

# Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2006.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and providing management services. The principal activities of the Group consist of general and life insurance businesses, investment holding, hire purchase, leasing and other credit activities, unit trust, property management, fund management and investment advisory, security and consultancy services.

There have been no significant changes in the nature of these activities for the Group or the Company during the financial year.

## FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
(Loss)/profit for the financial year	(1,662)	15,467

## DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final tax exempt dividend of 10 sen per share, totalling RM15,218,000, on 9 August 2006 in respect of the financial year ended 31 December 2005, as shown in the Directors' report of that financial year.

The Directors now recommend the payment of a first and final tax exempt dividend of 2 sen per share on 304,354,000 ordinary shares, totalling RM6,087,000, in respect of the financial year ended 31 December 2006, subject to the approval of the members at the forthcoming Annual General Meeting of the Company.

## ISSUE OF SHARES

On 8 September 2006, the Company made a bonus issue of 152,176,876 new ordinary shares of RM1 each on the basis of 1 new ordinary share of RM1 each for every 1 existing ordinary shares of RM1 each, by capitalising RM11,744,389 from share premium and RM140,432,487 from retained earnings.

The newly issued shares rank pari passu in all respect with the existing shares of the Company.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

## DIRECTORS

The Directors who have held office during the period since the date of the last report are:

Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman  
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah  
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah  
Major General Lai Chung Wah (Rtd)  
Dato' Iskandar Michael bin Abdullah  
Yeo Took Keat  
General Dato' Sri Hj Suleiman bin Mahmud (Rtd)  
Datuk Razman Md Hashim bin Che Din Md Hashim (appointed on 01.07.2006)  
Datuk Ramlan bin Abdul Rashid (appointed on 07.09.2006)  
Muhamad Umar Swift (appointed on 07.09.2006)  
Tan Sri Ahmad bin Mohd Don (appointed on 13.10.2006)  
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah (appointed on 10.01.2007)  
Tan Sri Dato' Ir Abu Zarim bin Haji Omar (resigned on 01.07.2006)

In accordance with Section 129(6) of the Companies Act, 1965, Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman and Major General Lai Chung Wah (Rtd) retire and they, being eligible, offer themselves for re-election.

In accordance with Article 73 of the Company's Articles of Association, Dato' Iskandar Michael bin Abdullah retires at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with Article 79 of the Company's Articles of Association, Datuk Razman Md Hashim bin Che Din Md Hashim, Muhamad Umar Swift, Datuk Ramlan bin Abdul Rashid, Tan Sri Ahmad bin Mohd Don and Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah, who were appointed during the period, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

# Directors' Report (continued)

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:

Company	Number of ordinary shares of RM1 each			
	At 1.1.2006/ date of appointment	Acquired #	Disposed	At 31.12.2006
Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman				
- Indirect *	51,889,342	51,889,342	-	103,778,684
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah				
- Indirect *	51,889,342	51,889,342	-	103,778,684
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
- Direct	618,750	618,750	-	1,237,500
- Indirect *	51,889,342	51,889,342	-	103,778,684
Yeo Took Keat	40,000	40,000	-	80,000
Datuk Ramlan bin Abdul Rashid	3,333	3,333	-	6,666

\* Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965, held through Iternum Melewar Sdn Bhd, a company in which the above mentioned Directors have an interest.

# Acquired via bonus issue of 152,176,876 new ordinary shares by the Company on 8 September 2006.

By virtue of the above mentioned Directors' interests in the shares of the Company, they are also deemed to have a substantial interest in the shares of the subsidiary companies of the Company to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than Directors' remuneration, fees paid to a company in which certain Directors have an interest and benefits provided to Directors as disclosed in note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- which would render the amounts written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

For the purpose of the above paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the insurance subsidiary companies of the Company.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects of changes in accounting policies as disclosed in note 44 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Company announced on 29 September 2004 the corporate proposal on renounceable rights issue of up to 152,177,000 New Irredeemable Preference Shares of RM1 each ("IPS") ("Rights IPS") together with up to 152,177,000 free detachable Ordinary Shares of RM1 each ("Ordinary Shares") ("Bonus Shares") and up to 152,177,000 free detachable Warrants ("Warrants") on the basis of one (1) Rights IPS with one (1) free detachable Bonus Share and one (1) free detachable Warrant for every one (1) existing Ordinary Share held in the Company at an entitlement date to be determined later ("Rights Issue of IPS"). The Rights Issue of IPS was approved by the shareholders of the Company at the Extraordinary General Meeting held on 22 February 2005.

Given the uncertain sentiments in the Malaysian equity market prevailing then, the Company with the approval of the Securities Commission ("SC") had extended the completion of the proposed Rights Issue of IPS twice, firstly from 3 June 2005 to 31 December 2005 and subsequently from 1 January 2006 to 30 June 2006.

On 3 May 2006, the Company announced that after taking into consideration the then market sentiments and the market performance of the ordinary shares of the Company, it has decided to abort the proposed Rights Issue of IPS.

Notwithstanding the abortion of the proposed Rights Issue of IPS, the Board of Directors of the Company on 3 May 2006 announced that the Company will proceed with the Proposed Bonus Issue of up to 152,177,000 new ordinary shares of RM1 each as fully paid on the basis of one (1) Bonus Share for every one (1) existing ordinary share held to the registered shareholders of the Company at the close of business on an entitlement date to be determined and announced later ("Proposed Bonus Issue").

The Proposed Bonus Issue will be issued via capitalization of up to RM152,177,000 from the following:

- (i) up to RM11,744,000 from share premium account of the Company; and
- (ii) up to RM140,433,000 from retained earnings of the Company.

The Proposed Bonus Issue was approved by the shareholders of the Company at the Annual General Meeting held on 21 June 2006.

The Company had on 19 July 2006 submitted an Application for listing of additional ordinary shares to be issued pursuant to the Proposed Bonus Issue to Bursa Malaysia Securities Berhad ("Bursa Securities"). The approval was obtained on 1 August 2006 from Bursa Securities.

152,177,000 new ordinary shares of RM1 each were subsequently allotted on 8 September 2006 pursuant to the Proposed Bonus Issue.

- (b) On 2 May 2006, a new subsidiary company namely MAA Takaful Berhad ("MAA Takaful") was incorporated with an authorised share capital of RM150,000,000 comprising 150,000,000 ordinary shares of RM1 each of which RM2 have been issued and fully paid-up.

MAA Takaful was incorporated pursuant to the approval of Bank Negara Malaysia ("BNM") to carry on Takaful business in Malaysia with joint venture partner, Solidarity Company BSC (C) ("Solidarity"). The equity participation of the Company and Solidarity in MAA Takaful is 75% and 25% respectively.

# Directors' Report (continued)

## **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR** (continued)

The Company has subsequently on 21 September 2006 entered into a Subscription Agreement with Solidarity in respect of the subscription of 100,000,000 shares of RM1 each ("Initial Shares") in MAA Takaful by both parties within thirty (30) days from the date of the Subscription Agreement or such other extended date as the parties may mutually agree.

The parties have also entered into a Shareholders' Agreement to regularise their relationship as shareholders of MAA Takaful and the conduct of the affairs of MAA Takaful. The Shareholders' Agreement will take effect on the date the parties subscribe to their respective shares in MAA Takaful.

MAA Takaful has on 16 November 2006 submitted an application to the SC for the increase in its paid up capital. The approval was obtained from the SC on 15 January 2007.

- (c) On 4 August 2006, the Company announced the Proposed Issuance of Commercial Papers ("CP") and/or Medium Term Notes ("MTN") Programme of up to RM200 million ("Proposed Programme").

The Proposed Programme will comprise the issuance of CP with tenors ranging from one (1) month to twelve (12) months and/or MTN with tenors of more than one (1) year but not exceeding seven (7) years. The proceeds from the Proposed Programme will be used in relation to financing the Company's investment in Takaful business, to repay certain existing bank borrowings of the Company and its subsidiary companies, to finance redemption of its existing RM120 million Serial Fixed Rate Bonds maturing on 21 August 2007, to pre-fund the debt service reserve account to be established for the purposes of the Proposed Programme and to finance working capital of the Company.

The approval for Proposed Programme was obtained on 28 August 2006 from Securities Commission ("SC").

On 5 December 2006, the Company submitted an application to the SC for the following variations to the principal terms and conditions of the Proposed Programme:

- i) to secure the issuance under the Proposed Programme by a bank guarantee facility from DBS Bank Lt, Labuan Branch ("DBS Bank") up to the maximum aggregate principal amount of the United States Dollars equivalent to RM200 million; and
- ii) to vary the utilisation of proceeds of the Proposed Programme, where among others the Company's investment in Takaful business will be financed from internally generated fund

The SC has via its letter dated 22 December 2006 approved the above stated variations.

On 8 January 2007, the Company successfully issued RM200 million nominal amount of Medium Terms Notes up to a tenure of 5 years.

- (d) On 22 September 2006, Columbus Capital Singapore Pte Ltd ("CCS"), a new wholly-owned subsidiary company of MAA International Investment Ltd, which in turn is a wholly-owned subsidiary of the Company, entered into a conditional subscription agreement with Columbus Capital Pty Limited ("CCPL") to subscribe up to 20.0 million Series A Preference Shares at an issue price of AUD1.00 each, representing up to 50% equity interest in CCPL for a total cash consideration of AUD20.0 million or equivalent to approximately RM57.0 million.

CCPL was incorporated in Australia under the Corporation Act 2001 on 4 May 2006.

CCS subscribed 15.0 million Series A Preference Shares in CCPL on 6 October 2006, representing 42.86% equity interest in CCPL.

- (e) MAA International Assurance Ltd ("MAAIA"), a wholly-owned subsidiary company of MAA Corporation Sdn Bhd together with its subsidiary company, Tuang Thai Co. Ltd had on 14 September 2006 entered into a Share Sale and Purchase Agreement with Mr. Krisana Kritmanorote for the disposal of a total 4,799,800 ordinary shares of Thai Baht 10.00 each, representing the 42.15% equity interest in MAAKK Wealth Management Co. Ltd ("MAAKK"), an associated company, for a total cash consideration of Thai Baht 47,998 (equivalent to approximately RM4,713) and the agreed repayment of Thai Baht 39,000,000 (equivalent to approximately RM3,829,800) of the amount owing by MAAKK to MAAIA. The disposal was completed on 17 October 2006.

## **AUDITORS**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 April 2007.

**TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH**  
**DIRECTOR**

**MUHAMAD UMAR SWIFT**  
**DIRECTOR**

Kuala Lumpur  
27 April 2007