

MAA Holdings Berhad

Bursa Malaysia: MAA

Industry: Full Line Insurance

Meeting Date: June 21, 2006

Record Date: June 19, 2006

Jun Frank, Lead Analyst

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2006 Annual Meeting				
Proposal	Issue	Board	GL&Co.	
1.00	Accounts and Reports	For	For	
2.00	Directors' Fees	For	For	
3.00	Allocation of Profits/Dividends	For	For	
4.00	Elect Ya'acob bin Tunku Tan Sri Abdullah	For	Against	
5.00	Elect Seri Iskandar bin Tunku Tan Sri Abdullah	For	For	
6.00	Elect Abdullah Ibni Almarhum Tuanku Abdul Rahman	For	For	
7.00	Elect Ir Abu Zarim bin Haji Omar	For	For	
8.00	Elect LAI Chung Wah	For	For	
9.00	Appointment of Auditor and Authority to Set Fees	For	For	
10.00	Authority to Issue Stock w/out Preemptive Rights	For	For	
11.00	Authority to Repurchase Shares	For	For	
12.00	Related Party Transactions	For	For	
13.00	Bonus Share Issue	For	For	
14.00	Amendments to Articles	For	For	

Note

Except as noted, RM 1.00 = \$0.2645 (exchange rate as of December 31, 2005)

Company Profile

MAA Holdings Berhad
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 50460 Kuala Lumpur, Malaysia
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Quote Symbol: MAA
 Exchange: Bursa Malaysia
 SEDOL: 6153414
 ISIN: MYL119800000

Benchmark Index:
 KUALA LUMPUR COMPOSITE

Industry: Full Line Insurance
 Employees: 3,245

Auditor: PriceWaterhouseCoopers

Company Description:

MAA Holdings Bhd. The Group's principal activities are underwriting of life insurance business. Life insurance business includes investment-linked business. Other activities include underwriting of all classes of general insurance business; investment holding; hire purchase; leasing and other credit activities; unit trust; property management; and security and consultancy services. The Group operates in Malaysia, Indonesia and Philippines.

Market Information / Statistics

Currency:	MYR
Price Close (as of 06/07/06):	3.00
52 Week High:	5.10
52 Week Low:	2.89
No. of Shares Outstanding:	152m
Market Capitalization:	453m
Enterprise Value:	554m

Income Statement (LTM)

(millions - MYR except per share data)	
Revenue:	2,712
Net Income:	63
EPS:	0.42
<i>As of Sep 2005</i>	

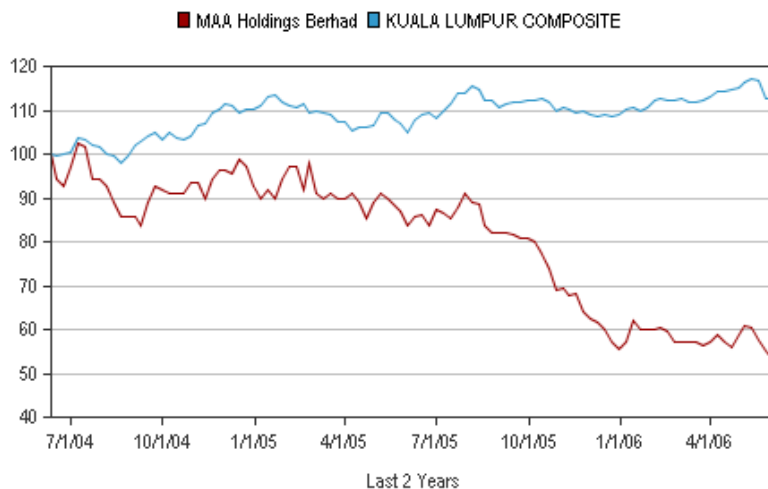
Market Performance

1 Year Stock Performance:	-39.52%
3 Year Stock Performance:	-33.63%
5 Year Stock Performance:	-21.05%

Balance Sheet

(millions - MYR)	
Total Assets:	6,680.90
Total Liabilities:	6,283.50
Total Common Equity:	395.40
<i>As of Sep 2005</i>	

Indexed Stock Price



Source: Thomson Financial and Glass, Lewis & Co., LLC

PROPOSAL 1.00: ACCOUNTS AND REPORTS

FOR

This proposal seeks shareholder approval of the Company's financial statements, as well as the directors' and auditor's reports for the fiscal year ended December 31, 2005.

As a routine matter, Malaysian company law requires shareholder approval of the Company's financial statements in order for them to be valid.

Glass Lewis' Analysis

We believe that all of the necessary financial statements and reports are present in the Company's annual report. We note that in the opinion of PricewaterhouseCoopers, the Company's independent auditor, the financial statements have been properly prepared in accordance with the provisions of the Companies Act of 1965 and Malaysian Accounting Standards Board-approved ("MASB") accounting standards in Malaysia.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 2.00: DIRECTORS' FEES

FOR

This proposal seeks shareholder approval of RM 280,000 (\$74,060) as the aggregate amount of fees to be paid quarterly in arrears to the Company's directors for the fiscal year ended December 31, 2006.

Glass Lewis' Analysis

Pursuant to this proposal, we estimate that each director will receive a director's fee of RM 35,000 (\$9,258) on average. We find that the fees proposed for directors are reasonable and are in line with those paid by the Company's peers.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 3.00: ALLOCATION OF PROFITS/DIVIDENDS

FOR

This proposal seeks shareholder approval of the allocation of profits for the fiscal year ended December 31, 2005.

If approved, the Company will distribute a first and final tax-exempt dividend of RM 0.10 (\$0.03) per share on August 9, 2006, for the year ended December 31, 2005, to shareholders of record as of July 10, 2006, representing a dividend payout ratio of approximately 35%.

Glass Lewis' Analysis

With limited exceptions, Glass Lewis will generally support the dividend policy proposed by a company. Here, we find that the dividend payout is reasonable and we do not see any cause for concern in terms of the board's process in making this determination.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 4.00: ELECT YA'ACOB BIN TUNKU TAN SRI ABDULLAH

AGAINST

Board of Directors								
Name	Up	Age	GLC Classification	Committees			Term Start	Attended at least 75% of Meetings
				Audit	Comp	Nom		
Ir Abu Zarim bin Haji Omar	✓	82	Independent				1999	Yes
Iskander Michael bin Abdullah		61	Independent	✓	✓	C	2001	Yes
Suleiman bin Mahmud		58	Independent	✓	C		2005	Yes
LAI Chung Wah	✓	73	Independent	C	✓	✓	1999	Yes
Ya'acob bin Tunku Tan Sri Abdullah	✓	45	Insider 1	✓			1998	Yes
YEO Took Keat		48	Insider 2				2005	Yes
Abdullah Ibni Almarhum Tuanku Abdul Rahman	✓	81	Affiliated 3				1999	Yes
Seri Iskandar bin Tunku Tan Sri Abdullah	✓	59	Affiliated 4		✓	✓	1999	Yes

C = Chair

1. Group managing director and CEO. Beneficial owner of 34.51% of the Company's outstanding ordinary shares.
2. Group COO.
3. Non-executive chairman. Beneficial owner of 34.10% of the Company's outstanding ordinary shares.
4. Beneficial owner of 34.10% of the Company's outstanding ordinary shares.

Five candidates are up for election as directors. At least one-third of the Company's board of directors stands for reelection at each annual meeting of shareholders. The lengths of their terms have not been specified.

Pursuant to the Bursa Malaysia Securities Berhad Listing Requirements and the recommendations set out in the Malaysian Code on Corporate Governance, we believe that at least one-third of the board should consist of independent directors. We find that the board meets this threshold.

We note that Malaysian Assurance Alliance Berhad ("MAA"), Malaysia's largest local composite insurer and MAA Holdings Berhad's wholly-owned subsidiary, will use its takaful (joint venture) collaboration with Solidarity Co BSC (the "Solidarity"), the largest insurance company with over \$100 million in capital assets in terms of paid-up capital in Bahrain, as a springboard into global markets, especially in Islamic nations.

Mr. Ya'acob, the chairman, group managing director and CEO of MAA Holdings Berhad ("the Company"), told *Business Times* recently, "The idea here is that by going international, we hope to form a joint venture with Solidarity and the MAA-Solidarity takaful company is expected to make inroads regionally in 2010. Expanding internationally requires a lot of capital and as a benchmark, each insurance licence overseas costs about RM 100 million (\$26,450,000). MAA does not have enough capacity nor the resources to go alone and become a global player. However, the west Asian region is cash-strapped with a lot of funds afloat in the market that is currently trading at a very high price-to-earnings. The people in Bahrain has a lot of money."

Also, he said that through the joint venture, MAA could take a smaller stake of about 30% in a company overseas, while Solidarity held the balance of 70%. Although the acquired company could be managed jointly, MAA is very much a hands-on operation and it is likely to initiate the regional expansion. MAA's initial target markets for expansion include Bangladesh, Pakistan and the west Asian region. The insurer did not rule out expansion in non-Muslim countries such as China and Europe where there are

expected to be huge Muslim populations in the near future. On the other hand, Solidarity may want to take a stake in MAA's 90%-owned life insurance company in Indonesia, PT MAA Life Assurance, which the local insurer is now converting into a specialist takaful company. "We have mentioned it to Solidarity but so far, we have decided not to go further as we want to sort out the takaful business in Malaysia first," he added ("MAA leverages on tie-up with solidarity to go global." *Business Times (Malaysia)*. March 27, 2006).

Pursuant to the joint venture, the Company has identified its management line-up and key staff for its new takaful insurance business with its partner Solidarity. MAA takaful, targeting to start operations by the end of June, has chosen MAA's assistant vice president Salim Majid as its CEO. Also, a list of directors has been furnished to Bank Negara Malaysia ("BNM") for approval. MAA is one of the four consortiums that were given a licence to operate a takaful insurance business by BNM on January 31, 2006 ("MAA Holdings' Takaful personnel." *Malaysian Business*. March 16, 2006).

On May 15, 2006, Umar Swift, the former executive vice president and head of enterprise financial services of Maybank and the former senior executive of Malayan Banking Bhd (the "MBB"), Malaysia's top lender, joined the Company as its deputy CEO. He has left his position at MBB to join the Company as its new CEO and managing director. However, his appointment will be subject to BNM's approval. "Umar will be the Company's CEO subject to BNM's approval. He will be deputy CEO until then. Meanwhile, he will assume the position of the Company' deputy chairman," Mr. Ya'acob told *Business Times* ("Umar Swift to be new CEO of MAA." *Business Times (Malaysia)*. May 15, 2006).

We recommend voting against the following nominee up for election this year based on the following issue:

Nominee **Ya'acob** is a member of the audit committee. In accordance with the Listing Requirements, we believe that any director who holds more than 5% of the Company's common shares should not serve on the audit committee.

We do not believe there are substantial issues for shareholder concern as to any other nominee.

Accordingly, we recommend that shareholders vote:

AGAINST: Ya'acob

FOR: All other nominees

PROPOSAL 5.00: ELECT SERI ISKANDAR BIN TUNKU TAN SRI ABDULLAH

FOR

See analysis on Proposal 4.

PROPOSAL 6.00: ELECT ABDULLAH IBNI ALMARHUM
TUANKU ABDUL RAHMAN

FOR

See analysis on Proposal 4.

PROPOSAL 7.00: ELECT IR ABU ZARIM BIN HAJI OMAR

FOR

See analysis on Proposal 4.

PROPOSAL 8.00: ELECT LAI CHUNG WAH

FOR

See analysis on Proposal 4.

PROPOSAL 9.00: APPOINTMENT OF AUDITOR AND AUTHORITY TO SET FEES

FOR

This proposal seeks shareholder approval to ratify the appointment of PricewaterhouseCoopers as the Company's independent auditor and to authorize the board to set the auditor's fees for the next fiscal year.

During the last fiscal year, the Company paid PricewaterhouseCoopers audit fees of RM 25,000 (\$6,613). There were no other fees payable to the auditor.

Glass Lewis' Analysis

We believe that the fees paid for audit services are reasonable and that the Company has a track record of disclosing the appropriate information about these services in its filings.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 10.00: AUTHORITY TO ISSUE STOCK W/OUT PREEMPTIVE RIGHTS

FOR

This proposal seeks shareholder approval to authorize the board to issue shares in accordance with Section 132D of the Malaysian Companies Act of 1965.

Pursuant to this proposal, the board will be authorized to issue shares up to a maximum amount equivalent to 10% of the Company's existing issued share capital. If approved, this authority will expire at the Company's 2007 annual meeting of shareholders.

Glass Lewis' Analysis

We believe that this authority will benefit shareholders by providing the Company with the flexibility to finance operations and future business opportunities. We also note that the dilution to current shareholders will be capped at 10% and the authority will expire at the Company's next general meeting of shareholders. We find the terms of the proposal to be reasonable and within the bounds of Malaysia's corporate law.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 11.00: AUTHORITY TO REPURCHASE SHARES

FOR

This proposal seeks shareholder approval to authorize the Company to repurchase its own shares in accordance with the Malaysian Companies Act of 1965.

The authority to repurchase shares will be subject to the following conditions: (i) the number of shares purchased will not exceed 15,217,688 shares, representing 10% of the Company's issued share capital as of May 19, 2006; and (ii) the total amount which may be used to purchase the shares may not exceed the sum of the Company's total retained earnings and share premium for the previous fiscal year, equal to RM 181,626,000 (\$48,040,077) and RM 11,744,000 (\$3,106,288), respectively.

If approved, this authority will expire upon the earliest of: (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or (iii) the date on which this authority is revoked or varied by an ordinary resolution of the shareholders at a general meeting.

Management states that the repurchased shares may be retained as treasury shares, or may be otherwise canceled.

Glass Lewis' Analysis

As a general rule, we believe that share buyback programs are in shareholders' best interests, so long as the Company is left with a sufficiently strong balance sheet in light of its capital requirements.

Typically, a repurchase is used to return surplus capital to shareholders, increase earnings per share, or provide shares for equity compensation plans.

We believe the terms under which the Company is considering a repurchase of its shares are reasonable.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

This proposal seeks shareholder approval to renew the mandate to authorize the Company and its subsidiaries (the "Group") to enter into Recurrent Related Party Transactions (the "Transactions") of a revenue or trading nature with related parties (the "Mandate").

Pursuant to this proposal, the Group will be able to enter into the Transactions with the related parties comprising of directors, major shareholders or persons connected with such directors or major shareholders of the Group, which are necessary for its day-to-day operations, on terms not more favorable to the related party than those generally available to the public and are not to the detriment of the minority shareholders of the Company, provided that such transactions are entered into in accordance with the review procedures set out in the Mandate.

If approved, this authority will expire upon the earliest of: (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 143(1) of the Companies Act 1965; or (iii) the date on which this authority is revoked or varied by resolution of the shareholders at a general meeting.

Glass Lewis' Analysis

Glass Lewis believes that management of the business and the decisions associated with business operations, such as recurrent related party transactions, are best left to management and the board, absent a showing of egregious or illegal conduct that might threaten shareholder value. We believe that board members can be held accountable on these issues when they face reelection. It is our opinion that management and the board are in the best position to determine what operational decisions are best in the context of the business.

In this case, having reviewed the proposed recurrent related party transactions and the Company's past transactions, we do not believe there are substantial issues for shareholder concern.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 13.00: BONUS SHARE ISSUE

FOR

This proposal seeks shareholder approval to authorize the board to issue bonus shares of up to 152,176,876 new ordinary shares in the capital of the Company (the "Bonus Shares") to the Company's shareholders.

Summary

If approved, the Company will issue the Bonus Shares to be credited as fully paid on the basis of one bonus share for every one existing share held in the capital of the Company by the shareholders as of the book closure date, which will be fixed by the directors after the passing of this proposal. The Bonus Shares will not be entitled to any dividends declared in respect of the financial year ended December 31, 2005.

Pursuant to this proposal, the Bonus Shares shall be effected by capitalizing up to RM 152,180,000 (\$40,251,610) from the following; (i) up to RM 11,740,000 (\$3,105,230) from the Company's share premium account; and (ii) up to RM 140,440,000 (\$37,146,380) from the Company's retained profits.

The effect on the share capital, share premium, retained profits and shareholders' equity of the Company, based on the audited accounts of the Company for the financial year ended December 31, 2005, are set out below:

	On December 31, 2005	After Bonus Issue
Share capital as at May 19, 2006	152,177,000	304,354,000
Share premium	11,744,000	-
Retained profits	181,626,000	41,193,000
Shareholders' equity	345,547,000	345,547,000

The board states that the issuance of Bonus Shares will provide shareholders of the Company with an opportunity to further participate in the equity and growth of the Company and increase the liquidity and marketability of the Company's shares through an increase in the number of the Company's shares being available.

Glass Lewis' Analysis

With limited exceptions, Glass Lewis will generally support a bonus share issuance proposed by a company. We believe that bonus share issuances offer a less expensive way for shareholders to acquire additional shares because they can avoid paying brokers' commissions or the taxes on normal stock transactions.

In this case, we believe that the proposed bonus issuance is similar to a dividend distribution.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

This proposal seeks shareholder approval to amend the Company's articles of association.

The following is a summary of the significant changes:

(i) Article 2 - *Names of Stock Exchange*: All references to the Kuala Lumpur Stock Exchange and Malaysian Central Depository Sdn Bhd in the Company's articles of association shall be amended to reflect the new names of the respective entities, Bursa Malaysia Securities Berhad and Bursa Malaysia Depository Sdn Bhd, following the demutualization of the Kuala Lumpur Stock Exchange on April 20, 2004.

(ii) Article 94 and 122 - *Telecommunication Conference and Electronic Documents*: The Company may allow for video or telecommunication conferences in order to enable directors to participate in a meeting. Also, the Company will be allowed to publish any directors' meeting notice, financial statements, and auditors' and directors' reports in any form of electronic media.

Glass Lewis' Analysis

Glass Lewis generally supports changes made to the articles of association that do not act contrary to shareholders' interests. In this case, most of the amendments are primarily technical in nature and are intended to utilize recent technological advances in a manner directly beneficial to shareholders.

Regarding the adoption of telecommunication conferences, we believe that it is an efficient way to conduct a meeting to allow directors to participate in the meeting remotely. This amendment will allow directors to take part in the meeting process in a more efficient manner.

We believe that the proposed change regarding the electronic documents will enable shareholders, directors, auditors and officers of the Company to receive important information from the Company in a timely manner.

Overall, we believe the proposed amendments are in the best interests of shareholders.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

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