On behalf of the Board of Directors, I am pleased to present the Annual Report and Accounts of the Group for the year ended 31 December 2007.

OPERATING ENVIRONMENT

The Malaysian economy continued its strong growth momentum, expanding by 6.3% in 2007 (2006: 5.9%). Growth was driven primarily by robust domestic demand despite a weaker external environment as result of slower demand from the US. Growth was driven by both the private and public sectors as supported by stronger consumer sentiment and sustained business confidence.

The services sector has become the main driver of growth in 2007 with an expansion of 9.7% (2006: 6.5%). Growth was underpinned by increased domestic activities in finance and insurance, real estate and business services, communications and wholesale and retail trade sub-sectors. The Malaysia Life Insurance industry registered a growth of 6.15% (2006: 8.94%) in terms of new business total premium (single premium and annualized premium), whilst the General Insurance industry registered a growth of 3.91% (2006: 3.17%) in terms of gross written premium.

PERFORMANCE REVIEW

For the year under review, the Group’s total operating revenue grew marginally by 0.88% from RM2.30 billion (2006: RM2.28 billion). For conventional insurance business, the Life Insurance Division recorded gross premium income of RM1.46 billion (2006: RM1.45 billion) whereas the General Insurance Division registered a slight increase of 1.55% in terms of total gross premium to RM459.65 million (2006: RM452.64 million). For takaful insurance business, the Family Takaful Division and General Takaful Division registered gross contribution of RM25.75 million and RM0.85 million respectively during the six (6) months from 1 July 2007 (date of commencement of operations) to 31 December 2007.

The Group registered a loss after tax of RM73.27 million for the current year under review (2006: a loss after tax of RM1.66 million). The General Insurance Division contributed higher profit before tax of RM27.97 million (2006: RM5.58 million), however the Life Insurance Division and Shareholders’ Fund each recorded loss of RM42.81 million (2006: profit of RM34.32 million) and RM45.61 million (2006: RM22.57 million) respectively. No contribution was made by the takaful insurance business since the business is still at infancy stage with only six (6) months of operations.
The loss in Shareholders’ Fund was due mainly to recognition of a fair value loss of RM24.17 million arising from an interest rate swap transaction entered into during the current year with a licensed bank, and additional allowance made for non-performing loans of RM60.25 million (2006: RM7.88 million) in the subsidiary engaged in credit facilities.

The interest rate swap was entered into with the primary objective to reduce coupon payment of the RM200 million Medium Term Notes issued by the Group during the year. The fair value loss recorded by the interest rate swap arose mainly from intense volatility in the US market interest rates resulted from the subprime mortgage loan crisis. However, it is worth noting that on cash flow, the Group has realized an interest saving of RM1.4 million in coupon payment from the interest rate swap during the year.

The Shareholders’ Fund also experienced an increase in management expenses during the year, due mainly to management expenses of takaful insurance business, cum higher sales and marketing expenses of the unit trust business which commensurate to the corresponding increase in the sales volume of unit trust products.

As at 31 December 2007, the Group’s total assets stood at RM7.79 billion, an increase of 8.65% over 2006 of RM7.17 billion.

BUSINESS OPERATIONS REVIEW

For the year under review, the Group continues to remain focused in its existing four core operations, namely Malaysian Life Insurance Operations, Malaysian General Insurance Operations, Malaysian Unit Trust Operations and the International Operations, and the addition of new takaful insurance business. Details of their performance are separately discussed in the attached pages.

INVESTMENTS

During the year under review, the Group’s total investment income decreased by 4.17% to RM370.61 million (2006: RM386.72 million). In light of the bullish Malaysian equities market in 2006-2007, the Group has expanded its equity portfolio with the aim to improve its investment yield. The strategies were to invest in large capitalized stocks, high dividend yielding and liquid stocks. This timely portfolio re-structuring has been fruitful with the Group recorded higher gain from realization of quoted investments in 2007 compared to previous year. Nevertheless, these gains were set-off in part by additional allowance made for non-performing loans and also impairment allowance made for corporate debt securities which suffered rating downgrade and defaults in coupon and principal payment by the local insurance subsidiary.

Moving forward the Group will constantly review and revise its strategies and investment portfolio-mix in light of the ever changing investment climate to ensure benefits of capital preservation, profitability and consistent income flows.
LOAN PROVISIONS

As at end December 2007, total carrying amount of non-performing loans stood at RM649.92 million (2006: RM764.00 million), comprising 8.34% (2006: 10.66%) of the Group’s total assets. During the year, total recoveries from non-performing loans amounted to approximately RM105.03 million. These non-performing loans were collateralized by properties and/or shares pledged by the borrowers.

Under the debt recover exercise for non-performing loans, the Group discussed settlement plans with borrowers. For borrowers with no feasible settlement plans and where legal actions have been taken, the management has re-assessed the recovery process for the non-performing loans, in particular the estimated time to recover and recoverable amount of the pledged collaterals. During the year, the Group has applied a 20% discount on the open market value of prime-located collaterals and forced sale value for non-prime located collaterals, as recommended by independent external valuers. These assigned values as determined for non-performing loans are further discounted over 3 years for unhindered loans and over 5 years for those hindered loans. As a result of these re-assessments, additional allowance for non-performing loans totaling RM186.78 million (2006: RM25.94 million) was made for non-performing loans in 2007.

The Group has targeted a clean-up of the non-performing loans in the next two to three years.

DIVIDENDS

For the year ended 31 December 2007, the Board of Directors does not recommend the payment of dividend, in view of the need to preserve capital to meet the Group’s on-going and future operating requirements.

UPDATES ON RECENT CORPORATE PROPOSALS

The Group is pleased to provide the following updates:

(a) MAA Takaful Berhad (“MAA Takaful”), a subsidiary company of the Company, had on 12 June 2007 allotted 99,999,998 ordinary shares of RM1.00 each comprising 74,999,998 and 25,000,000 ordinary shares to the Company and Solidarity Company BSC (“Solidarity”) respectively. Subsequent to the allotment, the total issued and paid up capital of MAA Takaful increased to RM100,000,000 and the equity participation of the Company and Solidarity in MAA Takaful is 75% and 25% respectively.

Bank Negara Malaysia had via its letter dated 15 June 2007 registered MAA Takaful as a takaful operator under Section 8 of Takaful Act 1984 to undertake family takaful and general takaful businesses effective from 1 July 2007.
On 13 December 2007, Columbus Capital Singapore Pte Ltd (“CCS”), a wholly-owned subsidiary company of MAA International Investments Ltd which in turn a wholly-owned subsidiary of the Company, subscribed for 3,500,000 preference shares at an issue price of AUD1.00 per share, being 9.1% of the enlarged equity interest in Columbus Capital Pty Limited (“CCAU”), an associated company for a total cash consideration of AUD3.5 million (“the Subscription”). The cash consideration was satisfied by way of internal generated funds.

Upon completion of the Subscription, CCS held a total of 18.5 million preference shares representing 48.1% equity interest in CCAU.

NEW DEVELOPMENT

In September 2007, the Group announced that it has obtained approval from Bank Negara Malaysia (“BNM”) to commence talks with potential partners to acquire a stake in Malaysian Assurance Alliance Berhad (“MAA”), the local insurance subsidiary.

Further in March 2008, the Group announced that BNM has given approval for it to commence negotiations with AmAssurance Berhad for the latter to acquire an equity stake in its subsidiary, MAA Takaful.

The proposed divestment to potential partner(s) is part of the corporate strategic plans of the Group to capitalize on the global network, investment expertise, broader product knowledge, operations efficiency and risk management of new partner(s). All these will put the Group’s insurance business on a stronger footing with the synergistic benefits we have been looking for, while at the same time give the Group an opportunity to unlock the value of the insurance assets, including the MAA brand.

Currently, discussion with these parties is still on-going.

CUSTOMER SERVICE

Customer-focused and quality customer service has always been the goals of the Group. Armed with the Six Sigma methodology and its ISO 9001 quality status, the Malaysian insurance operations have been continuing the focus on improving IT systems and internal processes, maintaining staff training and education programs to ensure that our clients and agents get the best possible services.

INFORMATION TECHNOLOGY

The Group will continue with its effort to invest in the latest information technologies to further enhance its operational and cost efficiency. For the Malaysian operations, the Group has been
progressively implementing its Information Technology ("IT") Strategy Plan with the main aim to support future business requirements. The IT Strategy Plan addresses main issues of:
- organization alignment for effective IT strategy execution
- application development, automation and system integration
- data warehousing, data mining and business intelligence
- E-business strategy
- Process modeling initiative

CORPORATE SOCIAL RESPONSIBILITY

The Group has always remained committed to its quest to be a responsible and caring citizen. Towards this end, the Group has set up MAA-Medicare Kidney Charity Fund since 1994 with the aim to provide for cheaper kidney dialysis treatment cost. Over the years, the Group has expanded its network to twelve (12) kidney dialysis centres to cater for the needs of the ever-increasing number of new patients for such subsidized medical services.

The Group has also adopted The Budimas Charitable Foundation in 2002 with the objective of providing welfare to the under-privileged children and the poor. During the year, the Foundation has expanded the adopted homes for under-privileged children and orphans from five (5) homes to ten (10) homes, where continuous financial support shall be given.

Lastly, the Group will continue to allocate resources to further the objectives of these charitable activities in the years ahead.

Details of MAA-Medicare Kidney Charity Fund and The Budimas Charitable Foundation are separately discussed in the attached pages.

PROSPECTS

Bank Negara Malaysia reported in its Annual Report 2007 that outlook for the Malaysian economy in 2008 is expected to remain on a steady growth path, projected to expand by 5% - 6%, supported by resilient domestic demand to weather a slowdown in the global economy. Driven by the expansion in domestic economic activities, the Malaysian insurance industry is expected to be supported by the recovery in motor insurance in tandem with higher car sales as well as demand for investment-linked and other savings-related insurance products for education and medical purposes.

Nevertheless, the progressive deregulation and liberation of the local insurance sector by Bank Negara Malaysia, as measures to built a more resilient, competitive and dynamic insurance industry under the Financial Sector Masterplan, saw the entries of a few foreign insurance players taking up strategic stakes in local insurance companies. These established foreign insurers already have in place core teams to carry out their expansion plans and provide the requisite technical, operational, investment and management expertise. With this, competition within the insurance sector is expected to intensify in the years ahead.
During the year, BNM issued a Revised Concept Paper of the Risk-Based Capital Framework ("RBC") for insurers which will require insurers to maintain capital adequacy level commensurate with its risk profile. The implementation date of the RBC is scheduled on 1 January 2009. This new framework will change the landscape of insurers managing their risks and investments to achieve better asset-liability matching of insurance funds.

In this regards, MAA has taken efforts ahead, which include the rebalancing of the investment portfolios, realigning investment strategies and reorganising the product offerings, to be on track to meet the said RBC requirements. In addition, the Board of Directors of MAA Holdings Berhad will also consider divesting part of the Group’s assets and/or the need for fund raising, internally or externally, by the Company as the need arises.

The Group is well aware of the many other challenges ahead and the increasing competitive environment it is facing. Nevertheless, the Group has in place action plans including constant review and monitoring of these plans thereon, to face the challenges to ensure that firstly we are well capitalized and we manage our risks well and secondly our products and services remain innovative, competitive to meet the needs of our present and target customers.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to thank the management team and staff for their continued commitment, dedication and contributions to ensure the continued growth and success of the Group.

I would also like to take this opportunity to extend our appreciation to the regulatory bodies for their continued guidance and support; to our valued customers, agents, business associates and the shareholders for their invaluable support, confidence and trust they have placed in us.

Finally, I would like to thank my fellow Board members for their stewardship and contribution to the Group.

TUNKU TAN SRI ABDULLAH IBNI ALMARHUM TUANKU ABDUL RAHMAN
Chairman