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 2008.

OPERATING ENVIRONMENT

The Malaysian economy recorded a Gross Domestic Product ("GDP") growth of 4.6% in 2008, a slow down from 2007 of 6.3% brought about by the worsening of global economic conditions during the fiscal year. The contraction in the Malaysian economy was mainly due to the deterioration in exports of goods and services. Nevertheless, the domestic demand via private consumption and public spending has continued to provide support to the growth in 2008.

The services sector has moderated to a lower growth in 2008 with an expansion of 7.3% (2007: 9.7%). Most services sub-sectors in wholesale and retails trade, real estate and business services as well as the finance and insurance experienced contraction. Activities in the insurance segment, both for life and general insurance contracted, as reflected by the lower premium income from new businesses and vehicle sales.

In 2008, the Malaysia Life Insurance industry registered a slip of 6.2% in terms of new business total premium (single premium and annualised premium), a contrast against the industry growth of 6.2% in 2007. The General Insurance industry registered a growth of 8.4% (2007: growth of 3.6%) in terms of gross written premium.

PERFORMANCE REVIEW

For the year under review, the Group's total operating revenue decreased by 4.3% to RM2.2 billion (2007: RM2.3 billion). Under the conventional insurance business, the Life Insurance Division recorded a total gross premium income of RM1.3 billion (2007: RM1.5 billion) whereas the General Insurance Division registered a total gross premium of RM436.7 million (2007: RM459.7 million), of which an amount of RM372.1 million (2007: RM401.1 million) was from the discontinued operations. The discontinued operations of the General Insurance Division represent the General Insurance Business of Malaysian Assurance Alliance Berhad ("MAA") (a wholly-owned subsidiary company) classified as such to comply with FRS 5: Non-Current Assets Held For Sales and Discontinued Operations following announcement by the Company as disclosed in (c) under Updates on Recent Corporate Proposals in the ensuing sections. Under the takaful insurance business, the Family Takaful Division and General Takaful Division registered gross contribution of RM76.1 million (2007: RM25.8 million) and RM33.9 million (2007: RM0.9 million) respectively.

The Group registered a loss after tax of RM70.0 million for the current year under review (2007: a loss after tax of RM73.3 million). The General Insurance Division recorded a loss before tax of RM23.1 million (2007: profit before tax of RM28.0 million), of which the discontinued operations registered loss before tax of RM17.6 million (2007: profit before tax of RM24.4 million). The Shareholders' Fund recorded loss before tax of RM45.0 million (2007: loss before tax of RM45.6 million), however the Life Insurance Division registered a profit before tax of RM33.8 million (2007: loss before tax of RM42.8 million).

The loss in Shareholders' Fund was due mainly to recognition of a fair value loss of RM22.6 million (2007: fair value loss of RM24.2 million) on the interest rate swap transaction during the current year following the adoption of FRS 139: Financial Instruments – Recognition and Measurement that requires the calculation of the Mark-To-Market value of the interest swap, with the resulting fair value gain or loss arising thereon to be accounted for accordingly in the income statement.

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 in 2007. The fair value loss recorded by the interest rate swap arose mainly from intense volatility in the US market interest rates resulting from the subprime mortgage loan crisis and the economic downturn.

The Shareholders' Fund also experienced an increase in management expenses due mainly to management expenses of takaful business with full year operations during the year. The takaful business only commenced operations on 1 July 2007.

As at 31 December 2008, the Group's total assets stood at RM7.7 billion, a decrease of 1.3% over 2007 of RM7.8 billion.

BUSINESS OPERATIONS REVIEW

For the year under review, the Group continued its focus on four core operations, namely Malaysian Life Insurance Operations, Malaysian General Insurance Operations, Malaysian Unit Trust Operations and the International Operations, in addition to the new takaful business. The details of their performance are separately discussed in the attached pages.

INVESTMENTS

During the year under review, the Group's total investment income increased by 24.3% to RM332.7 million (2007: RM267.6 million) attributable to higher interest income mainly from fixed deposits, corporate debt securities and loan recovery.

During the year under review, the KLCI declined by 39.3% (2007: growth of 31.8%) in line with the other regional markets. In light of the bearish Malaysian equities market, the Group has realigned the investment strategy to rebalance the investment portfolios during the year to protect the equity portfolio from share price fall by shifting from equity portfolio to fixed-income securities in low-risk government securities, Cagamas papers and investment grade corporate bonds in selected industry, with the aim to protect capital and minimise investment risk. This resulted in the Group recording a loss from realisation of quoted equity securities in 2008, compared to gain in previous year when the Malaysian equities market was bullish then.

Moving forward the Group will constantly review and revise its strategies and investment portfolio-mix in light of the unfavourable investment environment to ensure that it achieves the benefits of capital preservation, profitability and consistent income flows to meet commitments to its customers.

LOAN PROVISIONS

As at the end December 2008, the total carrying amount of non-performing loans stood at RM450.5 million (2007: RM649.9 million), comprising 5.9% (2007: 8.3%) of the Group's total assets. The improvement of 30.7% in net non-performing loans was the result of stronger debt collection and on-going recovery exercise. During the year, the total recoveries from non-performing loans amounted to approximately RM251.6 million (2007: RM105.0 million). These non-performing loans were collateralised by properties and/or shares pledged by the borrowers with an average 2 times security coverage.

DIVIDENDS

For the year ended 31 December 2008, 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 International Assurance Ltd ("MAAIA"), a wholly-owned subsidiary company of MAA Corporation Sdn Bhd which is in turn a wholly-owned subsidiary of the Company has on 12 June 2008 disposed a total of 6,446,918 ordinary shares of Rp1,000 each, representing 34% equity interest in PT MAA General Assurance ("PT MAAG") to Mr. Ng Feby Antonious ("Feby"), a minority shareholder of PT MAAG, for a total cash consideration of RM252,188 pursuant to an Option granted by MAAIA to Feby via the Shareholders' Agreement dated 6 September 2001.

Upon completion of the disposal, MAAIA's equity interest in PT MAAG reduced from 94% to 60%.

(b) In order to meet the Indonesian insurance regulation on minimum net equity requirements by 31 December 2008, MAAIA had converted its subordinated loans into paid up capital and injected new capital to PT MAAG and PT MAA Life Assurance ("PT MAAL") in October 2008 and December 2008 respectively. Arising from these capital exercises, the paid up capital of PT MAAG and PT MAAL has increased by Rp25,702,727 (equivalent to RM9,407,855) and Rp69,396,700 (equivalent to RM25,617,325) respectively.

Upon completion of the capital injection exercise, MAAIA's equity interest in PT MAAG and PT MAAL increased from 60% to 83% and 98% to 99.5% respectively.

(c) On 10 November 2008, the Company announced the entering into a non-binding memorandum of understanding ("MOU") between MAA and AMG Insurance Berhad ("AMG") to formalise discussions on the proposed acquisition by AMG of the General Insurance Business of MAA at a headline price of RM274.8 million (subject to adjustments) and a 4.9% stake in MAA Takaful Berhad for a total consideration of RM16.2 million, equivalent to RM3.3 per share (collectively "Proposed Transactions").

The Proposed Transactions is subject to, the approvals being obtained from the following:

(i) Bank Negara Malaysia ("BNM") for the scheme of transfer under the business transfer agreement;
(ii) Minister of Finance based on the recommendation of BNM, pursuant to the Insurance Act, 1996;
(iii) Foreign Investment Committee (if required);
(iv) Securities Commission ("SC")(if required);
(v) Malaysian High Court for the Confirmation of scheme of transfer;
(vi) Shareholders of the Company

On 26 February 2009, the Company announced that both MAA and AMG are currently working towards finalising a business transfer agreement ("BTA")in relation to the proposed disposal of the General Insurance Business of MAA prior to the submission of the said agreement to BNM for approval.

On 24 April 2009, the Company announced that the headline price has been revised to RM254.83 million (subject to adjustments) and an application to BNM seeking its approval for the proposed disposal of the General Insurance Business of MAA to AMG ("the Proposed Disposal") has been submitted. The execution of the BTA is subject to

BNM's approval which is currently pending. The Company and MAA have also granted AMG an extension of 120 days to the exclusivity period under the MOU.

On 27 April 2009, the Company had submitted an application to the SC on the Proposed Disposal.

CUSTOMER SERVICE

Customer-focused and quality customer service have always been the goals of the Group. Armed with the Six Sigma methodology, the enhanced ISO 9001:2000 Quality Management System certification and the ISO 270001 Information Security Management System certification, the Malaysian insurance operations have been continuing the focus on improving Information Technology ("IT") systems and internal processes, maintaining staff training and education programmes to ensure that our clients and agents get the best possible services.

INFORMATION TECHNOLOGY

The Group will continue its effort to invest in the latest information technologies to further enhance its operational, business productivity and cost efficiency. For the Malaysian operations, the Group has been progressively implementing its IT Strategy Plan with the main aim to support future ever-changing business requirements. The IT Strategy Plan addresses main issues of new application development, process automation and system integration, E-business strategies and business intelligence.

MAA BRAND

The Group is proud to announce that in a recent study on Malaysia's most valuable brands, MAA brand was honored as one of the Malaysia's 30 Most Valuable Brands 2008, a great acknowledgement of our philosophy of brand equity as one of our most important assets to maintain the strong corporate image that we have developed to-date. MAA brand has been the pillar to drive sales and profits as customers gain confidence in the company and keeps our clients, agents and staff loyal to us.

Our tag-line is well recognised, "Say Yes To Solid Financial Security".

As the Group grows and expands, it has deliberately made a distinct change in the advertising strategies to focus on the MAA brand as a complete financial and insurance solutions provider under a one-stop centre integrating all products and services offered by MAA, MAAKL Mutual Bhd, MAA Takaful Berhad and MAA Universal Sdn Bhd.

CORPORATE SOCIAL RESPONSIBILITY

The Group has always remained committed to its quest to be a responsible and caring corporate citizen. Towards this end, the Group set up MAA-Medicare Kidney Charity Fund since 1994 with the aim to provide cheaper kidney dialysis treatment to the public. 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 subsidised medical services.

The Group also adopted The Budimas Charitable Foundation in 2002 with the objective of providing welfare to the under-privileged children and the poor. Currently, the Foundation has adopted and is providing continuous financial support to ten (10) homes for under-privileged children and orphans. Towards the last quarter of 2008, the Foundation set up its first own home, Pusat Jagaan Anak-Anak Yatim Orion Budimas for the welfare of orphans. The Foundation-owned home has the capacity to support a maximum of 20 children. Currently the home supports 9 children.

Lastly, the Group will continue to allocate resources to further the objectives of these charitable activities in the years ahead to fulfill its corporate social responsibility.

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

PROSPECTS

In its report on the Economic and Financial Developments in Malaysia for the Fourth Quarter of 2008, BNM reported that Malaysia, being an integral part of the global economy, has already felt the impact of the global financial crisis and economy slowdown. While global efforts have been intensified to counter the effects of the slowdown, risks remain on the downside and recovery of global economy is likely to be slow and protracted as a number of the regional economies have slipped into recession.

With the sharp deterioration in the global economy, Malaysia is facing an extremely challenging economic environment in 2009. Towards this end, the Malaysian government has announced the implementation of the First Stimulus Package of RM7 billion and the Second Stimulus Package of RM60 billion to mitigate the impact of the global contraction on the domestic economy in Malaysia. Taking into accounts these measures undertaken by the Malaysian government, the Gross Domestic Product growth of Malaysia is expected to be in the range of -1% to 1% for 2009.

On the same note, BNM has recently taken aggressive steps in reducing the overnight policy rate ("OPR") and the statutory reserve requirement ("SRR") to lower borrowing costs as one of the pre-emptive move to provide a more supportive monetary environment for the domestic economy.

ACKNOWLEDGEMENT AND APPRECIATION

During the year, BNM announced adoption of the Risk-Based Capital Framework ("RBC") for insurers effective for annual period beginning on or after 1 January 2009. The RBC requires insurers to maintain capital adequacy level commensurating with its risk profile. This new framework will change the landscape of insurers managing their risks and investments to achieve better asset-liability matching of insurance funds moving forward.

In this regard, MAA has taken efforts ahead with action plans including divesting its general insurance business (subject to the approval of relevant authorities and shareholders of the Company) to meet the RBC requirements.

The Group is well aware of the increasingly competitive market for the financial services sector and the many challenges ahead, including achieving sufficient investment return in light of the difficult economic environment to protect capital, remain profitable and meet commitments to customers.

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 capitalised and we manage our risks well and secondly our products and services remain innovative and 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 DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
Executive Chairman