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 2012.

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, family takaful and all classes of general takaful businesses, investment holding, hire purchase, leasing and other credit activities, unit trust, property management, fund management and investment advisory and consultancy services.

There have been no significant changes in the nature of these activities for the Group and the Company during the financial year, other than the significant events disclosed in Note 54 to the financial statements.

FINANCIAL RESULTS

The results of the operations of the Group and the Company for the financial year were as follows:

	GROUP RM'000	COMPANY RM'000
Profit for the financial year attributable to:		
- Owner of the Company	42,477	43,264
- Non-controlling interests	(7,352)	-
	35,125	43,264

DIVIDENDS

No dividend was declared or paid by the Company since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	
Muhamad Umar Swift	
Yeo Took Keat	
Datuk Seri Razman Md Hashim bin Che Din Md Hashim	
Tan Sri Ahmad bin Mohd Don	
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	
Dato' Jaffar Indot	(Appointed on 5 September 2012)
Dato' Narendrakumar Jasani A/L Chunilal Rugnath	(Appointed on 5 September 2012)
Onn Kien Hoe	(Appointed on 5 September 2012)
Major General Datuk Lai Chung Wah (Rtd)	(Resigned on 5 September 2012)
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	(Resigned on 5 September 2012)
Dato' Sri Iskandar Michael bin Abdullah	(Resigned on 16 July 2012)
Dr Zaha Rina Zahari	(Resigned on 1 July 2012)

In accordance with Section 129(6) of the Companies Act, 1965, Datuk Seri Razman Md Hashim bin Che Din Md Hashim and Dato' Jaffar Indot retire and being eligible, offer themselves for re-election.

In accordance with Article 73 of the Company's Articles of Association, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah and Yeo Took Keat retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 79 of the Company's Articles of Association, Dato' Narendrakumar Jasani A/L Chunilal Rugnath and Onn Kien Hoe retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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:

	Number of ordinary shares of RM1.00 each			
Company	At 1.1.2012	Acquired	Disposed	At 31.12.2012
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY") - Indirect #	105,777,084	-	-	105,777,084
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY") - Indirect *	105,777,084	-	-	105,777,084
Tan Sri Ahmad bin Mohd Don	2,055,000	-	-	2,055,000
Datuk Seri Razman Md Hashim bin Che Din Md Hashim	150,000	-	-	150,000
Yeo Took Keat	80,000	-	-	80,000

\# Deemed interested by virtue of TY being the founder and ultimate beneficial owner of Khyra Legacy Berhad, the holding company of Iternum Melewar Sdn Bhd which is in turn a substantial shareholder of Melewar Equities Sdn Bhd. Melewar Equities Sdn Bhd is the holding company of Melewar Equities (BVI) Ltd, which is a substantial shareholder of the Company.

* Under Section 6A(4) of the Companies Act, 1965, TYY is deemed interested in Khyra Legacy Berhad's deemed interest in the Company by virtue of his family relationship with TY.

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 34 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 financial statements were made out, the Directors took reasonable steps:

(a) 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

(b) 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:

(a) 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

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) 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 gain on disposal of subsidiaries as disclosed in the "Significant Events During The Financial Year and Subsequent to the Financial Year End" in this report and in Note 54 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, other than as disclosed in the "Significant Events During The Financial Year and Subsequent to the Financial Year End" in this report and in Note 54 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END

(a) On 30 September 2011, the Company completed the disposal of its entire 100% equity interest in Malaysian Assurance Alliance Berhad ("MAA") (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 (hereinafter collectively known as the ("Disposed Subsidiaries") to Zurich Insurance Company Ltd ("Zurich") for a total cash consideration of RM344.0 million ("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 disputes arise 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 conditions precedent in the SPA in relation to Prima Avenue Klang property, one of the real properties owned by MAA.

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 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 and other dispute 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (CONTINUED)

(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.

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 an 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 PN 17 of the Listing Requirements to announce details of its regularisation plan.

On 28 September 2012, the Company 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 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").

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 has 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 equivalents 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.

(c) On 28 June 2012, the Company's wholly owned subsidiary company, MAA Corporation Sdn Bhd ("MAA Corp"), 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, 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, Columbus Capital Pty Ltd ("CCAU") , an associated company of Columbus Capital Singapore Ltd ("CCS") which is in turn a wholly owned subsidiary company of MAA International Investments Ltd ("MAAII"), also a wholly owned subsidiary company of MAA Corp, entered into a conditional sale and purchase agreement 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 AUD 2.2 billion in residential mortgages.

The acquisition was financed by funds raised from issuance of Preference Shares B to shareholders' CCS and Consortia Group Holdings Pty Limited ("Consortia").

A Share Subscription Deed to subscribe for 2.0 million Preference Shares B at AUD1.00 per share, representing 4.68% of the enlarged equity interest in CCAU, for a total cash consideration of AUD2.0 million or RM6.7 million equivalent (based on the prevailing exchange rate of AUD1.00: RM3.35) was executed by CCS on 11 September 2012. Consortia subscribed for 1.25 million Preference Share B at an issue price of AUD1.00 per share which represented 2.92% of the enlarged equity interest in CCAU. The subscription increased CCS' equity interest in CCAU from 46.84% to 47.95% whilst correspondingly decreased Consortia's overall interest from 53.16% to 52.05%.

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (CONTINUED)

(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 become 70% owned subsidiary companies of MAA Credit on 2 October 2012.

(h) On 26 November 2012, MAA Credit entered into a Shares Sale Agreement with Ahmad Nor Shaffuddin bin Ahmad Baharuddin and Rozeeta binti Ahmad Baharuddin (collectively referred to as "Vendors") on the same date to acquire from the Vendors 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 any interested party 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") respectively for a total cash consideration of Ringgit Malaysia Ten (RM10) 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/the Company and has been accounted for as an associated 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.

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 24 April 2013.

MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
DIRECTOR

Kuala Lumpur
24 April 2013