DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

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 7 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 47 to the financial statements.

FINANCIAL RESULTS

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

	GROUP	COMPANY
	RM'000	RM'000
Profit for the financial year attributable to:		
- Owners of the Company	263,307	275,953
- Non-controlling interests	452	-
Profit for the financial year	263,759	275,953

DIVIDENDS

In respect of the financial year ended 31 December 2016, the following dividend payments were made:

(a) a first interim dividend of 3 sen per share under the single-tier dividend system totalling RM8,712,698 on 31 March 2016;

(b) an interim special dividend of 35 sen per share under the single-tier dividend system totalling RM100,760,468 on 5 August 2016; and

(c) a second interim dividend of 3 sen per share under the single-tier dividend system totalling RM8,251,667 on 10 October 2016.

The Directors do not recommend the payment of any final dividend for the financial year.

The Company paid a first interim dividend of 6 sen per share under the single-tier dividend system totalling RM16,411,065 on 31 March 2017 in respect of the financial year ending 31 December 2017.

RESERVES AND PROVISIONS

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

TREASURY SHARES

The shareholders of the Company by an ordinary resolution passed at the annual General Meeting on 20 June 2016 approved the Company's plan to purchase its own shares. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buy-back plan can be applied in the best interest of the Company and its shareholders.

During the financial year ended 31 December 2016, the Company purchased a total 18,665,700 (2015: 10,145,100) ordinary shares of RM1 each of its issued share capital from the open market at an average price of RM0.94 (2015: RM0.71) per share. The total purchase consideration paid for the share buy-back including transaction costs amounted to RM17,617,118 (2015: RM7,178,435) and were financed by internally generated funds. The shares purchased are held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and carried at purchase cost.

On 1 December 2016, the Company cancelled the whole 19,174,500 treasury shares in accordance with Section 67A of the Companies Act, 1965. Accordingly, the Company's issued share capital was diminished by cancellation of the said treasury shares.

As at 31 December 2016, there were no treasury shares held by the Company (2015: 508,800 shares). Further information is disclosed in Note 20 to the financial statements.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tunku Dato' Yaacob Khyra
Datuk Muhamad Umar Swift
Yeo Took Keat
Tan Sri Datuk Seri Razman Md Hashim
Tan Sri Ahmad bin Mohd Don
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Onn Kien Hoe

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 1.1.2016	Acquired	Disposed	At 31.12.2016
Tunku Dato' Yaacob Khyra ("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
Tan Sri Datuk Seri Razman 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, being the holding company of Melewar Khyra Sdn Bhd, Melewar Equities Sdn Bhd and Melewar Equities (BVI) Ltd, who are the substantial shareholders 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 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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than the benefits shown under Directors' Remuneration) 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.

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 30 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 of the Group and of the Company were prepared, 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, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets 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 of 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 of 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 of 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 of the Company misleading.

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

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

No contingent liability or other liability of any company in the Group 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 Company and its subsidiaries to meet their obligations when they fall due.

In the opinion of the Directors:

(a) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the "Significant Events During The Financial Year And Subsequent To The Financial Year End" in Note 47 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 of 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 Note 47 to the financial statements.

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

(a) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad).

Nonetheless, the Company did not trigger any of the other prescribed criteria under PN17 of MMLR, 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.

Pursuant to Paragraph 8.04(3) of the MMLR, the Company is required to regularise its condition by undertaking a regularisation plan. The regularisation plan was required to be submitted to Bursa Securities on 30 September 2012, and was subsequently extended until 30 June 2017 via Bursa Securities' letters dated 16 February 2017, 21 July 2016, 18 February 2016, 4 August 2015, 23 March 2015, 21 October 2014, 11 March 2014, 1 August 2013 and 20 December 2012.

The extension of time of up to 30 June 2017 for the Company to submit a regularisation plan is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to de-list the Company in the event:

(i) The Company fails to submit a regularisation plan to the regulatory authorities on or before 30 June 2017;

(ii) The Company fails to obtain 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 the Company on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and de-list the Company, subject to the Company's right to appeal against the delisting.

(b) On 30 November 2015, the Company announced that it had jointly with Solidarity Group Holding BSC (Closed) ("Solidarity") and Zurich Insurance Company Ltd ("Zurich") submitted an application to Bank Negara Malaysia ("BNM") to seek approval of the Minister of Finance Malaysia pursuant to the Islamic Financial Services Act, 2013 to enter into an agreement with Zurich for the proposed disposal of 100% equity interest held in MAA Takaful Berhad ("MAA Takaful") ("Proposed Disposal").

On 27 April 2016, the Company announced that it had, via BNM's letter dated 27 April 2016, obtained the approval of Minister of Finance Malaysia for the Proposed Disposal pursuant to Section 101 of the Islamic Financial Services Act, 2013.

The Company together with Solidarity (collectively, the "Vendors") had on 4 May 2016 entered into a conditional share purchase agreement ("SPA") with Zurich (the "Purchaser") for the Proposed Disposal for a total cash consideration of RM525.00 million. In accordance with the terms and conditions of the SPA and subject to certain adjustments under which, inter-alia, the Company shall dispose 75,000,000 ordinary shares of RM1.00 each in MAA Takaful (representing 75% equity interest) for a cash consideration of RM393.75 million ("Disposal Consideration"). Upon the completion of the Proposed Disposal, MAA Takaful will cease to be a 75% owned subsidiary of the Company.

Subsequent to the completion of Proposed Disposal, the Board of Directors of the Company ("Board") declared an interim special dividend of RM0.35 for each ordinary share of RM1.00 ("Special Dividend") in the Company held by the shareholders of the Company whose name appear in the record of depositors of Bursa Malaysia Depository Sdn Bhd on an entitlement date to be determined and announced later by the Board. The total amount under the Special Dividend shall be payable out of the Disposal Consideration. The Special Dividend was conditional upon the completion of the Proposed Disposal.

On 28 June 2016, the Company announced that the Proposed Disposal was approved by the Shareholders at the Extraordinary General meeting which was held on the same day.

On 30 June 2016, the Company announced that the Proposed Disposal was completed on the same day.

On 4 July 2016, the Company announced that the Special Dividend was paid on 5 August 2016.

On 27 December 2016, the Company announced there was a downward adjustment of RM29.4 million ("Price Adjustment") to the Company's initial consideration of RM300 million pursuant to the income statement and statement of financial position of MAA Takaful for the period from 1 January 2015 to the completion date on 30 June 2016, which were prepared in accordance with the terms of the SPA and agreed by all parties on 14 December 2016. The Company paid the Price Adjustment on 27 December 2016 to the Purchaser.

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

(c) On 8 September 2015, MAA Corporation Sdn Bhd ("MAA Corp"), a wholly owned subsidiary of the Company and ePROTEA MSC Sdn Bhd (now known as Finexus Sdn Bhd) ("the Purchaser") entered into a conditional Share Sale Agreement ("SSA") for the disposal of the entire issued share capital of MAA Cards Sdn Bhd ("MAA Cards") ("Sale Shares"). The completion of the SSA is inter alia, conditional upon the parties' obtaining all necessary consents, approvals or clearance from the regulatory authorities for the acquisition of the Sale Shares by the Purchaser. The total consideration for the Sale Shares shall be the aggregate of RM1,000,000 and the amount equivalent to the final net current asset of MAA Cards on completion date.

On 21 March 2016, the Company announced that BNM had via its letter dated 18 March 2016 granted its approval for the disposal of MAA Cards. The Group completed the disposal of MAA Cards on 31 March 2016.

(d) On 6 December 2016, the Company announced that MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary of MAA Corp, had on the same day remitted a sum of PHP 300 million to subscribe for additional 300,000 new shares with par value PHP1,000.00 per share ("Proposed Subscription") of MAA General Assurance Philippines, Inc ("MAAGAP"), a licensed general insurance company operating in the Republic of the Philippines.

The Proposed Subscription is subject to the approval of regulatory authority in the Philippines. Upon completion of the Proposed Subscription, MAAIA's equity interest in MAAGAP will increase from present 40% to 70% thereby making MAAGAP a subsidiary of the Group.

(e) On 5 January 2017, the Company announced that Labuan Financial Services Authority ("LFSA") had vide its letter dated 3 January 2017 granted approval to MAAIA to surrender the Labuan composite insurance license effective 31 January 2017.

MAAIA had applied to LFSA to surrender its Labuan composite insurance license premised that since the second half of 2014 it had ceased all the previous offshore reinsurance and investment-linked businesses and also taking into consideration the high compliance cost. Presently the principal activity of MAAIA is investment holding and it does not have plan to re-active its insurance business.

(f) On 11 April 2017, the Company announced that it has on the same day entered into the following agreements for the Acquisition of Properties:

(i) supplemental sale and purchase agreement with PIMA Pembangunaan Sdn Bhd ("PIMA") to complete the purchase of 783 car parking bays situated at a commercial development known as Prima Klang Avenue ("Development") for a purchase price of RM3.5 million;

(ii) sale and purchase agreement with PIMA to purchase 38 office suits and retail units in Block B of the Development for a purchase price of RM23.0 million;

(iii) sale and purchase agreement with PIMA to purchase the land, together with the platform built thereon, comprised in Block C of the Development for a purchase price of RM11.0 million, and

(iv) settlement agreement with PIMA wherein the purchase considerations for the Properties will settle the amount owing by PIMA to the Company under the joint venture agreement entered into in 2013 with the balance purchase considerations totalling RM6.0 million payable to PIMA upon delivery of vacant possession of the Properties.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 13 April 2017. Signed on behalf of the Board of Directors:

DATUK MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
DIRECTOR

Kuala Lumpur