THIS INDEPENDENT ADVICE CIRCULAR ("IAC") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

MAA HOLDINGS BERHAD

(Company No.: 471403-A)
(Incorporated in Malaysia under the Companies Act, 1965)

INDEPENDENT ADVICE CIRCULAR

IN RELATION TO THE

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST HELD IN THE CAPITAL OF MALAYSIAN ASSURANCE ALLIANCE BERHAD, MULTIOTO SERVICES SDN BHD, MALAYSIAN ALLIANCE PROPERTY SERVICES SDN BHD AND MAAGNET SYSTEMS SDN BHD (INCLUDING MAAGNET-SSMS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MAAGNET SYSTEMS SDN BHD) TO ZURICH INSURANCE COMPANY LTD FOR A TOTAL CASH CONSIDERATION OF RM344 MILLION ("PROPOSED DISPOSAL")

Independent Adviser

TA Securities Holdings Berhad
(Company No.14948-M)
A Participating Organisation of Bursa Malaysia Securities Berhad

TA SECURITIES
A MEMBER OF THE TA GROUP

This Independent Advice Circular is dated 7 September 2011

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this IAC:-

"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of MAAH
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CAR"	:	Capital adequacy ratio
"Circular"	:	Circular to shareholders of MAAH dated 29 August 2011
"Conditions Precedent"	:	Conditions precedent to the SPA as set out in Section 4.2.4 of this IAC
"DBS"	:	DBS Bank Ltd, Labuan Branch (940031C)
"EGM"	:	Extraordinary general meeting
"Escrow Account"	:	An interest bearing deposit account to be opened and operated in accordance with the Escrow Agreement
"Escrow Agreement"	:	Escrow agreement to be entered into between MAAH and Zurich in an agreed form in relation to the Proposed Disposal setting out the manner in which the Escrow Account is to be operated
"EPS"	:	Earnings per share
"FYE"	:	Financial year ended / ending, as the case may be
"Hold Back"	:	The sum of RM69,690,000 which is being held back from the sale consideration of RM344,000,000 to address unresolved issues relating to the satisfaction and fulfilment of certain Conditions Precedent. The Hold Back comprises the following: • RM50,170,000 in relation to Prima Avenue Klang (i.e. one of the real properties owned by MAAB); and • RM19,520,000 in relation to the Mithril RCSLS (as defined in Section 4.2.8(ii) of this IAC). The terms of the Hold Back are elaborated in Section 4.2.8 of this IAC
"HwangDBS" or "Principal Adviser"	:	HwangDBS Investment Bank Berhad (14389-U)
"IAC"	:	This Independent Advice Circular dated 7 September 2011
"Identified Subsidiaries"	:	MAAB, Multioto, MAPS and MAAGNET (including MAAGNET-SSMS)
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities and all amendments thereto
"LPD"	:	2 September 2011, being the latest practicable date prior to the printing of this IAC
"MAAB"	:	Malaysian Assurance Alliance Berhad (8029-A)
"MAAC" or "Second Seller"	:	MAA Corporation Sdn Bhd (160773-W)
"MAAGNET"	:	MAAGNET Systems Sdn Bhd (552035-T)

"MAAGNET-SSMS"	: MAAGNET-SSMS Sdn Bhd (734405-U), a wholly-owned subsidiary of MAAGNET
"MAAH", "Company" or "Seller"	: MAA Holdings Berhad (471403-A)
"MAAH Group" or "Group"	: MAAH and its subsidiaries
"MAAH Share(s)"	: Ordinary shares of RM1.00 each in MAAH
"MAAKL"	: MAAKL Mutual Bhd (529038-D)
"MAAT"	: MAA Takaful Berhad (731996-H)
"MAPS"	: Malaysian Alliance Property Services Sdn Bhd (184230-H)
"MTNs"	: RM200 million nominal amount of Medium-Term Notes programme (2007/2012)
"Multioto"	: Multioto Services Sdn Bhd (584018-K)
"MOF"	: Minister of Finance
"NA"	: Net assets
"PAT"	: Profit after taxation
"PATMI"	: Profit after taxation and minority interest
"PBT"	: Profit before taxation
"PER"	: Price-to-earnings
"PN"	: Practice Note of the Listing Requirements
"PTB"	: Price-to-book ratio
"Proposed Disposal"	: Proposed disposal of the entire equity interest held in the capital of MAAB Multioto, MAPS and MAAGNET (including MAAGNET-SSMS) to Zurich for a total cash consideration of RM344 million (subject to adjustments as set out in Section 4.2.3 including the Hold Back as set out in Section 4.2.8 of this IAC). The cash consideration of RM344 million is apportioned as follows:

Identified Subsidiaries	**Apportionment of sale consideration**
	RM'000
MAAB	340,781
Multioto	1,724
MAPS	542
MAAGNET (including MAAGNET-SSMS)	953
TOTAL	344,000

"RBC Framework"	: Risk Based Capital Framework is the capital adequacy framework for all insurers licensed under the Insurance Act, 1996
"RC"	: Revolving credit facility
"RM" and "sen"	: Ringgit Malaysia and sen respectively

"SBLC"	:	Standby letter of credit
"SC"	:	Securities Commission of Malaysia
"Side Letter"	:	Side letter dated 17 August 2011 entered into between MAAH, MAAC and Zurich in relation to the SPA
"SPA"	:	Conditional sale and purchase agreement dated 20 June 2011 entered into between MAAH, MAAC and Zurich in respect of the Proposed Disposal, including any modifications, variations, amendments and additions thereto from time to time
"TA Securities" or "Independent Adviser"	:	TA Securities Holdings Berhad (14948-M)
"USD"	:	United States Dollars
"Zurich" or "Purchaser"	:	Zurich Insurance Company Ltd

Words importing the singular only shall include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations. All references to the time of day in this IAC are references to Malaysian time.

All references to "the Company" in this IAC are to MAAH, references to "the Group" are to the Company and its subsidiaries. All references to "you" in this IAC are to the shareholders of the Company.

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TA SECURITIES HOLDINGS BERHAD (14948-M)

A MEMBER OF THE TA GROUP
A PARTICIPATING ORGANISATION OF BURSA MALAYSIA SECURITIES BERHAD

Corporate Finance Department
28th Floor, Menara TA One
22, Jalan P.Ramlee
50250 Kuala Lumpur
Tel: 03-2072-1277 Fax: 03-2026-7241

7 September 2011

To: The Shareholders of MAAH

Dear Sir/Madam,

MAA HOLDINGS BERHAD

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED DISPOSAL

1. INTRODUCTION

On 11 April 2011, the Company announced that it had on the same date submitted an application to BNM for the approval of the MOF pursuant to Section 67 of the Insurance Act 1996 of Malaysia to enter into an agreement with Zurich for the proposed disposal of their entire equity interest held in MAAB, Multioto, MAPS and MAAGNET (including MAAGNET-SSMS) to Zurich.

On 8 June 2011, MAAH announced that the MOF through BNM had vide its letter dated 8 June 2011 approved the disposal of its 100% equity interest in MAAB to Zurich pursuant to Section 67 of the Insurance Act 1996.

On 20 June 2011, HwangDBS had on behalf of the Board of MAAH announced that MAAH and MAAC had on the same date entered into the SPA with Zurich in relation to the Proposed Disposal.

On 21 June 2011, HwangDBS on behalf of the Board announced further information pursuant to the announcement made on 20 June 2011 which includes the effects of the Proposed Disposal on the NA and gearing of the MAAH Group after taking into consideration of repayment of the RM30 million MTNs in January 2011 following the financial year ended 31 December 2010, further details on the PN16 criteria and additional information with regards to the future plans of MAAH.

On 1 August 2011, MAAH announced that BNM had vide its letter dated 29 July 2011 granted an extension of time in relation to the Proposed Disposal of MAAB until 30 September 2011.

On 18 August 2011, HwangDBS, on behalf of the Board, announced that the Company and MAAC had on 17 August 2011 entered into the Side Letter with Zurich in relation to the SPA on the Proposed Disposal.

In view of the Proposed Disposal falling under the definition of a Major Disposal pursuant to Paragraph 10.02 (eA) of the Listing Requirements, TA Securities had on 20 June 2011 been appointed to act as the Independent Adviser to advise the shareholders of the Company on the Proposed Disposal.

The purpose of this IAC is to provide you an independent evaluation of the Proposed Disposal and to set out our opinion and recommendation thereon subject to the scope and limitations of our role specified herein. You should nonetheless rely on your own evaluation of the merits of the Proposed Disposal before making a decision on the course of action to be taken.

SHAREHOLDERS OF MAAH ARE ADVISED TO READ BOTH THIS IAC AND PART A OF THE CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED THEREIN, AND TO CONSIDER CAREFULLY THE EVALUATION AND RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL AT THE FORTHCOMING EGM OF MAAH.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. LIMITATIONS TO THE EVALUATION OF THE PROPOSED DISPOSAL

TA Securities was not involved in any of the negotiations or discussions on the terms of the Proposed Disposal. TA Securities' evaluation of the Proposed Disposal is based on the information contained in the Circular, information and documents furnished to us by the Board, management and representatives of MAAH and other publicly available information. We have not however, independently verified such information. In addition, our evaluation and opinion in relation to the Proposed Disposal were made based on prevailing market conditions and information made available to TA Securities at that point of time and to which we had no reason to believe that the information was unreliable.

Nonetheless, we have obtained confirmation from your Board that they individually and collectively accept full responsibility for the accuracy of the information herein and confirm that after making all reasonable enquiries, and to the best of their knowledge and belief, all information relevant to our evaluation of the Proposed Disposal has been disclosed to us and there is no omission of any material fact which would make any information disclosed to us false or misleading.

We have not undertaken any independent investigation into the business and affairs of the MAAH Group. In our review and analysis and in formulating our advice, we have relied on the financial and other information provided to us by MAAH. In rendering our advice, we have taken note of pertinent issues which we believe are of general importance to an assessment of the implication of the Proposed Disposal and therefore of concern to the shareholders of MAAH.

We have not taken into consideration any specific investment objective, financial situation or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or group of shareholders who may require advice in relation to the Proposed Disposal in the context of their individual objectives, financial situation and particular situation, to consult their stockbroker, bank manager, solicitor, accountant or other professional adviser.

TA Securities, as the IA, has evaluated the Proposed Disposal and has considered various factors which we believe are critical in forming an opinion on the fairness and reasonableness of the Proposed Disposal.

3. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails the disposal of the Identified Subsidiaries to Zurich for a total cash consideration of RM344.0 million (subject to adjustments as set out in Section 4.2.3 below including the Hold Back as set out in Section 4.2.8 below) :-

(i) its 100% equity interest held in MAAB comprising 150,000,000 ordinary shares of RM1.00 each in MAAB ("**MAAB Shares**");

(ii) its 100% equity interest held in Multioto, held vide MAAC, comprising 500,000 ordinary shares of RM1.00 each in Multioto ("**Multioto Shares**");

(iii) its 100% equity interest held in MAPS, held vide MAAC, comprising 250,000 ordinary shares of RM1.00 each in MAPS ("**MAPS Shares**"); and

(iv) its 100% equity interest held in MAAGNET, held vide MAAC, comprising 500,000 ordinary shares of RM1.00 each in MAAGNET (including its 100% equity interest held in MAAGNET-SSMS comprising 2,500 ordinary shares of RM1.00 each in MAAGNET-SSMS) ("**MAAGNET Shares**").

Set out below are the principal activities of MAAB, Multioto, MAPS, MAAGNET and MAAGNET-SSMS:-

Name	Principal Activities
MAAB	Underwriting of life and general insurance
MULTIOTO	Provision of motor vehicle breakdown assistance services
MAPS	Provision of property management services to MAAB
MAAGNET	Provision of information technology consultancy and support services mainly to companies within the MAAH Group
MAAGNET-SSMS	Provision of information technology consultancy and support services to MAAGNET, and general trading in computer hardware and software

Please refer to Appendix I of the Circular for more information on the Identified Subsidiaries.

4. EVALUATION OF THE PROPOSED DISPOSAL

In forming our opinion on the Proposed Disposal, we have taken into consideration the following factors:

(i) rationale for the Proposed Disposal;

(ii) salient terms of the SPA and Side Letter;

(iii) evaluation of the Sale Consideration;

(iv) financial effects of the Proposed Disposal; and

(v) future industry prospects and economic outlook.

We set out in the following sections, the details of our evaluation of the Proposed Disposal.

4.1 Rationale for the Proposed Disposal

The rationale for the Proposed Disposal as set out in Section 4, Part A of the Circular has been taken into consideration.

MAAH is engaged in investment holding and providing management services. The Company through its subsidiary companies operates in various segments namely conventional life insurance and general insurance, family takaful business and general takaful business, unit trust funds management, hire purchase, leasing and other credit activities, etc. The MAAH Group operates mainly in Malaysia with smaller operations in Indonesia, Philippines and

Australia. Based on the latest audited financial statements of MAAH for FYE 31 December 2010, 95.9% of its revenues were generated from Malaysia.

As announced by MAAH on 29 April 2010, BNM had vide its letter dated 11 March 2010 granted its approval to MAAB to undertake necessary measures, which include, inter-alia, the potential sale of MAAB to further strengthen MAAB's capital base in order to meet the minimum supervisory target level of capital adequacy ratio that is required to be maintained by all insurers under the RBC Framework within twelve (12) months from the date of BNM's approval.

The RBC Framework was first introduced in April 2007 and came into effect in 2009. Based on the principles and guidelines contained therein, MAAB requires a substantial sum of capital injection in order to meet the minimum supervisory target level capital adequacy of 130%. As at 31 December 2010, MAAH would have needed to inject approximately RM436.0 million into MAAB in order to meet the requirements under the RBC Framework. The amount of RM436 million represents approximately 1.5 times net asset value of MAAH Group as at 31 December 2010 of approximately RM287 million.

In the same letter, BNM also stated that should MAAB fail to meet the 130% CAR requirement of the RBC Framework within the requested timeline, BNM will at its discretion take the necessary regulatory action under the Insurance Act 1996 of Malaysia. The regulatory action under the Insurance Act 1996 of Malaysia includes imposing restrictions on business, or assuming control of MAAB or presenting a petition for MAAB's winding up.

To address the issues raised by BNM and in view of the introduction of the RBC Framework in 2007, we note that the Board has also considered various methods of fund raising to raise the aforesaid required capital injection but due to market sentiments for the past few years coupled with MAAH's financial position, the Board was of the view that a fund raising exercise for the said amount was not a viable option. In addition, the Company had also over the past four (4) years entered into various discussions with several interested parties which had been approved by BNM to dispose of its equity interest in MAAB. However, the said discussions did not progress to a meaningful level which resulted in offers made subsequently being terminated as both parties were not able to mutually agree on various terms and conditions.

On 11 April 2011, the Company announced that it had, on even date, submitted an application to BNM for the approval of MOF pursuant to Section 67 of the Insurance Act 1996 of Malaysia to enter into an agreement with Zurich in respect of the Proposed Disposal. On 8 June 2011, MAAH announced that the MOF through BNM had vide its letter dated 8 June 2011 approved the disposal of its 100% equity interest in MAAB to Zurich pursuant to Section 67 of the Insurance Act 1996. BNM had vide its letter dated 27 April 2011,granted an extension of time until 31 July 2011 to complete MAAB's capital resolution plans including the completion of the Proposed Disposal. On 1 August 2011, the Company further announced that BNM has vide its letter dated 29 July 2011 granted an extension of time for the completion of the Proposed Disposal of MAAB until 30 September 2011.

Zurich, which is a leading international insurance player, could place MAAB in a better position to meet the challenges of increasing competition while satisfying the additional capital requirements pursuant to the RBC framework. We note that the Board had accepted Zurich's offer as it was the only offer made which allows the MAAH Group to resolve the capital injection needed to meet the CAR requirement and enable MAAH to fulfill its financial obligations.

The proceeds arising from the Proposed Disposal are intended to be utilised in the following manner:-

Purpose	**Notes**	**Estimated timeframe for utilisation**	**RM'000**
Repayment of MTNs	1	Immediately upon the date of receipt of the proceeds from the Proposed Disposal	140,000
Repayment of borrowings and the payment of related interest cost	2	Immediately upon the date of receipt of the proceeds from the Proposed Disposal	36,400
Payment of restructuring fees	3	Immediately upon the date of receipt of the proceeds from the Proposed Disposal	3,800
General working capital requirements	4	Within 24 months from the date of receipt of the proceeds from the Proposed Disposal	163,800
Total			344,000

Notes:-

1 *The Company had issued the MTN in 2007 for a tenure of five (5) years with a total of three (3) tranches, comprising two (2) tranches with a nominal value of RM30 million each and one (1) tranche with a nominal value of RM140 million. The MTNs are secured by a bank guarantee facility from DBS up to the maximum aggregate principal amount of USD equivalent of RM200 million.*

The repayment of the MTNs is by way of redemption from the MTN holders the remaining outstanding tranche with a nominal value of RM140 million under the MTNs. Upon repayment of the MTNs, DBS' bank guarantee for the MTNs will correspondingly be extinguished.

2 *The repayment is in relation to the RC of approximately RM36.3 million from Public Bank Berhad, which is secured principally by a SBLC from DBS for up to the maximum aggregate principal amount of USD equivalent of RM36.3 million. The RC and SBLC facilities were secured to facilitate the settlement of the second tranche of the MTNs with a nominal value of RM30 million and to pre-fund coupon interest of the MTNs due in July 2011 and January 2012 totalling RM6.3 million. Additionally, there is a payment of related interest cost amounting to approximately RM100,000. Any shortfall or excess in funds allocated for this purpose will be funded from or used for working capital purposes.*

3 *Payment of restructuring fees of RM3.8 million in DBS is in relation to the fees payable for the SBLC facility ("**Restructuring Fees**"). Any shortfall or excess in funds allocated for this purpose will be funded from or used for working capital purposes.*

4 *The allocated proceeds shall be used to finance the day-to-day operations of the MAAH Group which include staff costs (including Executive Directors) such as salaries and bonuses, motor vehicle and travelling expenses, training expenses and office rental which are estimated at RM21 million per annum.*

The proceeds may also be used for the additional capitalisation of MAAT should BNM implement such capital requirements to takaful operators and the capitalisation of the other remaining subsidiaries of MAAH and to support the business expansion of MAAT and MAAKL where the capital outlay for new branches is estimated at RM38 million. As at the LPD, the RBC Framework for the takaful industry has yet to be finalised by BNM, therefore, no quantification of the additional capitalisation amount for MAAT has been made.

Further, the receipt of a substantial portion of the proceeds from the Proposed Disposal will be deferred for a period of 2 years from completion in accordance with the terms in the SPA as set out in Section 4.2.2(b) below including the terms of the Side Letter as set out in Section 4.2.8 below, and held in the Escrow Account in accordance with the terms of the Escrow Agreement.

However it should be noted that, any successful warranty and indemnity or any other claims by Zurich against MAAH, will reduce the said balance cash proceeds accordingly.

*Nonetheless, subject to specific provisions in the Escrow Agreement, the Seller shall be entitled to instruct the escrow agent to instruct the escrow bank to release an amount not exceeding RM6,000,000 on the first funds release date which is the date falling six (6) months from the date of completion and release an amount not exceeding RM3,000,000 on each funds release date which is a date falling three (3) months after the first funds release date until the release date which is two (2) years from the date of completion of the SPA ("**Release Date**").*

Based on the above, we note that the proceeds arising from the Proposed Disposal shall be used for the repayment of MTN, borrowings and general working requirements. With the Proposed Disposal, MAAH is able to repay its borrowings and redeem its MTN's amounting in the aggregate to RM176.3 million which will be due in January 2012. In this respect, the repayment would fulfill completely MAAH's obligations to service and fully repay these debts. The manner of the Consideration to be paid is set out in Section 4.2.2 (b) below.

We note that as at the LPD, the Board has not identified any new businesses or assets for injection into the MAAH Group.

The remaining proceeds shall be utilised to recapitalize and partly finance the working capital requirement of the MAAH Group. Following the Proposed Disposal, MAAH intends to focus on developing its remaining businesses, in particular its takaful and unit trust funds management, and to enhance and accelerate the future growth of these businesses. Accordingly, the Board intends to conserve its immediate cash for its existing businesses and does not intend to undertake any immediate capital repayment/distribution of the proceeds arising from the Proposed Disposal to its shareholders. Based on the latest draft RBC Framework for takaful operators introduced by BNM in April 2011, MAAT does not require any additional capital injection. However, there is no assurance that MAAT will not require additional capital injection in future based on the final RBC Framework for takaful operators to be issued. In the event there is an increase in the RBC Framework, MAAT may require additional capital injection.

Nonetheless, as highlighted in Section 7.2, Part A of the Circular, the Board intends to re-evaluate its financial position vis-à-vis the Group's business plans and operational requirements, and assess its capacity to declare dividends for the benefit of its shareholders after a period of two (2) years from Completion of the Proposed Disposal and after receipt of all the remaining proceeds from the Escrow Account in accordance with the terms of the Escrow Agreement.

In view that the Proposed Disposal is undertaken to, inter-alia, meet the requirements of the RBC Framework, the rationale for the Proposed Disposal is reasonable. As stated above, in the event MAAB does not meet the required minimum supervisory target level of capital adequacy ratio, BNM may take regulatory action under the Insurance Act 1996 of Malaysia which may include imposing restrictions on business, or assuming control of MAAB or presenting a petition for MAAB's winding up.

Upon completion of the Proposed Disposal, MAAH will be classified as a PN17 Company and thus will be required to regularise its condition by submitting a proposal to the relevant authorities for its approval within twelve (12) months from the day it becomes a PN17 Company. The Board intends to maintain the listing status of MAAH after the Proposed Disposal and will undertake the necessary efforts to regularise its condition as an affected listed issuer within the stipulated timeframes set out under the Listing Requirements. Please refer to Section 4.5 (c) on the future prospects of the MAAH Group for the next twelve (12) months.

4.2 Salient terms of the SPA and Side Letter

The salient terms of the SPA are as follows:-

Salient terms	**Comments by TA Securities**
4.2.1 Sale and Purchase	
This is an agreement ("**SPA**") for the sale by MAAH ("**Seller**") of MAAB Shares and by MAAC ("**Second Seller**") of its Multioto Shares, MAPS Shares and MAAGNET Shares (collectively referred to as "**Sale Shares**") to Zurich ("**Purchaser**"). As part of the acquisition of MAAGNET Shares, MAAGNET-SSMS will also be acquired by the Purchaser.	This term of the sale and purchase of the Sale Shares is reasonable as the Sale Shares will be sold and transferred to the Purchaser without encumbrances and together with all rights and benefits attaching to them. MAAGNET-SSMS is a wholly-owned subsidiary of MAAGNET. In this regard, there is no separate consideration accorded to MAAGNET-SSMS as it will be transferred over together with MAAGNET to the Purchaser on Completion.
4.2.2 Consideration	
(a) The consideration for the Sale Shares is RM344,000,000.00 ("**Consideration**") which shall be apportioned between the Sale Shares. The apportionment is provided for in the SPA and the Consideration is subject to adjustment as set out in Section 4.2.3 below. The Consideration shall be paid on the last business day of the month in which the Purchaser notifies the Seller that all the conditions have been satisfied or the first business day of the next following month or where the notification is received less than five (5) business days prior to the relevant month end, on the last business day of the next following month ("**Completion**").	Kindly refer to Section 4.3 of this IAC for our evaluation on the Consideration. The proceeds arising from the Proposed Disposal shall be utilised for the repayment of MTN, repayment of borrowings, payment of restructuring fees and general working capital requirements.
(b) The Consideration is to be paid in cash at Completion in the following manner: • a payment to Public Bank Berhad for the sum of RM36,388,431.43 (or such amount as Public Bank Berhad shall notify DBS as the amount payable by the Seller on the applicable date as agreed by the Seller and the Purchaser) being repayment of the RC ("**Public Bank Payment"**); • a payment to DBS for the sum of RM3,800,000 being repayment for the Restructuring Fees as defined and elaborated in Note 3 under Section 4.1 above ("**DBS Payment**");	We wish to highlight that the Consideration comprising a RM180.2 million cash payment, remittance of RM94.1 million into the Escrow Account, and the Hold Back ("**Hold Back**") of RM69.7 million are indicative figures only and are subject to adjustments in accordance with the terms of the SPA as set out in Section 4.2.3 below including the terms of the Side Letter as set out in Section 4.2.8 below and the final redemption amount in relation to the RC to be confirmed by Public Bank

Salient terms

- remittance to the MTN's facility agent cash account the sum of RM140,000,000 being the repayment for redemption of the MTNs ("**MTN Payment**");
- remittance to the Escrow Account the sum of RM344,000,000 (after deducting for the Public Bank Payment, DBS Payment and MTN Payment) ("Escrow Payment") in accordance with the Escrow Agreement subject to the adjustment as set out in Section 4.2.3 below. Subject to specific provisions in the Escrow Agreement, the Seller shall be entitled to instruct the escrow agent to instruct the escrow bank to release an amount not exceeding RM6,000,000 on the first funds release date which is the date falling six (6) months from the date of Completion and release an amount not exceeding RM3,000,000 on each funds release date which is a date falling three (3) months after the first funds release date until the Release Date. Provided that there are no warranty and indemnity claim or any other claims by the Purchaser under the SPA, any balance monies in the Escrow Account shall be released to the Seller on the Release Date.

Comments by TA Securities

Berhad on Completion. The Escrow Account shall be governed by an Escrow Agreement to be entered into by the relevant parties and shall be released to MAAH in the manner as set out herein.

The Consideration shall be paid directly by Zurich to Public Bank Berhad, DBS and MTN holders for settlement of Public Bank Payment, DBS Payment, MTN Payment in order for the release of the charge of the MAAB Shares held by DBS, and directly into the Escrow Account. In this regard, this term is reasonable.

The payment to Public Bank Berhad for the sum of RM36,388,431.43 represents the repayment of borrowings and the payment of related interest cost as set out under the utilisation of proceeds table in Section 4.1.

We wish to highlight that a portion of the balance cash proceeds of approximately RM163.8 million being the payment into the Escrow Account and Hold Back from the Consideration will be deferred for a period of 2 years from Completion. This amount is deferred to allow for any adjustments to the Hold Back amounts and/or any other adjustments resulting from any successful warranty, indemnity or other claims by Zurich against MAAH.

The settlement time for the Consideration is reasonable and was mutually agreeable by both the Purchaser and the Seller in view of the warranties and indemnities given by the Seller to the Purchaser under the SPA. In addition, the Escrow Payment shall also be placed in an Escrow Account which yields an interest of 2.95% per annum, as set out in Section 4.4.4 Note (1) below. The interest will be

Salient terms	**Comments by TA Securities**
	credited into the Escrow Account and it will be due to MAAH save and except for interest accrued on amounts of adjustments resulting from any successful warranty, indemnity or other claims by Zurich against MAAH. The Public Bank Payment, DBS Payment and MTN Payment are deemed reasonable in order for the charge over MAAB Shares to be released. The warranty, indemnity claim or other claims by the Purchaser are clauses provided for under the SPA to provide comfort to Zurich for such potential eventualities and they are not quantifiable at this juncture as they presently do not subsist.
4.2.3 Adjustments to the Consideration	
(a) As provided for in the SPA, following Completion, the Consideration will be varied by an amount equal to the difference between the aggregate net asset value of the Identified Subsidiaries (being the aggregate value of their recognised assets less the aggregate value of their recognised liabilities and provisions for liabilities and charges) as at 30 September 2010 of RM416,675,000 ("**Initial Aggregate Net Asset Value**") and the final aggregate net asset value of the Identified Subsidiaries (being the aggregate value of their recognised assets less the aggregate value of their recognised liabilities and provisions for liabilities and charges) determined in accordance with the accounts to be drawn up following Completion in respect of each of the Identified Subsidiaries ("**Completion Accounts**") ("**Final Aggregate Net Asset Value**") such that:-: (i) if the final general fund/shareholders' fund amount of MAAB as at Completion is less than the initial general fund/shareholders' fund amount of MAAB as at 30 September 2010 then the Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall; (ii) if the final general fund/shareholders'	The Seller is entitled to receive additional Consideration in the event the Final Aggregate Net Asset Value exceeds the Initial Aggregate Net Asset Value by a factor of RM0.997 for each RM1.00. The adjustment of RM0.003 for every Ringgit increase is mainly due to an adjustment for stamp duty expenses on the transaction. Conversely, in the event that the Final Net Asset Value is less than the Initial Aggregate Net Asset Value, the Seller will need to reduce the Consideration on the basis of RM1.00 for each RM1.00 difference. The 0.3% stamp duty is a standard stamp duty rate charged by the Inland Revenue Board. The Consideration of RM344 million entails value of MAAB based on its results as at 30 September 2010 net of costs and expenses to be incurred by Zurich in respect of Proposed Disposal, such as stamp duty etc. Hence, any adjustment to the Consideration at Completion shall be net of stamp duty for the share transfer.

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fund amount of MAAB as at Completion is more than the initial general fund/shareholders' fund amount of MAAB as at 30 September 2010 then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the share transfer. for each RM1 basis) by an amount equal to that difference;

(iii) if the final life funds amount of MAAB as at completion is less than the initial life funds amount of MAAB as at 30 September 2010 then the Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall reduced by 25 percent (being the corporate tax rate payable by MAAB) of the decrease in the fund surplus for funds in surplus. When performing this calculation, the annuity fund will be capped at a maximum increase of RM48,000,000 [1] and the par fund at a surplus of RM90,000,000 [2]. There will be no caps for the non-par fund and the investment linked fund;

(iv) if the final life funds amount of MAAB as at completion is more than the initial life funds amount of MAAB as at 30 September 2010 then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer for each RM1 basis) by an amount equal to that difference reduced by 25 percent (being the corporate tax rate payable by MAAB) of the increase in the fund surplus for funds in surplus. When performing this calculation, the annuity fund will be capped at a maximum increase of RM 48,000,000 [1] and the par fund at a surplus of RM 90,000,000 [2]. There will be no caps for the non-par fund and the investment linked fund;

Notes:

1 This means that the Consideration will only be increased on a RM for RM basis for the first RM48,000,000 that the annuity fund deficit decreases in the Completion Accounts compared to unaudited financial statements as at 30 September 2010. There will be no

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This term is fair to shareholders as the valuation of MAAB is derived based on the results of MAAB as at 30 September 2010 net of cost to be incurred for the transfer. In addition the Consideration has already taken into consideration the adjustments made on taxes which has been agreed by both parties and we are of the view that this is reasonable.

The adjustments to the consideration will allow MAAB to be transferred to Zurich at the value at Completion instead of the value on 30 September 2010. In our opinion, this adjustment to the Consideration is fair.

The adjustments on the life funds amounts are different from others as par life fund and the annuity funds are in deficit and the non-par and investment linked fund are in surplus which has not been/will not be transferred to the income statement of MAAB as the said surplus was/ will be assigned to cover deficits in the par and annuity funds as approved by BNM. Details on calculation on the fluctuation of life fund are disclosed in section 4.2.3 (iii) and (iv).

Please refer to the Notes below for an illustration on the adjustment mechanism for the Consideration based on the audited financial statements as at 31 December 2010 against 30 September 2010.

As highlighted in note 1, Section 4.2.3 (iv), any decrease in the annuity fund deficit in the Completion Accounts compared to unaudited financial statements as at 30 September 2010, which is subject to a cap RM48,000,000, the Consideration will be increased on a RM for RM basis. In other

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change to the Consideration for any amount that the annuity fund deficit decreases by more than RM48,000,000 or if it moves into surplus in the Completion Accounts. For the avoidance of doubt if the annuity fund deficit increases in the Completion Accounts compared to the unaudited financial statements as at 30 September 2010, there will be a RM for RM decrease to the Consideration. 2 *This means that the Consideration will only be increased on a RM for RM basis by the amount that the par fund deficit decreases in the Completion Accounts compared to the unaudited financial statements as at 30 September 2010. There will be no change to the Consideration for any amount that the par fund goes into a surplus greater that RM90,000,000 in the Completion Accounts. For the avoidance of doubt if the par fund deficit increases in the Completion Accounts compared to the unaudited financial statements as at 30 September 2010, there will be a RM for RM decrease to the Consideration.* *The amount of RM48,000,000 and RM90,000,000 were proposed by the Purchaser and agreed to by the Seller. These are the amounts required to bring the funds from a deficit position to a surplus position, where necessary.*	words, any decrease in the annuity fund deficit exceeding RM48,000,000 or if the annuity fund moves into surplus in the Completion Accounts, there will be no change/ effect to the Consideration. As highlighted in note 2, Section 4.2.3 (iv), any decrease in the par fund deficit in the Completion Accounts compared to the unaudited financial statements as at 30 September 2010, which is subject to a cap RM90,000,000, the Consideration will be increased on a RM for RM basis. In other words, any decrease in the par fund deficit exceeding RM90,000,000 or if the par fund moves into surplus in the Completion Accounts, there will be no change/ effect to the Consideration. The adjustment is reasonable. The aggregate effect on the life funds will depend on the performance of each fund, namely the annuity fund, the par fund, the investment-linked fund and non-par funds. A par fund/ participating fund liability is a liability of which is discretionary in nature and owned by participating policyholders. Holders of a participating life insurance policy are paid a dividend based on the profits earned by the insurance company issuing the policy.
(v) if the net asset value of Multioto as at Completion ("**Final Multioto Amount**") is less than the net asset value of Multioto as at 30 September 2010 ("**Initial Multioto Amount**") then the Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall;	
(vi) if the Final Multioto Amount is more than the Initial Multioto Amount then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer for each RM1 basis) by an amount equal to that difference;	
(vii) if the net asset value of MAPS as at Completion ("**Final MAPS Amount**") is less than the net asset value of MAPS as at 30 September 2010 ("**Initial MAPS Amount**") then the	The aggregate net asset value of MAAGNET and MAAGNET-SSMS is used because the net asset value of/ cost of investment in MAAGNET-SSMS

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Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall;	is included in MAAGNET's accounts.
(viii) if the Final MAPS Amount is more than the Initial MAPS Amount then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer for each RM1 basis) by an amount equal to that difference;	
(ix) if the aggregate net asset value of MAAGNET and MAAGNET-SSMS as at Completion ("**Final MAAGNET Amount**") is less than the aggregate net asset value of MAAGNET and MAAGNET-SSMS as at 30 September 2010 ("**Initial MAAGNET Amount**") then the Consideration shall be reduced (on a RM for RM basis) by an amount equal to that shortfall; and	
(x) if the Final MAAGNET Amount is more than the Initial MAAGNET Amount then the Consideration shall be increased (on a RM0.997, after deducting for stamp duty for the shares transfer for each RM1 basis) by an amount equal to that difference.	
(b) In accordance with the provisions of SPA, the Seller shall be entitled to receive, by way of additional consideration, RM0.997 (after deducting for stamp duty for the shares transfer) for each RM1 by which the Final Aggregate Net Asset Value exceeds the Initial Aggregate Net Asset Value of RM416,675,000 up to a maximum aggregate amount of RM200,000,000, which sum shall be paid on the dates and in the manner specified in the SPA (Adjustments to Consideration). *Notes:* *The Initial Aggregate Net Asset Value of RM416,675,000 as at 30 September 2010 refers to the aggregate unaudited NA of the Identified Subsidiaries of RM253,967,000 and MAAB's initial life funds amount of RM162,708,000.* *The amount of RM200,000,000 as stated in (b) above is a commercial term proposed by the Purchaser and agreed to by the Seller, and is an additional consideration amount that the Purchaser is prepared to consider in*	As stated above, the adjustment of RM0.003 for every Ringgit increase is mainly due to an adjustment for stamp duty expenses on the transaction. The maximum aggregate amount is capped at RM200 million for the difference of the Final Aggregate Net Asset Value exceeding the Initial Aggregate Net Asset Value as agreed by both parties. The RM200 million is approximately 75% of the net assets of the Identified Subsidiaries as at 31 December 2010. Hence, we are of the view that this term is reasonable. We wish to reiterate that the adjustments to the Consideration will allow the Identified Subsidiaries to be transferred to Zurich at the value at Completion instead of the value on 30 September 2010. In our

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respect of the Proposed Disposal.	opinion, the Adjustment to the Consideration is reasonable.
(c) In accordance with the provisions of the SPA, if the Final Aggregate Net Asset Value is less than the Initial Aggregate Net Asset Value, the Seller shall be required to repay to the Purchaser RM1 for each RM1 by which the Final Aggregate Net Asset Value falls short of the Initial Aggregate Net Asset Value, which sum shall be paid by the Seller on the date and in the manner specified in the SPA (Adjustments to Consideration).	Based on the above, we are of the view that the Adjustment to the Consideration is fair.
4.2.4 Conditions precedent	
The SPA is conditional upon the following conditions being satisfied or waived at the sole discretion of the Purchaser on or prior to 30 September 2011 or such later date as the Seller and the Purchaser may agree in writing ("Longstop Date"): (a) Approval of the Seller's shareholders at a general meeting approving the sale of the Sale Shares to the Purchaser in accordance with the terms of the SPA; Note: This condition is still pending and is to be obtained at the forthcoming EGM ("Shareholder Approval Date"). (b) The receipt by the Purchaser from certain substantial shareholders of MAAH of an irrevocable undertaking to vote in favour of the resolution in respect of the Proposed Disposal; Note: This condition has been waived by the Purchaser vide its letter dated 27 July 2011.	The conditions precedent in the SPA set out the pre-requisites for the Proposed Disposal to be completed. The terms of the conditions precedent which require the consent of among others, the shareholders of MAAH, the Noteholder's approval, DBS release and BNM which are stated in Section 4.2.4 (a) – (q) herein are reasonable. The approvals from these parties are necessary for MAAH to be in compliance with the conditions as set out by the relevant parties and/or rules and regulations as set out by the authorities and to give effect to the transaction.
(c) Approval of the noteholders under MAAH's RM200,000,000 MTNs approving the sale of the MAAB Shares to the Purchaser; Note: This condition has been satisfied vide the receipt of the noteholders' consents which we obtained on 27 July 2011.	As stated above in Paragraph 2 of our commentaries under Section 4.2.4, this condition is reasonable for MAAH to be in compliance with the conditions as set out by the relevant parties to give effect to the transaction.

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(d)	DBS release by way of a conditional deed of release, discharge and revocation releasing the DBS' pledge, which is the fixed first charge and fixed second charge on the entire issued and paid up share capital of MAAB granted by MAAH to DBS as security in connection with the DBS' bank guarantee for the MTNs and a SBLC; Note: The conditional deed of release was signed on 20 June 2011 and the satisfaction of this condition is subject to receiving the completion undertaking from DBS at Completion.	This term is reasonable.
(e)	BNM approval of: • the return of the management control to MAAB in respect of the setting of a bonus policy for its par fund; and Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011 subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view might render this condition being no longer satisfied • the appointment of the Purchaser's nominees as directors and Chief Executive Officer (where appropriate) of MAAB at Completion. Note: This condition is still pending and the Purchaser has requested vide its letter dated 18 August 2011 for the satisfaction of this condition to be extended until the	This term is reasonable.

	Shareholder Approval Date.	
(f)	BNM's written confirmation to the Purchaser confirming that the transaction contemplated in the SPA is acceptable to BNM and that the threat of regulatory action against MAAB is removed and the Purchaser's proposed capitalisation plan will apply to MAAB; Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011 subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view might render this condition being no longer satisfied.	This term is reasonable.
(g)	Receipt by the Purchaser of written approval from any other relevant regulatory authority (including, to the extent required, notification to the Swiss Financial Market Supervisory Authority) that such relevant regulatory authority has not imposed any restriction, requirement or condition in connection with the acquisition of the shares pursuant to the SPA that is not acceptable to the Purchaser; Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011 subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view might render this condition being no longer satisfied;	This term is reasonable.
(h)	Receipt by the Purchaser of evidence in terms satisfactory to the Purchaser of any other clearances, approvals, consents and licences required to be obtained in connection with the acquisition of	This term is reasonable.

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	the shares pursuant to the SPA (including, but not limited to, competition, regulatory and/or tax matters); Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011 subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view might render this condition being no longer satisfied.	
(i)	Receipt by the Purchaser from the Seller of evidence in terms satisfactory to the Purchaser that the Identified Subsidiaries have obtained all regulatory authorisations, licences, registrations, permissions, certificates, approvals and notices required for or in connection with the carrying on of the businesses (including, but not limited to, those set out in the agreed separation and rectification plan, pursuant to the SPA); Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011, subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view might render this condition being no longer satisfied.	This term is reasonable.
(j)	Receipt by the Purchaser from the Seller of evidence in terms satisfactory to the Purchaser that the CAR of MAAB reported to BNM in its latest filing prior to Completion is equal to or in excess of 50%; Note: This condition was satisfied in its latest filling with BNM dated 30 June 2011 and is	This term is reasonable.

Note: This condition was satisfied in its latest filling with BNM dated 30 June 2011 and is subject to the Seller promptly notifying the Purchaser in writing if, at any time prior to Completion, the CAR of MAAB is no longer equal to or in excess of 50%;

(k) The settlement in terms satisfactory to the Purchaser of the liabilities relating to Mithril Berhad (which ceased to be an associated company of MAAH on 7 September 2010) ("Mithril Liability") and MAA International Assurance Ltd (a wholly owned subsidiary of MAAC) ("**MAAIA**") ("MAAIA Liability") and any other inter-company debt outside the ordinary course of business;

Note: This condition has been waived on the basis that the Seller and Second Seller have entered into the Side Letter with the Purchaser.

Mithril Liability refers to the intra-group rental income totalling approximately RM2,300,000 owed as at the date of the SPA by Mithril to MAAB and any further outstanding amounts as may accrue in respect therewith.

MAAIA Liability refers to the intra-group debt owed by MAAIA to MAAB.

The mode and terms of settlement of the Mithril Liability and MAAIA Liability are to be agreed upon between the Purchaser and Seller at Completion.

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(l)	The entry into the general insurance reinsurance commutation agreement and the life reinsurance commutation agreement in relation to the reinsurance arrangements between MAAB and MAAIA; Note: This condition has been satisfied via the entry into the general insurance reinsurance commutation agreement and the life reinsurance commutation agreement both dated 5 July 2011 ("Reinsurance Commutation Agreements") and on the basis that the Seller and Second Seller has entered into the Side Letter with the Purchaser.	The change of ownership of the business arising from the Proposed Disposal is not expected to negate the entry into each of the Reinsurance Commutation Agreements. This term is reasonable.
(m)	Receipt by the Purchaser from the Seller of evidence in terms satisfactory to the Purchaser that the register of members, register of transfers and register of charges of MAAB is complete, accurate and up to date; Note: This condition is pending and the Purchaser has requested vide its letter dated 18 August 2011 for the satisfaction of this condition to be extended until the Shareholder Approval Date.	This term is reasonable.
(n)	Receipt by the Purchaser from the Seller of evidence in terms satisfactory to the Purchaser that the constitutional documents of Multioto have been amended to provide Multioto with the requisite authority to conduct the Multioto businesses as currently conducted; Note: The Purchaser has confirmed in writing that this condition has been satisfied vide its letter dated 18 August 2011.	

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(o)	Receipt by the Purchaser from the Seller of evidence in terms satisfactory to the Purchaser that title to each of the real properties is registered in the name of one or other of the Identified Subsidiaries; Note: This condition has been waived on the basis that the Seller and Second Seller has entered into the Side Letter with the Purchaser and the Seller has issued specific confirmations to the Purchaser relating to real properties owned by MAAB and provided there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view affects the Purchaser's ability to waive this condition.	The waivers were granted based on the mutual agreement between the Seller and the Purchaser and subject to the terms of the Side Letter as set out in Section 4.2.8. This term is reasonable.
(p)	Notification by MAAGNET to the Multimedia Development Corporation of its change-of-control anticipated by the transaction contemplated by this SPA; and Note: This condition has been satisfied via MAAGNET's notification letter dated 5 July 2011 to the Multimedia Development Corporation.	This condition is required as MAAGNET is a MSC status company. There are no approvals required from Multimedia Development Corporation. This term is reasonable.
(q)	Receipt by the Purchaser in terms satisfactory to the Purchaser of a written disclaimer letter addressed to MAAB from Malayan Banking Berhad confirming that Malayan Banking Berhad will not and will not seek to foreclose on, or enforce the charge held by it over and in connection with, Prima Avenue Klang (i.e. one of the real properties to be disposed of as part and parcel of the Proposed Disposal) and will deliver all such documents as may be necessary to disclaim any title and other rights to Prima Avenue Klang.	The waivers were granted based on the mutual agreement between the Seller and the Purchaser and subject to the terms of the Side Letter as set out in Section 4.2.8. This term is reasonable.

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Note: This condition has been waived on the basis that the Seller and Second Seller has entered into the Side Letter with the Purchaser and subject to there being no further circumstances arising prior to Completion in respect of or in connection with this condition which in the Purchaser's view affects the Purchaser's ability to waive this condition.	
4.2.5 MAAT If the Seller proposes to dispose of or otherwise offer for sale some or all of its shares in MAAT, the Seller agrees to grant to the Purchaser a first right of refusal to acquire some or all of its interest and related rights in MAAT following the Completion subject to obtaining a waiver of any existing pre-emption rights upon and subject to the provisions in the MAA Takaful Right of First Refusal Agreement which is to be entered into at a later date.	We wish to highlight that in the event MAAH proposes to dispose or sell some or all of its shares in MAAT, MAAH will grant Zurich the first right of refusal to acquire the shares at a consideration which shall be negotiated in good faith and agreed by both parties. There is no consideration amount for MAAT currently stated in the SPA. We note that the first right of refusal is a clause required by the Purchaser as a condition for the other terms of the Proposed Disposal. The first right of refusal to Zurich is not detrimental to the shareholders of MAAH in view that the Board will still have the absolute discretion to approve or reject any proposals presented to them and any disposal consideration shall be mutually agreed by both parties prior to the entry into any agreement.
4.2.6 Termination The Purchaser shall be entitled to terminate the SPA with immediate effect by notice in writing to the other parties before Completion without liability to the Seller or the Second Seller: (a) if, before Completion, the Purchaser becomes aware that any of the Seller's warranties i.e. title and capacity warranties, business warranties and the tax warranties	This clause sets out the circumstances where the SPA could be terminated. We note that the termination rights granted to the Purchaser under the SPA covers any breach of conditions which are required and considered necessary by the Purchaser in order to proceed with Proposed Disposal

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	pursuant to the SPA was at the date of the SPA, or has since become, untrue or misleading or has been breached;	including the approvals by BNM and MOF, CAR level of the Company of at least 50% and capital injection amount to be contributed to the par fund not exceeding RM200,000,000. We further note that although there are no express termination rights given to MAAH under the SPA, this does not mean that the interest of MAAH will be jeopardized as MAAH would still has its full rights and remedies under contract laws including to sue for damages or seek injunctive relief or other remedies in the event that Zurich materially breaches the terms of the SPA. In this regard, we deem this as reasonable.
(b)	if, before Completion, the Seller or the Second Seller materially breaches any term of the SPA;	
(c)	if, before Completion, any event occurs which would have, or could be reasonably expected to have, or be likely to result in, a material adverse effect on the financial position or business prospects of any of the Identified Subsidiaries, taken together or individually;	
(d)	if, before Completion, any event occurs which would have, or could be reasonably expected to have, or be likely to result in, a material adverse effect on the unaudited aggregate book value as at 30 September 2010 of the real properties;	
(e)	if, before Completion, BNM withdraws or amends, or indicates an intention to withdraw or amend any of the confirmations previously given by BNM to the Purchaser in the BNM letter dated 16 February 2011 or pursuant to the conditions precedent as mentioned in Section 4.2.4(e) or (f) above or imposes any additional conditions on the operations of MAAB which are not acceptable to the Purchaser;	
(f)	if, before Completion, the MOF withdraws or amends, or indicates an intention to withdraw or amend its approval of the acquisition of the MAAB Shares contemplated by the SPA under Sections 67 and 69 of the Insurance Act 1996;	
(g)	if, before Completion, the Purchaser receives evidence whether from the Seller or otherwise that the CAR of the Company has fallen to a level below 50%; Note: The CAR level of 50% is a commercial term proposed by the Purchaser, and is the lowest threshold considered commercially viable for the Purchaser to proceed with the Proposed Disposal.	
(h)	if, before Completion, the Purchaser receives evidence to its reasonable satisfaction that any other clearances, approvals, consents and licences required	

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to be obtained in connection with the acquisition of the Sale Shares pursuant to the SPA have been withdrawn or amended;

(i) if, before Completion, the amount of the capital injection (forming part of the capital injection of RM515,000,000 expected to be made by Zurich in relation to MAAB following Completion) to be contributed to the par fund exceeds RM200,000,000;

Note: The capital injection amount of RM200,000,000 is a commercial term proposed by the Purchaser and is the maximum capital injection considered commercially viable for the Purchaser to proceed with the Proposed Disposal.

Comments by TA Securities: This event may take place in the event of a crash in the securities market which will result in a decline of investment value, or if BNM withdraws its approval for a bonus revision of RM420 million to reduce the non-guaranteed future liabilities in the life par fund etc.

(j) if, one or more of the conditions precedent as set out in Section 4.2.4 above remains unsatisfied on the Longstop Date or in the reasonable opinion of the Purchaser become impossible to satisfy on or before the Longstop Date; or

(k) if, in any respect, the Seller or the Second Seller has not complied with its completion obligations at the time and on the date set for the Completion, the Purchaser may terminate the SPA with immediate effect by notice in writing to the Seller and Second Seller.

4.2.7 Governing Laws

The SPA is governed by and construed in accordance with the laws of Singapore.

Note: The above jurisdiction was agreed upon between the Seller and the Purchaser to be the governing law for the SPA, as it is common and equitable to both parties.

Comments by TA Securities: We note that it was agreed upon between the Seller and the Purchaser that the SPA shall be governed and construed in accordance with the laws of Singapore.

We wish to highlight that the parties to the SPA are MAAH, MAAC and Zurich. In any event of any disputes arising from SPA, shareholders are not able to directly sue Zurich. It will be MAAH or MAAC who would be in the position to take this action. The rights of shareholders in this event will only be in respect of their voting rights in terms of the special resolution to be tabled in the forthcoming EGM on 22 September 2011 in respect of the Proposed Disposal. In any event if shareholders feel that

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	their rights are jeopardised, they can choose to sue the Company or exit as a shareholder of the Company by disposing of their shares in the open market. We trust and believe that laws based on any jurisdiction are fair and just and that all parties' interest will be protected.
4.2.8 Side Letter The Side Letter will have the effect of varying the terms and conditions of the SPA and in particular will have the following effect on the matters as follows: At Completion, the Purchaser shall be entitled to a Hold Back in the sum of RM69,690,000 from the Consideration to address certain unresolved issues relating to certain Conditions Precedents as set out below. The Hold Back shall result in a corresponding deduction in the amount of the Escrow Payment payable by the Purchaser pursuant to the terms of the SPA and shall comprise:	At Completion, the Purchaser shall hold back the sum of RM69.69 million from the Consideration. The Hold Back comprises of RM50.17 million in relation to PAK and RM19.52 million in relation to Mithril RCSLS. As stated in 4.2.4 (q) above, obtaining a letter of disclaimer from Malayan Banking Berhad on PAK is one of the conditions precedent to be satisfied prior to Completion. Upon signing of the Side Letter, a two (2)-year grace period following Completion will be granted to obtain the letter of disclaimer.
(i) RM50,170,000 in relation to Prima Avenue Klang ("**PAK**"); This amount less applicable tax and reasonable costs and expenses will be paid into the Escrow Account by the Purchaser for its treatment in accordance with the terms of the Escrow Agreement if MAAB resolves the current title issues in relation to PAK, in particular the disclaimer or release of the charge taken by Malayan Banking Berhad over PAK within 2 years following Completion.	In this regard, the amount of RM50.17 million shall be paid into the Escrow Account by the Purchaser less applicable tax and reasonable costs and expenses and shall be released to MAAH upon obtaining the PAK Disclaimer.
(ii) RM19,520,000 (subject to adjustment to reflect the actual net book value at Completion) in relation to Mithril's 3% 8-year redeemable convertible secured loan stocks ("**Mithril RCSLS**") ("the "**RCSLS Actual Value**") maturing April 2012 This amount less applicable tax and reasonable costs and expenses will be paid into the Escrow Account by the Purchaser for its treatment in accordance with the terms of the Escrow Agreement if MAAB receives any repayment of amounts	Based on the Annual Report 2010 of Mithril, we note that MAAB holds 61.72% of the RCSLS issued by Mithril. MAAH holds 16.71 % equity interest in Mithril. As part of the restructuring exercise of Mithril, Mithril had on 6 April 2004 issued 59,000,000 of 3% 8-year RCSLS at a nominal amount of RM1.00 each. The RCSLS has been partly redeemed and stood at

Salient terms		**Comments by TA Securities**
	outstanding under the Mithril RCSLS from Mithril or the sale proceeds of any disposal of the Mithril RCSLS within 2 years following Completion. If and to the extent any amounts received by MAAB from Mithril in respect of its repayment of amounts outstanding under the Mithril RCSLS or from the sale proceeds of any disposal of the Mithril RCSLS by MAAB exceed the RCSLS Actual Value, the Purchaser shall pay such amounts (in each case less applicable tax and reasonable costs and expenses) into the Escrow Account but only insofar as such amounts do not accrue in the Par Fund and/or in the Annuity Fund. The Purchaser shall procure that MAAB shall not, within 2 years following Completion, sell, assign or dispose the Mithril RCSLS below the RCSLS Actual Value without MAAH's prior written agreement, such agreement not to be unreasonably withheld or delayed.	RM41,812,992 at nominal value of RM0.78 each. The Purchaser shall hold back RM19.52 million from the Consideration for the Proposed Disposal (subject to adjustment based on the actual net book value at Completion). This amount shall be paid into the Escrow Account (after deducting applicable tax and reasonable costs and expenses) subject to MAAB receiving any repayment from the Mithril RCSLS or the sale proceeds or any disposal of the Mithril RCSLS within 2 years following Completion. In addition, MAAH is entitled to receive any amount of repayment exceeding the RCSLS Actual Value which accrues in the non par, investment linked, shareholders' and general funds.
(iii)	MAAB is seeking a stamp duty exemption in relation to the life reinsurance commutation agreement and the general insurance reinsurance commutation agreement ("**Application for Stamp Duty Exemption**") and MAAB shall accrue the estimated respective stamp duties in its accounts ("**Accrued Estimated Stamp Duties**") which will result in adjustments to the Consideration if the agreements are not duly stamped or stamp duty exemption is not obtained at Completion. If MAAB is successful in its Application for Stamp Duty Exemption at any time within 2 years following Completion, the Purchaser shall pay the Accrued Estimated Stamp Duties into the Escrow Account.	In the event there is no repayment by Mithril in respect of the RCSLS within the period of 2 years following Completion, the RM19.52 million will not be paid into the Escrow Account by the Purchaser. In the event MAAB fails to resolve the matters as stated in 4.28 (i), (ii) and (iii), the Hold Back and the Accrued Estimated Stamp Duties will not be paid into the Escrow Account. In this regard, the Consideration will be reduced by the Hold Back amount. This clause is fair to the Company as it will allow time for MAAB to resolve the unresolved issues as stated above within a stipulated timeframe.

Notes (as referred to in Section 4.2.3):-

The table below sets out the illustration on the adjustment mechanism for the Consideration based on the audited financial statements as at 31 December 2010 against 30 September 2010. Shareholders of MAAH should note that the adjustments made herein serves as an illustrative purpose as the final adjustments to be made shall depend on the Completion Accounts.

Identified Subsidiaries	Apportionment of sale consideration (A)	Unaudited NA as at 30 September 2010	Audited NA as at 31 Dec 2010 (D)	Adjustments (B)	Consideration after Adjustments (C) = (A) + (B)	Initial PTB	Adjusted PTB (C)/(D)
	RM'000	RM'000	RM'000	RM'000	RM'000	times	times
MAAB	340,781	250,749	264,874	18,396 [a]	359,177	1.36	1.36
Multioto	1,724	1,724	1,694	(30) [b]	1,694	1.00	1.00
MAPS	542	542	440	(102) [c]	440	1.00	1.00
MAAGNET (including MAAGNET-SSMS)	953[2]	953[2]	1,199[1]	245 [d]	1,198(d)	1.0[1]	1.00
TOTAL	**344,000**	**253,968**	**268,207**	**18,509**	**362,509**	**1.35**	**1.35**

(1) MAAGNET has declared the first net interim dividend of RM698,475 and second net interim dividend of RM201,525 on 2 June 2011 and 6 June 2011 respectively totaling RM900,000 to its immediate holding company MAAC (prior to completion of the Proposed Disposal). The first net interim dividend and second net interim dividend were paid on 29 June 2011 and 12 July 2011 respectively.

(2) Net assets after adjusting for the dividend declared as disclosed in note 1.

Adjustments

(a) Adjustments for MAAB

Calculation for the Life Funds

	Par	Annuity	Non Par	Investment Linked Fund	Total Life Fund
	RM'000	RM'000	RM'000	RM'000	RM'000
Net asset value as at 30 September 2010	(123,206)	(91,617)	349,400	28,132	162,709
Net asset value as at 31 December 2010	(142,859)	(80,777)	362,856	32,229	171,449
Difference	(19,653)	10,840	13,456	4,097	8,740
Adjustment factor	1	1	0.75(*)	0.75(*)	
Adjusted Incremental NA	(19,653)	10,840	10,062	3,064	4,313

* Adjustment factor : 1* (1-0.25) *0.997 =0.75. Adjustment factor refers to the stamp duty for share transfer of RM0.003 for every RM1 and income tax payable of 25%.

Calculation for the General Funds and Shareholders' Fund

	RM'000
Net asset value as at 31 December 2010	264,874
Less: Net asset value as at 30 September 2010	250,749
Difference	14,125
Adjustment factor	0.997
Adjusted Incremental NA	14,083

Total incremental NA = **RM18,396,000**

(b) Adjustments for Multioto

As the NA as at 31 December 2010 is lower than the unaudited net assets as at 30 September 2011, any differences in the NA shall be adjusted on a RM to RM basis.

(c) *__Adjustments for MAPS__*

As the NA as at 31 December 2010 is lower than the unaudited net assets as at 30 September 2011, any differences in the NA shall be adjusted on a RM to RM basis.

(d) *__Adjustments for MAAGNET (including MAAGNET-SSMS)__*

As the NA as at 31 December 2010 is above the unaudited net assets as at 30 September 2011, the adjustment for the consideration is 0.997 for RM1.

After evaluating the salient terms of the SPA and the Side Letter including adjustments to the Consideration and the Hold Back, we find that the terms are reasonable insofar as the interest of MAAH is concerned and are not detrimental to the shareholders of MAAH.

4.3 Evaluation of the Consideration

As set out in Section 2.2, Part A of this Circular, the basis of determining the Sale Consideration is as follows:-

The sale consideration of RM344 million for the Proposed Disposal was arrived on a 'willing buyer-willing seller' basis, and after taking into account the unaudited NA of the Identified Subsidiaries for the financial period ended 30 September 2010 as follows:-

Identified Subsidiaries	Apportionment of sale consideration	Unaudited NA as at 30 September 2010	PTB ratio
	RM'000	RM'000	times
MAAB	340,781	250,749	1.36
Multioto	1,724	1,724	1.0
MAPS	542	542	1.0
MAAGNET (including MAAGNET-SSMS)(3)	953(2)	953(2)	1.0(1)
TOTAL	**344,000**	**253,968**	**1.35**

Notes:-

(1) *MAAGNET has declared the first net interim dividend of RM698,475 and second net interim dividend of RM201,525 on 2 June 2011 and 6 June 2011 respectively totaling RM900,000 to its immediate holding company MAAC (prior to completion of the Proposed Disposal). The first net interim dividend and second net interim dividend were paid on 29 June 2011 and 12 July 2011 respectively.*

(2) *Net assets after adjusting for the dividend declared as disclosed in note 1.*

(3) *There is no separate value accorded to MAAGNET-SSMS as it is a wholly-owned subsidiary of MAAGNET which will be transferred together with the disposal of MAAGNET to Zurich at Completion.*

In addition to the above, we note that:

(i) the Consideration was arrived at after taking into account MAAB's under-capitalised position pursuant to the CAR requirement which would result in an effective Consideration to be paid by Zurich to approximately RM859 million (RM344 million plus capital injection of RM515 million); and

(ii) the Consideration of RM344.0 million shall be adjusted based on the NA as at Completion in accordance with the terms of the SPA, as disclosed in Section 4.2.3 and 4.2.8 of this IAC.

It should be noted that the Consideration of RM344 million had been arrived at after taking into account the unaudited NA of the Identified Subsidiaries based on their unaudited financial statements as at 30 September 2010 of approximately RM254 million and the Initial Aggregate Net Asset Value as at 30 September 2010 of approximately RM416 million (including the initial life fund value of RM162 million). Based on the audited financial statements of the Identified Subsidiaries as at 31 December 2010, there is presently an increase in the Identified Subsidiaries' audited NA as at 31 December 2010 against that of 30

September 2010 by approximately RM18.5 million after taking into consideration the adjustment provisions as set out in Section 4.2.3 above.

We wish to highlight that our evaluation will focus on MAAB and no detailed evaluation will be undertaken on Multioto, MAPS, MAAGNET and MAAGNET-SSMS as these companies are mainly involved in providing ancillary services to MAAB and will be disposed of to Zurich at their net asset value on the date of Completion after taking into account the relevant dividend declaration to the immediate holding company, MAAC. As Multioto, MAPS, MAAGNET and MAAGNET-SSMS will be disposed of at their net asset value, we deem this as fair.

For the purpose of our evaluation on MAAB in this section, we have used the following illustrative Consideration which has been calculated as follows ("**Derived Consideration**"):

	NA RM'000	Incremental NA RM'000	Derived Consideration RM'000
Based on the unaudited NA of MAAB as at 30 September 2010	250,749	-	340,781
Based on the audited NA of MAAB as at 31 December 2010	264,874	18,396[(2)]	359,177[(1)]

Notes:-

(1) *Following Completion, the Consideration will be varied by an amount equal to the difference between the aggregate net asset value of the Identified Subsidiaries as at 30 September 2010 ("**Initial Aggregate Net Asset**") and the final aggregate net asset value of the Identified Subsidiaries determined in accordance with the accounts to be drawn up following Completion in respect of each of the Identified Subsidiaries ("**Completion Accounts**") ("**Final Aggregate Net Asset Value**") and such adjustment as provided in Sections 4.2.3 and 4.2.8 above.*

(2) *Being adjustments made to the shareholders' fund, general fund and life fund for MAAB only. The details of adjustments are disclosed in the notes section under Section 4.2.*

In evaluating the Derived Consideration, we have taken into consideration the following:

i. Selected Comparable Companies Analyses; and
ii. Precedent transactions.

The above valuation methodologies have been used to assess the Consideration of MAAB as to whether it is fair for shareholders to accept the Proposed Disposal. The price-earnings ratio ("**PER**") and price-to-book ratio ("**PTB**") are used as an indication of market expectations on the valuation of companies and are also used to gauge how a company is valued as compared to its peers.

PER ratio is a valuation metric which compares a company's share price against its earnings per share. It can be useful to compare the PER to that of its peers to gauge how richly the company is valued relative to its peers as the higher the PER would generally mean that more investors are willing to pay for a dollar's worth of earnings from a company.

PTB ratio is a method used in the valuation of companies by comparing the company's market value to its book value. A PTB of less than one (1) time would mean that the market value accorded to the company is less than the net assets attributable to the shareholders of the company and may therefore indicate that the company is undervalued.

(i) **Selected Comparable Companies Analyses;**

For the purpose of assessing the Derived Consideration, we have reviewed the PER and PTB of the companies operating within the insurance industry ("**Comparable Companies**"), which are listed on Bursa Securities to give an indication of the current market expectations with regard to the valuation of industry peer companies. In addition, we have also set out the precedent transactions of recent mergers and acquisition transactions since 2010, announced on Bursa Securities and the PTB for the relevant transactions.

Nonetheless, shareholders are advised that the Comparable Companies tabulated herein have been selected for comparison purposes only and may not be directly comparable to MAAB due to various factors which include, amongst others, marketability and liquidity of the shares, composition of business activities, size of the business, target markets or product offerings, profit track record, financial strength, accounting policies, risk profile, and future prospects.

The comparison made herein is necessarily limited and serve only as a guide to shareholders of MAAH. The list of Comparable Companies set out in the table below is by no means exhaustive.

Comparable Company	**Principal Activity**	**Market Capitalisation # (RM million)**
MAAH	MAAH is engaged in investment holding and providing management services. The Company operates in three segments: life insurance, which is the underwriting of life insurances, including investment-linked business; general insurance, which is the underwriting of all classes of general insurance, and unit trust fund management, which is the management of unit trust funds.	322.62
Manulife Holdings Berhad	Manulife Holdings Bhd. underwrites and markets life insurance and general insurance through home service and agency operations. The Company also provides money lending, hire purchase, property rental and management, computer consultancy, and nominee services.	667.82
Allianz Malaysia Berhad	Allianz Malaysia Berhad underwrites all classes of general insurance. Through its subsidiaries, the company underwrites life insurance and investment linked business. Its subsidiary Malaysia British Assurance also provides insurance broking and nominee services.	792.43

Note:-

\# *Based on closing share price as at 17 June 2011, being the last market day prior to the announcement of the Proposed Disposal.*

(a) PTB of Comparable Companies to MAAB

We have compared the PTB of MAAB based on the Derived Consideration with the PTB of the Comparable Companies which have been selected based on the similarity of their business activities with that of MAAB as set out below:-

Comparable Company	Relevant market price *	Based on latest audited accounts	
		NA per share	PTB
	RM	RM	times
Manulife Holdings Berhad(1)	3.30	2.65	1.25
Allianz Malaysia Berhad(2)	5.15	8.19	0.63
		Average	0.94
MAAB– Derived Consideration(3) based on the audited NA as at 31 December 2010			1.36

Notes:-
* *Based on closing share price as at 17 June 2011, being the last market day prior to the announcement of the Proposed Disposal.*
(1) *Based on the financial results for the financial year ended 31 December 2010*
(2) *Based on the financial results for the financial year ended 31 December 2010*
(3) *Based on Derived Consideration of RM359.177 million*

Based on the above analysis, we note that the PTB of 1.36 times based on the audited NA as at 31 December 2010 represents a premium of approximately 44.68% above the average PTB of its Comparable Companies of 0.94 times. In this regard, we are of the view that the Derived Consideration is fair to shareholders as the consideration offered by Zurich is at a premium to the average PTB of the Comparable Companies.

(b) PER of Comparable Companies to MAAB

We have compared the PER based on the Derived Consideration with the PER of Comparable Companies which have been selected based on the similarity of their business activities to that of MAAB as set out below:-

Comparable Company	Relevant market price *	Based on latest audited account	
		EPS	PER
	RM	RM	times
Manulife Holdings Berhad(1)	3.30	0.32	10.31
Allianz Malaysia Berhad(2)	5.15	0.84	6.13
		Average	8.22
MAAB – Derived Consideration (3) based on the audited earnings for FYE 31 December 2010			8.22

Notes:-
* *Based on closing share price as at 17 June 2011, being the last market day prior to the announcement of the Proposed Disposal.*
(1) *Based on the financial results for the financial year ended 31 December 2010*
(2) *Based on the financial results for the financial year ended 31 December 2010*
(3) *Based on Derived Consideration of RM359.177 million*

The PER of MAAB of 8.22 times based on the Derived Consideration over the audited earnings for FYE 31 December 2010 is equivalent to the average of the Comparable Companies of 8.22 times. This means that the Purchaser is willing to pay 8.22 times (based on Derived Consideration based on the audited earnings for FYE 31 December 2010) per ringgit worth of earnings from the Company.

In view that the PER is equivalent to the average of 8.22, the Derived Consideration is fair to shareholders based on the PER perspective.

(c) Precedent Transactions

In evaluating the fairness of the Derived Consideration, we have also taken into consideration precedent transactions of transactions in the insurance industry since 2008 ("**Precedent Transactions**"). The comparable companies chosen are based on the similarity of their individual nature of business.

Date announced/Date of circular	Name of target company	Name of acquirer	Percentage acquired	Purchase consideration	Implied PTB
			%	(RM million)	(times)
9 May 2011	Berjaya Capital Berhad	Sompo Japan Asia Holdings Pte. Ltd.	40.00[7]	496.00	3.3[6]
15 December 2010	Pacific Insurance Berhad ("**PIB**")	Fairfax Asia Limited	100.00[7]	201.00	1.68[1]
3 November 2010	Jerneh Insurance Berhad	ACE INA International Holdings, Ltd	80.00[7]	523.2	2.25[6]
19 March 2010	BH Insurance (M) Bhd ("**BHI**")	AXA Affin General Insurance Berhad	80.00[7]	362.58	1.79[2]
25 January 2008	PacificMas Berhad	OCBC Capital (Malaysia) Sdn Bhd	62.59[8]	460.19[3]	1.04[4]
Average					**1.50**
High					**1.79**
Low					**1.04**
20 June 2011	MAAB	Zurich	100.00	359.177[5]	1.36

(*Source: Announcements and Circular to shareholders released on Bursa Securities*)

Notes:-

(1) Based on PIB's audited NTA as at 31 December 2008
(2) Based on BHI's audited NA as at 31 December 2007 and after excluding the audited net book value of a property as at 31 December 2007 and the audited goodwill as at 31 December 2007
(3) Acquisition via a mandatory take-over offer at an offer price of RM4.30 per share
(4) Based on PacificMas's audited NA of RM4.145 per share after excluding the effect of a special net dividend of RM1.095 per share
(5) Based on the audited NA as at 31 December 2010
(6) Has been excluded in the Average as it is an outlier
(7) By way of acquisition of shares
(8) By way of mandatory take-over offer

We wish to state that the PTB for the Precedent Transactions were based on different percentages acquired.

As the Proposed Disposal involves the disposal of a 100% equity interest in MAAB to Zurich, our evaluation set out herein is limited to the precedent transaction of a 100% equity interest.

We note that the PTB of MAAB of 1.36 times is lower than the PTB for the acquisition of PIB by Fairfax Asia Limited ("**Fairfax Transaction**") of 1.68 times. From this viewpoint, the Derived Consideration being lower than a similar precedent transaction of a 100% equity interest is not fair to the shareholders of MAAH.

We wish to draw your attention to the financial evaluations made against the Comparable Companies. The said financial ratios are more favourable than that of its Comparable Companies except for the Fairfax Transaction where the PTB of MAAB based on the Derived Consideration is lower as compared to the PTB of the Fairfax Transaction. Shareholders should note that following the Proposed Disposal, there is a RM515.0 million immediate capital injection into MAAB and that following the Proposed Disposal, any future capital injection required shall be the obligation of Zurich.

Notwithstanding this, the shareholders of MAAH should note that the Precedent Transactions may not be directly comparable to the Proposed Disposal due to various considerations such as prevailing economic and market conditions, franchise name, control premium, differences in capital structure, purchaser's assessment of the asset's strategic value in capturing market share, prevailing regulatory requirement and other relevant factors.

4.4 Financial effects of the Proposed Disposal

The financial effects of the Proposed Disposal as extracted from Section 6, Part A of this Circular are as follows:

4.4.1 Issued and paid-up share capital

The Proposed Disposal will not have any effect on the share capital as it does not involve any issuance of new MAAH Shares.

4.4.2 NA and gearing

Based on the audited consolidated financial statements of MAAH as at 31 December 2010 and on the assumption that the Proposed Disposal had been effected on that date, the proforma effects of the Proposed Disposal on the NA and gearing of MAAH Group are as follows:

		I	II
	Audited as at 31 December 2010 RM'000	**After repayment of the MTNs in January 2011 RM'000**	**After (I) and the Proposed Disposal RM'000**
Share capital	304,354	304,354	304,354
Reserves	(981)	(981)	(981)
(Accumulated losses)/Retained profits	(16,728)	(16,728)	[2] 88,231
Shareholders funds/ NA	286,645	286,645	391,604
Number of shares ('000)	304,354	304,354	304,354
NA per share (RM)	0.94	0.94	1.29
Borrowings			
- MTNs	170,000	[1] 140,000	-
- RC	36,300	36,300	-
- Bank overdrafts	9,905	9,905	9,905
Total borrowings	216,205	186,205	9,905
Net gearing (times)	0.75	0.65	0.03

Notes:

1 *The repayment of the MTNs in January 2011 is by way of redemption from the MTN holders the second outstanding tranche with a nominal value of RM30 million under the MTNs.*

2 *For illustrative purposes, based on the audited consolidated financial statements of MAAH as at 31 December 2010 and on the assumption that the Proposed Disposal had been effected on that date, the MAAH Group expects to realise a proforma non-recurring gain on disposal (after deducting the estimated expenses of RM2.1 million to be incurred for the Proposed Disposal) of approximately RM108.8 million.*

For more details, please refer to Appendix III of the Circular for the proforma consolidated statement of financial position of MAAH as at 31 December 2010 and the Reporting Accountants' letter.

4.4.3 Shareholdings of the substantial shareholders

The Proposed Disposal will not have any effect on the substantial shareholders' shareholdings.

4.4.4 Earnings and EPS

The Proposed Disposal is expected to be completed by the third quarter of 2011. For illustrative purposes, based on the audited consolidated financial statements of MAAH as at 31 December 2010 and on the assumption that the Proposed Disposal had been effected on that date, the MAAH Group expects to realise a proforma non-recurring gain on disposal (after deducting the estimated expenses of RM2.1 million to be incurred for the Proposed Disposal) of approximately RM108.8 million, which translates to a proforma non-recurring gain on disposal per MAAH share of approximately 36 sen.

However, following the completion of the Proposed Disposal, the MAAH Group will cease to have any profit contribution from the Identified Subsidiaries. The total aggregated audited PATMI (excluding inter-company transactions) of the Identified Subsidiaries for the FYE 31 December 2010 amounted to RM35.7 million.

For illustrative purposes based on the audited consolidated financial statements of MAAH for the financial year ended 31 December 2010 and on the assumption that the Proposed Disposal had been effected on that date, the proforma EPS of MAAH Group would be as follows:

	EPS [2]Sen
Audited EPS for the FYE 31 December 2010	9.0
Less: Loss of profit arising from the deconsolidation of the Identified Subsidiaries	(12.0)
	(3.0)
Add: Proforma gain on disposal of the Identified Subsidiaries	36.0
Add: Interest income (net of tax) earned on placement of gross proceeds in the short-term deposits with licensed financial institutions1	1.00
Proforma EPS for the FYE 31 December 2010	34.0

Notes:

1 *Assuming the remaining proceeds of RM163.80 million after deducting the Hold Back amount of RM69.69 million i.e. RM94.11 million which are being held under the Escrow Account are placed in an interest-bearing account earning interest at 2.95 % per annum for 24 months. The 2.95% per annum is an estimation of the current time deposit simple average interest rate between one (1) month to twelve (12) months tenure.*

2 *The amounts are rounded to the nearest sen.*

3 *The proforma EPS of 34 sen includes the loss of profit arising from the de-consolidation of the Indentified Subsidiaries of12 sen and interest income (net of tax) earned on placement of gross proceeds in the short term deposits with licensed financial institutions of 1 sen.*

Upon completion of the Proposed Disposal, MAAH is expected to register a gain on disposal of RM108.8 million which translates into a gain of RM0.36 per MAAH Share. The gain on disposal will result in MAAH registering an increase in shareholders' funds which, in turn, will translate to a higher net asset per share of RM1.29 subsequent to the Proposed Disposal and will also improve the EPS of the Group. In this regard, the gain on disposal is fair to shareholders. We however wish to note that the gain on disposal is a one-off gain.

Nonetheless, shareholders should note that after the completion of the Proposed Disposal, there will be no further earnings contribution from MAAB. Should the gain on disposal of RM108.8 million be excluded, the Group will register a loss per MAAH Share of approximately RM0.02 based on the number of MAAH Shares outstanding as at 31 December 2010.

With the repayment of MTN and borrowings of RM176.3 million from the proceeds to be received from the Proposed Disposal, the MAAH Group is able to benefit from interest savings of approximately RM10.7 million based on the average interest rate of 6.08% calculated on a per annum basis. In addition, the gearing level of the Group is expected to decrease from 0.75 times to 0.10 times and is expected to improve further to 0.03 times with the repayment of the MTN and borrowings.

As highlighted under Section 4.1 above, RM163.8 million shall be utilised for its general working requirements which will include recapitalising and partly financing the working capital requirement of the MAAH Group. Upon the completion of the Proposed Disposal, the MAAH Group will focus mainly on its remaining businesses, in particular its takaful and unit trust funds management.

We note that MAAB has registered improved profitability of RM18.2 million, RM26.46 million and RM21.24 million for the past three (3) years from FYE 2008 to FYE 2010. Based on its latest quarterly results for the financial period ended 31 March 2011, MAAB has also shown a profit of RM21.25 million or a profit margin of 5.6% which is above the profitability margin of the previous three (3) financial years of 0.97%,1.5% and 2.4% respectively. However, we wish to highlight that the sudden improvement in its profitability is mainly due to higher investment income. Despite the increase in profits, the Group is unable to inject the required capital to meet the RBC Framework within the stipulated timeframe.

In this regard, the Proposed Disposal provides an avenue for MAAB to raise capital as required by the RBC Framework. Please refer to Section 4.5 (c) below on the future prospects of MAAH for the next twelve (12) months. With the Proposed Disposal of the Identified Subsidiaries, MAAH is no longer bound by the RBC Framework. The Company intends to focus on developing its existing businesses, in particular its takaful and unit trust funds management and part of the proceeds from the Proposed Disposal shall be utilised to recapitalize and partly finance the working capital requirement of the MAAH Group. In this regard, the financial effects of the Proposed Disposal taken as a whole are not to the detriment of the shareholders of MAAH.

4.5 Future Industry Prospects and Economic Outlook

(a) Overview and prospects of the Malaysian economy for the next twelve (12) months

The Malaysian economy is expected to post robust growth this year, led by sturdy domestic demand and strong export performance. The positive projection also takes into account the implementation of macroeconomic policy initiatives, which spurred higher consumption activity and recovery in private investment. A stable employment market, moderate inflation as well as strong business and consumer confidence coupled with firm recovery in the region provided a conducive environment for the Malaysian economy to expand at a rapid pace of 9,5% in the first half of 2010 (January — June 2009: -5.1%). Going forward, while growth in advanced economies is expected to be slow and uneven in the second half of 2010, developments in emerging economies remain positive and will provide impetus to the export sector. On the domestic front, the strong fundamentals and revival of private investment will support domestic demand in the second half of the year. Accordingly, the economy is expected to expand 7.0% in 2010 (2009: -1.7%).

On the demand side, while public expenditure continues to support economic activities, growth is envisaged to be driven by strong business and consumer spending. Private investment is expected to pick up significantly, supported by steady inflows of foreign direct investment (FDI) and higher domestic investment, given the improved corporate earnings and capacity utilisation rate across most industries.

Implementation of Government transformation initiatives, measures to enhance competitiveness and productivity as well as an accommodative monetary policy will provide the impetus for private investment to strengthen in 2010. Public investment, while remaining supportive of growth, is focused on providing essential services and improving the public delivery system. Meanwhile, consumer spending is expected to increase, given better sentiment and higher income following more stable employment prospects. In contrast, public consumption is estimated to moderate in line with the Government's prudent spending measures.

On the supply side, growth is expected to be broad-based. The services sector is envisaged to continue contributing significantly to growth, led by the wholesale and retail trade, communication as well as finance and insurance sub-sectors. The manufacturing sector is expected to expand strongly, on account of higher external demand, especially for electrical and electronic (E&E) products. Meanwhile, resilient domestic consumption and improving private investment will further stimulate domestic-oriented industries such as transport equipment as well as construction-related materials. The agriculture sector will continue to expand further, supported by higher output from the commodity and non-commodity sub-sectors. The construction sector is envisaged to expand due to ongoing implementation of stimulus projects and improved demand in the property market. Similarly, the mining sector is expected to improve, on account of higher natural gas production.

Malaysia's external position is expected to remain strong in 2010 in line with improved global trade, especially during the first half of the year. The current account is expected to register a surplus of RM103.8 billion or 13.8% of Gross National Income (GNI), backed by sizeable exports of goods despite stronger rebound in imports. The large surplus in current account is further augmented by continued surplus in the services account due to higher travel receipts. Similarly, the financial account is expected to improve, supported by net portfolio inflow and increasing FDI.

(Source: Malaysian Economic Report 2010/2011, Ministry of Finance Malaysia)

(b) Prospects and outlook of the financial services Industry in Malaysia for the next twelve (12) months

The financial stability of the Malaysian financial system continued to be sustained in 2010. This has allowed the financial sector to provide important support to the economy, despite the challenging conditions arising from global developments that occurred during the course of the year. The financial sector was supported by strong fundamentals including enhanced financial buffers, high asset quality and sound risk management. The soundness of the financial sector has not only contributed towards the efficient functioning of the financial intermediation process, but it has ensured the orderly response to shocks to the financial system. Conditions in the financial markets and the payment and settlement systems also remained orderly and efficient, facilitating the increase in external trade and domestic economic activities.

(Source: Financial Stability Report 2010, Bank Negara Malaysia)

(c) Future Prospects of the MAAH Group for the next twelve (12) months

After completion of the Proposed Disposal, MAAH intends to focus on developing its existing businesses, in particular its takaful and unit trust funds management. As at the LPD, the Board has not identified any new businesses or assets for injection into the MAAH Group. As at the LPD, the Board also has not resolved to diversify its existing businesses into any other type of business.

MAAT and MAAKL, being the Group's takaful and unit trust fund management arm, have grown in size and importance over time. For the financial year ended 31 December 2010, both MAAT and MAAKL registered a combined profit after tax of RM8.44 million, which represents approximately 28% of MAAH group's profit after tax. In addition, MAAT had total assets of RM478 million and MAAKL had RM1.80 billion funds under management.

In future, MAAT and MAAKL are expected to accelerate growth, capture a wider market share and clientele base through expansion of their respective agency and branch networks, by way of offering innovative and competitive products and services that meet the needs of the present and target customers and the deployment of web based technology for enhancing their sales process, policy administration and management reporting.

For more than 2 decades, the takaful industry has been blessed with tremendous growth and strong performance. The strong growth momentum is expected to continue, underpinned by the rising affluence of Malaysian amidst strong economic fundamentals. Given the large untapped market that still exists with only 54 percent of the population having a life insurance or family takaful policy, the takaful industry is poised to benefit in the years ahead. *(Source: Deputy Governor's Speech at the Launch of ING Public Takaful Ehsan on 5 April 2011)*

Prospects for future growth in the unit trust and wealth management sector are also expected to continue to remain positive given the favourable outlook of the Malaysia economy and income growth.

Based on the above, we are of the view that the prospects of the financial industry in the Malaysia remain positive. The Proposed Disposal to Zurich is in line with the liberalisation of the insurance sector to further build the resilience and competitiveness of the insurance sector. With BNM's move to ease restriction on foreign ownership of Malaysian insurers to 70% from 49% under the financial sector liberalisation plan, we view that the insurance industry will continue to consolidate and will eventually increase the mergers and acquisition activities in Malaysia. We also note that any higher foreign equity limit beyond 70% for insurance companies will be considered on a case-by-case basis. We wish to highlight that pursuant to the Proposed Disposal, MAAB will be wholly-owned by Zurich and will cease to be a subsidiary of MAAH. In this regard, there will be no further earnings contribution from MAAB and that the shareholders of MAAH will not be able to derive any benefits arising from MAAB's future earnings.

Notwithstanding that the prospects of the financial industry is positive, MAAB is unable to meet the minimum required capital adequacy ratio required to be maintained by all insurers under the RBC framework. As stated under Section 4.1, the Board has been considering various methods of fund raising to raise the aforesaid required capital injection and had also over the past four (4) years entered into various discussions with several interested parties to dispose of its equity interest in MAAB. However, the said fund raising exercises and discussions were not successful due to market sentiments at that point in time and certain terms and/or conditions that could not be agreed by both parties.

Following the completion of the Proposed Disposal, MAAH intends to focus on developing its remaining businesses, in particular its takaful and unit trust funds management. Moving forward, we understand that both MAAT and MAAKL are looking to grow its business and to capture a wider market share and clientele base through the expansion of their agency and branch network.

Based on the financial performance of MAAT for the past three years, its revenues and profits after zakat and taxation had been on an improving trend with revenues increasing from RM114.5 million in FYE 2008 to RM266.3 million in FYE 2010. In terms of profitability, MAAT has also recorded increase in profits after zakat and taxation from a loss of RM2.3 million in FYE 2008 to a profit of RM7.0 million in FYE 2010. For MAAKL, revenues for FYE 2008 and FYE 2009 were at approximately RM26.0 million, and subsequently increased to RM33.0 million in FYE 2010. In terms of profitability, the profit margins were at an average of 3.8% for the past three (3) financial years. We also note that part of the proceeds arising from the Proposed Disposal shall be utilised to support the business expansion of MAAT and MAAKL where the capital outlay for new branches is estimated at RM38.0 million.

As highlighted above, there is still a large untapped market in the takaful industry and that the prospects for future growth in the unit trust and wealth management sector are also expected to continue to remain positive. Accordingly, the Board does not intend to undertake any immediate capital repayment/distribution of the proceeds arising from the Proposed Disposal to its shareholders. This is in view of the deferred receipt of a substantial portion of the balance cash proceeds from the Proposed Disposal which will be deferred for a period of 2 years from Completion, which includes any adjustments to the Consideration and/or Hold Back amounts and/or any other adjustments resulting from any successful warranty, indemnity or other claims by Zurich against MAAH. However, at the end of the 2 year-period after the Completion of the Proposed Disposal, and after the receipt of all the remaining proceeds from the Escrow Account in accordance with the terms of the Escrow Agreement, the Board intends to re-evaluate its financial position vis-à-vis the Group's business plans and operational requirements, and assess its capacity to declare dividends for the benefit of its shareholders. As at the LPD, the Board has not identified any new business or assets to be injected into the MAAH Group.

We wish to highlight to the shareholders of the Company that upon completion of the Proposed Disposal, MAAH will fall within the ambit of PN17 of the Listing Requirements and be classified as a PN17 Company. In this regard, MAAH is required to regularise its condition by submitting a proposal to the relevant authorities for its approval within twelve (12) months from the day it becomes a PN17 Company. In the absence of any alternative proposal to maintain the listing status of MAAH post completion of the Proposed Disposal, MAAH Shares may be suspended and MAAH may be de-listed from the Official List.

The Board intends to maintain the listing status of MAAH following the completion of the Proposed Disposal and will undertake the necessary efforts to uplift its status as an affected listed issuer under PN17 within the stipulated timeframes set out under the Listing Requirements. Such efforts will be announced by the Company in due course as and when they materialise.

We wish to reiterate that in the event MAAH does not take the necessary actions to meet the conditions imposed by BNM, BNM may take regulatory action under the Insurance Act 1996 of Malaysia which may include imposing restrictions on business, or assuming control of MAAB or presenting a petition for MAAB's winding up, In any such event, MAAH may subsequently fall into PN17.

5. FINANCIAL RESOURCES OF ZURICH

The Board is satisfied that there are sufficient financial resources available to Zurich to undertake the acquisition such that the acquisition by Zurich would not fail due to insufficient financial capability of Zurich and that MAAH will be paid in full.

We also note that based on the latest audited financial statements of Zurich for the financial year ended 31 December 2010, Zurich has recorded USD3.4 billion in net income attributable to shareholders and shareholders' equity of USD31.9 billion.

Based on the Board's confirmation and the financial strength of Zurich, TA Securities notes that Zurich has sufficient financial resources to undertake the acquisition.

6. RISK FACTORS IN RELATION TO THE PROPOSED DISPOSAL

Shareholders of MAAH are advised to consider carefully the risk factors as set out in Section 5 of the Circular.

We wish to highlight that the completion of the Proposed Disposal is conditional upon the conditions precedent as set out in Section 4.2.4 above being satisfied and/or waived. We note that there can be no assurance that such approvals and/or conditions will be obtained and/or satisfied. Notwithstanding this, MAAH will take all reasonable steps to ensure the satisfaction and/or waiver (as the case may be) of the conditions precedent to ensure completion of the Proposed Disposal.

Upon completion of the Proposed Disposal, MAAH will be classified as a PN17 Company and thus will be required to regularise its condition by submitting a proposal to the relevant authorities for its approval within twelve (12) months from the day it becomes a PN17 Company. As highlighted above, in the absence of any alternative proposal to maintain the listing status of MAAH post completion of the Proposed Disposals, MAAH Shares may be suspended and may be delisted from the Official List.

As it is the Board's intention to maintain the listing status of MAAH after the Proposed Disposal and to focus on the development of its existing businesses, in particular its takaful and unit trust funds management via MAAT and MAAKL respectively and to accelerate the future growth of these businesses, the Board intends to conserve its immediate cash for its existing businesses. Accordingly, the Board does not intend to undertake any immediate capital repayment/distribution of the proceeds arising from the Proposed Disposal to its shareholders. This is in view of the deferred receipt of a substantial portion of the balance cash proceeds from the Proposed Disposal which will be deferred for a period of 2 years from Completion, which includes any adjustments to the Consideration and/or Hold Back amounts and/or any other adjustments resulting from any successful warranty, indemnity or other claims by Zurich against MAAH. However, at the end of the 2 year-period after the Completion of the Proposed Disposal, and after the receipt of all the remaining proceeds from the Escrow Account in accordance with the terms of the Escrow Agreement, the Board intends to re-evaluate its financial position vis-à-vis the Group's business plans and operational requirements, and assess its capacity to declare dividends for the benefit of its shareholders.

The Company will undertake the necessary efforts to uplift its status as an affected listed issuer under PN17 Company within the stipulated timeframe as set out under the Listing Requirements and any regularisation efforts will be announced by the Company in due course. An extension of time to submit the regularization plan or such other proposal may be submitted to Bursa Securities for approval in view of the deferred receipt of substantial portion of balance cash consideration.

Further, upon completion of the Proposed Disposal, MAAH will not fall within the ambit of PN16 pursuant to Paragraph 8.03(1) of the Listing Requirements as the Company would not have triggered the cash criterion to be a Cash Company. The cash criterion is where the assets of MAAH on a consolidated basis consist of 70% or more of cash or short term investments, or a combination of both, following the completion of the Proposed Disposal.

7. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the terms of the Proposed Disposal and have set out our evaluation in Section 4 of this IAC.

In arriving at our opinion on the Proposed Disposal, we have taken into consideration the various pertinent factors as highlighted below:-

(i)	Rationale	The proceeds arising from the Proposed Disposal are intended to be utilised for the repayment of the MTN, repayment of borrowings and the payment of related interest cost, payment of restructuring fees and for general working capital requirements.

With the Proposed Disposal, MAAH is able to repay its borrowings and redeem its MTN's amounting in the aggregate to RM176.3 million which will be due in January 2012. In this respect, the repayment would fulfill completely MAAH's obligations to service and fully repay these debts.

The remaining proceeds shall be utilised to recapitalize and partly finance the working capital requirement of the MAAH Group. Following the Proposed Disposal, MAAH intends to focus on developing its remaining businesses, in particular its takaful and unit trust funds management, and to enhance and accelerate the future growth of these businesses. Accordingly, the Board intends to conserve its immediate cash for its existing businesses and does not intend to undertake any immediate capital repayment/distribution of the proceeds arising from the Proposed Disposal to its shareholders. Based on the latest draft RBC Framework for takaful operators introduced by BNM in April 2011, MAAT does not require any additional capital injection. However, there is no assurance that MAAT will not require additional capital injection in future based on the final RBC Framework for takaful operators to be issued. In the event there is an increase in the RBC Framework, MAAT may require additional capital injection.

In view that the Proposed Disposal is undertaken to, inter-alia, meet the requirements of the RBC Framework, the rationale for the Proposed Disposal is reasonable. As stated above, in the event MAAB does not meet the required minimum supervisory target level of capital adequacy ratio, BNM may take regulatory action under the Insurance Act 1996 of Malaysia which may include imposing restrictions on business, or assuming control of MAAB or presenting a petition for MAAB's winding up.

(ii) Salient terms of the Proposed Disposal

After evaluating the salient terms of the SPA and Side Letter including adjustments to the Consideration and the Hold Back, we find that the terms are reasonable insofar as the interest of MAAH is concerned and are not detrimental to the shareholders of MAAH.

(iii) Evaluation of the Consideration

We note that the PTB of 1.36 times based on the audited NA as at 31 December 2010 represents a premium of approximately 44.68% above the average PTB of its Comparable Companies of 0.94 times. In this regard, we are of the view that the Derived Consideration is fair to shareholders as the consideration offered by Zurich is at a premium to the average PTB of the Comparable Companies.

The PER of MAAB of 8.22 times based on the Derived Consideration over the audited earnings for FYE 31 December 2010 is equivalent to the average of the Comparable Companies of 8.22 times. This means that the Purchaser is willing to pay 8.22 times (based on Derived Consideration based on the audited earnings for FYE 31 December 2010) per ringgit worth of earnings from the Company.

In view that the PER is equivalent to the average of 8.22, the Derived Consideration is fair to shareholders based on the PER perspective.

The PTB of MAAB based on the audited NA as at 31 December 2010 is lower than the PTB of the Fairfax Transaction of 1.68 times. From this viewpoint, the Derived Consideration being lower than a similar precedent transaction of a 100% equity interest is not fair to the shareholders of MAAH.

However, we wish to highlight that based on the financial evaluations made against the Comparable Companies, the said financial ratios are more favourable than that of its Comparable Companies except for the Fairfax Transaction where the PTB of MAAB based on the Derived Consideration is lower as compared to the average PTB of the Fairfax Transaction.

Shareholders should note that following the Proposed Disposal, there is a RM515.0 million immediate capital injection into MAAB and that following the Proposed Disposal, any future capital injection required shall be the obligation of Zurich.

In this regard, we are of the view that the Derived Consideration is as a whole fair to the shareholders of MAAH.

(iv) Financial effects of the Proposed Disposal

Upon completion of the Proposed Disposal, MAAH is expected to register a gain on disposal of RM108.8 million which translates into a gain of RM0.36 per MAAH Share. The gain on disposal will result in MAAH registering an increase in shareholders' funds which, in turn, will translate to a higher net asset per share of RM1.29 subsequent to the Proposed Disposal and will also improve the EPS of the Group. In this regard, the gain on disposal is fair to shareholders. We however wish to note that the gain on disposal is a one-off gain.

Nonetheless, shareholders should note that after the completion of the Proposed Disposal, there will be no further earnings contribution from MAAB. Should the gain on disposal of RM108.8 million be excluded, the Group will register a loss per MAAH Share of approximately RM0.02 based on the number of MAAH Shares outstanding as at 31 December 2010.

With the repayment of MTN and borrowings of RM176.3 million from the proceeds to be received from the Proposed Disposal, the MAAH Group is able to benefit from interest savings of approximately RM10.7 million based on the average interest rate of 6.08% calculated on a per annum basis. In addition, the gearing level of the Group is expected to decrease from 0.65 (after repayment of the RM30 million MTNs in January 2011) to 0.03 times (after the repayment of the MTN and borrowings of RM176.3 million).

In this regard, the Proposed Disposal provides an avenue for MAAB to raise capital as required by the RBC Framework. Please refer to Section 4.5 (c) below on the future prospects of MAAH for the next twelve (12) months. With the Proposed Disposal of the Identified Subsidiaries, MAAH is no longer bound by the RBC Framework. The Company intends to focus on developing its existing businesses, in particular its takaful and unit trust funds management and part of the proceeds from the Proposed Disposal shall be utilised to recapitalize and partly finance the working capital requirement of the MAAH Group. In this regard, the financial effects of the Proposed Disposal taken as a whole are not to the detriment of the shareholders of MAAH.

(v) Future Industry Prospects and Economic Outlook

Following the completion of the Proposed Disposal, MAAH intends to focus on developing its remaining businesses, in particular its takaful and unit trust funds management. Moving forward, we understand that both MAAT and MAAKL are looking to grow its business and to capture a wider market share and clientele base through the expansion of their agency and branch network.

The Board does not intend to undertake any immediate capital repayment/distribution of the proceeds arising from the Proposed Disposal to its shareholders. This is in view of the deferred receipt of a substantial portion of the balance cash proceeds from the Proposed Disposal which will be deferred for a period of 2 years from Completion, which includes any adjustments to the Consideration and/or Hold Back amounts and/or any other adjustments resulting from any successful warranty, indemnity or other claims by Zurich against MAAH. However, at the end of the 2-year period after the Completion of the Proposed Disposal, and after the receipt of all the remaining proceeds from the Escrow Account in accordance with the terms of the Escrow Agreement, the Board intends to re-evaluate its financial position vis-à-vis the Group's business plans and operational requirements, and assess its capacity to declare dividends for the benefit of its shareholders.

We wish to highlight to the shareholders of the Company that upon completion of the Proposed Disposal, MAAH will fall within the ambit of PN17 and be classified as a PN17 Company.

In this regard, MAAH is required to regularise its condition by submitting a proposal to the relevant authorities for its approval within twelve (12) months from the day it becomes a PN17 Company. In the absence of any alternative proposal to maintain the listing status of MAAH post completion of the Proposed Disposal, MAAH Shares may be suspended and MAAH may be de-listed from the Official List.

We wish to also reiterate that in the event MAAH does not take the necessary actions to meet the conditions imposed by BNM, BNM may take regulatory action under the Insurance Act 1996 of Malaysia which may include imposing restrictions on business, or assuming control of MAAB or presenting a petition for MAAB's winding up, In any such event, MAAH may subsequently fall into PN17.

Notwithstanding the above, we also note that the final Consideration will only be determined based on the net asset values of the Identified Subsidiaries at Completion. In this regard, the adjustment mechanisms that are in place in the event of any difference in net asset amount will be adjusted in accordance with the terms of the SPA as set out in Section 4.2.3 above including the terms of the Side Letter as set out in Section 4.2.8 above.

We wish to draw your attention to the financial evaluations made against the Comparable Companies. The said financial ratios are more favourable than that of its Comparable Companies except for the PTB of MAAB against the Fairfax Transaction.

Having considered the rationale, financial evaluations and other factors relating to the Proposed Disposal, TA Securities is of the opinion that the terms of the Proposed Disposal are fair and reasonable to the shareholders of MAAH.

Accordingly, we recommend that the shareholders of MAAH **VOTE IN FAVOUR** for the special resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

Yours faithfully,
For and on behalf of
TA SECURITIES HOLDINGS BERHAD

ROBERT TI	**TAN POH LIN**
Head	Vice President
Corporate Finance	Corporate Finance

APPENDIX I - FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This IAC has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information contained in this IAC. They confirm that after making all reasonable enquiries and, to the best of their knowledge and belief, there are no other statements or other facts the omission of which would make any statement herein misleading.

2. CONSENT

HDBS and TA Securities have given and have not subsequently withdrawn their respective written consent to the inclusion of their names and all references thereto in the form and context in which they appear in this IAC.

HDBS and TA Securities are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation in relation to their roles as the Adviser and Independent Adviser to MAAH in relation to the Proposed Disposal.

3. OTHER INFORMATION

Shareholders of MAAH should also refer to the Circular for, among others, the following information:

(a) Information on the Identified Subsidiaries;

(b) Material litigations, claims and arbitration;

(c) Material contracts;

(d) Material commitments and contingent liabilities;

(e) Documents available for inspection;

(f) Notice of EGM together with the Form of Proxy; and

(g) All other information relating to the Proposed Disposal that is contained in the Circular which the shareholders might need to make an assessment prior to the voting on the resolution pertaining to the Proposed Disposal.

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