MALAYSIAN LIFE INSURANCE REVIEW

The Life Insurance Division posted a drop of 8.3% in its total premium income to RM1.1 billion (2008: RM1.2 billion), largely from reduction in first year and single premium business, in particular Fixed Dividend Endowment plan ("FDE") and investment-linked products.

The Life Insurance Division also recorded a net other operating income of RM42.4million (2008: net other operating expenses of RM239.5 million) due mainly to fair value gain of quoted investments amounting to RM60.5 million (2008: fair value loss of RM84.2 million) arising from the better performance of the stock market.

During 2009, no transfer was made from the Life Insurance Fund to the Shareholders' Fund.

Moving forward, MAA will focus on revenue growth through product innovation and distribution creation via recruiting and retaining quality agents. To remain competitive, it will roll-out innovative investment-linked plans suitable to customers in light of the current economic condition while meeting the needs for personal protection and savings. Equally important, MAA will continue to place primary emphasis on agency recruitment, training and business retention to elevate the level of professionalism and knowledge of its agents, to improve sales productivity and concurrently grow the sales force.

MALAYSIAN GENERAL INSURANCE REVIEW

The General Insurance Division recorded an increase of 27.9% in gross written premium to RM476.1 million (2008: RM372.1million).

Both motor business and non-motor premiums increased by 34.4% to RM264.5 million (2008: RM196.8 million) and 20.7% to RM211.6 million (2008: RM175.3 million) respectively.

During the year under review, the claim ratio decreased to 68.9% (2008: 73.6%). The improvement was the result of continuous strategic actions taken since previous years to move away from non-profitable business lines. Notwithstanding the improved claims ratio, the Division recorded a higher net other operating income of RM16.9 million (2008: net other operating expenses of RM33.1 million) due mainly to fair value gain of quoted investments amounting to RM15.8 million (2008: fair value loss of RM26.5 million) arising from the better performance of the stock market.

This fair value gain of quoted investments has contributed to the turn around of the General Insurance Division with a profit before tax of RM37.5 million in 2009 from a loss before tax of RM17.6 million in 2008.

MALAYSIAN TAKAFUL INSURANCE REVIEW

MAA Takaful commenced operations in July 2007.

In 2009, the Family Takaful registered gross contribution of RM84.7 million (2008: RM76.1 million) mainly from investment-linked products, whilst the General Takaful recorded gross contribution of RM72.7 million (2008: RM33.9 million), mainly from fire and other non-motor classes of business.

In its third full year of operations, the Shareholders' Fund of MAA Takaful recorded a profit before zakat and tax of RM3.0 million (2008: loss before tax of RM2.3 million). The General Takaful Fund recorded a lower loss before tax of RM2.5 million (2008: RM7.8 million).

The Family Takaful Fund recorded an unallocated surplus of RM3.6 million (2008: RM0.9 million) net of surplus transfer of RM1.6 million (2008: nil) to the Shareholders' Fund. As provided in the Section 16(3) of Takaful Act 1984, the Board of Directors of MAA Takaful has approved the distribution of surplus on the Family Takaful Fund amounting to RM3.3 million as recommended by the appointed actuary of the company. This distribution will be shared equally by the company (being the operator) and the participants in accordance with MAA Takaful's surplus distribution policy.

We are proud to announce that in November 2009 MAA Takaful was awarded the "Most Outstanding Takaful Product" for its Takafulink product at the Sixth Kuala Lumpur Islamic Finance Awards Ceremony 2009. The product was well received by customers as a protection plan with investment/savings feature.

Moving into its third year of operations, MAA Takaful has formulated strategies towards achieving optimised internal processes and systems, while expanding product offering to ensure that customers attain ultimate benefits in terms of efficient services and superior products. MAA Takaful will continue to roll out extensive training programmes for its agency force to enhance professionalism and productivity.

Despite the current challenging economic environment and stiff market competition, MAA Takaful endeavors in rolling out new innovative products, expanding its customer base, recruiting quality and productive agency force and establishing new distribution channels.

MALAYSIAN UNIT TRUST REVIEW

In 2009, the Malaysian unit trust industry registered an expansion with total Net Asset Value ("NAV") of funds under management increased by 42.6% to RM191.7 billion (2008: RM134.4 billion). Meanwhile, the value of assets under management by fund managers grew by 39.9% in 2009 from a contraction of 15.7% in 2008.

MAAKL Mutual Bhd ("MAAKL"), the unit trust management company of the Group launched a new fund namely the MAAKL U.S Equity Fund during the year with a total initial approved fund size of 600 million units, bringing the total funds under management to twenty four (24).

The total NAV of unit trust funds under management of MAAKL as at end December 2009 amounted to RM1.6 billion (2008: RM1.1 billion), an increase of 45.5% due to strong rebounds in the stock market during the year and in line with the unit trust industry performance.

During the year, MAAKL continued to contribute positively to the results of the Group albeit a slightly lower profit before tax of RM1.1 million (2008: RM1.7 million).

In the effort to expand its distribution network, MAAKL has entered into a distribution agreement with HwangDBS Investment Management Bhd ("HwangDBS") and OSK-UOB Unit Trust Management Bhd ("OSK-UOB") in 2008, where MAAKL will distribute a selection of six funds and seven funds from HwangDBS and OSK-UOB respectively. These total 13 funds will be distributed solely through MAAKL's unit trust advisers. With the addition of HwangDBS and OSK-UOB funds, MAAKL currently offers a comprehensive choice of 37 funds for unit holders to diversify their investments, in particular asset classes that match their risk profiles and investment objectives.

As at end December 2009, the agency force of MAAKL stood at 1,175 agents (2008: 1,070 agents). In its continuing efforts to provide the agents and unit holders the leading edge tools to plan, monitor and manage the performance of the unit trust investments from anywhere, at anytime, via internet connection, MAAKL has further enhanced its award-winning investment planning software, namely MAAKL Home Office with the launch of the third version during the year.

The management proactive strategies to build and strengthen its infrastructure, agency force and distribution network will help to position MAAKL to expand further along with the improvement in market investment conditions.

INTERNATIONAL OPERATIONS REVIEW

MAA International Assurance Ltd ("MAAIA"), the Labuan based offshore insurance and investment arm of the Group, recorded a higher gross premium income of RM77.9 million (2008: RM73.0 million). The company recorded a lower loss before tax of RM1.8 million (2008: loss of RM11.7 million). The loss in 2008 was due mainly to loss on disposal of 34% shares in the general insurance subsidiary in Indonesia to the minority shareholder under the shareholders' agreement which amounted to RM6.1 million.

For the fifth consecutive year, both the general insurance business in Indonesia and the Philippines contributed positively to the results of the Group, whilst the life insurance business in Indonesia also registered profit for the fifth consecutive year.

The Group's unit trust business in the Philippines recorded profit in 2009, an improvement from loss in 2008. The profit arose mainly from unrealised foreign exchange gain on seed capital invested into the Euro and Dollar funds as a result of appreciation of Peso against Euro and Dollar currencies. The unit trust industry in the Philippines has predominately been monopolised by banks and other established players that have built their capital base. With the limited resources, the Group has not been successful in establishing its footage in the unit trust sector in the Philippines. Since 2008, the Group has scaled down its operations in the unit trust business in the Philippines for reasons of costs containment and business viability. Towards this end, the Group has been on the lookout for interested partied for possibility of divestment of its investment in the unit trust business in the Philippines.

The Group's associated company, Columbus Capital Pty Ltd ("CCAU") turned around to record profit in 2009 from a loss in 2008. The profit arose mainly from a fair value gain of AUD4.4 million (2008: fair value loss of AUD8.2 million) on the interest rate swap transaction, following the adoption of fair value accounting where off-balance sheet financial instruments are to be valued and recognised accordingly in the books. CCAU commenced operations in 2006 to carry out the business of retail mortgage lending and loan securitisation in Australia. CCAU packaged mortgage loans but does not take on the credit risk as the loans are insured by S&P (AA rated insurers).