MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

OVERVIEW OF THE GROUP'S BUSINESS OPERATIONS

MAAG is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") with market capitalisation and total assets under management of RM242.1 million and RM564.1 million respectively as at end December 2016.

Over the years through internal corporate restructuring exercises, the Group had disposed its conventional life insurance and general insurance, unit trust, asset management, property management services, information technology and security services businesses. At the same time, it had also ceased the offshore life and general reinsurance and investment-linked businesses in Labuan subsequent to the commutation of both life and general reinsurance treaties in 2011 and maturity of the last investment-linked bond fund in 2014 respectively.

In June 2016, the Group ceased its takaful business upon the disposal of the 75% owned takaful subsidiary, MAA Takaful Berhad ("MAA Takaful") (now known as Zurich Takaful Malaysia Berhad). The Group has now successfully exited the local financial services sector regulated by Bank Negara Malaysia ("BNM") with the completion of the sale of MAA Takaful.

Currently the remaining significant business segments of the Group are investment holdings via MAAG and subsidiaries, education services via subsidiary Kasturi Academia Sdn Bhd (formerly known as Pusat Tuisyen Kasturi Sdn Bhd), general insurance business via associated company MAA General Assurance Philippines, Inc. ("MAAGAP") in the Philippines and retail mortgage lending business via associated company Columbus Capital Pty Limited ("CCA") in Australia. Other non-core business activities of the Group comprise of hire purchase, leasing and other credit facilities, property management and consultancy services.

GROUP'S STRATEGIC DIRECTION

In 2016, MAAG has accomplished and made significant progress in the following corporate and business strategies:

- There are various restrictions and requirements under the Islamic Financial Services Act, 2013 ("IFSA") in particular the required approval by BNM for financial holding company status, implementation of risk based capital ("RBC") and the requirement for major shareholders of takaful company to maintain a minimum capital for its operations calculated based on the RBC requirements for its takaful subsidiary in addition to the capital already reserved at the takaful subsidiary level. Taking all these into consideration and couple with the fact that the Group is standalone without banking business nor strategic partnership with banks, the Board of MAAG had recommended for the proposed disposal of MAA Takaful as an opportunity to unlock the value of investment in MAA Takaful.

  In June 2016, MAAG has completed the disposal of MAA Takaful to Zurich Insurance Company Ltd ("Zurich") for a total sale consideration of RM364.4 million (net of price adjustment) with a disposal gain of RM280.4 million for the Group.

- Going forward the Group's plans include focusing on the development of its general insurance business in the Philippines held by MAAGAP and the retail mortgage lending business in Australia held by CCA. As at 31 December 2016, the Group held 40.0% and 48.0% equity interest in MAAGAP and CCA respectively. The objectives are twofold i.e. to accelerate the future growth of these businesses and improve profitability of the Group to partly address MAAG's PN17 status.

  About MAAGAP, the company has been steadily growing its business. It ranked a credible 12th in terms of gross premium written and 13th in terms of total assets in 2015 among a total of 67 general insurance players in the Philippines. In 2016, MAAGAP has continued with growth momentum for its general insurance business with a commendable 20.1% increase in gross premium to RM137.1 million (2015: RM114.2 million).

  With the objective to take control of this asset with good growth prospect, the Group in December 2016 via subsidiary MAA International Assurance Ltd ("MAAIA") had remitted a sum of PHP300 million (approximately RM27.3 million) to subscribe for additional 300,000 new shares with par value of PHP1,000 per share in MAAGAP ("Proposed Subscription"). The Proposed Subscription is subject to the approval of the regulatory authority in the Philippines. Upon the completion of the Proposed Subscription, MAAIA's equity interest in MAAGAP will increase from the present 40% to 70% thereby making it a subsidiary of the company and Group.

  As for CCA, the company has grown its loan portfolio by 28.6% to RM5.8 billion (AUD1.8 billion) as at end December 2016 (2015: RM4.4 billion (AUD1.4 billion) while improving profitability by increasing loan portfolio size, manage cost base and diversify fee base income. CCA will continue with these action plans to maintain the growth momentum of the company coupled with diversification of business channels to roll out personalised loan solution products. Nevertheless presently the Group has no plan to subscribe for additional equity interest in CCA but will continue to observe and monitor the overall performance of the company including the long-term sustainable profit generating capability.

- MAAG has been continuing its efforts to explore other investment opportunities to address PN17 status of the Company. MAAG has assessed and evaluated companies engaged in manufacturing, oil and gas, education, assisted reproductive technologies etc. Further announcement on the development will be made in due course.

  Bursa Securities has granted an extension of time of up to 30 June 2017 for the Company to submit a regularisation plan to address the PN17 status of the Company.

REVIEW OF THE GROUP'S FINANCIAL PERFORMANCE AND CONDITION

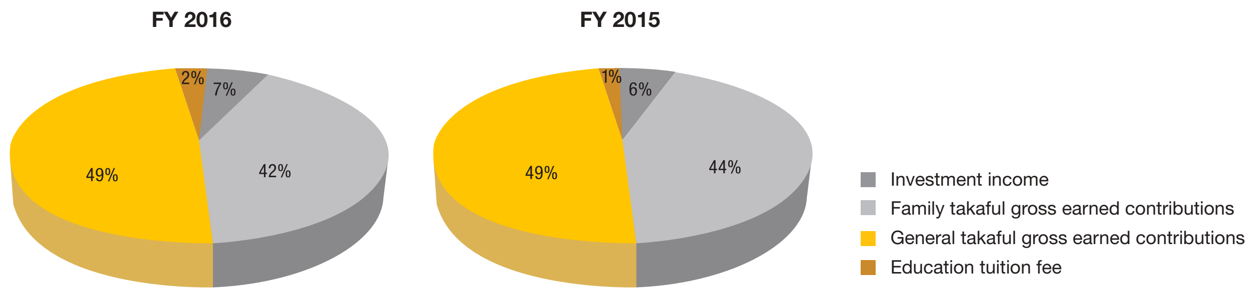
Key financial performance

(Amount in RM'000)	GROUP	
	FY2016	FY2015
Total Operating Revenue	297,438	566,058
Profit Before Taxation	267,554	32,626
Total Assets	564,132	1,450,937
Earnings Per Share (sen)	92.6	8.3
Dividend Rate (sen)	41.0	6.0
Net Assets Per Share (RM)	2.0	1.4

The following analysis of financial performance should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016. In the ensuing sections the Discontinued Operations represent subsidiaries disposed during the financial year under review, namely MAA Takaful and MAA Cards Sdn Bhd ("MAA Cards").

Review of Statements of Profit or Loss of the Group

In 2016, Total Operating Revenue was lower by 47.5% at RM297.4 million (2015: RM566.1 million), with Continuing Operations recorded a higher Operating Revenue of RM18.1 million (2015: RM16.7 million) while Discontinued Operations recorded a lower Operating Revenue of RM279.3 million (2015: RM549.4 million) arose from the disposal of takaful business held via MAA Takaful on 30 June 2016.



The Group recorded a higher Profit Before Taxation ("PBT") of RM267.6 million (2015: PBT RM32.6 million), with Continuing Operations recorded a Loss Before Taxation ("LBT") of RM19.3 million (2015: PBT RM30.8 million) whereas Discontinued Operations recorded a PBT of RM286.9 million (2015: PBT RM1.8 million).

The LBT recorded by Continuing Operations was due mainly to disposal costs of MAA Takaful totalling RM2.5 million, a present value adjustment of RM5.8 million made on the balance consideration of RM93.75 million ("Retained Consideration") from the disposal of MAA Takaful receivable on the third anniversary of the sale completion date, an allowance of RM1.7 million for impairment loss on other receivables based on the force sale value of securities held and management expenses of RM35.5 million (2015: RM38.2 million), partially offset by higher profit contributions from the Group's associated companies with total share of profit after taxation of RM4.7 million (2015: RM3.8 million) and also higher investment income of RM11.2 million (2015: RM9.6 million).

Staff costs (including Executive Directors) of the Continuing Operations increased by 11.9% to RM19.8 million in 2016 (2015: RM17.7 million) where total salaries, bonus and defined contribution retirement benefits rose by 10.0% due to non-recurring bonus associated with the successful completion of the disposal of MAA Takaful and staff retrenchment payment arising from corporate restructuring.

The higher PBT for 2016 recorded by Discontinued Operations was mainly attributed by a gain of RM280.4 million from the disposal of MAA Takaful.

In 2016, the Group recorded Other Comprehensive Income (net of taxation) of RM13.8 million (2015: loss of RM13.5 million), driven mainly by unrealised foreign currency translation gain of RM10.3 million from subsidiaries with functional currency denominated in foreign currency and also net fair value gain of RM6.0 million from available-for-sale financial assets. The Group finances its foreign investments and operations by means of composition of Ringgit Malaysia and foreign denominated currencies; the Group does not hedge its foreign currency risk and monitors its exposure to transactional foreign currency fluctuation risk on an on-going basis.

The Group's significant reportable operating business segments are investment holding, education services, general insurance and retail mortgage lending. The performance of each significant operating business segments are attached in pages 36 to 41 of the Management Discussion and Analysis.

In 2016, the Group's Earnings Per Share has increased tenfold to 92.6 sen (2015: 8.3 sen), driven by the higher profit recorded for the financial year.

Review of Statements of Financial Position of the Group

Shown below the Statements of Financial Position:

	Group			
	FY2016		FY2015	
	RM'000	%	RM'000	%
Continuing Operations:				
Property, plant and equipment	3,686	0.7	3,737	0.3
Investment properties	19,824	3.5	19,356	1.3
Intangible assets	494	0.1	189	-
Associates	71,692	12.7	67,954	4.7
Financial assets	38,865	6.9	31,913	2.2
Trade and other receivables	138,864	24.6	35,280	2.4
Tax recoverable	252	-	331	-
Liquid assets - fixed and call deposits and cash at banks	290,455	51.5	182,858	12.6
Total Continuing Operations Assets	564,132	100.0	341,618	23.5
Total Discontinued Operations Assets	-		1,109,319	76.5
Total Assets	564,132	100.0	1,450,937	100.0
Total Continuing Operations Liabilities	12,301	100.0	19,077	1.9
Total Discontinued Operations Liabilities	-		994,019	98.1
Total Liabilities	12,301	100.0	1,013,096	100.0
Net Assets	551,831		437,841	

Total Assets

The Group's Total Assets stood at RM564.1 million as at 31 December 2016 solely from the Continuing Operations, compared to 2015 of RM1.5 billion of which Total Assets from the Continuing and Discontinued Operations were RM341.6 million and RM1.1 billion respectively.

For the Continuing Operations the increase of 65.1% in 2016 Total Assets over the previous year was due mainly to growth in the carrying value of Associates, financial assets, other receivables and liquid assets held in fixed and call deposits and cash at banks.

i) Associates

The carrying value of Associates increased by 5.4% to RM71.7 million as at 31 December 2016 (2015: RM68.0 million), driven by the higher share of profit after tax totalling RM4.7 million (2015: RM3.8 million) from both associated companies, namely MAAGAP and CCA. In 2016, MAAGAP and CCA contributed profit after tax of RM3.2 million (2015: RM2.5 million) and RM1.5 million (2015: RM1.3 million) respectively to the Group.

ii) Financial Assets

The Group's Financial Assets comprise financial investments at fair value through profit or loss ("FVTPL") and available-for-sale ("AFS"). As at 31 December 2016, the FVTPL and AFS financial investments accounted for 5.4% (2015: 6.1%) and 94.6% (2015: 93.9%) respectively of the Group's Financial Assets.

The higher AFS financial investments was due mainly to the purchase of a 4.4% interest in Altech Chemicals Ltd ("Altech") for RM3.1 million in August 2016, a strategic investment in a company listed on the Australia Stock Exchange presently progressing in its mining and high purity alumina production development project. Since acquired, the Group has recorded fair value gain of RM2.0 million on Altech in the AFS reserve.

iii) Other Receivables

As at 31 December 2016, the Group's Other Receivables increased by nearly fourfold to RM138.9 million (2015: RM35.3 million) consist mainly of the following:

- Retained Consideration of RM93.75 million from the disposal of MAA Takaful receivable on the third anniversary of the sale completion date falling on 30 June 2018, before an accounting present value adjustment of RM5.8 million.

  Under the sale and purchase agreement, the Retained Consideration would be used to settle Zurich's claims for breach of representations and warranties and also third party claims against MAA Takaful during the warranty period. As at 31 December 2016, the Group has not been notified of any claim.

- Proposed subscription of RM27.3 million ("Subscription Sum") made to MAAGAP to subscribe for additional 300 million shares therein which is pending the approval from the regulatory authority in the Philippines.

- An amount of RM20.0 million (2015: RM20 million) ("Extended Sum") due from Pima Pembangunaan Sdn Bhd ("Pima") being the amount extended with regards to the Company's obligations to obtain and deliver the individual strata title for Block A of Prima Avenue Klang ("PAK") to Zurich under the conditions precedent in the Settlement Agreement signed with Zurich in 2011 on the disposal of Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad). The Extended Sum is secured by identified unsold retail and office units in Block B, unsold car park parcels and unbuilt Block C located at PAK ("Securities"). In view of Pima has failed to realise the Securities under the agreed sale plan to settle the Extended Sum, the Company taking into consideration the existing soft property market has made a total impairment loss of RM8.7 million (2015: RM7.0 million) on the Extended Sum based on the force sale values of the Securities conducted by independent professional valuers.

iv) Liquid Assets - Fixed and call deposits and cash at banks

The Group's Liquid Assets grew by 58.8% to RM290.5 million (2015: RM182.9 million), mainly contributed by the sale proceed received from the disposal of MAA Takaful during the financial year.

Total Liabilities and Equity

Total Liabilities and Equity of the Continuing and Discontinued Operations totalling RM564.1 million (2015: RM456.9 million) and RM Nil (2015: RM994.0 million) respectively as at 31 December 2016.

For the Continuing Operations, Total Liabilities decreased by 35.6% to RM12.3 million (2015: RM19.1 million) as at 31 December 2016. The higher Total Liabilities in 2015 was attributed by an amount of RM9.3 million being balance proceeds from the disposal of MAAKL Mutual Bhd ("MAAKL") a former 55% subsidiary held by MAA Corporation Sdn Bhd ("MAA Corp"), deposited in escrow account in the name of MAA Corp payable to the other previous 45% shareholders of MAAKL. The said balance proceeds were released from the escrow account in January 2016 under the terms of the sale and purchase agreement and were paid to the other previous 45% shareholders of MAAKL.

On another note, the Equity/Shareholders' funds of the Continuing Operations increased by 26.0% to RM551.8 million (2015: RM437.8 million) contributed by the profit recorded for the financial year, partially offset by total dividend payout of RM117.7 million.

As at 31 December 2016, Net Assets per Share stood at RM2.0 (2015: RM1.4).

GROUP'S FINANCING, LIQUIDITY AND CAPITAL MANAGEMENT

As at 31 December 2016, the Group is in a healthy financial position with zero debt and strong liquidity level.

The Group's capital management objectives are aimed to ensure there is adequate funding for meeting the following at the business segment level:

- business operations and growth
- supervisory authorities' capital requirements if applicable
- preservation of capital for new investment opportunities and rewarding the shareholders.

During the financial year under review, the Group has undertaken the following key capital initiatives:

- For the Share Buy Back exercise carried out to support the price of MAAG shares and preserved the fundamental value of the Company, the Company has utilised its internal funds to purchase a total 18,665,700 ordinary shares from the open market at an average price of RM0.94 per share at a total purchase consideration of RM17.6 million. The Company has held the shares bought back as treasury shares.

  On 1 December 2016, the Company has cancelled the whole 19,174,500 treasury shares. Accordingly the Company's issued share capital was diminished by the cancellation of the treasury shares.

- As mentioned in earlier section, MAAIA has injected the Subscription Sum into MAAGAP to subscribe for additional shares therein. Upon obtaining the approval of the regulatory authority in the Philippines for the shares subscription, MAAIA's equity interest in MAAGAP will increase from the present 40% to 70% thereby making it a subsidiary of the company and Group.

  Still on MAAGAP, the company has met both the net worth and capital adequacy ratio requirements set by the Philippines supervisory authority for its general insurance business as at 31 December 2016.

On capital expenditure, the property, plant and equipment held by the Group's Continuing Operations stood at RM3.7 million (2015: RM3.7 million) as at 31 December 2016. In 2017, the Group does not expect to incur significant capital expenditure in its existing business segments.

DIVIDEND POLICY

In 2014, the Board resolved to pay annual dividend at the rate of 6.0 sen per share ("Annual Dividend") to remunerate shareholders for their support, subject always to the availability of cash after the funding requirements for business operations and reserve for new investments have been met.

During the financial year under review, the Company has paid interim dividends total 41.0 sen (2015: 6.0 sen) per ordinary share under the single-tier dividend system. The higher dividend above the Annual Dividend included an interim special dividend of 35.0 sen per ordinary share which was conditional upon the completion of the disposal of MAA Takaful.

For the interest of dividend continuity, the Board would in its best efforts maintain the Annual Dividend. Notwithstanding this, moving into 2017 the Board will continue to re-evaluate the dividend policy of the Company and make the necessary changes in light of the needs to acquire new investments as part of the regularisation plan to address the PN17 status of the Company.

Towards this end, the Board has declared the payment of a first interim dividend of 6.0 sen per share under the single-tier dividend system in respect of the financial year ending 31 December 2017 payable on 31 March 2017.

ANTICIPATED OR KNOWN RISKS

The Group's activities are exposed to variety of risks, including the risk of fraud, strategic and business risks. The Group's overall risk management objective is to ensure that the Group creates value for its shareholders whilst minimizing potential adverse effects on its performance and positions. The Group operates within an established risk management framework and clearly defined policies and guidelines that are approved by the Board.

The risks that most significantly affect the Group as a whole during 2016, the discussion of its impact to the Group's business and performance together with the Group's strategies to mitigate the identified risks forms as part of the Statement of Risk Management and Internal Control of this Annual Report on page 54 to 58.

OUTLOOK FOR 2017

Amidst the challenging economic environment in 2017, the Group will continue its current efforts to explore new investment opportunities to prepare the PN17 regularisation plan for submission to Bursa Securities for approval. In this regards, the Group will look at new businesses that fit the corporate objectives, risk appetites and are within the available financial capacity to acquire. Further announcement of the development in this area will be made by the Group in due course.

Concurrently the Group will also focus on the development of the general insurance business in the Philippines via MAAGAP and the retail mortgage lending and loan securitisation business in Australia via CCA to deliver quality growth and sustained profitability.

PERFORMANCE BY OPERATING BUSINESS SEGMENTS

BUSINESS SEGMENT – INVESTMENT HOLDINGS

1) Business Operations Review

Investment Holdings comprised of the Company and its subsidiaries, namely MAA Corp, MAAIA, MAA International Investments Ltd, MAA International Corporation Ltd and Columbus Capital Singapore Pte Ltd whose principal activities are investments mainly in shares of subsidiaries and associated companies and investment properties held overseas primarily for capital appreciation.

2) Financial Performance

Key financial performance

(Amount in RM'000)	FY2016	FY2015
Total Operating Revenue	11,366	9,532
Profit Before Taxation	259,451	24,422

Total Operating Revenue comprised mainly of interest income grew 20.0% to RM11.4 million (2015: RM9.5 million), on the back of increase in funds during the financial year for fixed and call deposits with licensed banks earning higher weighted average interest rate at 4.5% (2015: 3.5%) per annum.

In 2016, the Investment Holding segment recorded a PBT of RM259.5 million (2015: RM24.4 million) contributed by gain of RM280.4 million and RM1.0 million respectively from the disposal of MAA Takaful and prepaid card business held via MAA Cards, coupled with a fair value gain of RM2.0 million on overseas investment properties. The PBT in 2015 included a deconsolidation gain of RM48.3 million from ex-subsidiary, PT MAA General Assurance ("PT MAAG") which had commenced shareholders voluntary winding up in September 2015.

Nevertheless the 2016 gains were partly offset by disposal cost of MAA Takaful totalling RM2.5 million, allowance for impairment loss on other receivables of RM1.7 million provided based on force sale value of securities conducted by independent professional valuers and lastly management expenses total RM23.5 million (2015: RM29.0 million). The management expenses in 2015 included provision for liquidation expenses of PT MAAG and impairment loss on amount due from PT MAAG totalling RM5.7 million and RM1.6 million respectively.

At end December 2016, Total Assets stood at RM557.2 million (2015: RM335.1 million) where 51.6% comprised of low risk liquid assets in fixed and call deposits, cash and bank balances. Investment in low risk liquid assets minimise exposure to mark-to-market risk and ensure capital is preserved for business operations and growth and new investment opportunities.

3) Sustainability and Strategic Direction

Since the disposal of MAA Takaful, the Investment Holding segment has intensified its efforts in the search for new investment opportunities that fits the corporate objectives, risk appetites and is within the available financial capacity of the Company. All these measures are undertaken with the objectives to meet the Board's intention to maintain the listing status of the Company in light of its current PN17 status under the Listing Requirements of Bursa Securities.

BUSINESS SEGMENT – EDUCATION SERVICES

1) Business Operations Review

Education Services held via subsidiary Kasturi Academia Sdn Bhd ("Kasturi") (formerly known as Pusat Tuisyen Kasturi Sdn Bhd) came into the Group following a debt settlement arrangement between subsidiary MAA Credit Berhad engaged in hire purchase, leasing and other financing activities and its non-performing loan debtor back in October 2012.

Kasturi provides private tuition to students taking the Malaysian National curriculum through its nine (9) centres in the Klang Valley with a pool of 70 full time and part time tutors. Private tuition is a highly competitive business given the wide and numerous players in a crowded market particularly the many non-registered individuals with low operating costs.

2) Financial Performance

Key financial performance

(Amount in RM'000)	FY2016	FY2015
Total Operating Revenue	6,536	6,804
Profit/(Loss) Before Taxation	(55)	691

Total Operating Revenue consists of tuition fee income recorded a 4.4% decrease to RM6.5 million (2015: RM6.8 million) in 2016 arose from reduction in the number of enrolled students.

Education Services segment recorded a LBT of RM55,000 in 2016 (2015: PBT of RM691,000), caused mainly by intense market competition in terms of pricing and student enrolment, increasing tutors, advertisement, tuition centres rental and maintenance costs which have eroded the profit margin.

Total Assets base are not significant for the Education Services segment in view that it is a relatively capital light business. The Education Services segment is also debt free and self-funding with fees collection in cash is able to fund the business operations thus far.

3) Sustainability and Strategic Direction

The immense market competition has taken a toll on the Education Services segment. Moving forward we expect the operating environment to remain highly competitive and challenging given changes in the education landscape in Malaysia with the sprouting of home schools and private schools offering alternative curriculum.

In 2017, we are looking at measures to reduce costs at identified areas, continuing marketing efforts to increase students' enrolment, restructuring of human capital and commence the roll-out of new tuition services for IGCSE curriculum at selected tuition centres to diversify fee base. We hope with these measures, the Education Services segment will either breakeven or able to reduce its loss in 2017.

BUSINESS SEGMENT – RETAIL MORTGAGE LENDING

1) Business Operations Review

CCA (a 48.0% associated company incorporated and operating in Australia) commenced operations in 2006 and grew considerably during the next 12 months. By the end of 2007, CCA had originated AUD350 million mortgage portfolio and had over AUD600 million funds under management prior to the Global Financial Crisis ("GFC") in 2008.

Through 2008 to 2010, CCA consolidated its asset position and balance sheet. During this period, the company established Columbus Capital Funds Management seeking to diversify areas of business. In 2011 - 2012, CCA perused various portfolio acquisitions and had successfully purchased Origin Mortgage Management Services with the AUD2.3 billion prime mortgage book and the associated white label distribution business from the ANZ Banking Group.

CCA sources its lending funds from domestic and offshore banks and its securitisation program via the capital markets.

Currency in Australian Dollar (AUD)

2) Financial Performance

Key financial performance

(Amount in RM'000)	FY2016	FY2015
Total Operating Revenue	258,133	204,698
Profit Before Taxation	5,639	3,771
Group's share of Profit After Taxation	1,520	1,311

CCA's Operating Revenue consists of loan interest and fee income. For 2016 the Operating Revenue grew to RM258.1 million, a 26.1% increase compared to 2015 contributed by competitive pricing and growth on the loan portfolio. CCA has recorded a commendable double-digit growth in loan origination with a total origination of AUD749.0 million, a rewarding outcome from focusing on major loan portfolio acquisitions.

CCA registered a higher PBT from RM3.8 million in 2015 to RM5.6 million in 2016, driven mainly by the growth in Operating Revenue and improvement in net interest margin at 1.04% attributed by lower finance costs and commission expenses, more than out-weight the 3.3% increase in operating expenses due to the organic growth. On operating expenses, staff costs have remained static due to CCA's outsourcing back-office model. The outsourced processing and back office administrative functions continued to grow year-on-year by 8% enabling CCA to adapt to market and resource capacity demands.

Liquidity management is critical to fund CCA's business operations. On credit management, CCA's loan receivables arrears for +31 days are tracking at 0.96% of the total portfolio, a decrease of 44% compared to previous year and well below the industry trend of 1.15% per Standard & Poor's Performance Index. CCA will continue its effort in active loan receivable arrears management under the company's risk management framework.

On both warehouse and term markets to provide funding for its mortgage program and meeting debt obligations, CCA has in place funders from domestic banks and subordination providers cum issuance of Residential Mortgage-Backed Security ("RMBS") bonds via public and private placements. Securitisation is an integral part of CCA funding strategy to fund business growth and provide stable net interest margin. To-date, CCA's total warehouse capacity exceeds AUD1.2 billion and it has issued eight (8) bond series with over AUD1.8 billion term funding.

Being an associated company, the Group applies equity accounting for its investment in CCA. For the financial year under review, CCA has contributed a higher share of Profit After Taxation total RM1.5 million (2015: RM1.3 million) to the Group.

3) Sustainability and Strategic Direction

The key focus areas for CCA moving forward include amongst others:

- Continue to pursue strategic mortgage asset acquisitions that meet business synergies to boost the funds under management
- Diversify into other consumer asset classes beyond core home loan lending to expand revenue streams by leveraging on the present management and servicing capabilities
- Planned annual RMBS term issuance subject to market conditions to ensure there is sufficient capital to support business growth
- Continue with risk base pricing for competitive product offering to achieve higher yield returns
- On-going enhancement and development of risk management framework in light of the changing regulatory requirements and for better management of risks in the likes of cyber security, capital and credit risks etc.

BUSINESS SEGMENT – GENERAL INSURANCE

1) Business Operations Review

The Group's General Insurance business in the Philippines held via associated company MAAGAP offers a wide range of products to both retail and corporate clients. The product offerings cover fire, motor, marine, personal accident, bond, engineering and general accident. MAAGAP distributes its products mainly via agency network, brokers and banks. MAAGAP has been steadily growing its business over the past few years and ranked a credible 12th in terms of gross premium written in 2016 among a total of 67 general insurance players in the Philippines.

2) Financial Performance

Key financial performance

RM'000	FY2016	FY2015
Gross premiums written	137,094	114,245
Underwriting surplus	21,998	15,669
Investment income	5,590	2,380
Profit Before Taxation	10,371	7,657
Loss ratio in %	46.0%	46.0%
Commission ratio in %	28.0%	30.8%
Group's share of Profit After Taxation	3,208	2,479

In 2016, total Gross Premiums Written grew 20.0% driven mainly by increase in the production of both motor and non-motor classes of business. The motor and non-motor businesses contributed 41.2% (2015: 38.7%) and 58.8% (2015: 61.3%) respectively of the total Gross Premiums Written in 2016. During 2016, the major factors driving the business growth were the bullish Philippine economy, increase in overall car sales and uptrend of infrastructure development and construction projects that occurred throughout the Philippines.

MAAGAP registered a higher PBT of RM10.4 million in 2016, a 35.1% increase over RM7.7 million in 2015. The higher profit was driven mainly by the increase in earned premiums and growth in both underwriting surplus and investment income at 40.4% and 134.9% respectively. These improvements have out-weighted the increase in management expenses by RM2.4 million from RM15.3 million in 2015 to RM17.7 million in 2016, mainly increase in staff costs and EDP expenses. Staff costs rose by 17.1% in 2016 as MAAGAP continued with recruitment drive necessary to support its business growth and also staff retention and development efforts to remain attractive to quality talents with insurance skills and competencies.

Underwriting Surplus stood at RM22.0 million (2015: RM15.7 million), contributed mainly by strong growth in premiums earned and an overall stable combined loss and commission ratios at 74.0% (2015: 76.8%). All motor and non-motor classes of business except general accident had registered underwriting surplus.

In 2016, the loss ratio remained constant at 46.0%, same as 2015. The loss ratio for motor class was higher at 54.9% (2015: 51.5%) during the financial year under review, mainly due to increase in the number of motor car claims in 2016 (9,000+ claims) as against 2015 (6,000+ claims) aggravated by the increase in the cost of spare parts and repair. Nevertheless the loss ratio for non-motor business has improved to 38.3% (2015: 39.9%), driven mainly by fewer occurrences of natural catastrophes and incidence of fire losses. On top of these market factors, regular review of claims by MAAGAP's management has resulted in a number of claims being revised and settled at lower amounts.

The net commission ratio has also recorded an improvement in 2016 at 28.0% compared to 2015 of 31.4%, on the back of the intense market competition in motor car where lower motor car premium rates were offered by the general insurance companies to the end consumers, thereby leading to lower net commission ratio being paid out to the intermediaries.

MAAGAP recorded a total Investment Income of RM5.6 million – up 133.3% compared to RM2.4 million in 2015, on the back of higher amount of investible funds from RM119.3 million in 2015 to RM171.2 million in 2016, including the RM27.3 million Subscription Sum received from the Group in December 2016. During 2016, MAAGAP registered a higher investment yield of 4.3% (2015: 2.8%) contributed mainly by increase in gain from the disposal of investments, interest and dividend income on combined basis total RM5.6 million (2015: RM2.4 million), boosted by the investment approach to invest in higher yielding fixed income and dividend investments with acceptable investment grades.

On liquidity and funding resources to support business growth and operations including claims payment to insured, MAAGAP applies assets and liabilities matching in its investment policies, close credit monitoring of receivables and cash requirement projections to ensure there is sufficient liquid assets are held to meet its obligations.

Under the New Insurance Code issued by the Insurance Commission ("IC") of the Philippines, insurance companies in the Philippines are required to comply with both the Net Worth requirement at increasing levels at each internal of three (3) years until 31 December 2022 and the Risk-Based Capital ("RBC"). As at 31 December 2016, MAAGAP met both the Net Worth and RBC at levels well above the minimum required. The IC has implemented a new RBC framework ("RBC2") with risk-based approach to solvency effective 1 January 2017. As at 31 December 2016, MAAGAP has conducted a simulation for RBC2, the company also fulfilled RBC2 at level above the minimum required.

Similar to CCA, the Group applies equity accounting for its investment in MAAGAP being an associated company. For the financial year under review, MAAGAP has contributed a higher share of Profit After Taxation total RM3.2 million (2015: RM2.5 million) to the Group.

3) Sustainability and Strategic Direction

Moving into 2017, MAAGAP shall ride with the waves of progress in the Philippines where the country's Gross Domestic Products is projected to grow at 7.1% brought about largely by the steady influx of funds in the country through overseas foreign workers remittances, business process outsourcing earnings and lastly new infrastructure projects driven by the government.

While tapping into the favourable economic conditions, MAAGAP will continue its organic growth momentum by focusing on expanding customer base through new networks and markets from the eleven (11) branches beyond the Metro Manila, recruit quality and productive agency force and establish new distribution channels.