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 2009.

OPERATING ENVIRONMENT

It has been an extremely challenging time for the financial services sector during the year under review since the financial crisis hit the shore and brought recession to many major economies globally in 2008. The Malaysian economy has not been spared from the global weakened economic conditions during the fiscal year. Despite a sharp contraction in the first half of the year, the economy recovered in the second half to record a contraction of only 1.7% in 2009 (2008: expansion of 4.6%). The recovery was the result of swift implementation of the fiscal stimulus and monetary policy easing measures by the Malaysian government and Bank Negara Malaysia.

The services sector (including the insurance sub-sector) provided support to the overall economy in 2009. In the insurance industry, both the life and general business segments were affected by the weak economic activity and the decline in motor vehicles sales in the first half of the year. However, both segments improved in the second half, in tandem with the economic recovery.

In 2009, total net premiums/contributions of the insurance and takaful operators grew by 8.2% (2008: 2.4%), driven mainly by the ordinary life segment for the life and family takaful sectors, and a broad-based increase in all classes of business for the general (including general takaful) sector. New business premiums/contributions for life and family takaful businesses recorded an increase of 5.4% to RM9,942.2 million (2008: RM9,429.8 million) driven by growth in the ordinary life products. The gross direct premiums for the general insurance business (including general takaful) increased by 12.0% to RM12,792.4 million (2008: RM11,417.3 million) driven by growth in fire and motor businesses with broad-based increases in demand for general coverage, except marine, aviation and transit business, contractors' all risks and engineering sectors which were affected by the business environment in the export and construction sectors.

PERFORMANCE REVIEW

For the year under review, the Group's total operating revenue decreased by 1.7% to RM2,181.8 million (2008: RM2,219.0 million). Under the conventional insurance business, the Life Insurance Division recorded a total gross premium of RM1,095.0 million (2008: RM1,277.9 million) whereas the General Insurance Division registered a total gross premium of RM558.4 million (2008: RM436.8 million), of which an amount of RM476.1 million (2008: RM372.1 million) was from the discontinued operations. The discontinued operations of the General Insurance Division represent the General Insurance Business of MAA 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 note 47(a) of this report. Under the takaful business, both the Family Takaful Division and General Takaful Division registered higher gross contribution of RM84.7 million (2008: RM76.1 million) and RM72.7 million (2008: RM33.9 million) respectively.

The Group recorded improvement with a profit after taxation of RM52.8 million for the current year under review (2008: loss after taxation of RM70.0 million). The General Insurance Fund recorded a profit before taxation of RM34.0 million (2008: loss before taxation of RM23.1 million), of which the continuing operations registered a loss before taxation of RM3.5 million (2008: loss before taxation of RM5.5 million) whereas the discontinued operations registered a profit before taxation of RM37.5 million (2008: loss before taxation of RM17.6 million). The Shareholders' Fund recorded a profit before taxation of RM22.9 million (2008: loss before taxation of RM63.0 million). The Life Insurance Fund registered a profit before taxation of RM2.1 million (2008: profit before taxation of RM33.8 million), wholly from the overseas and Labuan insurance subsidiary companies. No transfer is made from the local Life Insurance Fund. Under the takaful business, the Family Takaful Fund also registered a profit before taxation of RM1.7 million (2008: Nil).

The profit in Shareholders' Fund was due mainly to reversal of fair value loss of RM46.7 million (2008: fair value loss of RM22.6 million) from an interest rate swap transaction, resulting from improvement in the market condition of the US municipal bond during the current year. In order to mitigate the exposure to any further volatility in the interest rate swap, the transaction was terminated by the Company in December 2009.

As at 31 December 2009, the Group's total assets stood at RM8.0 billion, an increase of 3.9% over 2008 of RM7.7 billion. Overall, Earnings Per Share ("EPS") improved to 17.3 sen in 2009 from a loss of 22.8 sen in 2008.

BUSINESS OPERATIONS REVIEW

For the year under review, the Group continued to remain focused in four (4) 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 business currently in its third year of full operations. Details of their performance are separately discussed in the attached pages.

INVESTMENTS

During the year under review, net total of the Group's investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios amounted to RM525.8 million (2008: net loss of RM79.0 million)

During the year under review, the KLCI's 45.2% gain (2008: decline of 39.3%) is in line with recovery from the global recession and improvement in other regional markets. In 2008, in light of the bearish Malaysian equities market, the Group had realigned the investment strategy to rebalance the investment portfolios 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. The downsizing of the equity portfolio to cushion the value of this investment from deterioration during 2008 has resulted in the Group recording loss from realisation of quoted equity securities. With the improved Malaysian stock market in 2009, the Group's has recorded a net fair value gain of RM179.1 million (2008: net fair value loss of RM254.5 million) on equity investment portfolio.

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

LOAN PROVISIONS

As at end December 2009, total carrying amount of non-performing loans stood at RM383.7 million (2008: RM450.5 million), comprising 4.8% (2008: 5.9%) of the Group's total assets. The improvement of 14.8% in net non-performing loans was the result of stronger debt collection and on-going focus recovery exercise undertaken.

DIVIDENDS

For the year ended 31 December 2009, 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) 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 the acquisition of a 4.9% stake in MAA Takaful Berhad ("MAA Takaful") for a total consideration of RM16.2 million, equivalent to RM3.30 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; and
   (vi) Shareholders of the Company.

On 26 February 2009, the Company announced that both MAA and AMG were 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 was revised to RM254.83 million (subject to adjustments) and an application to BNM seeking its approval for the proposed disposal of General Insurance Business of MAA to AMG ("the Proposed Disposal") was submitted. The execution of the BTA was subject to BNM's approval which is currently pending. The Company and MAA had 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.

On 21 July 2009, the Company announced that the SC approved the Proposed Disposal via its letter dated 20 July 2009 (which was received on 21 July 2009). However, the Proposed Disposal was still subject to the approval from BNM and Shareholders of the Company.

On 17 November 2009, the Company announced that after further negotiations the headline price was revised to RM180 million (subject to adjustments). The revised headline price was arrived at after taking into consideration the standalone value of the General Insurance Business without a strategic cooperation arrangement on the takaful business with MAA Takaful. The profit for the financial year ended 31 December 2009 and prior to the completion date of the General Insurance Business will be accrued to MAA.

An application in respect of the revised terms on the Proposed Disposal was submitted to BNM for approval. On 6 January 2010, the Company announced that BNM had via its letter dated 5 January 2010 granted its approval on the Proposed Disposal pursuant to Section 130 of the Insurance Act, 1996. On 12 February 2010, the Company further announced that the SC has approved the revised indicative headline price of RM180 million (subject to adjustments) for the Proposed Disposal via its letter dated 10 February 2010.

b) On 29 April 2010, the Company annouced that MAA had received approval from BNM for MAA to undertake the necessary measures to meet the minimum supervisory target level to capital adequancy ratio that is required to be maintained by all insurers under the RBC Framework.

CORPORATE SOCIAL RESPONSIBILITY

The Group has always remained committed to its quest to be a responsible and caring citizen. Towards this end, the Group had set up MAA-Medicare Kidney Charity Fund since 1994 with the aim to provide cheaper kidney dialysis treatment. 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 has also adopted The Budimas Charitable Foundation in its objective of providing welfare to the under-privileged children and the poor. Currently, the Foundation has adopted ten (10) homes for under-privileged children and orphans with continuous financial support.

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 its Corporate Social Responsibility activities are discussed separately in the attached pages.

RISK-BASED CAPITAL FRAMEWORK OF THE LOCAL INSURANCE INDUSTRY

During the year, BNM implemented 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 adequancy level commensurate with its risk profile. This new framework has changed the landscape of insurers managing their risks and investments to achieve better asset-liability matching of insurance funds moving forward.

As required under the RBC Framework, the Group's local insurance subsidiary, MAA has adopted a new accounting policy on the valuation of insurance liabilities as specified under the RBC Framework. Since the last two (2) years, MAA has been in discussion with BNM on plans to meet the capital adequancy requirements under the RBC and has accordingly submitted its capital management plans to BNM. MAA obtained approval from BNM for its capital management plan as disclosed in Note 2(a) to the financial statements.

Along with the recent consolidation within the insurance industry, mergers and acquisitions are becoming increasingly relevant for insurance companies that wish to lead in a competitive market place. In this regard, the Company will take the strategic initiative to actively seek a suitable partner in respect of MAA's life insurance business. A strategic partner for the life insurance business will allow us to inject further capital into the life fund to strengthen MAA's capital base and also put MAA in a stronger position to compete in this increasingly competitive market. Further development on this issue will be announced in due course based on progress of the merger and acquisition and activities undertaken.

PROSPECTS

Bank Negara Malaysia ("BNM") reported in its 2009 Annual Report that in line with the improvement in the recovery of the global economy in the fourth quarter, the Malaysian economy has recovered from the global crisis and turned around to record a positive growth of 4.5% in the same period. Furthermore, this positive trend is expected to continue in 2010 for the Malaysian economy which is projected to grow by 4.5% - 5.5%, although the pace of the global recovery is expected to be gradual and uneven.

The Group expects the operating environment in the financial services sector to remain challenging and competitive, including achieving sufficient investment return in light of the uncertain economic environment to protect capital, remain profitable and meet commitments to customers.

Notwithstanding this, the Group will continue its efforts to review, implement and monitor management action plans in addition to the capital management plans of MAA and also the merger and acquisition of its life insurance fund, to ensure that firstly we are well capitalised and we manage our risks well, including improvement to asset quality; 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