

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 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 30 JUNE 2013

A2. SEASONALITY AND CYCLICALITY OF OPERATIONS

The operations of the Group were not significantly affected by any unusual seasonal or cyclical factors in the current financial quarter and period under review.

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 and period under review.

A4. CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in the current financial quarter and period'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 and period under review.

A6. DIVIDEND PAID

The Company paid an interim gross dividend of 3 sen per share, less income tax totaling RM6,847,955.81 on 5 July 2013 in respect of the financial year ending 31 December 2013.

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 30 JUNE 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	RM'000	RM'000	RM'000	
3 months period ended															
30 June 2013															
External revenue	55	-	6,904	-	422	-	56,305	78,188	916	11,959	4,206	-	158,955	-	158,955
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	44	-	44	(44)	-
Total operating revenue	55	-	6,904	-	422	-	56,305	78,188	916	11,959	4,250	-	158,999	(44)	158,955
Profit/(loss) by segments (Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	(38)	-	(13,444)	-	(358)	-	(2,862)	33,314	3,361	780	(4,804)	-	15,949	3	15,952
	38	-	-	-	-	-	519	(33,314)	-	-	-	-	(32,757)	-	(32,757)
	-	-	(13,444)	-	(358)	-	(2,343)	-	3,361	780	(4,804)	-	(16,808)	3	(16,805)
Share of profit of associated companies not included in reportable segments													195	-	195
Loss before taxation (*)													(16,613)	3	(16,610)

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

	RM'000
- Continuing	(16,610)
- Discontinued	-
	<u>(16,610)</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	RM'000	
6 months period ended															
30 June 2013															
External revenue	108	-	24,148	-	748	-	101,549	131,975	1,881	22,007	8,057	-	290,473	-	290,473
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	89	-	89	(89)	-
Total operating revenue	108	-	24,148	-	748	-	101,549	131,975	1,881	22,007	8,146	-	290,562	(89)	290,473
Profit/(loss) by segments (Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	(82)	-	(20,658)	-	(728)	-	(718)	43,726	2,923	1,319	(8,185)	-	17,597	3	17,600
	82	-	-	-	-	-	-	(43,726)	-	-	-	-	(43,644)	-	(43,644)
	-	-	(20,658)	-	(728)	-	(718)	-	2,923	1,319	(8,185)	-	(26,047)	3	(26,044)
Share of profit of associated companies not included in reportable segments													1,678	-	1,678
Loss before taxation (*)													(24,369)	3	(24,366)

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

	RM'000
- Continuing	(24,366)
- Discontinued	-
	<u>(24,366)</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	RM'000	Continuing	Discontinued	RM'000	RM'000	RM'000
	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued	RM'000	RM'000	RM'000		RM'000	RM'000			
3 months period ended															
30 June 2012															
External revenue	68	844	14,412	-	302	-	37,946	70,151	904	9,095	3,900	5,039	142,661	-	142,661
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	68	844	14,412	-	302	-	37,946	70,151	904	9,095	3,900	5,039	142,661	-	142,661
Profit/(loss) by segments (Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	(9)	(2,161)	2,103	-	(164)	-	1,429	25,599	2,142	(16)	(7,640)	30,892	52,175	1,734	53,909
	9	2,161	-	-	-	-	(1,429)	(25,599)	-	-	-	-	(24,858)	-	(24,858)
	-	-	2,103	-	(164)	-	-	-	2,142	(16)	(7,640)	30,892	27,317	1,734	29,051
Share of loss of associated companies not included in reportable segments													(2,517)	-	(2,517)
Profit before taxation (*)													24,800	1,734	26,534

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

	RM'000
- Continuing	(4,358)
- Discontinued	30,892
	<u>26,534</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	RM'000	Continuing	Discontinued	RM'000	RM'000	RM'000
	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued	RM'000	RM'000	RM'000		RM'000	RM'000			
6 months period ended															
30 June 2012															
External revenue	126	3,316	37,639	-	591	-	66,974	109,759	1,735	18,020	5,265	11,294	254,719	-	254,719
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	126	3,316	37,639	-	591	-	66,974	109,759	1,735	18,020	5,265	11,294	254,719	-	254,719
Profit/(loss) by segments (Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	-	(2,801)	17,385	-	122	-	2,221	41,145	2,370	303	(14,629)	31,350	77,466	3,077	80,543
	-	2,801	-	-	-	-	(2,221)	(41,145)	-	-	-	-	(40,565)	-	(40,565)
	-	-	17,385	-	122	-	-	-	2,370	303	(14,629)	31,350	36,901	3,077	39,978
Share of loss of associated companies not included in reportable segments													(859)	-	(859)
Profit before taxation (*)													36,042	3,077	39,119

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

	RM'000
- Continuing	7,769
- Discontinued	31,350
	<u>39,119</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 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 period.

A9. MATERIAL SUBSEQUENT EVENTS

There were no material subsequent events from the end of the current financial period 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 period 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 30.06.2013	As at 31.12.2012
	RM'000	RM'000
Performance bonds and guarantees	23,471	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 30.06.2013
	RM'000
Authorised and contracted for:	
- Property, plant and equipment	431

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**A13. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY FUNDS (UNAUDITED)
AS AT 30 JUNE 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	25,597	268	-	-	-	25,865
Investment properties	11,632	-	-	-	-	11,632
Intangible assets	7,320	-	-	-	-	7,320
Investments	122,001	3,263	10,793	56,343	294,821	487,221
Financial assets at fair value through profit of loss	33,843	-	10,793	-	185,566	230,202
Held-to-maturity financial assets	-	-	-	18,868	20,043	38,911
Available-for-sale financial assets	80,933	20	-	37,313	42,801	161,067
Loans and receivables	7,225	3,243	-	162	46,411	57,041
Associated companies	60,822	-	-	-	-	60,822
Reinsurance assets	-	85,483	-	179,212	15,473	280,168
Insurance receivables	-	18,744	-	32,106	27,209	78,059
Trade and other receivables	251,409	770	146	727	4,425	257,477
Tax recoverable	3,096	-	-	-	171	3,267
Deferred tax assets	-	563	-	-	-	563
Cash and cash equivalents	88,305	175	1,855	21,626	72,626	184,587
Total assets	570,182	109,266	12,794	290,014	414,725	1,396,981
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance contract liabilities	-	139,295	-	228,943	356,798	725,036
Investment contract liabilities	-	-	10,922	-	-	10,922
Borrowings						
- Bank overdrafts (unsecured)	4,465	-	-	-	-	4,465
Insurance payables	-	57,169	-	44,250	27,785	129,204
Trade and other payables	51,569	2,272	369	11,860	18,910	84,980
Current tax liabilities	2,982	-	-	2,537	2,923	8,442
Deferred tax liabilities	3,806	-	-	458	1,070	5,334
Total liabilities	62,822	198,736	11,291	288,048	407,486	968,383
Equity, policyholders' funds and liabilities						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	95,693	-	-	-	-	95,693
Reserves	4,458	-	-	-	-	4,458
Total equity attributable to the owners of the Company	404,505	-	-	-	-	404,505
Non-controlling interests	24,093	-	-	-	-	24,093
Total equity	428,598	-	-	-	-	428,598
Total equity, policyholders' funds and liabilities	491,420	198,736	11,291	288,048	407,486	1,396,981
Inter-fund balances	78,762	(89,470)	1,503	1,966	7,239	-

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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 30 JUNE 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	32,693	24,148	108	101,549	131,975	-	290,473
Gross earned premiums/contributions	-	24,073	-	100,149	125,728	-	249,950
Premiums/contributions ceded to reinsurers/retakaful	-	(25,410)	-	(80,920)	(6,069)	-	(112,399)
Net earned premiums/contributions	-	(1,337)	-	19,229	119,659	-	137,551
Investment income	5,198	75	108	1,400	6,247	-	13,028
Realised gains and losses	2,231	-	-	50	8,634	-	10,915
Fair value gains and losses	111	-	(71)	-	(619)	-	(579)
Fee and commission income	-	1,375	-	24,907	-	-	26,282
Other operating revenue from non-insurance businesses	27,495	-	-	-	-	-	27,495
Wakalah fee from takaful business	71,720	-	-	-	-	(71,720)	-
Other revenue	106,755	1,450	37	26,357	14,262	(71,720)	77,141
Gross benefits and claims paid	-	(14,397)	(68)	(26,521)	(50,509)	-	(91,495)
Claims ceded to reinsurers/retakaful	-	6,808	-	18,176	6,481	-	31,465
Gross change to contract liabilities	-	(35,487)	202	(25,591)	-	-	(60,876)
Change in contract liabilities ceded to reinsurers/retakaful	-	27,812	-	20,995	-	-	48,807
Net insurance/takaful benefits and claims	-	(15,264)	134	(12,941)	(44,028)	-	(72,099)
Fee and commission expense	(49,017)	(2,012)	-	-	-	-	(51,029)
Management expenses	(59,390)	(3,514)	(323)	(43)	-	-	(63,270)
Other operating income/(expenses) - net	(2,819)	19	70	-	(6,002)	-	(8,732)
Wakalah fee payable to Shareholders' fund	-	-	-	(33,171)	(38,549)	71,720	-
Finance cost	(197)	-	-	-	-	-	(197)
Other expenses	(111,423)	(5,507)	(253)	(33,214)	(44,551)	71,720	(123,228)
Share of profit of associate companies, net of tax	1,678	-	-	-	-	-	1,678
	(2,990)	(20,658)	(82)	(569)	45,342	-	21,043
Taxation of general takaful and family takaful businesses	-	-	-	(149)	(1,616)	-	(1,765)
Surplus/(deficit) after taxation/ profit/(loss) before taxation	(2,990)	(20,658)	(82)	(718)	43,726	-	19,278
Deficit/(surplus) retained in life insurance, general takaful and family takaful businesses	-	-	82	-	(43,726)	-	(43,644)
Profit/(loss) before taxation	(2,990)	(20,658)	-	(718)	-	-	(24,366)
Taxation	(1,296)	-	-	-	-	-	(1,296)
Profit/(loss) for the financial period	(4,286)	(20,658)	-	(718)	-	-	(25,662)

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**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS (UNAUDITED)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	25,611	37,639	126	66,974	109,759	-	240,109
Gross earned premiums/contributions	-	37,411	-	65,596	105,658	-	208,665
Premiums/contributions ceded to reinsurers/retakaful	-	(18,916)	-	(51,886)	(8,329)	-	(79,131)
Net earned premiums/contributions	-	18,495	-	13,710	97,329	-	129,534
Investment income	4,305	228	126	1,378	4,101	-	10,138
Realised gains and losses	4,332	-	6	405	1,444	-	6,187
Fair value gains and losses	1,757	-	(3,152)	-	5,396	-	4,001
Fee and commission income	-	3,299	-	14,848	-	-	18,147
Other operating revenue from non-insurance businesses	21,306	-	-	-	-	-	21,306
Wakalah fee from takaful business	54,503	-	-	-	-	(54,503)	-
Other revenue	86,203	3,527	(3,020)	16,631	10,941	(54,503)	59,779
Gross benefits and claims paid	-	(21,291)	-	(24,764)	(39,279)	-	(85,334)
Claims ceded to reinsurers/retakaful	-	11,361	-	16,249	9,349	-	36,959
Gross change to contract liabilities	-	1,698	3,359	(6,439)	-	-	(1,382)
Change in contract liabilities ceded to reinsurers/retakaful	-	255	-	8,542	-	-	8,797
Net insurance/takaful benefits and claims	-	(7,977)	3,359	(6,412)	(29,930)	-	(40,960)
Fee and commission expense	(41,216)	(7,304)	(6)	-	-	-	(48,526)
Management expenses	(50,745)	(4,399)	(472)	(20)	-	-	(55,636)
Other operating income/(expenses) - net	(2,789)	15,043	139	-	(3,303)	-	9,090
Wakalah fee payable to Shareholders' fund	-	-	-	(20,943)	(33,560)	54,503	-
Finance cost	(210)	-	-	-	-	-	(210)
Other expenses	(94,960)	3,340	(339)	(20,963)	(36,863)	54,503	(95,282)
Share of loss of associate companies, net of tax	(859)	-	-	-	-	-	(859)
	(9,616)	17,385	-	2,966	41,477	-	52,212
Taxation of general takaful and family takaful businesses	-	-	-	(745)	(332)	-	(1,077)
Surplus/(deficit) after taxation/ profit/(loss) before taxation	(9,616)	17,385	-	2,221	41,145	-	51,135
Surplus retained in life insurance, general takaful and family takaful businesses	-	-	-	(2,221)	(41,145)	-	(43,366)
Profit/(loss) before taxation	(9,616)	17,385	-	-	-	-	7,769
Taxation	(852)	-	-	-	-	-	(852)
Profit/(loss) for the financial period	(10,468)	17,385	-	-	-	-	6,917

MAA GROUP BERHAD (471403-A)
(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2013

**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS (UNAUDITED)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012**

Discontinued Operations

	Shareholders' fund	Life fund	Total
	RM'000	RM'000	RM'000
Operating revenue	11,294	3,316	14,610
Gross earned premiums	-	2,713	2,713
Premiums ceded to reinsurers	-	(228)	(228)
Net earned premiums	-	2,485	2,485
Investment income	8	603	611
Realised gains and losses	30,901	36	30,937
Fair value gains and losses	-	(1,360)	(1,360)
Fee and commission income	-	116	116
Other operating revenue from non-insurance businesses	11,286	-	11,286
Other revenue	42,195	(605)	41,590
Gross benefits and claims paid	-	(3,419)	(3,419)
Gross change to contract liabilities	-	1,741	1,741
Net insurance benefits and claims	-	(1,678)	(1,678)
Fee and commission expense	-	(358)	(358)
Management expenses	(10,944)	(2,712)	(13,656)
Other operating income - net	119	67	186
Finance costs	(20)	-	(20)
Other expenses	(10,845)	(3,003)	(13,848)
Profit/(deficit) before taxation	31,350	(2,801)	28,549
Deficit retained in life insurance business	-	2,801	2,801
Profit before taxation	31,350	-	31,350
Taxation	(153)	-	(153)
Profit for the financial period	31,197	-	31,197

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2013

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 30 June 2013 (2Q-2013), the Group recorded an increase of 11.4% in total operating revenue to RM159.0 million wholly from the continuing operations (2Q-2012: RM142.7 million, of which the continuing operations recorded RM136.8 million and the discontinued operations recorded RM5.9 million).

Under the conventional insurance business, the General Insurance Division recorded a total gross earned premium of RM6.9 million (2Q-2012: RM14.4 million) wholly from the continuing operations. The Life Insurance Division recorded a total gross earned premium of RM1.3 million in 2Q-2012 wholly from the discontinued operations.

Under the takaful business, the General Takaful Division recorded a 49.3% increase in total gross earned contribution to RM55.6 million (2Q-2012: RM37.2 million) mainly growth from fire, motor, engineering, oil and gas classes of business, whilst the Family Takaful Division registered a 9.7% increase in total gross earned contribution to RM74.4 million (2Q-2012: RM67.8 million), mainly growth from single premium investment-linked products.

The Group's unit trust fund management division recorded a 31.9% increase in operating revenue to RM12.0 million (2Q-2012: RM9.1 million) arose mainly from the increase in initial service and management fee income to RM11.7 million (2Q-2012: RM8.9 million).

The Shareholders' fund (excluding the unit trust fund management division) recorded a total operating revenue of RM5.5 million, wholly from continuing operations (2Q-2012: RM10.1 million with continuing operations: RM5.1 million and discontinued operations: RM5.0 million).

Profit / loss before taxation

The Group recorded a loss before taxation ("LBT") of RM16.6 million for 2Q-2013 wholly from continuing operations. (2Q-2012: profit before taxation ("PBT") of RM26.5 million with continuing operations: LBT of RM4.4 million and discontinued operations: PBT of RM30.9 million).

Under the conventional insurance business, the General Insurance Division recorded a LBT of RM13.4 million (2Q-2012: PBT of RM2.1 million) wholly from the continuing operations. This loss arose mainly from lower gross earned premium and higher net claims on Fire class of business recorded by the overseas insurance subsidiary company in Indonesia.

The Life Insurance Division registered a small LBT of RM0.01 million wholly from the continuing operations (2Q-2012: LBT of RM2.2 million with continuing operations: LBT of RM0.01 million and discontinued operations: LBT of RM2.2 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 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 LBT of RM2.9 million (2Q-2012: PBT of RM1.4 million) due mainly increase in net claim ratio to 80.7% (2Q-2012: 40.1%) coupled with higher wakalah fee expenses of RM19.9 million (2Q-2012: RM12.0 million). The Family Takaful Division recorded a higher PBT of RM33.3 million (2Q-2012: PBT of RM25.6 million) contributed by increase in gross earned contribution and higher net realised gain and fair value gain from investments.

The Group's unit trust fund management division recorded a marginal increase in PBT to RM0.8 million (2Q-2012: LBT of RM0.02 million), contributed by increase in initial service and management fee income.

The Shareholders' Fund (excluding the unit trust fund management division) recorded a lower LBT of RM1.6 million wholly from continuing operations (2Q-2012: PBT of RM24.5 million with continuing operations: LBT of RM6.4 million and discontinued operations: PBT of RM30.9 million). The lower LBT recorded by continuing operations in 2Q-2013 was due mainly from higher wakalah fee income earned by the local takaful subsidiary company. The profit recorded by discontinued operations in 2Q-2012 was due mainly to a gain of RM30.1 million recognised from the net receipt of a held back sum from the sale consideration of the disposal of MAA upon satisfaction of condition precedent to the SPA in relation to Prima Avenue Klang property.

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.

Current financial period to date against preceding year's corresponding period to date

Operating revenue

For 6 months period ended 30 June 2013, the Group recorded an increase of 14.1% in total operating revenue to RM290.5 million wholly from the continuing operations (2012: RM254.7 million, of which the continuing operations recorded RM240.1 million and the discontinued operations recorded RM14.6 million).

Under the conventional insurance business, the General Insurance Division recorded a total gross earned premium of RM24.1 million (2012: RM37.4 million) wholly from the continuing operations. The Life Insurance Division recorded a total gross earned premium of RM2.7 million in 2012 wholly from the discontinued operations.

Under the takaful business, the General Takaful Division recorded a 52.6% increase in total gross earned contribution to RM100.1 million (2012: RM65.6 million) mainly growth from fire, motor, engineering and oil and gas classes of business, whilst the Family Takaful Division registered a 18.9% increase in total gross earned contribution to RM125.7 million (2012: RM105.7 million), mainly growth from single premium investment-linked products.

The Group's unit trust fund management division recorded a 22.2% increase in operating revenue to RM22.0 million (2012: RM18.0 million) arose mainly from the increase in initial service and management fee income to RM21.6 million (2012: RM17.6 million).

The Shareholders' fund (excluding the unit trust fund management division) recorded a total operating revenue of RM10.7 million, wholly from continuing operations (2012: RM18.9 million with continuing operations: RM7.6 million and discontinued operations: RM11.3 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2013

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period to date against preceding year's corresponding period to date (continued)

Profit / loss before taxation

The Group recorded a LBT of RM24.4 million for the current financial period under review wholly from continuing operations. (2012: PBT of RM39.2 million with continuing operations: PBT of RM7.8 million and discontinued operations: PBT of RM31.4 million).

Under the conventional insurance business, the General Insurance Division recorded a LBT of RM20.7 million (2012: PBT of RM17.4 million) wholly from the continuing operations. This loss arose mainly from lower gross earned premium and higher net claims incurred on Fire class of business recorded by the overseas insurance subsidiary company in Indonesia, whilst the profit in 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 LBT of RM0.1 million wholly from the continuing operations (2012: LBT of RM2.8 million wholly from discontinued operations).

Under the takaful business, the General Takaful Division recorded a LBT of RM0.7 million (2012: PBT of RM2.2 million) due mainly to increase in net claim ratio to 67.3% (2012: 46.8%) coupled with higher wakalah fee of RM33.2 million (2012: RM20.9 million). The Family Takaful Division recorded a higher PBT of RM43.7 million (2012: PBT of RM41.1 million) contributed by increase in gross earned contribution and higher net realised gain and fair value gain from investments.

The Group's unit trust fund management division recorded an increase in PBT to RM1.3 million (2012: PBT of RM0.3 million), contributed by increase in initial service and management fee income.

The Shareholders' Fund (excluding the unit trust fund management division) recorded a LBT of RM4.3 million wholly from continuing operations (2012: PBT of RM21.5 million with continuing operations: LBT of RM9.9 million and discontinued operations: PBT of RM31.4 million). The lower LBT recorded by continuing operations in 2013 was due mainly from higher wakalah fee income earned by the local takaful subsidiary company. The profit recorded by discontinued operations in 2012 was due mainly to a gain of RM30.1 million recognised from the net receipt of a held back sum from the sale consideration of the disposal of MAA upon satisfaction of condition precedent to the SPA in relation to Prima Avenue Klang property.

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 higher LBT of RM16.6 million (preceding quarter 2013: LBT of RM7.8 million) wholly from continuing operations. This loss arose mainly from LBT of RM13.4 million registered by the overseas insurance subsidiary company in Indonesia resulted from lower gross earned premium and higher net claims incurred on Fire class of business.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2013

B3. PROSPECTS

The Group foresees its performance for the current financial year will be affected by the performance and 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. As disclosed on note B6 (b) of this report, Bursa Securities has granted a further extension of time of up to 30 November 2013 for the Company to submit a regularisation plan. The Company is in the midst of formulating a regularisation plan for submission to the Bursa Securities for approval.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

B5. TAXATION

	3 months period ended		6 months period ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
<u>Current tax</u>				
Current financial quarter/period	1,057	551	1,254	817
Under accrual in prior financial quarter/period	14	-	48	-
	1,071	551	1,302	817
<u>Deferred tax</u>				
Current financial quarter/period	(1)	44	(6)	35
Tax expense	1,070	595	1,296	852
<u>Discontinued operations</u>				
<u>Current tax</u>				
Current financial quarter/period	-	52	-	168
<u>Deferred tax</u>				
Current financial quarter/period	-	(74)	-	(15)
Tax (income)/expense	-	(22)	-	153

Even though the Group recorded a loss before taxation for the current financial quarter and period under review, provision for taxation has been made due mainly to certain expenses which are not allowable for tax purposes and non-recognition of deferred tax assets on the loss recorded by an oversea subsidiary company in Indonesia.

For the previous year's corresponding financial quarter and period, the lower provision for taxation made due mainly to certain income/gain not subject to tax.

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 30 December 2011, based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries prepared by and received from Zurich, there is an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equals 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.

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

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich confirming an overstatement of RM5.3 million in the Life fund liabilities of MAA in the draft completion accounts.

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.

On 24 July 2013, the Company entered into a settlement agreement (“Settlement Agreement”) with Zurich for settlement of the Disputed Matters in relation to the draft completion accounts and Prima Avenue Klang property (“PAK”) (“Proposes Settlement”).

Subject to fulfillment of the conditions precedent set out in the Settlement Agreement, the salient terms of the Proposed Settlement, inter-alia, include the following:

- (i) The parties agree and acknowledge that the final agreed additional consideration payable by Zurich shall be RM103,428,081 incorporating all adjustments on the general insurance reserves, general receivables and life liabilities reserve as specified in the Settlement Agreement.
- (ii) With respect to settlement of impairment dispute on Senai Desaru and Domayne bonds (“Bonds”), the Company agrees to accept transfer of the Bonds at the impaired carrying values and the deduction of the Bonds transfer price from the additional consideration by Zurich.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2013

B6. STATUS OF CORPORATE PROPOSALS (continued)

- (iii) The parties acknowledge that the amount of RM103,428,081 is subject to the deduction of the Bonds transfer price and PAK Hold Back Amount (as defined in (iv) below), such that the net amount payable by Zurich into the escrow account is RM78,825,822.
- (iv) Zurich shall instruct and withhold an amount of RM3.0 million (“PAK Hold Back Amount”) until delivery of the individual strata titles for Block A of PAK within 3 years period.

In furtherance of the Company’s obligations in relation to (iv) as disclosed above, and to recover the Company’s initial investment of RM20.0 million in the development (hereafter defined) arising from the original sale of MAA to Zurich on 30 September 2011, the Company has on 30 July 2013 entered into a joint venture agreement with PIMA Pembangunan Sdn Bhd (“PIMA”) in respect of a commercial development known as Prima Avenue Klang or Pusat Perniagaan Prima Klang (“Development”) which currently comprise of Block A and Block B office space and/or shop lots and a building platform for Block C (to be built). The Development is currently charged to Malayan Banking Berhad by way of first legal charge.

- (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”.

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 had granted an extension of time of up to 18 June 2013 for the Company to submit a regularisation plan.

On 7 June 2013, 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”).

On 1 August 2013, Bursa Securities has vide its letter granted a further extension of time of up to 30 November 2013 for the Company to submit a regularisation plan taking into consideration amongst others the following:

- (i) The latest consolidated financial position of the Group including its consolidated shareholders’ equity, net assets and gearing ratio position;

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2013

- (ii) The future receipts of the balance of cash proceeds from the disposal of Disposed Subsidiaries following the proposed settlement on the amount receivable by the Company as announced on 24 July 2013; and
- (iii) The latest regulatory development vis-à-vis the Islamic Financial Services Act, 2013 which came into effect on 1 July 2013, which governs the Company's core business activities.

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 30 November 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 regularisation 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.

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 21 August 2013 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B7. GROUP BORROWINGS

The Group's borrowings include:

	As at 30.06.2013	As at 31.12.2012
	RM'000	RM'000
<u>Short term</u>		
Bank overdrafts (unsecured)	4,465	4,335

B8. MATERIAL LITIGATION

There were no material litigations as at 21 August 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.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2013

B9. PROPOSED DIVIDEND

The Board of Directors has on 23 May 2013 declared 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 was paid on 5 July 2013.

Other than as stated, the Board of Directors does not recommend the payment of any further dividend for the current financial quarter under review.

B10. EARNINGS PER SHARE

	3 months period ended		6 months period ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
<u>Attributable to the Owners of the Company:</u>				
Net profit/(loss) for the financial quarter /period (RM'000)				
- Continuing operations	(15,807)	(6,134)	(23,041)	5,403
- Discontinued operations	-	30,914	-	31,197
	(15,807)	24,780	(23,041)	36,600
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	(5.19)	(2.02)	(7.57)	1.78
- Discontinued operations	-	10.16	-	10.25
	(5.19)	8.14	(7.57)	12.03

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 30 JUNE 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		6 months period ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Interest income	5,083	4,231	10,014	8,359
Dividend income	2,123	1,068	2,944	1,608
Rental income	18	24	22	46
Accretion of discounts	19	38	48	125
Gain on disposal of investments	7,939	2,126	10,935	6,178
Gain on disposal of property, plant and equipment	(20)	9	(20)	9
Net foreign exchange gain/(loss)	(2,050)	(291)	(2,105)	32
Net fair value gain/(loss) on investments	4,860	2,002	(278)	3,280
Write back of impairment loss on property, plant and equipment	-	426	-	673
Allowance for impairment loss on available-for-sale financial assets	(858)	-	(858)	-
(Allowance for)/write back of impairment loss on loans from leasing, hire purchase and other - net	(135)	25	557	48
Allowance for impairment loss on insurance receivables	(30)	(326)	(43)	(856)
(Allowance for)/write back of impairment loss on trade and other receivables	(137)	(78)	(130)	9
Depreciation of property, plant and equipment	(969)	(279)	(1,902)	(1,086)
Amortisation of intangible assets	(406)	(459)	(863)	(911)
<u>Discontinued operations</u>				
Interest income	-	(464)	-	611
Gain on disposal of property, plant and equipment	-	65	-	65
Gain on disposal of subsidiary companies	-	30,872	-	30,872
Net fair value loss on investments	-	(1,360)	-	(1,360)
Net foreign exchange gain	-	16	-	21
Allowance for impairment loss on trade and other receivables	-	(59)	-	(154)
Depreciation of property, plant and equipment	-	(198)	-	(346)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 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 30.06.2013	As at 31.12.2012
	RM'000	RM'000
Total retained earnings of the Group:		
- Realised	104,965	131,741
- Unrealised	(4,990)	1,415
	99,975	133,156
Total share of accumulated losses from associated companies		
- Realised	(3,890)	(5,606)
- Unrealised	3,875	3,913
	(15)	(1,693)
	99,960	131,463
Less: Consolidation adjustments	(4,267)	(12,729)
Total Group retained earnings as per statement of financial position	95,693	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: 27 AUGUST 2013