

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013

**PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134:
INTERIM FINANCIAL REPORTING**

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 31 December 2012.

The accounting policies adopted by the Group in the condensed consolidated interim financial statements are consistent with those adopted in the audited annual financial statements for the financial year ended 31 December 2012 except for the adoption of the following MFRs, amendments to MFRs and IC Interpretations issued by MASB which are applicable to the Group.

MFRS, amendments to MFRS and IC Interpretation effective from annual periods beginning on or after 1 January 2013

- MFRS 3 Business combinations
- MFRS 10 Consolidated Financial Statements
- MFRS 12 Disclosures of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- Revised MFRS 127 Consolidated and Separate Financial Statements
- Revised MFRS 128 Investments in Associates and Joint Ventures
- Amendment to MFRS 101 Presentation of Items of Other Comprehensive Income
- Amendment to MFRS 119 Employee Benefits
- Amendment to MFRS 7 Financial Instruments: Disclosures

The adoption of the above MFRSs, amendments to MFRSs and IC Interpretations are not expected to have material impact on the financial statements of the Group.

The following MFRs and amendments to MFRs have been issued by MASB and are not yet effective for adoption by the Group:

MFRS, amendments to MFRS and IC Interpretation effective for annual periods commencing on or after 1 January 2014

- Amendment to MFRS 132 Financial Instruments: Presentation

MFRS, amendments to MFRS and IC Interpretation effective for annual periods commencing on or after 1 January 2015

- MFRS 9 Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities

The adoption of the above MFRSs and amendments to MFRSs are not expected to have material impact on the financial statements of the Group upon their first adoption.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013

A2. SEASONALITY AND CYCLICALITY OF OPERATIONS

The Group's business operations are not significantly affected by any unusual seasonal or cyclical factors.

A3. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial quarter under review.

A4. CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in the current financial quarter's condensed consolidated interim financial statements.

A5. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the current financial quarter under review.

A6. DIVIDEND PAID

There was no dividend paid during the current financial quarter under review.

A7. SEGMENTAL INFORMATION

The Group has six (6) operating segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they employ different technology and marketing strategies. The operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee of the Company (the chief operating decision maker). The following summary describes the operations in each of the Group's operating segments:

- Life insurance - underwriting life insurance business, including investment-linked business
- General insurance – underwriting all classes of general insurance business
- Family takaful business – underwriting family takaful business
- General takaful business - underwriting general takaful business
- Unit trust fund management – management of unit trust funds
- Shareholders' fund of the insurance and takaful businesses

Other segments comprise investment holding, hire purchase, leasing and other credit activities, property management and consultancy services.

There have been no material changes in total assets, the basis of segmentation and the basis of measurement of segment profit or loss from the last annual financial statements.

MAA GROUP BERHAD (471403-A)

(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013
A7. SEGMENTAL INFORMATION (continued)

	Insurance						Takaful			Unit trust fund management	All other segments		Total	Inter-segment elimination	Group total
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Shareholders' fund		Continuing	Discontinued			
	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued									
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
3 months period ended															
31 March 2013															
External revenue	53	-	17,244	-	326	-	45,244	53,787	965	10,048	3,851	-	131,518	-	131,518
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	45	-	45	(45)	-
Total operating revenue	<u>53</u>	<u>-</u>	<u>17,244</u>	<u>-</u>	<u>326</u>	<u>-</u>	<u>45,244</u>	<u>53,787</u>	<u>965</u>	<u>10,048</u>	<u>3,896</u>	<u>-</u>	<u>131,563</u>	<u>(45)</u>	<u>131,518</u>
Profit/(loss) by segments	(44)	-	(7,214)	-	(370)	-	2,144	10,412	(438)	539	(3,380)	-	1,648	-	1,648
(Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	44	-	-	-	-	-	(519)	(10,412)	-	-	-	-	(10,887)	-	(10,887)
	<u>-</u>	<u>-</u>	<u>(7,214)</u>	<u>-</u>	<u>(370)</u>	<u>-</u>	<u>1,625</u>	<u>-</u>	<u>(438)</u>	<u>539</u>	<u>(3,380)</u>	<u>-</u>	<u>(9,239)</u>	<u>-</u>	<u>(9,239)</u>
Share of profit of associated companies not included in reportable segments													1,483	-	1,483
Loss before taxation (*)													<u>(7,756)</u>	<u>-</u>	<u>(7,756)</u>

(*) consist of profit/(loss) before taxation from:

	RM'000
- Continuing	(7,756)
- Discontinued	-
	<u>(7,756)</u>

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A7. SEGMENTAL INFORMATION (continued)

	Insurance						Takaful			Unit trust fund management	All other segments		Total	Inter-segment elimination	Group total
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Shareholders' fund		Continuing	Discontinued			
	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued					RM'000	RM'000			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>3 months period ended</u>															
<u>31 March 2012</u>															
External revenue	58	2,472	23,227	-	289	-	29,028	39,608	831	8,925	1,364	6,256	112,058	-	112,058
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	<u>58</u>	<u>2,472</u>	<u>23,227</u>	<u>-</u>	<u>289</u>	<u>-</u>	<u>29,028</u>	<u>39,608</u>	<u>831</u>	<u>8,925</u>	<u>1,364</u>	<u>6,256</u>	<u>112,058</u>	<u>-</u>	<u>112,058</u>
Profit/(loss) by segments	9	(640)	15,282	-	286	-	792	15,546	228	319	(6,989)	458	25,291	1,343	26,634
(Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	(9)	640	-	-	-	-	(792)	(15,546)	-	-	-	-	(15,707)	-	(15,707)
	<u>-</u>	<u>-</u>	<u>15,282</u>	<u>-</u>	<u>286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228</u>	<u>319</u>	<u>(6,989)</u>	<u>458</u>	<u>9,584</u>	<u>1,343</u>	<u>10,927</u>
Share of profit of associated companies not included in reportable segments													1,658	-	1,658
Profit before taxation (*)													<u>11,242</u>	<u>1,343</u>	<u>12,585</u>

(*) consist of profit/(loss) before taxation from:

	RM'000
- Continuing	12,127
- Discontinued	458
	<u>12,585</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013

A8. CARRYING AMOUNT OF REVALUED ASSETS

Investment properties of the Group have been carried at revalued amount at the financial year ended 31 December 2012. These revalued amounts have been carried forward to the current financial quarter.

A9. MATERIAL SUBSEQUENT EVENTS

There were no material subsequent events from the end of the current financial quarter under review to the date of these condensed consolidated interim financial statements.

A10. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in composition of the Group during the current financial quarter under review.

A11. CONTINGENCIES

In the normal course of business, the insurance and takaful subsidiaries of the Company incur certain liabilities in the form of performance bonds and guarantees on behalf of customers. No material losses are anticipated as a result of these transactions.

Details of the Group's contingent liabilities are as follows:

	As at 31.03.2013	As at 31.12.2012
	RM'000	RM'000
Performance bonds and guarantees	21,388	21,611

A12. CAPITAL COMMITMENTS

The Group's capital commitments not provided for in these condensed consolidated interim financial statements is as follows:

	As at 31.03.2013
	RM'000
Authorised and contracted for:	
- Property, plant and equipment	400

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**A13. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY FUNDS (UNAUDITED)
AS AT 31 MARCH 2013**

	Shareholders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property, plant and equipment	25,419	306	-	-	-	25,725
Investment properties	11,632	-	-	-	-	11,632
Intangible assets	7,414	-	-	-	-	7,414
Investments	124,336	3,036	10,997	52,339	248,530	439,238
Financial assets at fair value						
through profit of loss	18,237	-	10,997	-	142,405	171,639
Held-to-maturity financial assets	-	-	-	15,000	20,043	35,043
Available-for-sale financial assets	95,635	20	-	36,120	37,542	169,317
Loans and receivables	10,464	3,016	-	1,219	48,540	63,239
Associated companies	57,797	-	-	-	-	57,797
Reinsurance assets	-	82,203	-	151,958	14,493	248,654
Insurance receivables	-	21,767	-	31,569	30,218	83,554
Trade and other receivables	255,437	906	120	848	2,482	259,793
Tax recoverable	3,457	-	-	-	-	3,457
Deferred tax assets	-	560	-	-	-	560
Cash and cash equivalents	73,707	822	1,720	17,462	89,945	183,656
Total assets	559,199	109,600	12,837	254,176	385,668	1,321,480
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance contract liabilities	-	138,359	-	193,700	322,091	654,150
Investment contract liabilities	-	-	11,188	-	-	11,188
Borrowings						
- Bank overdrafts (unsecured)	4,348	-	-	-	-	4,348
Insurance payables	-	45,007	-	39,969	29,247	114,223
Trade and other payables	51,932	1,607	168	13,511	11,314	78,532
Current tax liabilities	2,520	-	-	3,046	1,796	7,362
Deferred tax liabilities	3,945	-	-	451	1,027	5,423
Total liabilities	62,745	184,973	11,356	250,677	365,475	875,226
Equity, policyholders' funds and liabilities						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	111,500	-	-	-	-	111,500
Reserves	4,434	-	-	-	-	4,434
Total equity attributable to the owners of the Company	420,288	-	-	-	-	420,288
Non-controlling interests	25,966	-	-	-	-	25,966
Total equity	446,254	-	-	-	-	446,254
Total equity, policyholders' funds and liabilities						
	508,999	184,973	11,356	250,677	365,475	1,321,480
Inter-fund balances	50,200	(75,373)	1,481	3,499	20,193	-

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**A13. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY FUNDS (AUDITED)
AS AT 31 DECEMBER 2012**

	Shareholders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property, plant and equipment	23,545	341	-	-	-	23,886
Investment properties	11,632	-	-	-	-	11,632
Intangible assets	7,859	-	-	-	-	7,859
Investments	125,287	3,401	11,011	61,775	272,147	473,621
Financial assets at fair value through profit of loss	19,448	-	11,011	-	171,341	201,800
Available-for-sale financial assets	95,985	20	-	61,775	58,555	216,335
Loans and receivables	9,854	3,381	-	-	42,251	55,486
Associated companies	56,314	-	-	-	-	56,314
Reinsurance assets	-	66,812	-	132,139	13,792	212,743
Insurance receivables	-	21,944	-	21,942	24,918	68,804
Trade and other receivables	253,324	708	92	1,185	2,281	257,590
Tax recoverable	3,382	235	-	-	-	3,617
Deferred tax assets	-	558	-	-	-	558
Cash and cash equivalents	73,419	853	1,773	10,077	55,595	141,717
Asset classified as held for sale	1,015	-	-	-	-	1,015
Total assets	555,777	94,852	12,876	227,118	368,733	1,259,356
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance contract liabilities	-	116,990	-	173,057	310,882	600,929
Investment contract liabilities	-	-	11,289	-	-	11,289
Borrowings						
- Bank overdrafts (unsecured)	4,335	-	-	-	-	4,335
Insurance payables	-	40,309	-	36,388	24,846	101,543
Trade and other payables	52,269	5,999	151	12,783	3,457	74,659
Current tax liabilities	2,418	113	-	2,388	1,454	6,373
Deferred tax liabilities	3,978	-	-	627	1,505	6,110
Total liabilities	63,000	163,411	11,440	225,243	342,144	805,238
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	119,952	-	-	(1,218)	-	118,734
Reserves	4,316	-	-	-	-	4,316
Total equity attributable to the owners of the Company	428,622	-	-	(1,218)	-	427,404
Non-controlling interests	27,121	-	-	(407)	-	26,714
Total equity	455,743	-	-	(1,625)	-	454,118
Total equity, policyholders' funds and liabilities	518,743	163,411	11,440	223,618	342,144	1,259,356
Inter-fund balances	37,034	(68,559)	1,436	3,500	26,589	-

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**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS (UNAUDITED)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013**

Continuing Operations

	Shareholders ' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	15,190	17,244	53	45,244	53,787	-	131,518
Gross earned premiums/contributions	-	17,186	-	44,566	51,323	-	113,075
Premiums/contributions ceded to reinsurers/retakaful	-	(12,033)	-	(35,556)	(2,539)	-	(50,128)
Net earned premiums/contributions	-	5,153	-	9,010	48,784	-	62,947
Investment income	2,533	58	53	678	2,464	-	5,786
Realised gains and losses	118	-	-	50	2,828	-	2,996
Fair value gains and losses	559	-	(4)	-	(5,001)	-	(4,446)
Fee and commission income	-	528	-	11,107	-	-	11,635
Other operating revenue from non-insurance businesses	12,657	-	-	-	-	-	12,657
Wakalah fee from takaful business	32,095	-	-	-	-	(32,095)	-
Other revenue	47,962	586	79	11,835	291	(32,095)	28,628
Gross benefits and claims paid	-	(6,879)	-	(13,304)	(20,602)	-	(40,785)
Claims ceded to reinsurers/retakaful	-	3,352	-	9,128	3,561	-	16,041
Gross change to contract liabilities	-	(29,655)	(8)	(786)	-	-	(30,449)
Change in contract liabilities ceded to reinsurers/retakaful	-	23,305	-	271	-	-	23,576
Net insurance/takaful benefits and claims	-	(9,877)	(8)	(4,691)	(17,041)	-	(31,617)
Fee and commission expense	(22,635)	(1,571)	-	-	-	-	(24,206)
Management expenses	(27,943)	(1,510)	(119)	(13)	-	-	(29,585)
Other operating income/(expenses) - net	(937)	5	34	-	(2,906)	-	(3,804)
Wakalah fee payable to Shareholders' fund	-	-	-	(13,339)	(18,756)	32,095	-
Finance cost	(97)	-	-	-	-	-	(97)
Other expenses	(51,612)	(3,076)	(85)	(13,352)	(21,662)	32,095	(57,692)
Share of profit of associate companies, net of tax	1,483	-	-	-	-	-	1,483
	(2,167)	(7,214)	(44)	2,802	10,372	-	3,749
Taxation of general takaful and family takaful businesses	-	-	-	(658)	40	-	(618)
Surplus/(deficit) after taxation/ profit/(loss) before taxation	(2,167)	(7,214)	(44)	2,144	10,412	-	3,131
Deficit/(surplus) retained in life insurance, general takaful and family takaful businesses	-	-	44	(519)	(10,412)	-	(10,887)
Profit/(loss) before taxation	(2,167)	(7,214)	-	1,625	-	-	(7,756)
Taxation	(226)	-	-	-	-	-	(226)
Profit/(loss) for the financial period	(2,393)	(7,214)	-	1,625	-	-	(7,982)

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013

**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS (UNAUDITED)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

Continuing Operations

	Shareholders ' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	11,409	23,227	58	29,028	39,608	-	103,330
Gross earned premiums/contributions	-	23,047	-	28,359	37,850	-	89,256
Premiums/contributions ceded to reinsurers/retakaful	-	(13,965)	-	(22,237)	(2,898)	-	(39,100)
Net earned premiums/contributions	-	9,082	-	6,122	34,952	-	50,156
Investment income	2,112	180	58	669	1,758	-	4,777
Realised gains and losses	1,838	-	8	405	1,801	-	4,052
Fair value gains and losses	822	-	(1,807)	-	2,533	-	1,548
Fee and commission income	-	2,416	-	6,418	-	-	8,834
Other operating revenue from non-insurance businesses	9,297	-	-	-	-	-	9,297
Wakalah fee from takaful business	23,659	-	-	-	-	(23,659)	-
Other revenue	37,728	2,596	(1,741)	7,492	6,092	(23,659)	28,508
Gross benefits and claims paid	-	(10,098)	-	(12,957)	(12,723)	-	(35,778)
Claims ceded to reinsurers/retakaful	-	3,726	-	7,818	3,316	-	14,860
Gross change to contract liabilities	-	(6,667)	1,856	1,639	-	-	(3,172)
Change in contract liabilities ceded to reinsurers/retakaful	-	7,988	-	130	-	-	8,118
Net insurance/takaful benefits and claims	-	(5,051)	1,856	(3,370)	(9,407)	-	(15,972)
Fee and commission expense	(18,640)	(4,453)	(6)	-	-	-	(23,099)
Management expenses	(25,852)	(1,866)	(187)	(110)	-	-	(28,015)
Other operating income/(expenses) - net	2,061	14,974	87	-	(770)	-	16,352
Wakalah fee payable to Shareholders' fund	-	-	-	(8,958)	(14,701)	23,659	-
Finance cost	(110)	-	-	-	-	-	(110)
Other expenses	(42,541)	8,655	(106)	(9,068)	(15,471)	23,659	(34,872)
Share of loss of associate companies, net of tax	1,658	-	-	-	-	-	1,658
	(3,155)	15,282	9	1,176	16,166	-	29,478
Taxation of general takaful and family takaful businesses	-	-	-	(384)	(620)	-	(1,004)
Surplus/(deficit) after taxation/ profit/(loss) before taxation	(3,155)	15,282	9	792	15,546	-	28,474
Surplus retained in life insurance, general takaful and family takaful businesses	-	-	(9)	(792)	(15,546)	-	(16,347)
Profit/(loss) before taxation	(3,155)	15,282	-	-	-	-	12,127
Taxation	(257)	-	-	-	-	-	(257)
Profit/(loss) for the financial period	(3,412)	15,282	-	-	-	-	11,870

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**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS (UNAUDITED)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

Discontinued Operations

	Shareholders' fund	Life fund	Total
	RM'000	RM'000	RM'000
Operating revenue	6,256	2,472	8,728
Gross earned premiums	-	1,404	1,404
Premiums ceded to reinsurers	-	(98)	(98)
Net earned premiums	-	1,306	1,306
Investment income	7	1,068	1,075
Fee and commission income	-	16	16
Other operating revenue from non-insurance businesses	6,249	-	6,249
Other revenue	6,256	1,084	7,340
Gross benefits and claims paid	-	(1,697)	(1,697)
Gross change to contract liabilities	-	299	299
Net insurance benefits and claims	-	(1,398)	(1,398)
Fee and commission expense	-	(192)	(192)
Management expenses	(5,838)	(1,155)	(6,993)
Other operating income - net	51	(285)	(234)
Finance costs	(11)	-	(11)
Other expenses	(5,798)	(1,632)	(7,430)
Profit/(deficit) before taxation	458	(640)	(182)
Deficit retained in life insurance business	-	640	640
Profit/(loss) before taxation	458	-	458
Taxation	(175)	-	(175)
Profit/(loss) for the financial period	283	-	283

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF GROUP PERFORMANCE

In these condensed consolidated interim financial statements under review, the discontinued operations for the preceding financial period represent an overseas life insurance subsidiary company in Indonesia and a local non-insurance subsidiary company which were disposed during 2012.

Current financial quarter against preceding year's corresponding financial quarter

Operating revenue

For the current financial quarter ended 31 March 2013(1Q-2013), the Group recorded an increase of 17.4% in total operating revenue to RM131.5 million wholly from the continuing operations (1Q-2012: RM112.0 million, of which the continuing operations recorded RM103.3 million and the discontinued operations recorded RM8.7 million).

Under the conventional insurance business, the General Insurance Division recorded a total gross earned premium of RM17.2 million (1Q-2012: RM23.0 million) wholly from the continuing operations. The Life Insurance Division recorded nil gross earned premium (1Q-2012: RM1.4 million) wholly from the discontinued operations.

Under the takaful business, the General Takaful Division recorded a 57.0% increase in total gross earned contribution to RM44.6 million (1Q-2012: RM28.4 million) mainly growth from fire, motor and personal accident classes of business, whilst the Family Takaful Division registered a 35.4% increase in total gross earned contribution to RM51.3 million (1Q-2012: RM37.9 million), mainly growth from single premium investment-linked products.

The Group's unit trust fund management division recorded a 12.4% increase in operating revenue to RM10.0 million (1Q-2012: RM8.9 million) arose mainly from the increase in initial service and management fee income to RM9.9 million (1Q-2012: RM8.7 million).

The Shareholders' fund (excluding the unit trust fund management division) recorded a total operating revenue of RM5.2 million, wholly from continuing operations (1Q-2012: RM8.8 million with continuing operations: RM2.5 million, discontinued operations: RM6.3 million).

Profit / loss before taxation

The Group recorded a loss before taxation ("LBT") of RM7.8 million for 1Q-2013 wholly from continuing operations. (1Q-2012: profit before taxation ("PBT") of RM12.6 million with continuing operations: PBT of RM12.1 million, discontinued operations: PBT of RM0.5 million).

Under the conventional insurance business, the General Insurance Division recorded a LBT of RM7.2 million (1Q-2012: PBT of RM15.3 million) wholly from the continuing operations. The loss was mainly due to lower gross earned premium of RM17.2 million (1Q-2012: RM23.0 million) and higher net insurance benefits and claims of RM9.9 million (1Q-2012: RM5.1 million) recorded by the overseas insurance subsidiary company in Indonesia, whilst the profit in 1Q-2012 was due mainly from an income from a waiver of debts of RM14.9 million recorded by the Labuan offshore subsidiary company under a general reinsurance treaties commutation agreement.

The Life Insurance Division registered a small LBT of RM0.04 million wholly from the continuing operations (1Q-2012: LBT of RM0.6 million with continuing operations: PBT of RM0.01 million and discontinued operations: LBT of RM0.6 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter against preceding year's corresponding financial quarter (continued)

Profit before taxation

Under the takaful business, the General Takaful Division recorded a higher PBT of RM2.1 million (1Q-2012: PBT of RM0.8 million) due mainly to increase in gross earned contribution to RM44.6 million (1Q-2012: RM28.4 million) and improvement in net claim ratio to 52.1% (1Q-2012: 55.0%). The Family Takaful Division recorded a lower PBT of RM10.4 million (1Q-2012: PBT of RM15.5 million) due mainly to increase in net takaful benefits and claims to RM17.0 million (1Q-2012: RM9.4 million) coupled with fair value loss on investments of RM5.0 million (1Q-2012: fair value gain of RM2.5 million).

The Group's unit trust fund management division recorded a marginal increase in PBT to RM0.5 million (1Q-2012: PBT of RM0.3 million), mainly due to increase in initial service and management fee income.

The Shareholders' Fund (excluding the unit trust fund management division) recorded a lower LBT of RM2.7 million wholly from continuing operations (1Q-2012: LBT of RM3.0 million with continuing operations: LBT of RM3.5 million and discontinued operations: PBT of RM0.5 million). The lower LBT recorded by continuing operations in 1Q-2013 was due mainly from higher wakalah fee income earned by the local takaful subsidiary company.

However, consistent with the prior years' practice, no profit/loss was transferred from/to the Life Insurance/Family Takaful Funds to the Shareholders' Fund as such the transfer is only done at the financial year end.

B2. COMPARISON WITH THE PRECEDING QUARTER'S RESULTS

During the current financial quarter under review, the Group registered a loss before taxation of RM7.8 million, wholly from continuing operations (preceding quarter 2012: profit before taxation of RM12.3 million with continuing operations: RM9.6 million and discontinued operations: RM2.7 million). The loss of RM7.8 million in the current quarter was due mainly from LBT of RM7.2 million registered by the overseas insurance subsidiary company in Indonesia resulted from lower gross earned premium of RM17.2 million (1Q-2012: RM23.0 million) and higher net insurance benefits and claims of RM9.9 million (1Q-2012: RM5.1 million). The profit in the preceding quarter was mainly due to surpluses transferred from the General Takaful fund and Family Takaful fund of RM6.8 million and RM9.8 million respectively to the Shareholders' fund.

B3. PROSPECTS

The Group foresees its performance for the current financial year will be affected by the sharing of motor portfolio from Malaysian Motor Insurance Pool upon implementation by Bank Negara Malaysia to the takaful industry and also the business viability of the Group's General Insurance operations in Indonesia.

On the PN17 status of the Company, it is the Board's intention to maintain the listing status of the Company. To this end, the Company will work towards formulating a regularisation plan for submission to Bursa Securities.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

There was no profit forecast or profit guarantee issued by the Group.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013

B5. TAXATION

	3 months period ended		3 months period ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
<u>Current tax</u>				
Current financial quarter/period	197	266	197	266
Under accrual in prior financial quarter/period	34	-	34	-
	231	266	231	266
<u>Deferred tax</u>				
Current financial quarter/period	(5)	(9)	(5)	(9)
Tax expense	226	257	226	257
<u>Discontinued operations</u>				
<u>Current tax</u>				
Current financial quarter/period	-	116	-	116
<u>Deferred tax</u>				
Current financial quarter/period	-	59	-	59
Tax expense	-	175	-	175

The Group's effective tax rate for the current and previous year' financial quarter were lower than the statutory tax rate of 25% due mainly to utilisation of certain subsidiary companies' business losses brought forward from prior years and non-recognition of deferred tax assets on the loss recorded by an oversea subsidiary companies in Indonesia.

B6. STATUS OF CORPORATE PROPOSALS

- (a) On 30 September 2011, the Company had completed the disposal of its entire 100% equity interest in Malaysian Assurance Alliance Berhad (“MAA”) and other identified subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd (hereinafter collectively known as the (“Disposed Subsidiaries”) to Zurich Insurance Company Ltd (“Zurich”) for a total cash consideration of RM344.0 million (“Disposal”).

Under the terms of the Conditional Sale and Purchase Agreement (“SPA”) with Zurich in relation to the Disposal, there is an adjustment to the sale consideration of RM344.0 million equal to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 (“Adjustment to Consideration”). The Adjustment to Consideration shall be finalised within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless dispute arises which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA.

On 17 February 2012 and 12 April 2012, the Company had submitted notifications of disputes (“Dispute Notifications”) to Zurich to disagree certain downward adjustments made to the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries.

On 2 November 2012, the Company had filed and served a notice of arbitration against Zurich with the Singapore International Arbitration Centre seeking, inter alia, declarations to refer disputes on the calculation of General Insurance Reserves and other disputes matter in the draft completion accounts prepared by Zurich to an Expert Accountant in accordance with terms of the SPA in order to determine the final selling price of the Disposed subsidiaries, as well as further declarations to be entitled to receive payment of escrow monies in accordance with the Escrow Agreement dated 28 September 2011 having satisfied the requirements under the SPA and the Side Letter dated 17 August 2011 in respect of the Prima Avenue Klang property, together with damages, interests and costs.

- (b) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 (“PN17”) of the Listing Requirements whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of MAA.

Nonetheless, the Company did not trigger any of the other prescribed criteria under PN17 of the Listing Requirements, such as consolidated shareholders’ equity of 25% or less of the issued and paid up share capital, a default in payment by the Group, the auditors having expressed an adverse or disclaimer opinion on the Company’s latest audited accounts etc.

As an affected listed issuer, the Company is required pursuant to paragraph 4.1 of the PN 17 of the Listing Requirements to announce details of the regularisation plan.

On 28 September 2012, the Company submitted an application to Bursa Malaysia Securities Berhad (“Bursa Securities”) for a waiver from having to comply with Paragraph 8.04(2) of the Listing Requirements and a waiver from submitting a regularisation plan to Bursa Securities pursuant to Paragraph 8.04(3) of the Listing Requirements (“Application for Waiver”).

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

Henceforth, the Application for Waiver and the Application for Extension of Time shall collectively be referred to as “Applications”.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013

B6. STATUS OF CORPORATE PROPOSALS (continued)

- (b) On 20 December 2012, Bursa Securities had vide its letter rejected the Company's Application for Waiver from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements and has granted an extension of time of up to 18 June 2013 for the Company to submit a regularisation plan taking into consideration amongst others the following:
- (i) The consolidated financial position of the Group as at 30 September 2012 including its consolidated shareholders' equity and net assets of approximately RM451.9 million, cash and cash equivalent of approximately RM154.6 million as well as the Group's low gearing position;
 - (ii) The future receipts of balance of cash proceeds from the disposal of the Disposed Subsidiaries which is scheduled to be released to the Company from the escrow account in 2013;
 - (iii) The steps taken to regularise the Company's financial position to date and in particular the disposals of non performing or loss making assets; and
 - (iv) The Company's plan to revert, sustain and grow the profitability of the Group.

The aforesaid extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the securities of the Company and to de-list the Company in the event:

- (i) The Company fails to submit the regularisation plans on or before 18 June 2013;
- (ii) The Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan, or
- (iii) The Company fails to implement its regularization plan within the time frame or extended time frames stipulated by Bursa Securities.

Upon the occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of the Company upon the expiry of five (5) market days from the date the Company is notified by Bursa Securities and de-list the Company, subject to the Company's right to appeal against the delisting. Based on the decision by Bursa Securities, the Board will formulate a regularization plan and will submit it to Bursa Securities for approval.

On 2 January 2013, 4 February 2013, 1 March 2013, 5 March 2013, 1 April 2013 and 2 May 2013 the Company announced that it is still in the midst of formulating a regularisation plan for submission to the Bursa Securities for approval.

- (c) On 23 April 2013, Board of Directors of the Company ("Board") discussed and approved in principle the proposed disposal of MAA International Assurance Ltd's entire interest in PT MAA General Assurance ("PT MAAG"), an 83% owned subsidiary company in Indonesia. The Company has been in discussions with an interested party for the proposed disposal; however the terms and conditions of the contemplated sale and purchase agreement have yet to be finalised. The Board is of the opinion that it will be in the best interest of the Company to divest PT MAAG based on its financial condition and to therefore mitigate the loss from this operation in Indonesia.

Other than as stated above, as at the date of this report; there is no corporate proposal that has been announced but not completed as at 17 May 2013 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013

B7. GROUP BORROWINGS

The Group's borrowings include:

	As at 31.03.2013	As at 31.12.2012
	RM'000	RM'000
<u>Short term</u>		
Bank overdrafts (unsecured)	4,348	4,335

B8. MATERIAL LITIGATION

There were no material litigations as at 17 May 2013 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) save for the arbitration proceedings commenced by the Company against Zurich as disclosed in Note B6(a) in this report.

B9. PROPOSED DIVIDEND

The Board of Directors has declared the payment of an interim gross dividend of 3 sen per share, less income tax, in respect of the financial year ending 31 December 2013. The interim dividend payment date will be announced later.

B10. EARNINGS PER SHARE

	3 months period ended		3 months period ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
<u>Attributable to the Owners of the Company:</u>				
Net profit/(loss) for the financial quarter /period (RM'000)				
- Continuing operations	(7,234)	11,537	(7,234)	11,537
- Discontinued operations	-	283	-	283
	(7,234)	11,820	(7,234)	11,820
Weighted average number of ordinary shares in issue ('000)	304,354	304,354	304,354	304,354
Basic earnings/(loss) per share (sen)				
- Continuing operations	(2.38)	3.79	(2.38)	3.79
- Discontinued operations	-	0.09	-	0.09
	(2.38)	3.88	(2.38)	3.88

B11. AUDITOR' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the audited annual financial statements for the financial year ended 31 December 2012 was not qualified.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013

B12. PROFIT/(LOSS) BEFORE TAXATION FOR THE QUARTER AND PERIOD

Profit/(Loss) before taxation for the quarter and period is arrived at after crediting/(charging):

	3 months period ended		3 months period ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Interest income	4,931	4,128	4,931	4,128
Dividend income	821	540	821	540
Rental income	5	22	5	22
Accretion of discounts	29	87	29	87
Gain on disposal of investments	2,996	4,052	2,996	4,052
Net foreign exchange gain/(loss)	(55)	323	(55)	323
Net fair value (loss)/gain on investments	(5,138)	1,278	(5,138)	1,278
Write back of impairment loss on property, plant and equipment	-	247	-	247
Write back of impairment loss on loans from leasing, hire purchase and other - net	692	23	692	23
Allowance for impairment loss on insurance receivables	(13)	(530)	(13)	(530)
Write back of impairment loss on trade and other receivables	7	87	7	87
Depreciation of property, plant and equipment	(933)	(807)	(933)	(807)
Amortisation of intangible assets	(457)	(452)	(457)	(452)
<u>Discontinued operations</u>				
Interest income	-	1,075	-	1,075
Net foreign exchange gain	-	5	-	5
Allowance for impairment loss on trade and other receivables	-	(95)	-	(95)
Depreciation of property, plant and equipment	-	(148)	-	(148)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2013

B13. DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Securities.

	As at 31.03.2013	As at 31.12.2012
	RM'000	RM'000
Total retained earnings of the Group:		
- Realised	129,683	131,741
- Unrealised	(10,002)	1,415
	119,681	133,156
Total share of accumulated losses from associated companies		
- Realised	(4,846)	(5,606)
- Unrealised	4,636	3,913
	(210)	(1,693)
	119,471	131,463
Less: Consolidation adjustments	(7,971)	(12,729)
Total Group retained earnings as per statement of financial position	111,500	118,734

The disclosure of realised and unrealised profits/(losses) above is solely for complying with the directive issued by Bursa Securities and should not be used for any other purposes.

By Order of the Board

Lily Yin Kam May
Yeo Took Keat
Company Secretaries

KUALA LUMPUR
DATE: 23 MAY 2013