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 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and providing management services, whilst the principal activities of the subsidiaries are as stated in Note 9 to the financial statements.

There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year, other than the significant events as disclosed in Note 50 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	COMPANY
	RM'000	RM'000
Profit/(loss) for the financial year attributable to:		
- Owner of the Company	4,708	(9,637)
- Non-controlling interests	(890)	-
	3,818	(9,637)

DIVIDENDS

The Company paid an interim gross dividend of 3 sen per share in respect of the financial year ended 31 December 2013, less income tax totalling RM6,848,000 on 5 July 2013. The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2013.

The Company paid an interim gross dividend of 3 sen per share under the single-tier dividend system, in respect of the financial year ending 31 December 2014 totalling RM9,131,000 on 18 April 2014.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are as 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 (demised on 8.4.2014)
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Onn Kien Hoe

In accordance with Section 129(6) of the Companies Act, 1965, Datuk Seri Razman Md Hashim bin Che Din Md Hashim retires and being eligible, offer himself for re-election.

In accordance with Article 73 of the Company's Articles of Association, Muhamad Umar Swift and Tan Sri Ahmad bin Mohd Don 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 the shares of the Company are as follows:

	Number of ordinary shares of RM1.00 each			
Company	At 1.1.2013	Acquired	Disposed	At 31.12.2013
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 who is in turn a substantial shareholder of Melewar Equities Sdn Bhd. Melewar Equities Sdn Bhd is the holding company of Melewar Equities (BVI) Ltd.

* 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 subsidiaries 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 any 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 32 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 the Director is a member, or with a company in which the Director 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 the 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 the 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 the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and the Company misleading.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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

(a) any charge on the assets of the Group or the 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 the Company which has arisen since the end of the financial year.

No contingent liability 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 substantially 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 liabilities or other liabilities do not include liabilities arising from contracts of insurance/ takaful underwritten in the ordinary course of business of the insurance/takaful subsidiaries of the Company.

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 50 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 the 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 50 to the financial statements.

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

(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 subsidiaries, 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 ("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 the 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 was an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equaled to the difference between the aggregate net asset value of the 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 to Zurich to disagree certain downward adjustments ("Disputed Matters") 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 ("PAK"), one of the real properties owned by MAA Assurance.

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich that confirmed 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 conditions 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 the disputes on the calculation of general insurance reserves and other disputed matters in the Draft Completion Accounts 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 PAK, together with damages, interests and costs.

On 24 July 2013, the Company entered into a settlement agreement ("Settlement Agreement") with Zurich for settlement of the Disputed Matters in relation to the Draft Completion Accounts and PAK ("Proposed Settlement").

DIRECTORS' REPORT
(continued)

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

Subject to fulfilment of the conditions precedent set out in the Settlement Agreement, the salient terms of the Proposed Settlement, inter alia, include the following:

(i) The parties agree and acknowledge that the final agreed additional consideration payable by Zurich shall be RM103,428,081 incorporating all adjustments on the general insurance reserves, general receivables and life liabilities reserve as specified in the Settlement Agreement.

(ii) With respect to settlement of impairment dispute on Senai Desaru and Domayne bonds ("Bonds"), the Company agrees to accept transfer of the Bonds at the impaired carrying values and the deduction of the Bonds transfer price from the additional consideration payable by Zurich.

(iii) The parties acknowledge that the amount of RM103,428,081 is subject to the deduction of the Bonds transfer price and PAK Hold Back Amount (as defined in (iv) below), such that the net amount of additional consideration payable by Zurich into the escrow account is RM78,825,822.

(iv) Zurich shall instruct and withhold an amount of RM3.0 million ("PAK Hold Back Amount") until delivery of the individual strata titles for Block A of PAK within 3 years period.

In furtherance of the Company's obligations in relation to (iv) as disclosed above, and to recover the Company's initial investment of RM20.0 million in the development (hereafter defined) arising from the original sale of MAA Assurance to Zurich on 30 September 2011, the Company had on 30 July 2013 entered into a joint venture agreement ("JVA") with PIMA Pembangunan Sdn Bhd ("PIMA") in respect of a commercial development known as Prima Avenue Klang or Pusat Perniagaan Prima Klang ("Development") which currently comprise of Block A and Block B office space and/or shop lots and a building platform for Block C (to be built). The Development is currently charged to Malayan Banking Berhad by way of first legal charge. As disclosed in Note 13(b) to the financial statements, an amount of RM19.4 million has been extended by the Company to PIMA under the JVA as at 31 December 2013.

On 11 September 2013, the Company announced that the Disputed Matters in relation to the Draft Completion Accounts between the Company and Zurich had been settled on that day and the Company had duly received Bonds from Zurich on 6 September 2013 and the net amount additional consideration of RM78,825,822 had been duly deposited by Zurich in the escrow account.

On 30 September 2013, the Company announced that an amount of RM136.5 million (including interest earned) had been released from the escrow account to the Company on the same day after the expiry of 2 years from the completion of the Disposal and a balance of RM55.1 million is still being retained in the escrow account until Zurich's remaining outstanding claims are resolved.

Zurich's remaining outstanding claims relate to alleged breach of warranties and indemnities ("Zurich's Counterclaims"), of which a provision of RM45.0 million has been made in the financial year ended 31 December 2013. The said provision amount was based on the parties' ongoing settlement negotiations, which to date has not been reached or mutually agreed.

(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, 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 PN17 of the Listing Requirements to announce details of the 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 ("First Application for Waiver").

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

On 20 December 2012, Bursa Securities had vide its letter rejected the Company's First 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 ("First Granted Extension of Time") for the Company to submit a regularisation plan.

On 7 June 2013, the Company submitted an application to Bursa Securities for extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("Second Application for Extension of time").

On 1 August 2013, Bursa Securities had vide its letter granted a further extension of time of up to 30 November 2013 ("Second Granted Extension of Time") for the Company to submit a regularisation plan taking into consideration amongst others the following:

(i) The latest consolidated financial position of the Group including its consolidated shareholders' equity, net assets and gearing ratio position;

DIRECTORS' REPORT
(continued)

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

(ii) The future receipts of the balance of cash proceeds from the disposal of Disposed Subsidiaries following the proposed settlement on the amount receivable by the Company as announced on 24 July 2013; and

(iii) The latest regulatory development vis-à-vis the Islamic Financial Services Act, 2013 which came into effect on 1 July 2013, which governs the Company's core business activities.

The Second Granted Extension of Time was 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 30 November 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.

On 2 September 2013, 1 October 2013 and 1 November 2013, the Company announced that it was still in the midst of formulating a regularisation plan for submission to Bursa Securities for approval.

On 29 November 2013, the Company submitted an application to Bursa Securities for extension of time to comply with Paragraph 8.04(2), 8.04(3) and PN17 of the Listing Requirements ("Third Application for Extension of Time").

On 9 December 2013, Bursa Securities had vide its letter informed that the suspension of trading of the Company's securities and the delisting of the Company in accordance with Paragraph 8.04(5) of the Listing Requirements shall be deferred pending the decision of the Third Application for Extension of Time.

On 11 March 2014, Bursa Securities has granted an extension of time of up to 31 July 2014 for the Company to submit a regularisation plan ("Third Granted Extension of Time").

The Third Granted Extension of Time was given by Bursa Securities after taking into consideration, on amongst others, the following:

(i) The material developments in relation to the Group's internal restructuring in particular the internal restructuring relating to its subsidiaries, namely PT MAA General Assurance ("PT MAAG") and MAA Takaful Berhad ("MAAT"); and associated company, Columbus Capital Pty Ltd ("CCAU"); and

(ii) The latest consolidated financial position of the Group including its consolidated shareholders' equity and net assets, cash and cash equivalents as well as its gearing position.

The Company is also required to provide detailed updates on the status of the Group's internal restructuring and status of the submission of its regularisation plan to the regulatory authorities via its monthly announcements.

The Third Granted Extension of Time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to delist the Company in the event:

(i) The Company fails to submit the regularisation plan to the regulatory authorities on or before 31 July 2014;

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

(iii) The Company fails to implement its regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of MAAG on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting.

On 1 April 2014, the Company announced the following status update of the Group's internal restructuring:

(i) PT MAAG is currently implementing the plan to settle its obligation and liabilities. From December 2012 to March 2014, PT MAAG has signed settlement agreements and paid settlements for approximately RP128.3 billion gross claims;

(ii) The proposed increase of the Group's equity interest in CCAU from 47.95% to 55% is pending approval from the Foreign Investment Review Board of Australia; and

DIRECTORS' REPORT
(continued)

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

(ii) The Company is in the midst of re-evaluating its group structure including the Group's business plans and operational requirements, and splitting of the existing composite license of MAAT into two (2) capitalised legal entities that is Family takaful and General takaful to ensure compliance with the Islamic Financial Services Act, 2013.

(c) On 13 November 2013, the Company's wholly-owned subsidiary, MAA Corporation Sdn Bhd ("MAA Corp") together with the other shareholders of MAAKL Mutual Bhd ("MAAKL Mutual") namely, Khyra Liberty Sdn Bhd, Edmond Cheah Swee Leng, Wong Boon Choy and Nge Koh Nguong (collectively referred to as the "Vendors"), had on the same day entered into a conditional sale and purchase agreement ("SPA") with Manulife Holdings Berhad ("Manulife") for the disposal of the entire issued and paid up ordinary share capital of MAAKL Mutual for a total cash consideration of RM96.5 million ("Sale Consideration"), arrived at on a 'willing buyer-willing seller' basis, and after taking into account the audited net assets and profit after tax of MAAKL Mutual based on its audited financial statements as at 31 December 2012. MAA Corp's share of the Sale Consideration in proportionate to its 55% equity interest in MAAKL Mutual is RM53.1 million.

The SPA is subject to fulfilment of the conditions precedent as set out including the transfer of RM19.3 million from the Sale Consideration to an escrow account ("Escrow Amount"). The Escrow Amount together with accrued interest but less any amount paid by the escrow agent in connection with any claims for a breach of any of the warranties or indemnities stated in the SPA shall be paid to the Vendors on the date failing after 24 months from the sale completion date.

On 31 December 2013, MAA Corp completed the disposal of its 55% equity interest in MAAKL Mutual to Manulife.

(d) On 14 April 2014, MAA Corp entered into a share sale agreement ("SSA") with AEC College Pte Ltd ("AEC") to acquire 30% interest in Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") and Keris Murni Sdn Bhd ("KMSB") ("Proposed Acquisition") for a total cash consideration of RM1.6 million. The purchase consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the aggregate profit after taxation of PTKSB and KMSB amounting to RM658,000 based on the audited financial statements for the financial year ended 31 December 2013.

The Proposed Acquisition was completed on 21 April 2014 and consequently, PTKSB and KMSB become wholly-owned subsidiaries of MAA Corp.

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 28 April 2014.

MUHAMAD UMAR SWIFT **DIRECTOR**	**YEO TOOK KEAT** **DIRECTOR**

Kuala Lumpur
28 April 2014