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 2012.

OPERATING ENVIRONMENT

The Malaysian economy performed better than expected in 2012 and has remained resilient notwithstanding the continued structural and fiscal weaknesses in the advanced external economies. Amidst the weak and unstable external environment, the Malaysian economy recorded a strong Gross Domestic Product growth of 5.6% in 2012 (2011: 5.1%) driven principally by domestic demand.

In 2012, the Insurance and Takaful Industry recorded strong improvements with continued expansion in new business, better claims experience and improved investment returns. The Life and Family Takaful Sector reported a strong rebound in Excess of Income Over Outgo which increased by 38.2% to RM17.6 billion (2012: RM12.7 billion), supported by higher net Insurance Premiums and Takaful Contributions of 11.2% and a significant increase of about 200% in Net Capital Gains. The Operating Profits of the General Insurance and General Takaful Sector increased by 72.6% to RM2.9 billion (2011: RM1.7 billion), following a lower Combined Claims Ratio of 57.3% (2011: 66.7%) and higher Earned Insurance Premiums and Takaful Contributions that grew by 11.1%.

Separately, the Family Takaful Industry reported a strong performance with Total Net Contributions increasing by 23.3% to RM4.6 billion (2011: RM3.7 billion) and Total Excess of Income Over Outgo increasing by 51.9% to RM2.4 billion (2011: RM1.6 billion). The General Takaful Industry also recorded improved performance with Total Earned Contribution Income increasing by 17.5% to RM1.3 billion (2011: RM1.1 billion) and Total Operating Profit increasing by 26.5% to RM299.2 million (2011: RM236.5 million).

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 (collectively the "Disposed Subsidiaries") to Zurich Insurance Company Limited ("Zurich") on 30 September 2011. The Disposed Subsidiaries had been classified under discontinued operations in the preceding year's financial statements following the applicable approved accounting standards. Arising from the said disposal, no financial results of the Disposed Subsidiaries are included in the Group's results subsequent to 30 September 2011.

For the year under review, the discontinued operations represent an overseas life insurance subsidiary company and a local non-insurance subsidiary company which were disposed during 2012.

Operating Revenue

For the year under review, the Group's Total Operating Revenue decreased by 70.3% to RM513.0 million (2011: RM1,726.5 million), of which the continuing operations recorded an increase of 17.1% to RM497.7 million (2011: RM425.2 million) and the discontinued operations recorded a decrease of 98.8% to RM15.3 million (2011: RM1,301.3 million).

Under the Conventional Insurance Sector, the Life Insurance Division recorded Total Gross Earned Premiums of RM3.5 million (2011: RM697.2 million), wholly from the discontinued overseas operations. The General Insurance Division recorded Total Gross Earned Premiums of RM69.4 million wholly from the continuing overseas operations, compared to 2011 of RM420.8 million (continuing operations: RM73.9 million and discontinued operations: RM346.9 million).

Under the Takaful Sector, both the Family Takaful Division and General Takaful Division continued to grow, with a strong momentum, to register higher Gross Earned Contributions, of RM209.1 million (2011: RM163.8 million) and RM152.9 million (2011: RM124.5 million) respectively.

The Group's Unit Trust Fund Management Division recorded a marginal 2.7% decrease in operating revenue to RM39.0 million (2011: RM40.1 million) mainly due to lower initial service and management fee income of RM38.0 million (2011: RM39.1 million).

The Group's Shareholder Fund (excluding the Unit Trust Management Division) recorded a 32.7% decrease in total operating revenue to RM25.9 million (2011: RM38.5 million), of which the continuing operations recorded an increase of 32.7% to RM14.6 million (2011: RM11.0 million) and the discontinued operations recorded a decrease of 58.9% to RM11.3 million (2011: RM27.5 million).

Profit / Loss Before Taxation

The Group recorded a lower Profit Before Taxation ("PBT") of RM39.2 million for the current year under review (2011 PBT: RM142.6 million), of which the continuing operations recorded a Loss Before Taxation ("LBT") of RM25.1 million (2011 PBT: RM7.5 million) and the discontinued operations recorded a lower PBT of RM64.3 million (2011 PBT: RM135.1 million).

Under the Conventional Insurance Sector, the General Insurance Division recorded a LBT of RM12.3 million wholly from the continuing operations, compared to 2011 PBT of RM41.6 million (continuing operations 2011 LBT: RM19.2 million, and discontinued operations 2011 PBT: RM60.8 million). During the current year under review, the General Insurance fund of the Labuan Offshore Insurance subsidiary company recorded an income from a waiver of debt of RM14.9 million under a General Reinsurance Treaty commutation agreement, however this income is offset by higher net insurance benefits and claims and agents' commission expenses totalling RM6.5 million incurred by the overseas insurance subsidiary company in Indonesia. The continuing operations' loss of RM19.2 million in previous year was due mainly to prior year adjustments made totalling RM20.0 million as disclosed in note 43 of 2012 statutory financial statements.

The Life Insurance Division registered a small LBT of RM0.1 million wholly from the continuing operations, compared to 2011 PBT of RM43.0 million (continuing operations PBT: RM49.8 million, and discontinued operations LBT: RM6.8 million). The continuing operations' profit in the preceding year arose from a full release of the insurance contract liabilities of RM48.3 million recorded by the Labuan Offshore Insurance subsidiary company subsequent to the commutation of its Life Insurance Treaties in 2011.

Under the Takaful Sector, both the Family Takaful Division and General Takaful Division recorded improved performance with PBT of RM9.8 million (2011 PBT: RM8.1 million) and RM6.8 million (2011 PBT: RM6.1 million) respectively.

The Group's Unit Trust Fund Management Division recorded a PBT of RM2.5 million (2011 PBT: RM2.5 million).

The Group's Shareholder Fund (excluding the Unit Trust Fund Management Division) recorded a lower PBT of RM35.6 million (2011 PBT: RM41.5 million), of which the continuing operations recorded a lower LBT of RM31.9 million (2011 LBT: RM39.7 million) and the discontinued operations recorded a lower PBT of RM67.5 million (2011 PBT: RM81.2 million). This profit included a gain of RM50.7 million recognised from the receipt of held back sum from the sale consideration of MAA Assurance after satisfaction of certain condition precedents as stipulated in the Sale and Purchase Agreement and a gain of RM5.3 million arising from a subsequent upward adjustment to the sale consideration of MAA Assurance due to overstatement of Life fund liabilities in the draft completion accounts prepared by Zurich. However, this profit was offset partially by a provision made for claim sum including interest totalling RM14.4 million under a legal suit allowed by the Court against a former subsidiary company. The profit in the previous financial year included a gain on disposal of RM83.2 million net of selling expenses ("Disposal Gain") from the sale of the Disposed Subsidiaries. This Disposal Gain included a subsequent upward adjustment of RM86.0 million to the initial sale consideration of RM344.0 million as explained in the ensuing sections of this report.

As at 31 December 2012, the Group's Total Assets stood at RM1.3 billion, higher than RM1.1 billion in 2011, with Earnings Per Share ("EPS") of 14.8 sen (2011: 12.0 sen).

BUSINESS OPERATIONS REVIEW

For the year under review, the Group's operational segments are:

- Malaysian Takaful Insurance;
- Malaysian Unit Trust Management;
- International Insurance; and
- Australian Mortgage Financing.

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

DIVIDENDS

For the year ended 31 December 2012, the Board of Directors do not recommend the payment of dividends, in view of the need to preserve capital, in anticipation of Bank Negara Malaysia's ("BNM") new requirement for holding companies of Financial Institutions, to comply with minimum Capital Adequacy Ratio standards, details of which have yet to be announced, following the recent enactment of the Financial Services Act 2013 and the Islamic Financial Services Act 2013.

UPDATES ON RECENT CORPORATE PROPOSALS

The Group is pleased to provide the following updates:

(a) On 30 September 2011, the Group completed the disposal of its entire 100% equity interest in Malaysian Assurance Alliance Berhad ("MAA Assurance", now known as Zurich Insurance Malaysia Berhad) and other identified subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd ("Disposed Subsidiaries") to Zurich Insurance Company Ltd ("Zurich") for a total cash consideration of RM344.0 million ("the Disposal").

Under the terms of the Conditional Sale and Purchase Agreement ("SPA") with Zurich in relation to the Disposal, there is an adjustment to the sale consideration of RM344.0 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.

On 30 December 2011, based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries prepared by and received from Zurich, there is an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equals 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.

On 17 February 2012 and 12 April 2012, the Company submitted notifications of disputes ("Dispute Notifications") to Zurich to disagree certain downward adjustments made to the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries.

On 28 June 2012, the Company received RM30.1 million in the escrow account from Zurich being the net held back sum upon satisfaction of certain condition precedent in the SPA in relation to Prima Avenue Klang property, one of the real properties owned by MAA Assurance.

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich confirming an overstatement of RM5.3 million in the Life fund liabilities of MAA Assurance in the draft completion accounts.

On 27 July 2012, the Company received RM20.6 million in the escrow account from Zurich being the held back sum upon satisfaction of certain condition precedent in the SPA in relation to Mithril's 3% 8-year redeemable convertible secured loan stocks ("RCSLS").

On 2 November 2012, the Company filed and served a notice of arbitration against Zurich with the Singapore International Arbitration Centre seeking, inter alia, declarations to refer disputes on the calculation of General Insurance Reserves of MAA Assurance and other disputed matters in the draft completion accounts prepared by Zurich to an Expert Accountant in accordance with terms of the SPA in order to determine the final selling price of the Disposed Subsidiaries, as well as further declarations to be entitled to receive payment of escrow monies in accordance with the Escrow Agreement dated 28 September 2011, having satisfied the requirements under the SPA and the Side Letter dated 17 August 2011 in respect of the Prima Avenue Klang property, together with damages, interests and costs.

(b) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Listing Requirements 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 (i.e. consolidated shareholders' equity falling below 25% of the issued and paid up share capital, default in payment by the Group, auditors expressing adverse or disclaimer opinion on the 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.

The Company has on 28 September 2012 submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for a waiver from having to comply with Paragraph 8.04(2) of the Listing Requirements and a waiver from submitting a regularisation plan to Bursa Securities pursuant to Paragraph 8.04(3) of the Listing Requirements ("Application for Waiver").

On 1 October 2012, Bursa Securities had vide its letter informed the Company that the suspension on the trading of the Company's securities and delisting of the Company in accordance with Paragraph 8.04 of the Listing Requirements shall be deferred pending the decision on the Application for Waiver.

On 30 November 2012, the Company submitted an application to Bursa Securities for an extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("Application for Extension of Time").

Henceforth, the Application for Waiver and the Application for Extension of Time shall collectively be referred to as "Applications".

On 20 December 2012, Bursa Securities had vide its letter rejected the Company's Application for Waiver from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements and had granted an extension of time of up to 18 June 2013 for the Company to submit a regularisation plan taking into consideration amongst others the following:

(i) The consolidated financial position of the Group as at 30 September 2012 including its consolidated shareholders' equity and net assets of approximately RM451.9 million, cash and cash equivalent of approximately RM154.6 million as well as the Group's low gearing position;

(ii) The future receipts of balance of cash proceeds from the disposal of the Disposed Subsidiaries which is scheduled to be released to the Company from the escrow account in 2013;

(iii) The steps taken to regularise the Company's financial position to date and in particular the disposals of non-performing or loss making assets (such as Wira Security Services Sdn Bhd and PT MAA Life Assurance as disclosed in note (c) and (d) below and the acquisition of Origin Mortgage Management Services by Columbus Capital Pty Ltd in note (f) below); and

(iv) The Company's plan to revert, sustain and grow the profitability of the Group.

The aforesaid extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the securities of the Company and to delist the Company in the event:

(i) The Company fails to submit the regularisation plans on or before 18 June 2013;

(ii) The Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan, or

(iii) The Company fails to implement its regularisation plan within the time frame or extended time frames stipulated by Bursa Securities.

Upon the occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of the Company upon the expiry of five (5) market days from the date the Company is notified by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting.

Based on the decision by Bursa Securities, the Board will formularise a regularisation plan and will submit it to Bursa Securities for approval.

(c) On 28 June 2012, MAA Corporation Sdn Bhd ("MAA Corp"), a wholly owned subsidiary company had completed the disposal of its 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.

(d) On 16 August 2012, MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary company of MAA Corp had completed the disposal of its 99.5% equity interest in PT MAA Life Assurance ("PT MAAL"), for a final sale consideration of IDR23.56 billion (equivalent to approximately RM7.79 million) to Tokio Marine Holdings Inc.

(e) On 5 September 2012, the Company disposed its 45% equity interest in an associated company, Maybach Logistics Sdn Bhd to Crest Corporate Services Sdn Bhd for a total cash consideration of RM14,000.

(f) On 21 September 2012, the Group's Australian associated company, Columbus Capital Pty Ltd ("CCAU"), had entered into a conditional SPA with Australia and New Zealand Banking Group Limited ("ANZ") to acquire ANZ's wholesale mortgage distribution business, Origin Mortgage Management Services, which manages a portfolio of approximately AUD2.2 billion in residential mortgages.

On 28 September 2012, CCAU had completed the acquisition of ANZ's wholesale mortgage distribution business, Origin Mortgage Management Services.

(g) On 2 October 2012, MAA Credit Berhad ("MAA Credit"), a wholly owned subsidiary of MAA Corp had in exercise of its power of attorney pursuant to memorandum of deposit shares in Keris Murni Sdn Bhd ("KMSB") and Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") ("the Security Shares") dated 1 October 2009 signed with Famous Vertex Sdn Bhd ("FVSB"), transferred all the Security Shares to itself. This forms part of debt recovery action taken to enforce the Security Shares after FVSB had defaulted the loan (both principal and interest) due to MAA Credit.

Consequently, KMSB and PTKSB became 70% owned subsidiary companies of MAA Credit on 2 October 2012.

(h) On 26 November 2012, MAA Credit had entered into a Share Sale Agreement to acquire 290,002 ordinary shares of RM1.00 each representing 100% equity interest in Nilam Timur Sdn Bhd ("Nilam Timur") for a total cash consideration of RM10.00, arrived at on a 'willing seller-willing buyer' basis. This forms part of debt recovery action taken by MAA Credit for a loan due by Nilam Timur. MAA Credit intends to sell Nilam Timur which has the sub-lease on lands to recover the loan.

(i) On 5 December 2012, MAA Corp and NTY Enterprise Sdn Bhd entered into a Share Sale Agreement, for the disposal of 385,000 ordinary shares representing 11% of the issued and fully paid up ordinary shares, and the 153 redeemable preference shares representing 100% of the issued and fully paid up redeemable preference shares in Meridian Asset Management Holdings Sdn Bhd ("MAM"), for a total cash consideration of RM10.00 only, arrived at on a 'willing seller-willing buyer' basis. Upon completion of the disposal, MAM has ceased to be a subsidiary company of MAA Corp and has been accounted for as an associate company of the Group.

(j) On 23 April 2013, Board of Directors of the Company ("Board") discussed and approved in principle the proposed disposal of MAAIA's entire interest in PT MAA General Assurance ("PT MAAG"), an 83% owned subsidiary company in Indonesia. The Company has been in discussions with an interested party for the proposed disposal; however the terms and conditions of the contemplated sale and purchase agreement have yet to be finalised. The Board is of the opinion that it will be in the best interest of the Company to divest PT MAAG based on its financial condition and to therefore mitigate the loss from this operations in Indonesia.

CORPORATE SOCIAL RESPONSIBILITY

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

The Group actively supports and manages MAA Medicare Kidney Charity Fund ("MAA Medicare") and The Budimas Charitable Foundation ("Budimas").

MAA Medicare is the second largest dialysis provider in Malaysia, with 12 kidney dialysis centres, 200 hemodialysis machines, and helping 810 needy and underprivileged patients stay alive.

Budimas provides financial welfare for underprivileged children in Malaysia. Budimas currently supports 12 homes, with more than 600 underprivileged children, and provides breakfast to 2028 underprivileged children in 36 rural schools, across Malaysia.

Towards this end, 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 Takaful Industry, Bank Negara Malaysia ("BNM") issued the final Risk-Based Capital Framework for Takaful operators with the aim to strengthen the capital base of Takaful operators to be on par with the standards applicable to the Insurance Industry. Full compliance with the Risk-Based Capital Framework will take effect from 1 January 2014.

Taking cognition that the Risk-Based Capital Framework will eventually be implemented on Takaful operators, the Group's 75% subsidiary, MAA Takaful Berhad ("MAA Takaful") has well ahead aligned its product and investment strategies, including adopting prudent financial risk procedures to enhance its risk management policies, to meet the regulatory capital requirements when implemented.

With the enactment of the new Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA"), BNM has announced that it will implement the Acts in 2013, aiming to strengthen the foundations for a regulatory and supervisory framework that is effective, transparent and which contributes to an efficient financial system that is resilient to future stresses. Under the FSA and IFSA, BNM will also be given an appropriate level of oversight, including setting prudential standards, conducting ongoing supervision on a consolidation basis and requiring corrective actions to address identified risks, over the financial holding companies to ensure that the activities of financial groups do not pose undue risks to the safety and soundness of financial institutions. These regulatory changes once implemented will change and shape the way, Insurance and Takaful operators, and their holding companies, conduct their businesses.

PROSPECTS

For 2013, the Malaysian economy is expected to remain on a steady growth path with an expansion rate of between 5% to 6% as projected by BNM, premised on the continued resilience domestic demand and supported by a gradual improvement in the external sector with projected higher exports. Nevertheless, Malaysia will continue to face rising inflationary pressures and risks of potential re-emergence of instability in the Euro Zone, and slower growth in its major trading partners.

The Group will continue to face strong competition in its operating environment in view of the continuous industry liberalisation and the impending enactment of the new FSA and IFSA, as announced by BNM, which will transform the future structure and operating landscape of the financial services sector, including the Insurance and Takaful Industry.

Towards this end, the Group will form working committees, to carry out a detailed study to outline the strategic plans for MAA Takaful to comply with the IFSA, within the 5 year period given by BNM, and for the Group to submit an application to BNM, to formally become an approved financial holding company, within the 1 year period given by BNM.

For 2013, BNM will implement its new policy for the Takaful Industry to mandatorily underwrite an equal share of the loss-making motor portfolio under the Malaysian Motor Insurance Pool ("MMIP"). The equal sharing of losses will adversely impact the General Takaful Industry, including the Group's Malaysian Takaful Insurance operations. An appeal for the sharing of the losses from the MMIP, to be divided based on the volume of motor business written by respective General Insurance and Takaful operators, has not been entertained by BNM. In light of this, MAA Takaful will realign its business strategies including accelerating business growth in certain sectors, to cushion the loss sharing impact, while ensuring it remains profitable and continue to fulfill its commitments to customers.

Separately, on the Group's General Insurance operations in Indonesia, the Group will assess the business viability taking into cognizant the continuing losses suffered over the years.

Subsequent to the sale of the Disposed Subsidiaries, the Group has and will continue its efforts to focus on the development of its remaining core businesses, in particular, its Takaful and Unit Trust Management operations.

On the PN17 status of the Company, it is the Board's intention to maintain the listing status of the Company. To this end, the Company will work towards formulating a regularisation plan for submission to Bursa Securities for approval within the granted extension of time up to 18 June 2013.

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