services under the motor and personal accident insurance related products of AGIC.*
- (j) *This is in relation to the participation by AGIC and ALIM in the Allianz International Employee Benefits Insurance Programs ("AllNet Program") offered by All Net, a subsidiary of Allianz SE. All Net's main core business is providing employee benefits solution through international pooling or captive arrangement. By participating in AllNet Program, both AGIC and ALIM will have greater opportunity to secure more multinational clients via the international pooling arrangement under the said program.*
- (k) *This is in relation to the engagement of AIM for a range of investment advisory services by AMB Group. This service is to enhance the risk management procedures, improve long term investment returns and strengthen the capital base of the AMB Group.*

2.3 Review Procedures for Recurrent Related Party Transactions

The AMB Group had established various methods and procedures to ensure that the Recurrent Related Party Transactions are undertaken on arm's length basis and consistent with the Group's usual business practices and policies and that the transaction prices and terms are not more favourable to the Related Parties than those extended to third parties/public and are not to the detriment of the minority shareholders.

The procedures established by the AMB Group are as follows:-

- (a) A list of Related Parties (based on information furnished to AMB by the Directors, major shareholders and/or persons connected to such Directors or major shareholders) is circulated within the Group and all operating entities within the Group are required to report to the designated department on related party transactions entered into by the Group. At the same time, the Related Parties will be notified that all Recurrent Related Party Transactions are required to be undertaken on arm's length basis and are on transaction prices and terms not more favourable to the Related Parties than those extended to third parties/public and not to the detriment of the minority shareholders.

- (b) A procedural workflow documented the processes to monitor, track and identify Recurrent Related Party Transactions as well as to seek the required approval for the Recurrent Related Party Transactions has been established and implemented.
- (c) Save for exempted related party transactions by the authorities, all new related party transactions including Recurrent Related Party Transactions will be reviewed by the Shareholders' Mandate Due Diligence Working Group and the Audit Committee of AMB before they are submitted to the Board of Directors for approval. All existing Recurrent Related Party Transactions will be reviewed annually by the Shareholders' Mandate Due Diligence Working Group and the Audit Committee of AMB and their findings will be submitted to the Board of Directors for deliberation.
- (d) Records will be maintained by the Company to capture Recurrent Related Party Transactions which are entered into pursuant to the Shareholders' Mandate.
- (e) Internal Auditors shall periodically review the procedures in respect of Recurrent Related Party Transactions and report their observations to the Audit Committee.
- (f) The Audit Committee shall have overall responsibility for the determination of the review procedures with authority to sub-delegate to individuals or committees within the Company as they deem appropriate. If a member of the Audit Committee has an interest, as the case may be, he will abstain from any decision making by the Audit Committee in respect of the said transaction. Such review methods and procedures may be modified, supplemented or replaced from time to time by the Audit Committee.
- (g) The Audit Committee of AMB shall annually review the procedures and processes for the Recurrent Related Party Transactions. If during the reviews, the Audit Committee is of the view that the procedures and/or processes are not adhered to or are not sufficient to ensure that the transaction prices and terms are not more favourable to the Related Parties than those extended to third parties/public and/or the transaction is detrimental to the minority shareholders, the Audit Committee will:-
 - (i) First, discuss the relevant guideline or procedure concerned with the Chief Executive Officer to ascertain whether it is the guideline or procedure which is at fault or whether it is the fault of the person(s) delegated with the task of ensuring compliance or otherwise;
 - (ii) Second, if the fault is the person rather than the guideline or procedure, disciplinary action will be taken against the person concerned as appropriate. If the defect lies with the guideline or procedure, then the Audit Committee will modify, supplement or replace as may be required the relevant guideline or procedure and report such modification, supplement or replacement to the Board of Directors.

- (h) Factors that should be considered when reviewing the Recurrent Related Party Transactions include but are not limited to the following:-
- (i) transaction prices or contract rates;
 - (ii) terms and conditions of the contract;
 - (iii) efficiency, quality, level of service and/or expertise and/or technical support provided;
 - (iv) benefits arising from the services/products;
 - (v) satisfactory past year experience and working relationship; and
 - (vi) in respect of the insurance activities, pursuant to reinsurance, underwriting and treaty arrangements entered into between relevant parties.
- (i) Where practicable and/or feasible, at least two other contemporaneous transactions with third parties for similar products/services and/or quantities will be used as comparison for determining price and terms offered by/to the Related Parties are fair and reasonable as compared with those offered to/by third parties. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained due to no availability of such product/service in the local market, the transaction price will be determined based on those offered by/to other unrelated third parties for the substantially similar type of transaction.

In the event a substantially similar type of transaction is not available, the transaction price shall be determined based on the quality, the level of support, the benefits arising from such product/service and any other factors that may be determined by the AMB Group to ensure that the Recurrent Related Party Transaction is not detrimental to the AMB Group.

2.4 Threshold for Recurrent Related Party Transactions

There is no specific threshold for approval of Recurrent Related Party Transactions within the AMB Group. However, all Recurrent Related Party Transactions are subject to the approval of the appropriate levels of authority as determined by the Board from time to time, subject to the provisions of the Listing Requirements, the Companies Act, 1965 and the guidelines issued by Bank Negara Malaysia.

2.5 Deviation

There is no deviation where the actual value transacted of each Recurrent Related Party Transaction, from the date on which the existing mandate was obtained up to 3 May 2011 being the latest practical date before the printing of this Circular, exceeds the estimated value of each Recurrent Related Party Transaction as disclosed in the preceding year's circular to shareholders by 10% or more.

2.6 Rationale for the Proposed Renewal of Shareholders' Mandate and Benefit to the Group

The Proposed Renewal of Shareholders' Mandate is intended to facilitate transactions in the normal course of business of the Group which are transacted from time to time with the Related Parties, provided that they are carried out at arm's length and on terms not more favourable to the Related Parties than those generally available to the public and not to the detriment of the minority shareholders of the Company.

Investment holding and insurance underwriting are the principal businesses of the Group. The Related Parties listed in section 2.2 of this Circular are also involved substantially, if not principally, in the insurance and reinsurance businesses as well as in activities which will complement the business of the Group. It is anticipated that the Recurrent Related Party Transactions will occur on a frequent and recurrent basis in view of the complementary nature of the activities of the Group and the Related Parties.

The Proposed Renewal of Shareholders' Mandate will eliminate the need to make announcements to Bursa Securities or to convene separate general meetings or from time to time to seek shareholders' approval as and when potential Recurrent Related Party Transactions with the Related Parties arise, thereby reducing substantially the administrative time and expenses in convening general meetings, without compromising the corporate objectives or adversely affecting the business opportunities available to the Group.

Given the complementary nature of the activities of the members of the Group and the activities of the Related Parties in section 2.2 of this Circular, it is in the interest of the Group to transact with such Related Parties (in addition to their transactions with third parties in the ordinary course of business) so that the Group can enjoy synergistic benefits. In addition, the Group will also be able to enjoy the operational and business supports arising from the Recurrent Related Party Transactions.

2.7 Audit Committee Statement

The Audit Committee of the Company has seen and reviewed the procedures mentioned in section 2.3 of this Circular and is of the view that the said procedures are sufficient to ensure that the Recurrent Related Party Transactions are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

The Audit Committee of the Company is also of the view that the AMB Group has in place adequate procedures and processes to monitor, track and identify Recurrent Related Party Transactions in a timely and orderly manner.

3. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Allianz SE ("Interested Major Shareholder") is deemed interested in the Recurrent Related Party Transactions entered between the Group and Allianz SE Group as it is a major shareholder of AMB.

Mr. Craig Anthony Ellis, Director of AMB and ALIM, is deemed interested in the Recurrent Related Party Transactions entered between the Group and Allianz SE Group as he is the nominee of Allianz SE on the Board of Directors of AMB and ALIM.

Mr. Jens Reisch, Director of AMB, AGIC and ALIM and the Chief Executive Officer of AMB and ALIM, is deemed interested in the Recurrent Related Party Transactions entered between the Group and Allianz SE Group as he is the nominee of Allianz SE on the Board of Directors of AMB, AGIC and ALIM.

Mr. Ong Eng Chow, Director of AMB and the Chief Financial Officer of AMB and ALIM, is deemed interested in the Recurrent Related Party Transactions entered between the Group and Allianz SE Group as he is the nominee of Allianz SE on the Board of Directors of AMB.

Mr. Zakri Bin Mohd Khir, Director of AMB and BMB and the Chief Executive Officer of AGIC, is deemed interested in the Recurrent Related Party Transactions entered between the Group and Allianz SE Group as he is the nominee of Allianz SE on the Board of Directors of AMB and BMB.

Accordingly, Mr. Craig Anthony Ellis, Mr. Jens Reisch, Mr. Ong Eng Chow and Mr. Zakri Bin Mohd Khir ("Interested Directors") have abstained and will continue to abstain from Board deliberation and voting on the Proposed Renewal of Shareholders' Mandate in respect of the Recurrent Related Party Transactions relating to Allianz SE Group.

The direct and indirect interests of the Interested Directors and the Interested Major Shareholder and/or persons connected with the Interested Directors or Interested Major Shareholder in the ordinary shares of the Company as at 3 May 2011 are as follows:-

NAME	NO. OF ORDINARY SHARES DIRECT	%	NO. OF ORDINARY SHARES INDIRECT	%
Interested Directors				
Craig Anthony Ellis	-	-	-	-
Jens Reisch	-	-	-	-
Ong Eng Chow	100	-	-	-
Zakri Bin Mohd Khir	100	-	-	-
Interested Major Shareholder (and persons connected with Interested Directors or Interested Major Shareholder)				
Allianz SE	115,362,295	74.97	-	-

Save as disclosed above, there are no other major shareholders and none of the other Directors of the Company have any interest, direct or indirect, in the Recurrent Related Party Transactions. There are no other persons connected with the Interested Directors or Interested Major Shareholder who have an interest in the Recurrent Related Party Transactions.

All the Interested Directors, Interested Major Shareholder will abstain from voting in respect of their direct and/or indirect shareholdings on the resolution relating to the Proposed Renewal of Shareholders' Mandate at the forthcoming 37th AGM. The Interested Directors and the Interested Major Shareholder have undertaken that they will ensure that the persons connected with them abstain from voting on the resolution, deliberating or approving the proposal at the general meeting in respect of their direct and/or indirect interest, relating to the Proposed Renewal of Shareholders' Mandate at the forthcoming 37th AGM.

4. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

The Proposed Renewal of Shareholders' Mandate is not expected to have any effect on the issued and paid-up share capital and the shareholding structure of the Company and it will not have any significant impact on the consolidated net assets and earnings of the Group.

5. CONDITION OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

The Proposed Renewal of Shareholders' Mandate is subject to the approval of the shareholders of AMB at the forthcoming 37th AGM.

6. DIRECTORS' RECOMMENDATION

The Directors (save for the Interested Directors) having considered all aspects of the Proposed Renewal of the Shareholders' Mandate, are of the opinion that the Proposed Renewal of Shareholders' Mandate is in the best interest of the Group and recommended that shareholders vote in favour of the ordinary resolution in respect of the Proposed Renewal of Shareholders' Mandate to be tabled at the forthcoming 37th AGM.

7. AGM

The forthcoming 37th AGM, the notice of which is set out in the 2010 Annual Report of AMB and an extract of which in relation to the Proposed Renewal of Shareholders' Mandate is enclosed in this Circular as Appendix II, will be held at Junior Ballroom, Level 2, Hotel InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 23 June 2011 at 10.00 a.m. or at any adjournment thereof, for the purpose of, inter alia, considering and if thought fit, passing the ordinary resolution on the Proposed Renewal of Shareholders' Mandate, with or without amendments, to give effect to the Proposed Renewal of Shareholders' Mandate.

A Form of Proxy for the 37th AGM is enclosed together with the 2010 Annual Report. If you are unable to attend and vote in person at the 37th AGM, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's Registered Office at Suite 3A-15, Level 15, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time set for holding the 37th AGM. The lodging of the Form of Proxy will not preclude you from attending the 37th AGM and voting in person at the 37th AGM should you subsequently wish to do so.

8. FURTHER INFORMATION

Shareholders are requested to refer to the Appendix I contained in this Circular for further information.

Yours faithfully
For and on behalf of the Board of Directors
ALLIANZ MALAYSIA BERHAD

TAN SRI RAZALI ISMAIL
Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board of Directors of AMB who collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

2. MATERIAL CONTRACTS

Save as disclosed below, AMB Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two (2) years immediately preceding the date of this Circular:-

- (a) In consideration of an amount of RM1.00 paid by AMB to Allianz SE, Allianz SE provided an irrevocable undertaking to AMB on 7 April 2010, that:-
- (i) Allianz SE shall subscribe all the irredeemable convertible preference shares of RM1.00 each in AMB ("ICPS") that Allianz SE shall be entitled to subscribe (pursuant to the proposed renounceable rights issue of ICPS of AMB) based on Allianz SE's shareholding in AMB on the entitlement date to be determined by AMB and subsequently notified in writing to Allianz SE. The total consideration for the subscription by Allianz SE of its entitlements shall be set-off against an equivalent amount from the RM490 million credit facility granted by Allianz SE to AMB.
 - (ii) Allianz SE shall not convert the ICPS into ordinary shares of AMB if such conversion will result in Allianz SE holding more than its existing shareholding in AMB.

In respect of item (i) above, on 4 August 2010, a sum of RM458,565,120.24 was set-off against the RM490 million credit facility granted by Allianz SE to AMB, following Allianz SE's subscription of its entitlement of 144,202,868 ICPS under the rights issue of AMB.

- (b) In consideration of an amount of RM1.00 paid by AMB to Allianz SE, Allianz SE provided an irrevocable undertaking to the Company on 27 May 2010 ("Additional Undertaking Letter"), that:-
- (i) Allianz SE shall subscribe the ICPS that are not subscribed by any entitled shareholder of AMB and/or its renounee after the closing date for the rights issue, at a price of RM3.18 per ICPS ("Excess Subscription"). The total consideration for the Excess Subscription shall be set-off in part or in full against the amount that remains outstanding from the RM490 million credit facility granted by Allianz SE to AMB, and it being agreed that Allianz SE shall make payment in cash for the balance of the Excess Subscription in the event that the Excess Subscription is set off in part; and

- (ii) Allianz SE has sufficient financial resources to satisfy the consideration in respect of the Excess Subscription.

As at the closing date for the rights issue at 5.00 p.m. on 23 July 2010, the rights issue was oversubscribed by 12,376,087 ICPS or approximately 6.4% in excess of the total number of 192,336,547 ICPS available for subscription under the rights issue. In view of the oversubscription, Allianz SE did not apply for the Excess Subscription as mentioned in the Additional Undertaking Letter.

The rights issue was completed following the listing and quotation of 192,336,547 ICPS on the Main Market of Bursa Securities on 6 August 2010.

3. MATERIAL LITIGATION

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

(A) **BMB**

- (i) Kuala Lumpur High Court Civil Suit No: S4-22-1194-2007 in the matter of Duopharma Properties Sdn Bhd ("Duopharma"), Michaelian (Malaysia) Sdn Bhd ("Michaelian Malaysia"), Michaelian Holdings Sdn Bhd ("Michaelian Holdings") and Duomark Properties Sdn Bhd ("Duomark") (collectively "Plaintiffs") - v - Commerce International Group Berhad ("CIGB") and Commerce Assurance Berhad ("CAB") (now known as BMB) (collectively "Defendants")

The Plaintiffs and Defendants entered into negotiations on the sale and purchase of the properties located at Levels 10, 12, 13, 13A and 15 of Block 3A, Plaza Sentral, Kuala Lumpur ("Properties") and thereafter for a lease back of the Properties to CAB. The intended sale did not complete as approval of the board of directors of CAB was not obtained ("Aborted Transaction").

On 9 October 2007, the Plaintiffs filed a suit against the Defendants, the particulars of which are as follows:-

- (a) Duopharma is seeking an order for specific performance of the Aborted Transaction and in the event it is not granted, special damages being the repayment or refund of the earnest deposit of RM612,068.88 with interest at 8% per annum from 30 May 2006 until full realisation and special damages being the interest of 8% per annum on the balance of the deposit in the sum RM1,428,160.70 from 6 July 2006 until 2 August 2007 for the loss of use of these funds amounting to RM123,016.86 and interest at 4% per annum on special damages from the date of filing until full realisation;
- (b) Duopharma and/or Michaelian Malaysia is/are seeking special damages in the sum of RM4,822,200.00 as loss of leaseback rentals for 2 parcels of the Properties and interest at 4% per annum thereon from the date of filing until full realisation;

- (c) Duopharma and/or Michaelian Holdings is/are seeking special damages in the sum of RM4,808,400.00 as loss of leaseback rentals for 2 other parcels of the Properties and interest at 4% per annum thereon from the date of filing until full realisation; and
- (d) Duopharma and/or Duomark is/are seeking special damages in the sum of RM2,418,000.00 as loss of leaseback rentals for the fifth parcel of the Properties and interest at 4% per annum thereon from the date of filing until full realisation.

CAB filed its Defence dated 17 December 2007. Earlier trial dates were vacated by the Court and at the last Case Management on 21 April 2011, the Court fixed the new trial dates on 8 to 11 November 2011.

CIGB has, by way of a letter agreement dated 10 July 2007 ("Indemnity Letter"), agreed to indemnify and keep the Company (for itself and as trustee of CAB) indemnified to the extent described in the Indemnity Letter against any loss, or liability suffered, any payment made or required to be made, and any cost and expenses incurred by the Company or CAB in the event that judgment is entered against CAB in respect of this matter by a court of competent jurisdiction.

The Directors have been advised by the solicitors having conduct of the matter that there is an even chance for CAB and CIGB to successfully defend this action. Pending the outcome of the judgment on this case, it is premature to estimate the exposure of liabilities to the Group.

- (ii) Kuala Lumpur High Court Originating Summons No.: S1 – 24 – 2518 – 2007 in the matter of CAB - v - Duomark, Michaelian Malaysia and Michaelian Holdings

On 3 September 2007, CAB received 2 notices from Kuala Lumpur Plaza Sentral Sdn. Bhd. ("KLSB") dated 27 August 2007 informing that the Plaintiffs in Civil Suit No: S4-22-1194-2007 had lodged private caveats on the master title of the Properties which is the subject matter of dispute in the said suit. KLSB further gave notice to remove and/or cause the private caveats to be withdrawn within 14 days from the date of the notices ("KLSB's Notices").

As the private caveats lodged by the Plaintiffs would adversely affect the rights of third parties and to avoid any liability arising from the lodgement of the private caveats, CAB had on 5 November 2007 filed for the removal of the said caveats vide an Originating Summons at the Kuala Lumpur High Court which was heard and dismissed on 21 April 2008.

Upon being advised by the solicitors that given KLSB's Notices, CAB should demonstrate that it has taken all reasonable steps for the removal of the private caveats, a Notice of Appeal to the Court of Appeal was filed on 25 April 2008. CAB's said appeal was heard and dismissed on 18 November 2010. Following the Court of Appeal's decision, CAB had on 15 December 2010, filed the application for leave to appeal to the Federal Court which was heard and dismissed by the Federal Court on 7 March 2011.

The Directors have been advised by the solicitors that since CAB has now exhausted its efforts to have the private caveats removed, KLSB would be informed that the said private caveats would have to remain until expiry thereof in about 2 years.

(B) AGIC

- (i) High Court of Sabah & Sarawak Originating Summons No: T(24)15 of 2006 in the matter of Lau Yee Fai @ Lau Yee Ming - v- CAB *

The Plaintiff was employed by CAB since 1975 and resigned on 3 May 2005 after 29 years and 7 months of service. Vide a letter dated 9 May 2005, the Plaintiff was informed that she was entitled to a resignation benefit for the sum of RM17,228 after deduction of RM55,127 being the employer's contribution of the Employees' Provident Fund ("EPF").

The Plaintiff was not satisfied with the deduction by CAB of its contribution for EPF from her gratuity and filed a suit on 13 March 2006 seeking a refund of the sum of RM55,127 and interest of 8% thereon from 1 June 2005 until the date of judgment and also 8% interest per annum on the damages awarded together with costs of the application filed on a solicitor client basis.

This case was heard on 18 April 2007 and on 13 November 2007, the Judge ruled in favour of the Plaintiff. The Plaintiff made a demand for the Judgment Sum with interest amounting to RM67,415.03 (excluding costs which was to be taxed) and CAB forwarded the said sum to the Plaintiff's solicitors.

CAB has since filed a Notice of Appeal dated 3 December 2007 ("Appeal") to the Court of Appeal against the said decision. CAB's solicitors are of the opinion that CAB stands a chance in succeeding in the Appeal.

To date, the Memorandum of Appeal and the Record of Appeal have been filed for the Appeal. The Court of Appeal has since fixed the Appeal for hearing on 13 June 2011.

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

4. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Registered Office of the Company during normal business hours from the date of this Circular up to and including the date of the 37th AGM:-

- (a) Memorandum and Articles of Association of the Company;
- (b) Audited financial statements of AMB Group for the financial years ended 31 December 2009 and 31 December 2010;
- (c) Unaudited consolidated quarterly results of AMB Group for the first quarter ended 31 March 2011;
- (d) Material contract for AMB Group as referred to in section 2 above; and
- (e) the relevant cause papers in respect of the material litigation as referred to in section 3 above.

EXTRACT OF NOTICE OF THE 37TH AGM

**ORDINARY RESOLUTION
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into the category of Recurrent Related Party Transactions of a revenue or trading nature which are necessary for its day-to-day operations with the Related Parties as specified in section 2.2 of the Circular dated 1 June 2011, provided that the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;

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

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

whichever is the earlier;

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

(Resolution 8)