



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 2010.

OPERATING ENVIRONMENT

2010 remained an extremely challenging time for the Malaysian economy with the unprecedented global financial crisis and liquidity crunch which hit the advanced economies in the United States and the European Union. In contrast, the emerging economies in Asia were relatively less affected by the global financial crisis. In Malaysia, the country achieved a commendable Gross Domestic Product growth of 7.2% in 2010 (2009: contraction of 1.7%), brought about by strong domestic demand and supported by the Government's proactive fiscal stimulus packages and monetary policy easing measures by Bank Negara Malaysia.

In 2010, total net premiums/contributions of the life insurance and family takaful operators grew by 11.5% (2009: 6.8% growth), driven mainly by higher demand for ordinary life products and strong recovery in the demand for investment-linked products. With this, the new business premiums/contributions for life insurance and family takaful businesses recorded an increase of 12% to RM11.2 billion (2009: RM10.0 billion). The gross direct premiums for the general insurance business (including general takaful) increased by 10.2% to RM14.1 billion (2009: RM12.8 billion) driven mainly by growth in fire and motor businesses.

PERFORMANCE REVIEW

For the year under review, the Group's total operating revenue increased by 8.8% to RM2,264.1 million (2009: RM2,081.9 million). Under the conventional insurance business, the Life Insurance Division recorded a marginal 5.8% decrease in total gross earned premiums from RM1,080.0 million in 2009 to RM1,016.9 million in 2010, whereas the General Insurance Division registered a commendable 25.0% growth in total gross earned premiums to RM608.3 million from RM486.5 million in 2009. Under the takaful business, both the Family Takaful Division and General Takaful Division continued with growth momentum to register higher gross contributions of RM157.4 million (2009: RM84.7 million) and RM99.5 million (2009: RM59.9 million) respectively in 2010.

The Group recorded a lower profit before taxation of RM36.9 million for the current year under review (2009: RM60.1 million). The General Insurance Fund recorded a 2 (two) fold increase in profit before taxation to RM69.9 million from RM33.6 million in 2009, while the Life Insurance Fund registered a loss before taxation of RM7.1 million (2009: profit before taxation of RM2.1 million) wholly from the overseas and Labuan insurance subsidiary companies with no transfer of surplus from the local Life Insurance Fund. Under the takaful business, the Family Takaful Fund registered a profit before taxation of RM3.4 million (2009: RM1.6 million). The Shareholders' Fund recorded a loss before taxation of RM29.4 million (2009: profit before taxation of RM22.7 million).

The profit recorded by Shareholders' Fund in 2009 was due mainly to reversal of fair value loss of RM46.7 million from an interest rate swap transaction which was terminated by the Company in December 2009 to mitigate the exposure of the Company to any further volatility in the interest rate swap.

As at 31 December 2010, the Group's total assets stood at RM8.6 billion, a marginal increase of 3.6% over 2009 of RM8.3 billion. Overall, Earnings per share ("EPS") was lower at 9.0 sen at end December 2010 compared to 17.2 sen at end December 2009.

CHAIRMAN'S STATEMENT

(continued)



BUSINESS OPERATIONS REVIEW

For the year under review, the Group continues to remain focused in five (5) core operations, namely Malaysian Life Insurance Operations, Malaysian General Insurance Operations, Malaysian Takaful Insurance Operations, Malaysian Unit Trust Operations and the International Operations. Details of their performance are separately discussed in the following 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 RM548.0 million, a 13.3% improvement over 2009 of RM483.6 million. The improvement was due mainly to higher interest income from the bonds portfolio and gain from realisation of quoted equity securities, coupled with write back of impairment allowance on certain commercial loans made in previous years on the back of loan recovery made.

Consistent with previous years, the Group realigned the investment strategies to rebalance the investment portfolios between the equity portfolio and 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. Moving forward, the Group will continue to review and revise its investment 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 2010, total carrying amount of non-performing loans stood at RM305.0 million (2009: RM383.7 million), comprising 3.5% (2009: 4.6%) of the Group's total assets. The improvement of 20.5% in net non-performing loans was the result of stronger debt collection and on-going focus recovery exercise undertaken.

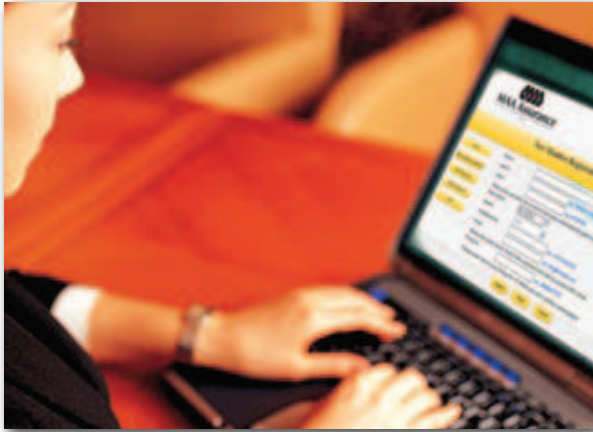
DIVIDENDS

For the year ended 31 December 2010, 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) Ministry 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 RM254.8 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 approvals 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.

On 30 July 2010, the Company announced that SC had via its letter dated 27 July 2010, granted the Company an extension of time of eight (8) months from 20 July 2010 till 19 March 2011 to complete the Proposed Disposal.

On 16 December 2010, the Company announced the discontinued discussion with AMG as mutually agreed on the Proposed Disposal.

CHAIRMAN'S STATEMENT

(continued)



- b) On 29 April 2010, the Company announced that MAA had received approval from BNM via BNM's letter dated 11 March 2010 for MAA to undertake the necessary measures to meet the minimum supervisory target level of capital adequacy ratio that is required to be maintained by all insurers under the Risk-Based Capital Framework ("the Capital Plan"). The Company also announced it will carry out the necessary merger and acquisition activities which include the potential sale of MAA within 12 months of BNM's approval to strengthen MAA's capital base.

On 16 December 2010, the Company announced the entering into an agreement with Zurich Insurance Company Ltd ("Zurich") pursuant to which, the parties will evaluate and negotiate a possible transaction involving the acquisition of an interest in MAA.

On 10 February 2011, an application was submitted to BNM to seek extension of time of 12 months till March 2012 to complete the negotiations with Zurich to meet the Capital Plan.

On 11 April 2011, the Company announced that it had submitted an application to BNM to seek approval of the Minister of Finance pursuant to Section 67 of the Insurance Act 1996 to enter into an agreement with Zurich for the Proposed Disposal of MAA and certain subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd for the Company's entire equity interests held therein to Zurich.

On 28 April 2011, the Company announced BNM has vide its letter dated 27 April 2011 granted extension of time in relation to MAA's Capital Plan including the proposed disposal of MAA till 31 July 2011.

CORPORATE SOCIAL RESPONSIBILITY

The Group has always remained committed to its quest to be a responsible and caring citizen.

Towards this, the MAA-Medicare Kidney Charity Fund was set up in 1994 as the Corporate Social Responsibility arm of the Group to ease the financial burden of kidney patients and their families by providing affordable access to quality dialysis and healthcare at subsidised treatment costs. Over the years, the Group has expanded its network to twelve (12) kidney dialysis centres which are well spread over the whole country to cater to the needs of the ever-increasing number of new patients for such subsidised medical services. To date, MAA-Medicare Kidney Charity Fund has grown to become the second largest dialysis provider in Malaysia, caring for more than 650 patients across the country.

The Group has also supported The Budimas Charitable Foundation in its objective of providing welfare to the under-privileged children and the poor. Currently, the Foundation has adopted twelve (12) homes to provide continuous financial support for under-privileged children and orphans. The Foundation has also set up its own Home known as Pusat Jagaan Kebajikan Budimas Orion which takes in orphans and under-privileged children of all races.

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 the Corporate Social Responsibility activities are discussed separately in the following pages.



PROSPECTS

For 2011, the Malaysian Institute of Economic Research has projected a domestic Gross Domestic Product growth of between 5.0% - 6.0%, based on better economic fundamentals and stronger domestic demand in the developing Asia economies. Nevertheless, Malaysia will continue to face rising inflationary pressures that will lead to further policy tightening measures.

The Group will continue to face strong competition in its operating environment in view of further industry liberalisation, consolidation and regulatory changes anticipated in the financial services sector, particularly to achieve sufficient investment return to protect capital, remain profitable and fulfilling commitments to customers.

The Group will continue its efforts to review, implement and monitor management action plans, including its capital management plans, with the objectives to ensure that firstly, we are well capitalised to meet regulatory requirements and support business growth, able to improve asset quality and 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 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