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 2011.

OPERATING ENVIRONMENT

2011 remained an extremely challenging time for the Malaysian economy with the continued structural weaknesses and fiscal issues in the advanced economies namely the United States and the European Union. At the same time, the emerging economies in Asia faced increasing challenges from volatile capital flows and rising inflationary pressures. Amidst this environment, the Malaysian economy continued to grow steadily with a commendable Gross Domestic Product ("GDP") growth of 5.1% in 2011 (2010: 7.2%) driven by a strong domestic demand.

In 2011, the life insurance and family takaful operators recorded slower growth in premium income of 4.6% (2010: 10.0%) and net contributions of 9.2% (2010: 24.7%) respectively. The premium income/contributions growth in 2011 albeit lower was driven mainly by sustained domestic demand for investment and protection products. Total new business premiums/contributions for the life and family takaful businesses declined by 2.7% to RM10.9 billion (2010: RM11.2 billion), mainly due to fewer launches of new endowment products. However, the premiums from investment-linked, medical and health insurance products continued to expand with a growth of 5.5% and 23.6% respectively. The total gross direct premiums/contributions for the general insurance and general takaful operators increased by 9.2% (2010: 10.2%) to RM15.4 billion (2010: RM14.1 billion) on combined basis mainly from marine, aviation and transit, fire and motor comprehensive businesses.

PERFORMANCE REVIEW

As disclosed in the ensuing section, Update on Recent Corporate Proposals, the Group had completed the disposal of its subsidiary, Malaysian Assurance Alliance Berhad ("MAA Assurance") and other identified subsidiaries to Zurich Insurance Company Limited ("Zurich") on 30 September 2011. MAA Assurance and these identified subsidiaries had been classified under discontinued operations in the financial statements following the applicable approved accounting standards. Arising from the said disposal, only nine (9) months results ended 30 September 2011 of MAA Assurance and other identified subsidiaries were included for the Group's year ended 31 December 2011 accounts.

Operating Revenue

For the year under review, the Group's total operating revenue decreased by 23.8% to RM1,726.1 million (2010: RM2,264.0 million), of which the continuing operations recorded an increase of 3.7% to RM460.1 million (2010: RM443.7 million) and the discontinued operations recorded a decrease of 30.5% to RM1,266.0 million (2010: RM1,820.3 million).

Under the conventional insurance business, the Life Insurance Division's gross direct premiums decreased by 31.4% to RM697.2 million (2010: RM1,017 million), of which the continuing operations and discontinued operations recorded a decrease of 24.6% to RM15.9 million (2010: RM21.1 million) and 31.6% to RM681.3 million (2010: RM995.9 million) respectively. The General Insurance Division recorded a decrease of 30.8% in total gross earned premiums to RM421.0 million (2010: RM608.3 million), of which the continuing operations and discontinued operations recorded a decrease of 14.4% to RM74.1 million (2010: RM86.6 million) and 33.5% to RM346.9 million (2010: RM521.7 million) respectively.

Under the Takaful Division, both the Family Takaful Fund and General Takaful Fund continued to grow, with a strong momentum, to register higher gross earned contributions, of RM163.8 million (2010: RM157.4 million) and RM124.5 million (2010: RM99.5 million) respectively in 2011.

The group's Unit Trust Fund Management Division performed equally well and recorded a 19.0% increase in operating revenue to RM40.1 million (2010: RM33.7 million).

Profit Before Taxation

The Group recorded a higher Profit Before Taxation of RM154.9 million for the current year under review (2010: RM36.9 million).

Under the conventional insurance business, the General Insurance Division recorded a Profit Before Taxation of RM61.6 million (2010: RM69.9 million), of which the continuing operations recorded a Profit Before Taxation of RM0.8 million (2010: RM14.4 million) and the discontinued operations recorded a Profit Before Taxation of RM60.8 million (2010: RM55.5 million). The lower profit in the continuing operations was mainly due to commutation of the general reinsurance treaties of the Labuan based offshore insurance subsidiary in July 2011. The higher profit recorded by the discontinued operations was mainly due to improvement in net claim ratio to 59.1% (2010 full year: 65.3%). The Life Insurance Division registered a Profit Before Taxation of RM42.9 million (2010: Loss Before Taxation of RM7.1 million) mainly from the Labuan offshore insurance subsidiary, arising from full release of the insurance contract liabilities of RM48.3 million subsequent to the commutation of the life reinsurance treaties during the year under review. There was no transfer of surplus from the Life Insurance Fund of MAA Assurance as it had been disposed on 30 September 2011.

Under the Takaful Division, the Family Takaful Fund registered a Profit Before Zakat and Taxation of RM6.4 million (2010: RM3.4 million). During the year under review, the General Takaful Division turnaround from a Loss Before Zakat and Taxation of RM5.8 million in 2010, to a Profit Before Zakat and Taxation of RM6.8 million.

The Group's Shareholder Fund recorded a Profit Before Taxation of RM44.0 million, an improvement from a Loss Before Taxation of RM29.3 million in 2010. This profit included a gain on disposal of RM83.2 million, net of selling expenses ("Disposal Gain"), from the sale of MAA Assurance and other identified subsidiaries, namely Malaysian Alliance Property Services Sdn Bhd, Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd and Maagnet-SSMS Sdn Bhd ("Disposed Subsidiaries") on 30 September 2011 to Zurich.

As at 31 December 2011, the Group's total assets stood at RM1.1 billion, a decrease from RM8.6 billion in 2010 due mainly to the disposal of the Disposed Subsidiaries. With this disposal the Earnings per share ("EPS") of the Group had improved to 41.3 sen for the year ended 31 December 2011 (2010: 9.0 sen).

BUSINESS OPERATIONS REVIEW

For the year under review, the Group undertook five (5) operational segments, namely:
- Malaysian Life Insurance Operations;
- Malaysian General Insurance Operations;
- Malaysian Takaful Insurance Operations;
- Malaysian Unit Trust Operations; and
- International Insurance & Unit Trust Operations

Details of their performance are separately discussed in the attached pages.

INVESTMENTS

During the year under review, the Group's total net investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios amounted to RM305.4 million (2010: RM548.0 million). The continuing operations recorded a total net investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios of RM14.6 million (2010: RM29.1 million). The discontinued operations recorded a total net investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios of RM290.8 million (2010: RM518.9 million). The lower total net investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios by the discontinued operations was due mainly to consolidation of only nine (9) months results of the Disposed Subsidiaries during the year under review following completion of the disposal on 30 September 2011.

Consistent with previous years, the Group realigned the investment strategies to rebalance the investment portfolios between the equity portfolio, low-risk fixed-income securities 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.

DIVIDENDS

For the year ended 31 December 2011, the Board of Directors do not recommend the payment of dividends, in view of the deferred receipt of the balance sale proceed of RM94.1 million (net of repayment of borrowings, redemption of medium-term and repayment of borrowings restructuring fee totaling RM180.2 million and hold back amount of RM69.7 million pending satisfaction and fulfillment of certain condition precedents) for a period of two (2) years from the date of completion of the sale of the Disposed Subsidiaries on 30 September 2011.

The balance sale proceed is deposited into an escrow account with progressive releases of RM3.0 million each quarter in accordance with the terms of the Escrow Agreement. Such releases during the period of two (2) years from the date of completion of the sale of the Disposed Subsidiaries will be used to finance day-to-day operations of the Group.

UPDATES ON RECENT CORPORATE PROPOSALS

The Group is pleased to provide the following updates:

(a) On 30 September 2011, Hwang DBS Investment Bank Berhad ("Hwang DBS"), the Principal Adviser on behalf of the Board of Directors ("Board") of the Company, announced the completion of the disposal of the Company's entire equity interests in Malaysian Assurance Alliance Berhad ("MAA Assurance") and other identified subsidiaries, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd (collectively known as the "Disposed Subsidiaries") held therein to Zurich Insurance Company Ltd ("Zurich").

Under the terms of the Sale and Purchase Agreement ("SPA"), there is an adjustment to the sale consideration of RM344 million equal to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 ("Adjustment to Consideration"). The Adjustment to Consideration shall be finalised within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless dispute arises which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA. The Adjustment to Consideration conditions had been stated accordingly in the Circular to Shareholders dated 29 August 2011.

On 30 December 2011, based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries received from Zurich, there is an upward adjustment of RM86.0 million to the sale consideration of RM344 million. The upward adjustment of RM86.0 million equals to the difference between the aggregate net assets value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net assets value as at 30 September 2011 prepared by Zurich as provided under the terms of the SPA.

On 17 February 2012, the Company submitted a notification of disputes ("Dispute Notification") to Zurich to disagree certain downward adjustments made to the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries. Should there be positive adjustments to the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries arising from the Dispute Notification, there will be further upward adjustment to the sale consideration in addition to the said RM86.0 million.

(b) On 30 September 2011, the Company announced that it became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of MAA Assurance.

Nonetheless, the Company did not trigger any of the other prescribed criteria under PN17 of the Listing Requirements, such as consolidated shareholders' equity of 25% or less of the issued and paid up share capital, a default in payment by the Group, the auditors having expressed adverse or disclaimer opinion on the Company's latest audited accounts etc.

As an affected listed issuer, the Company is required pursuant to paragraph 4.1 of the PN17 of the Listing Requirements to announce details of the regularisation plan.

On 31 October 2011, 30 November 2011, 30 December 2011, 2 February 2012, 1 March 2012, 2 April 2012 and 2 May 2012 the Company announced that it is still in the midst of formulating a regularisation plan to regularise its financial condition ("Regularisation Plan") and that an announcement will be made once a Regularisation Plan has been finalised. On 10 February 2012, the Company further clarified that the intention is to undertake and formulate a self regularisation plan which will not result in a significant change in the business direction or policies of the Group. The Group has approximately another five (5) months to submit its Regularisation Plan to Bursa Malaysia for approval.

(c) On 5 October 2011, the Company changed its name to "MAA Group Berhad".

(d) On 27 February 2012, the Company announced that it and MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary company of MAA Corporation Sdn Bhd ("MAA Corp") which in turn is a wholly owned subsidiary company of the Company, had entered into a conditional sale and purchase agreement ("SPA") with Tokio Marine Holdings, Inc ("TM"), for the disposal of 43.3% of the enlarged share capital in PT MAA Life Assurance ("PT MAAL") for a sale consideration of IDR27.4 billion (approximately RM9.1 million) arrived at on a 'willing buyer-willing seller' basis, and after taking into account the unaudited net assets of PT MAAL of IDR5.1 billion (approximately RM1.7 million) as at 31 December 2011 ("Proposed Disposal of PT MAAL").

On even date, PT MAAL had also entered into a conditional share subscription agreement ("SSA") with TM for the subscription of 65.0 million ordinary shares in PT MAAL, representing approximately 36.7% of the enlarged share capital in PT MAAL for IDR65.0 billion (approximately RM21.7 million) in total or IDR1,000 per share ("Proposed Subscription").

On 27 March 2012, the Company, MAAIA and TM, entered into a Supplemental Share Purchase Agreement ("Supplemental SPA") and a Supplemental Subscription Agreement ("Supplemental SSA") whereby all parties had mutually agreed inter-alia to revise the cut-off date to 5 April 2012 or such other date as may be mutually agreed by the parties to complete certain condition precedents for the Proposed Disposal of PT MAAL and the Proposed Subscription.

On 9 April 2012, the Company announced that MAAIA/PT MAAL had received an approval letter dated 5 April 2012 from the Ministry of Finance of Indonesia for the Proposed Disposal of PT MAAL.

(e) On 4 May 2012, the Company announced that MAA Corp had entered into a conditional sale and purchase agreement ("SPA") for the disposal of 100% equity interest in Wira Security Services Sdn Bhd ("Wira") for a total cash consideration of RM7.0 million, arrived at on a 'willing buyer-willing seller' basis, equivalent to approximately Price to Earnings of 7.3 times based on the maintainable profit of Wira. The cash consideration will be utilised for working capital of the Group and expenses incidental to the disposal.

The SPA is conditional upon inter-alia Wira obtaining the approvals from the Ministry of Home Affairs Malaysia for change in the chairman, director and/or shareholders of Wira and such other transactions contemplated under the agreement.

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 ("MAA MediCare") 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 centers which are well spread over the whole country to cater for the needs of the ever-increasing number of new patients for such subsidised medical services. Over the past two decades, MAA MediCare has grown to become the second largest dialysis provider in Malaysia, caring for more than 748 patients across the country.

The Group also actively supports The Budimas Charitable Foundation ("Budimas") in its objective of providing welfare to underprivileged children and the poor. With 700 underprivileged children under its wings, and with the provision of breakfast to 3,000 poor school children in rural areas around the country, Budimas and the Group are actively looking after the welfare of underprivileged children in Malaysia.

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 Corporate Social Responsibility are separately discussed in the attached pages.

INDUSTRY DEVELOPMENT

For the conventional insurance, Bank Negara Malaysia ("BNM") made changes to the Risk-Based Capital Framework ("the RBC Framework") in 2011 to converge the valuation rules determining regulatory capital with the Financial Reporting Standards.

At the same time, BNM also introduced a proposed new risk-based capital framework for takaful operators on consultation basis during 2011. This proposed risk-based capital framework with prudential objectives and Syariah principles is now being finalised before implementation after taking into account the feedback received from the takaful operators in the industry. Taking cognition that the risk-based capital framework will eventually be implemented on takaful operators, the Group's Malaysian Takaful Insurance Operations via subsidiary MAA Takaful Berhad ("MAAT") has well ahead aligned its product and investment strategies, including adopting prudent financial risk procedures and system to enhance its risk management policies for meeting the regulatory capital requirements when implemented.

Lastly, BNM has completed a comprehensive review of the existing regulatory laws governing financial institutions, markets and payment systems under its purview. The objective is to consolidate and rationalise the existing regulatory laws to achieve a more cohesive legislative framework where a dual framework will be maintained for the conventional and Islamic financial business, consistent with the dual financial system in Malaysia. The proposed new legislation will replace the existing Banking and Financial Institutions Act 1989, Islamic Banking Act 1983, Insurance Act 1996, Takaful Act 1984, Payment Systems Act 2003 and Exchange Control Act 1953. For insurance and takaful operators, BNM has proposed intensified regulation and supervision on business conduct. These regulatory changes once implemented, will change and shape the way insurance and takaful operators conduct their businesses.

PROSPECTS

For 2012, BNM has projected a domestic GDP growth of between 4.0% to 5.0%, based on strong domestic demand brought about from implementation of the Government's proactive fiscal measures announced in 2012 Budget and expected moderation in the global growth. Nevertheless, Malaysia will continue to face rising inflationary pressures and risks of deterioration in the Euro Zone sovereign debt crisis and slower growth in its major trading partners.

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

Subsequent to the sale of the Disposed Subsidiaries, the Group will continue its efforts to focus on the development of its remaining core businesses in particular its takaful and unit trust funds management via MAAT and MAAKL Mutual Bhd respectively and to accelerate the growth of these businesses.

On the PN17 status of the Company, it is the Board's intention to maintain the listing status of the Company as announced earlier. On this end, the Company will work towards formulating a self regularisation plan to regularise its financial condition which will not result in a significant change in the business direction or policies of the Group.

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
Chairman