

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

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

A1. BASIS OF PREPARATION

These condensed consolidated interim financial statements (“Interim Reports”) are unaudited and have been prepared in accordance with the requirements of 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 Interim Reports should be read in conjunction with the Group’s consolidated audited annual financial statements for the financial year ended 31 December 2012. For the financial year ended 31 December 2013, the Group viewed that the insurance subsidiary in Indonesia, PT MAA General Assurance (“PT MAAG”) is no longer a going concern in light of the deficit in shareholders’ fund, non-compliance to minimum net equity and solvency requirements and cessation of underwriting new and renewal businesses due to sanctions by Otoritas Jasa Keuangan of Indonesia (“OJK”) and accordingly the Group has applied the alternative basis - liquidation /break-up basis in the preparation of the financial statements of PT MAAG for the financial year ended 31 December 2013 which requires management to assess the net realisable value of the company’s assets and provide for impairment, if any.

The explanatory notes attached to these Interim Reports provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2012.

A2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Group in these Interim Reports are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2012, except for the adoption of the following MFRSs, amendments and improvements to MFRs and interpretations issued by MASB that are effective and applicable to the Group.

Effective beginning on or after 1 January 2013

- MFRS 3, “Business combinations”
- MFRS 10, “Consolidated Financial Statements”
- MFRS 11, “Joint Arrangements”
- MFRS 12, “Disclosures of Interests in Other Entities”
- MFRS 13, “Fair Value Measurement”
- The revised MFRS 127, “Consolidated and Separate Financial Statements”
- The revised MFRS 128, “Investments in Associates and Joint Ventures”
- Amendments to MFRS 101, “Presentation of Items of Other Comprehensive Income”
- Amendments to MFRS 119, “Employee Benefits”
- Amendments to MFRS 7, “Financial Instruments: Disclosures”
- Amendments to MFRS 10, 11 & 12, “Consolidated Financial Statements : Transition Guidance”
- Amendments to MFRS 11, “Joint Arrangements: Transition Guidance”
- Amendments to MFRS 12, “Disclosures of Interests in Other Entities : Transition Guidance”
- Annual improvement 2009 – 2011 Cycle

The adoption of the above MFRSs, amendments and improvements to MFRs and interpretations are not expected to have any material impact to the financial statements of the Group.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

A2. CHANGES IN ACCOUNTING POLICIES (continued)

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

Beginning on or after 1 January 2014

- Amendments to MFRS 10, "Consolidated Financial Statements : Investment Entities"
- Amendments to MFRS 12, "Disclosures of Interests in Other Entities : Investment Entities"
- Amendments to MFRS 127, "Consolidated and Separate Financial Statements : Investment Entities"
- Amendments to MFRS 132, "Financial Instruments: Presentation"
- Amendments to MFRS 136, "Impairment of Assets – Recoverable Amount disclosures for Non-Financial Assets"
- IC Interpretation 21 Levies

Effective date yet to be determined by MASB

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

The Group will adopt the above MFRs, amendments and improvements to MFRs and interpretations when they become effective in the respective financial periods. These MFRs, amendments and improvements to MFRs and interpretations are not expected to have any material impact to the financial statements of the Group upon their first adoption.

A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's business operations for the current financial quarter and year ended 31 December 2013 were not significantly affected by any seasonal or cyclical factors.

A4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidence during the current financial quarter and year ended 31 December 2013.

A5. CHANGES IN ESTIMATES

There were no changes in estimates that have had any material effect in the current financial quarter and year ended 31 December 2013.

A6. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the current financial quarter and year ended 31 December 2013.

A7. 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 ended 31 December 2013.

A8. 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 YEAR ENDED 31 DECEMBER 2013
A8. SEGMENTAL INFORMATION (continued)

	Insurance			Takaful			Unit trust fund management	All other segments	Total	Inter-segment elimination	Group total		
	Life insurance	General insurance	Share-holders' fund	General takaful	Family takaful	Share-holders' fund							
	<u>Continuing</u> RM'000	<u>Discontinued</u> RM'000	RM'000	RM'000	RM'000	RM'000	<u>Discontinued</u> RM'000	<u>Continuing</u> RM'000	<u>Discontinued</u> RM'000	RM'000	RM'000	RM'000	
3 months period ended													
31 December 2013													
External revenue	59	-	(1,237)	271	57,121	67,023	997	12,983	2,957	-	140,174	-	140,174
Inter-segment revenue	-	-	-	-	-	-	-	-	43	-	43	(43)	-
Total operating revenue	<u>59</u>	<u>-</u>	<u>(1,237)</u>	<u>271</u>	<u>57,121</u>	<u>67,023</u>	<u>997</u>	<u>12,983</u>	<u>3,000</u>	<u>-</u>	<u>140,217</u>	<u>(43)</u>	<u>140,174</u>
Profit/(loss) by segments	(1,002)	-	(1,402)	1,012	82	(54,462)	3,616	1,694	322	(214)	(50,354)	13	(50,341)
(Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	(27)	-	-	-	(82)	61,712	-	-	-	-	61,603	-	61,603
	<u>(1,029)</u>	<u>-</u>	<u>(1,402)</u>	<u>1,012</u>	<u>-</u>	<u>7,250</u>	<u>3,616</u>	<u>1,694</u>	<u>322</u>	<u>(214)</u>	<u>11,249</u>	<u>13</u>	<u>11,262</u>
Share of loss of associated companies not included in reportable segments											(760)	-	(760)
Profit before taxation (*)											<u>10,489</u>	<u>13</u>	<u>10,502</u>

(*) consist of profit before taxation from:

	RM'000
- Continuing	9,021
- Discontinued	1,481
	<u>10,502</u>

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A8. SEGMENTAL INFORMATION (continued)

	Insurance			Takaful			Unit trust fund management	All other segments	Total	Inter-segment elimination	Group total		
	Life insurance	General insurance	Share-holders' fund	General takaful	Family takaful	Share-holders' fund							
	<u>Continuing</u> RM'000	<u>Discontinued</u> RM'000	RM'000	RM'000	RM'000	RM'000	<u>Discontinued</u> RM'000	<u>Continuing</u> RM'000	<u>Discontinued</u> RM'000	RM'000	RM'000	RM'000	
12 months period ended													
31 December 2013													
External revenue	226	-	28,109	1,334	220,342	280,477	3,884	47,155	16,052	-	597,579	-	597,579
Inter-segment revenue	-	-	-	-	-	-	-	-	225	-	225	(225)	-
Total operating revenue	<u>226</u>	<u>-</u>	<u>28,109</u>	<u>1,334</u>	<u>220,342</u>	<u>280,477</u>	<u>3,884</u>	<u>47,155</u>	<u>16,277</u>	<u>-</u>	<u>597,804</u>	<u>(225)</u>	<u>597,579</u>
Profit/(loss) by segments	(1,029)	-	(27,893)	(30)	1,797	13,920	5,531	4,326	3,756	14,378	14,756	13	14,769
(Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	-	-	-	-	(172)	(6,670)	-	-	-	-	(6,842)	-	(6,842)
	<u>(1,029)</u>	<u>-</u>	<u>(27,893)</u>	<u>(30)</u>	<u>1,625</u>	<u>7,250</u>	<u>5,531</u>	<u>4,326</u>	<u>3,756</u>	<u>14,378</u>	<u>7,914</u>	<u>13</u>	<u>7,927</u>
Share of profit of associated companies not included in reportable segments											1,525	-	1,525
Profit before taxation (*)											<u>9,439</u>	<u>13</u>	<u>9,452</u>

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

	RM'000
- Continuing	(9,252)
- Discontinued	18,704
	<u>9,452</u>

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013
A8. SEGMENTAL INFORMATION (continued)

	Insurance			Takaful			Unit trust fund management	All other segments	Total	Inter-segment elimination	Group total		
	Life insurance	General insurance	Share-holders' fund	General takaful	Family takaful	Share-holders' fund							
	<u>Continuing</u> RM'000	<u>Discontinued</u> RM'000	RM'000	RM'000	RM'000	RM'000	<u>Discontinued</u> RM'000	<u>Continuing</u> RM'000	<u>Discontinued</u> RM'000	RM'000	RM'000	RM'000	
3 months period ended													
31 December 2012													
(Restated)													
External revenue	(14)	-	16,592	354	50,693	56,583	1,024	10,706	3,043	-	138,981	-	138,981
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	(14)	-	16,592	354	50,693	56,583	1,024	10,706	3,043	-	138,981	-	138,981
Profit/(loss) by segments	(17)	-	(10,951)	(2,304)	2,856	(27,496)	(2,603)	2,333	(1,264)	4,337	(35,109)	4,988	(30,121)
(Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	(111)	(3,170)	-	-	3,922	37,326	-	-	-	-	37,967	-	37,967
	(128)	(3,170)	(10,951)	(2,304)	6,778	9,830	(2,603)	2,333	(1,264)	4,337	2,858	4,988	7,846
Share of profit of associated companies not included in reportable segments											663	-	663
Profit before taxation (*)											3,521	4,988	8,509

(*) consist of profit before taxation from:

	RM'000
- Continuing	5,009
- Discontinued	3,500
	<u>8,509</u>

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A8. SEGMENTAL INFORMATION (continued)

	Insurance			Takaful			Unit trust fund management	All other segments	Total	Inter-segment elimination	Group total		
	Life insurance	General insurance	Share-holders' fund	General takaful	Family takaful	Share-holders' fund							
	<u>Conti- nuing</u> RM'000	<u>Discon- tinued</u> RM'000	RM'000	RM'000	RM'000	RM'000	<u>Discon- tinued</u> RM'000	<u>Conti- nuing</u> RM'000	<u>Discon- tinued</u> RM'000	RM'000	RM'000	RM'000	
12 months period ended													
31 December 2012													
(Restated)													
External revenue	177	4,008	69,814	1,190	155,800	218,362	3,748	39,015	9,636	11,294	513,044	-	513,044
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	177	4,008	69,814	1,190	155,800	218,362	3,748	39,015	9,636	11,294	513,044	-	513,044
Profit/(loss) by segments	(128)	(3,170)	(12,268)	(4,516)	6,778	19,022	(351)	6,003	(38,712)	67,483	40,141	8,884	49,025
(Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	-	-	-	-	-	(9,192)	-	-	-	-	(9,192)	-	(9,192)
	(128)	(3,170)	(12,268)	(4,516)	6,778	9,830	(351)	6,003	(38,712)	67,483	30,949	8,884	39,833
Share of loss of associated companies not included in reportable segments											(665)	-	(665)
Profit before taxation (*)											30,284	8,884	39,168

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

	RM'000
- Continuing	(31,148)
- Discontinued	70,316
	<u>39,168</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

A9. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the financial year ended 31 December 2013 that have not been reflected in these Interim Reports.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

- (a) MAA Corporation Sdn Bhd, a wholly owned subsidiary of the Company has on 21 August 2013 incorporated two companies, MaaxSite Sdn Bhd (“MAAXSITE”) and MaaxClub Sdn Bhd (“MAAXCLUB”) with authorised share capital of RM400,000.00 and paid up capital of RM2.00 made up of two (2) ordinary shares of RM1.00 each respectively. The principal activities of MAAXSITE and MAAXCLUB are to carry on business of E-commerce and any type of electronic business or commercial plan which relates to E-Business.
- (b) On 31 December 2013, MAAKL Mutual Bhd (“MAAKL Mutual”) ceased to be a subsidiary of the Group after the completion of the disposal of the company as stated in note B10(c) of these Interim Reports.

A11. CARRYING AMOUNT OF REVALUED ASSETS

Investment properties of the Group had been carried at revalued amount at the financial year ended 31 December 2012. During the current financial year ended 31 December 2013, the Group has revalued its investment properties and the gains or losses arising from changes in fair values of investment properties have been recognised in the income statement.

A12. 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 31.12.2013	As at 31.12.2012
	RM’000	RM’000
Performance bonds and guarantees	24,183	21,611

A13. CAPITAL COMMITMENTS

The Group’s capital commitments not provided for in these Interim Reports is as follows:

	As at 31.12.2013
	RM’000
Authorised and contracted for:	
- Property, plant and equipment	637

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

**A14. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY FUNDS (UNAUDITED)
AS AT 31 DECEMBER 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	21,867	129	-	-	-	21,996
Investment properties	12,500	-	-	-	-	12,500
Intangible assets	2,855	-	-	-	-	2,855
Investments	263,514	1,369	3,938	61,400	329,661	659,882
Financial assets at fair value through profit of loss	34,902	-	3,938	-	263,495	302,335
Held-to-maturity financial assets	-	-	-	15,000	25,043	40,043
Available-for-sale financial assets	121,979	1,358	-	45,158	41,118	209,613
Loans and receivables	106,633	11	-	1,242	5	107,891
Associated companies	63,971	-	-	-	-	63,971
Reinsurance assets	-	41,967	-	201,498	17,467	260,932
Insurance receivables	-	922	-	32,160	25,502	58,584
Trade and other receivables	119,851	208	86	997	1,768	122,910
Tax recoverable	2,740	33	-	-	-	2,773
Deferred tax assets	-	-	-	47	-	47
Cash and cash equivalents	119,386	1,816	1,867	20,419	41,043	184,531
Asset classified as held for sale	178	-	-	-	-	178
Total assets	606,862	46,444	5,891	316,521	415,441	1,391,159
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance contract liabilities	-	71,602	-	255,598	364,043	691,243
Investment contract liabilities	-	-	4,082	-	-	4,082
Borrowings						
- Bank overdrafts (unsecured)	4,715	-	-	-	-	4,715
Insurance payables	-	52,266	-	46,197	24,717	123,180
Trade and other payables	81,161	1,958	286	10,488	6,806	100,699
Current tax liabilities	5,136	321	-	3,697	4,179	13,333
Deferred tax liabilities	2,283	-	-	-	1,139	3,422
Total liabilities	93,295	126,147	4,368	315,980	400,884	940,674
Equity, policyholders' funds and liabilities						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	116,798	-	-	-	-	116,798
Reserves	10,068	-	-	-	-	10,068
Total equity attributable to the owners of the Company	431,220	-	-	-	-	431,220
Non-controlling interests	19,265	-	-	-	-	19,265
Total equity	450,485	-	-	-	-	450,485
Total equity, policyholders' funds and liabilities						
	543,780	126,147	4,368	315,980	400,884	1,391,159
Inter-fund balances	63,082	(79,703)	1,523	541	14,557	-

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

**A14. 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 YEAR ENDED 31 DECEMBER 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	21,270	28,109	226	220,342	280,477	-	550,424
Gross earned premiums/contributions	-	27,935	-	217,295	268,163	-	513,393
Premiums/contributions ceded to reinsurers/retakaful	-	(24,557)	-	(172,611)	(9,456)	-	(206,624)
Net earned premiums/contributions	-	3,378	-	44,684	258,707	-	306,769
Investment income	11,808	174	226	3,047	12,314	-	27,569
Realised gains and losses	6,899	32	112	874	19,599	-	27,516
Fair value gains and losses	15,446	-	185	-	5,911	-	21,542
Fee and commission income	-	1	-	47,501	-	-	47,502
Other operating revenue from non-insurance businesses	9,462	-	-	-	-	-	9,462
Wakalah fee from takaful business	142,421	-	-	-	-	(142,421)	-
Other revenue	186,036	207	523	51,422	37,824	(142,421)	133,591
Gross benefits and claims paid	-	(41,945)	(252)	(67,140)	(151,393)	-	(260,730)
Claims ceded to reinsurers/retakaful	-	9,497	-	48,210	10,286	-	67,993
Gross change to contract liabilities	-	32,376	(86)	(51,436)	(49,025)	-	(68,171)
Change in contract liabilities ceded to reinsurers/retakaful	-	(19,123)	-	43,359	2,423	-	26,659
Net insurance/takaful benefits and claims	-	(19,195)	(338)	(27,007)	(187,709)	-	(234,249)
Fee and commission expense	(97,688)	(671)	-	-	-	-	(98,359)
Management expenses	(99,141)	(13,502)	(1,344)	(2,047)	(1,834)	-	(117,868)
Other operating income/(expenses) - net	20,469	1,890	130	-	(12,700)	-	9,789
Wakalah fee payable to Shareholders' fund	-	-	-	(63,945)	(78,476)	142,421	-
Finance cost	(406)	-	-	-	-	-	(406)
Other expenses	(176,766)	(12,283)	(1,214)	(65,992)	(93,010)	142,421	(206,844)
Share of profit of associate companies, net of tax	1,525	-	-	-	-	-	1,525
	10,795	(27,893)	(1,029)	3,107	15,812	-	792
Taxation of general takaful and family takaful businesses	-	-	-	(1,310)	(1,892)	-	(3,202)
Surplus/(deficit) after taxation/ profit/(loss) before taxation	10,795	(27,893)	(1,029)	1,797	13,920	-	(2,410)
Deficit/(surplus) retained in life insurance, general takaful and family takaful businesses	-	-	-	(172)	(6,670)	-	(6,842)
Profit/(loss) before taxation	10,795	(27,893)	(1,029)	1,625	7,250	-	(9,252)
Taxation	(3,432)	(478)	-	-	-	-	(3,910)
Zakat	(294)	-	-	-	-	-	(294)
Profit/(loss) for the financial year	7,069	(28,371)	(1,029)	1,625	7,250	-	(13,456)

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

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS (RESTATED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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	14,574	69,814	177	155,800	218,362	-	458,727
Gross earned premiums/contributions	-	69,412	-	152,907	209,099	-	431,418
Premiums/contributions ceded to reinsurers/retakaful	-	(48,466)	-	(121,522)	(18,709)	-	(188,697)
Net earned premiums/contributions	-	20,946	-	31,385	190,390	-	242,721
Investment income	8,697	402	177	2,893	9,263	-	21,432
Realised gains and losses	6,170	(6)	83	565	8,345	-	15,157
Fair value gains and losses	8,773	-	(2,828)	-	5,884	-	11,829
Fee and commission income	-	6,035	-	31,330	-	-	37,365
Other operating revenue from non-insurance businesses	5,877	-	-	-	-	-	5,877
Wakalah fee from takaful business	113,351	-	-	-	-	(113,351)	-
Other revenue	142,868	6,431	(2,568)	34,788	23,492	(113,351)	91,660
Gross benefits and claims paid	-	(51,055)	-	(48,810)	(84,879)	-	(184,744)
Claims ceded to reinsurers/retakaful	-	28,451	-	32,808	20,634	-	81,893
Gross change to contract liabilities	-	(49,298)	3,283	(15,348)	(52,293)	-	(113,656)
Change in contract liabilities ceded to reinsurers/retakaful	-	43,503	-	18,601	4,486	-	66,590
Net insurance/takaful benefits and claims	-	(28,399)	3,283	(12,749)	(112,052)	-	(149,917)
Fee and commission expense	(80,292)	(15,330)	(40)	-	-	-	(95,662)
Management expenses	(91,999)	(11,609)	(1,050)	(3)	-	-	(104,661)
Other operating income/(expenses) - net	(4,852)	15,693	247	-	(10,296)	-	792
Wakalah fee payable to Shareholders' fund	-	-	-	(43,316)	(70,035)	113,351	-
Finance cost	(420)	-	-	-	-	-	(420)
Other expenses	(177,563)	(11,246)	(843)	(43,319)	(80,331)	113,351	(199,951)
Share of loss of associate companies, net of tax	(665)	-	-	-	-	-	(665)
	(35,360)	(12,268)	(128)	10,105	21,499	-	(16,152)
Taxation of general takaful and family takaful businesses	-	-	-	(3,327)	(2,477)	-	(5,804)
Surplus/(deficit) after taxation/ profit/(loss) before taxation	(35,360)	(12,268)	(128)	6,778	19,022	-	(21,956)
Surplus attributable to participants	-	-	-	-	(9,192)	-	(9,192)
Profit/(loss) before taxation	(35,360)	(12,268)	(128)	6,778	9,830	-	(31,148)
Taxation	(3,380)	181	-	-	-	-	(3,199)
Zakat	(226)	-	-	-	-	-	(226)
Profit/(loss) for the financial year	(38,966)	(12,087)	(128)	6,778	9,830	-	(34,573)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

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

Discontinued Operations

	Shareholders' fund	Total
	RM'000	RM'000
Operating revenue	47,155	47,155
Investment income	857	857
Realised gains and losses	59,345	59,345
Other operating revenue from non-insurance businesses	46,298	46,298
Other revenue	106,500	106,500
Management expenses	(23,463)	(23,463)
Other operating expenses - net	(64,333)	(64,333)
Other expenses	(87,796)	(87,796)
Profit before taxation	18,704	18,704
Taxation	(1,180)	(1,180)
Profit for the financial year	17,524	17,524

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS (RESTATED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

Discontinued Operations

	Shareholders' fund	Life fund	Total
	RM'000	RM'000	RM'000
Operating revenue	50,309	4,008	54,317
Gross earned premiums	-	3,453	3,453
Premiums ceded to reinsurers	-	(258)	(258)
Net earned premiums	-	3,195	3,195
Investment income	992	555	1,547
Realised gains and losses	67,311	(182)	67,129
Fair value gains and losses	391	(942)	(551)
Fee and commission income	-	135	135
Other operating revenue from non-insurance businesses	49,317	-	49,317
Other revenue	118,011	(434)	117,577
Gross benefits and claims paid	-	(3,749)	(3,749)
Gross change to contract liabilities	-	1,587	1,587
Net insurance benefits and claims	-	(2,162)	(2,162)
Fee and commission expense	-	(450)	(450)
Management expenses	(28,176)	(3,373)	(31,549)
Other operating income/(expense) - net	(16,329)	54	(16,275)
Finance costs	(20)	-	(20)
Other expenses	(44,525)	(3,769)	(48,294)
Profit/(loss) before taxation	73,486	(3,170)	70,316
Taxation	(618)	-	(618)
Profit/(loss) for the financial year	72,868	(3,170)	69,698

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 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 Interim Reports under review, the discontinued operations for the current financial year ended 31 December 2013 represent MAAKL Mutual, whereas the discontinued operations for the preceding financial year ended 31 December 2012 represent an overseas life insurance subsidiary company in Indonesia and a local non-insurance subsidiary company which were disposed during 2012. However, in order to conform to the current financial year's presentation of financial statements, the preceding financial year's results of MAAKL Mutual have been reclassified from continuing operations to discontinued operations for comparative purposes.

Current financial quarter ended 31 December 2013 (4Q-2013) against preceding year's corresponding financial quarter ended 31 December 2012 (4Q-2012)

Operating revenue

The Group recorded a marginal increase of 0.9% in total operating revenue to RM140.2 million for 4Q-2013 under review (4Q-2012: RM139.0 million), of which the continuing operations recorded RM127.2 million (4Q-2012: RM128.3 million) and the discontinued operations recorded RM13.0 million (4Q-2012: RM10.7 million).

Under the conventional insurance business, the General Insurance Division recorded a total negative gross earned premium of RM1.3 million (4Q-2012: RM16.5 million) wholly from PT MAAG, mainly due to refunded premium for canceled policies.

Under the takaful business, the General Takaful Division recorded a 12.8% increase in total gross earned contribution to RM56.3 million (4Q-2012: RM49.9 million), mainly growth from fire, motor, engineering, oil and gas classes of business, whilst the Family Takaful Division registered a 18.6% increase in total gross earned contribution to RM63.9 million (4Q-2012: RM53.9 million), mainly growth from single premium investment-linked products.

The Group's unit trust fund management division (discontinued operations) recorded a 21.3% increase in operating revenue to RM13.0 million (4Q-2012: RM10.7 million), mainly due to higher initial service and management fee income of RM12.8 million (4Q-2012: RM10.3 million).

The Shareholders' fund (excluding the unit trust fund management division) recorded a total operating revenue of RM4.2 million (4Q-2012: RM4.4 million), wholly from the continuing operations.

Profit / loss before taxation

The Group recorded a Profit before taxation ("PBT") of RM10.5 million for 4Q-2013 under review (4Q-2012: PBT of RM8.5 million), of which the continuing operations recorded a PBT of RM9.0 million (4Q-2012: PBT of RM5.0 million) and the discontinued operations recorded a PBT of RM1.5 million (4Q-2012: PBT of RM3.5 million).

Under the conventional insurance business, the General Insurance Division recorded a lower loss before taxation ("LBT") of RM1.4 million (4Q-2012: LBT of RM11.0 million) wholly from PT MAAG, arose mainly from the release of incurred but not reported claims ("IBNR") resulted from business run-off. The Life Insurance Division registered a LBT of RM1.0 million wholly from the continuing operations.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 31 December 2013 (4Q-2013) against preceding year's corresponding financial quarter ended 31 December 2012 (4Q-2012) (continued)

Profit before taxation

Under the takaful business, there is no surplus recorded by the General Takaful Division in 4Q-2013 (4Q-2012: PBT of RM6.8 million) due mainly to the increase in net takaful benefits and claims of RM6.8 million (4Q-2012: RM3.5 million), higher wakalah fee expenses of RM14.7 million (4Q-2012: RM10.7 million) and allowance for impairment loss on insurance receivables of RM1.9 million. The Family Takaful Division recorded a lower PBT of RM7.3 million (4Q-2012: PBT of RM9.8 million). Despite the increase in gross earned contribution and higher net realised and fair value gains from investments in 4Q-2013, the Family Takaful Division has recorded a lower profit due mainly to higher net takaful benefits and claims of RM112.1 million (4Q-2012: RM58.3 million).

Despite the increase in initial service and management fee income, the Group's unit trust fund management division (discontinued operations) recorded a lower PBT to RM1.7 million in 4Q-2013 (4Q-2012: PBT of RM2.3 million), mainly due to higher commission paid and payable to unit trust agents.

The Shareholders' Fund (excluding the unit trust fund management division) recorded a PBT of RM4.0 (4Q-2012: PBT of RM3.9 million), of which the continuing operations recorded a PBT of RM4.2 million (4Q-2012: LBT of RM0.5 million) and the discontinued operations recorded a LBT of RM0.2 million (4Q-2012: PBT of RM4.4 million). The profit recorded by the continuing operations in 4Q-2013 was mainly contributed by a write back of impairment loss of RM3.7 million on investments in associated companies. In 4Q-2013, the discontinued operations recorded a gain of RM45.0 million from the disposal of MAAKL Mutual, however this gain was offset by a provision of RM45.0 million made for Zurich's Counterclaims (details of Zurich's Counterclaims are disclosed in note B10(a) of these Interim Reports. The said provision amount was based on the parties' ongoing and latest settlement negotiations, which to date has not been reached or mutually agreed.

Current financial year ended 31 December 2013 ("FY2013") against preceding financial year ended 31 December 2012 ("FY2012")

Operating revenue

For FY 2013 under review, the Group's total operating revenue increased by 16.5% to RM597.6 million (FY2012: RM513.0 million), of which the continuing operations recorded an increase of 20.0% to RM550.4 million (FY2012: RM458.7 million) and the discontinued operations recorded a decrease of 13.2% to RM47.2 million (FY2012: RM54.3 million).

Under the conventional insurance business, the General Insurance Division recorded a total gross earned premium of RM27.9 million (FY2012: RM69.4 million) wholly from PT MAAG. The Life Insurance Division recorded a total gross earned premium of RM3.5 million in FY2012 wholly from the discontinued operations.

Under the takaful business, the General Takaful Division recorded a 42.1% increase in total gross earned contribution to RM217.3 million (FY2012: RM152.9 million), mainly growth from fire, engineering and oil and gas classes of business, whilst the Family Takaful Division registered a 28.3% increase in total gross earned contribution to RM268.2 million (FY2012: RM209.1 million), mainly growth from single premium investment-linked products.

The Group's unit trust fund management division (discontinued operations) recorded a 20.9% increase in operating revenue to RM47.2 million (FY2012: RM39.0 million), mainly due to higher initial service and management fee income of RM46.3 million (FY2012: RM38.0 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial year ended 31 December 2013 ("FY2013") against preceding financial year ended 31 December 2012 ("FY2012") (continued)

Operating revenue (continued)

The Shareholders' fund (excluding the unit trust fund management division) recorded a total operating revenue of RM21.3 million, wholly from the continuing operations (FY2012: RM25.9 million with continuing operations: RM14.6 million and discontinued operations: RM11.3 million).

Profit / loss before taxation

The Group recorded a lower PBT of RM9.5 million for FY2013 (FY2012: PBT of RM39.2 million), of which the continuing operations recorded a LBT of RM9.3 million (FY2012: LBT of RM31.1 million) and the discontinued operations recorded a PBT of RM18.7 million (FY2012: PBT of RM70.3 million).

Under the conventional insurance business, the General Insurance Division recorded a higher LBT of RM27.9 million (FY2012: LBT of RM12.3 million) wholly from PT MAAG. This higher loss was due to cessation of underwriting new and renewal businesses, premium refunded for canceled policies, allowance for impairment loss on insurance receivables and provision for staff retrenchment expenses, offset partially by the release of IBNR during FY2013. In FY 2012, the General insurance division of the Labuan offshore subsidiary company recorded an income from a waiver of debts of RM14.8 million under a general reinsurance treaties commutation agreement; however this income was offset by higher net insurance benefits and claims and agents' commission expenses incurred by PT MAAG.

The Life Insurance Division registered LBT of RM1.0 million wholly from the continuing operations (FY2012: LBT of RM3.3 million with continuing operations: LBT of RM0.1 million and discontinued operations: LBT of RM3.2 million).

Under the takaful business, the General Takaful Division recorded a lower PBT of RM1.6 million (FY2012: PBT of RM6.8 million) due mainly to higher net takaful benefits and claims of RM27.0 million (FY2012: RM12.7 million), higher wakalah fee expenses of RM63.9 million (FY2012: RM43.3 million) and allowance for impairment loss on insurance receivables of RM1.9 million. The Family Takaful Division recorded a lower PBT of RM7.3 million (FY2012: PBT of RM9.8 million) due mainly to higher net takaful benefits and claims of RM187.7 million (FY2012: RM112.1 million) coupled with higher wakalah fee expenses of RM78.5 million (FY2012: RM70.0 million).

Despite the increase in initial service and management fee income, the Group's unit trust fund management division (discontinued operations) recorded a lower PBT of RM4.3 million in FY2013 (FY2012: PBT of RM6.0 million) due mainly to higher commission paid and payable to unit trust agents and management expenses.

The Shareholders' Fund (excluding the unit trust fund management division) recorded a lower PBT of RM25.2 million (FY2012: PBT of RM32.1 million), of which the continuing operations recorded a PBT of RM10.8 million (FY2012: LBT of RM35.4 million) and the discontinued operations recorded a PBT of RM14.4 million (FY2012: PBT of RM67.5 million). The profit recorded by the continuing operations in FY2013 was contributed by a net fair value gain of RM12.7 million recognised from bonds transferred from Zurich under the settlement agreement with Zurich as disclosed in note B10(a) of these Interim Reports, a write back of impairment loss of RM3.7 million on investments in associated companies and higher net realised and fair value gains from investments of RM13.1 million (FY2012: RM9.2 million), whilst the loss in FY2012 was mainly due to provision made for contingent liabilities of a former subsidiary company of RM14.4 million.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial year ended 31 December 2013 ("FY2013") against preceding financial year ended 31 December 2012 ("FY2012") (continued)

Profit / loss before taxation (continued)

The profit recorded by the discontinued operations in FY2013 included a gain of RM14.3 million from the disposal of MAA Assurance under the settlement agreement with Zurich as disclosed in note B10(a) of these Interim Reports and a gain of RM45.0 million from the disposal of MAAKL Mutual. However, this profit was offset by a provision of RM45.0 million made for Zurich's Counterclaims, whilst the profit in FY2012 included a gain of RM50.7 million recognised from the receipt of held back sum from the sale consideration of MAA Assurance after satisfaction of certain condition precedents as stipulated in the SPA, a gain of RM5.3 million from a subsequent upward adjustment to the sale consideration of MAA Assurance due to overstatement of Life fund liabilities in the draft completion accounts prepared by Zurich and a gain of RM10.8 million from the disposal of PT MAA Life Assurance.

B2. RESULTS OF THE CURRENT FINANCIAL QUARTER (4Q-2013) AGAINST THE PRECEDING QUARTER (3Q-2013)

For 4Q-2013, the Group registered a lower PBT of RM10.5 million (3Q-2013: PBT of RM23.3 million), of which the continuing operations recorded a PBT of RM9.0 million (3Q-2013: PBT of RM7.5 million) and the discontinued operations recorded a PBT of RM1.5 million (3Q-2013: PBT of RM15.8 million). This profit in 3Q-2013 mainly due to a net fair value gain of RM12.9 million recognised from bonds transferred from Zurich and a gain of RM15.0 million arising from the disposal of MAA Assurance under the settlement agreement with Zurich as disclosed in note B6(a) of these Interim Reports.

B3. PROSPECTS

Subsequent to the sale of MAAKL Mutual, the Group will continue its efforts to accelerate the growth of its takaful business via MAA Takaful Berhad. Nevertheless, the Group foresees its performance for the next financial year may be affected by the business run-off and operations wind down of PT MAAG.

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 B10(b) of these Interim Reports, the Company had on 29 November 2013 submitted an application to Bursa Securities for an extension to comply with Paragraph 8.04 (2), 8.04(3) and PN17 of the Listing Requirement and the application is still being considered by 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 YEAR ENDED 31 DECEMBER 2013

B5. INVESTMENT INCOME

	3 months period ended		12 months period ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Interest income	5,941	4,303	20,673	16,939
Dividend income	2,157	1,698	6,541	4,311
Rental income	49	22	106	77
Accretion of discounts/(amortization of premium)	161	(38)	249	105
	8,308	5,985	27,569	21,432
<u>Discontinued operations</u>				
Interest income	191	167	807	1,300
Dividend income	22	216	50	247
	213	383	857	1,547

B6. REALISED GAINS AND LOSSES

	3 months period ended		12 months period ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Gains/(losses) on disposal of :				
- investments	13,104	3,071	27,470	14,103
- property, plant and equipment	35	(1)	46	(20)
- associated company	-	-	-	14
- partial disposal of shares in a former subsidiary Company	-	1,060	-	1,060
	13,139	4,130	27,516	15,157
<u>Discontinued operations</u>				
Gains/(losses) on disposal of :				
- investments	-	-	-	(218)
- property, plant and equipment	-	-	(33)	74
- subsidiary companies	44,786	5,153	59,378	67,273
	44,786	5,153	59,345	67,129

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

B7. FAIR VALUE GAINS AND LOSSES

	3 months period ended		12 months period ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Fair value gains/(losses) on :				
- investment properties	1,552	1,261	1,552	1,261
- investments	6,989	(82)	31,011	4,408
Write back of/ (allowance for) impairment loss on :				
- available-for-sale financial assets	(348)	857	(12,048)	857
- property, plant and equipment	-	1	-	283
- assets classified as held for sales	-	(489)	-	(489)
Write back of impairment loss on loans from leasing, hire purchase and other - net	694	6,774	1,027	5,509
	8,887	8,322	21,542	11,829
<u>Discontinued operations</u>				
Fair value loss on investments	-	-	-	(942)
Write back of impairment loss on property, plant and equipment	-			391
Allowance for impairment loss on available-for- sale financial assets	-	(386)	-	-
	-	(386)	-	(551)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

B8. PROFIT/(LOSS) BEFORE TAXATION FOR THE QUARTER AND YEAR

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

	3 months period ended		12 months period ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Allowance for impairment loss on goodwill from acquisition of subsidiary company	-	(6,838)	-	(6,838)
Waiver of debt from commutation of general insurance treaties	-	-	-	14,791
Provision for contingent liabilities of a former subsidiary company	-	(14,435)	-	(14,435)
Write back of impairment loss on investment in associated companies	3,666	-	3,666	-
Property, plant and equipment written off	1	(1)	(6)	(256)
Depreciation of property, plant and equipment	(845)	(1,266)	(3,430)	(2,794)
Amortisation of intangible assets	(297)	(481)	(1,232)	(1,495)
(Allowance for)/write back of impairment loss on:				
- insurance receivables	(6,475)	873	(6,521)	(1,546)
- trade and other receivables	(2,876)	(62)	(2,997)	(41)
Net foreign exchange loss	(1,814)	(1,273)	(6,074)	(1,462)
<u>Discontinued operations</u>				
Commission paid and payable to unit trust agents	(5,507)	(4,270)	(19,783)	(16,027)
Property, plant and equipment written off	(8)	(19)	(41)	(370)
Depreciation of property, plant and equipment	(133)	(165)	(457)	(860)
Amortisation of intangible assets	(122)	(128)	(483)	(501)
Provision for Zurich's Counterclaims	(45,000)	-	(45,000)	-
Write back of impairment loss on trade and other receivables	-	154	-	-
Net foreign exchange gain	-	-	-	21

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

B9. TAXATION

	3 months period ended		12 months period ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
<u>Current tax</u>				
Current financial quarter/year	2,655	1,441	3,536	2,292
(Over)/under accrual in prior financial quarter/year	(79)	(92)	(43)	237
	2,576	1,349	3,493	2,529
<u>Deferred tax</u>				
Current financial quarter/year	417	505	417	680
Over accrual in prior financial quarter/year	-	(10)	-	(10)
	417	495	417	670
Tax expense	2,993	1,844	3,910	3,199
<u>Discontinued operations</u>				
<u>Current tax</u>				
Current financial quarter/year	473	393	1,243	794
Over accrual in prior financial quarter/year	(35)	(249)	(35)	(249)
	438	144	1,208	545
<u>Deferred tax</u>				
Current financial quarter/year	2	88	(28)	73
Tax expense	440	232	1,180	618

Even though the Group's continuing operations recorded a loss before taxation for the current financial year 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 PT MAAG, whilst the lower provision for taxation made by the discontinued operations due mainly to certain income/gain not subject to tax.

B10. 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 Assurance") 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 Assurance 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 YEAR ENDED 31 DECEMBER 2013

B10. 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 Assurance to Zurich on 30 September 2011, the Company had 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.

On 11 September 2013, the Company announced that the Disputed Matters in relation to the draft completion accounts between the Company and Zurich had been settled on that day and the Company had duly received Bonds from Zurich on 6 September 2013 and the balance additional consideration/net amount of RM78,825,822 had been duly deposited by Zurich in the escrow account.

On 30 September 2013, the Company announced that an amount of RM136.5 million (including interest earned) had been released from the escrow account to the Company on the same day after the expiry of 2 years from completion and a balance of RM55.1 million is still being retained in the escrow account until Zurich's remaining outstanding claims are resolved.

Zurich's remaining outstanding claims relate to alleged breach of warranties and indemnities ("Zurich's Counterclaims"), of which a provision of RM45.0 million has been made in the current financial quarter ended 31 December 2013 under review. The Company had engaged its professional accountants, actuaries and attorneys to verify and assess the accuracy and validity of Zurich's Counterclaims and has received the respective reports. The Company will make the necessary announcements on further development in due course.

- (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 Assurance.

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").

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

B10. STATUS OF CORPORATE PROPOSALS (continued)

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 had 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;
- (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 was 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.

On 2 September 2013, 1 October 2013 and 1 November 2013, the Company announced that it was still in the midst of formulating a regularisation plan for submission to the Bursa Securities for approval.

On 29 November 2013, the Company submitted an application to Bursa Securities for extension of time to comply with Paragraph 8.04 (2), 8.04(3) and PN17 of the Listing Requirements (“Application for Extension of time”).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

B10. STATUS OF CORPORATE PROPOSALS (continued)

On 9 December 2013, Bursa Securities had vide its letter informed that the suspension of trading of the Company's securities and the de-listing of the Company in accordance with Paragraph 8.04(5) of the Listing Requirements shall be deferred pending the decision of the Application for Extension of time.

On 2 January 2014 and 4 February 2014, the Company announced that there was no material development to the Application for Extension of time. The Application for Extension of time is still being considered by Bursa Securities and an announcement in relation to the outcome will be released in due course.

- (c) On 13 November 2013, the Company announced that its wholly-owned subsidiary, MAA Corporation Sdn Bhd ("MAA Corp") together with the other shareholders of MAAKL Mutual namely, Khyra Liberty Sdn Bhd, Edmond Cheah Swee Leng, Wong Boon Choy and Nge Koh Nguong (collectively referred to as the "Vendors"), had on the same day entered into a conditional sale and purchase agreement ("SPA") with Manulife Holdings Berhad ("Manulife") for the disposal of the entire issued and paid up ordinary share capital of MAAKL Mutual for a total consideration of RM96.5 million ("Sale Consideration"), arrived at on a 'willing buyer-willing seller' basis, and after taking into account the audited net assets and profit after tax of MAAKL Mutual based on its audited financial statements as at 31 December 2012. MAA Corp's share of the Sale Consideration in proportionate to its 55% equity interest in MAAKL Mutual is RM56.1 million.

The SPA is subject to fulfillment of the conditions precedent as set out including the transfer of RM19.3 million from the Sale Consideration to an escrow account ("Escrow Amount"). The Escrow Amount together with accrued interest but less any amount paid by the escrow agent in connection with any claims for a breach of any of the warranties or indemnities to the SPA shall be paid to the Vendors on the date falling after 24 months from the sale completion date.

MAA Corp will utilise the cash proceeds from the disposal of MAAKL Mutual for working capital of the Group and expenses incidental to the said disposal. Based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2012 and assuming all redeemable preference shares ("RPS") held by MAA Corp was redeemed on 31 December 2012 (the RPS had been fully redeemed on 17 June 2013), the Group is expected to realise an estimated gross gain on disposal of RM46.7 million on a consolidated basis.

On 31 December 2013, the Company announced that the disposal of 55% equity interest in MAAKL Mutual to Manulife had been completed on the same day.

Other than as stated above, there was no corporate proposal announced but not completed as at the reporting date.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

B11. GROUP BORROWINGS

The Group's borrowings include:

	As at 31.12.2013	As at 31.12.2012
	RM'000	RM'000
<u>Short term</u>		
Bank overdrafts (unsecured)	4,715	4,335

B12. CHANGES IN MATERIAL LITIGATION

There was no material litigation against the Group and the Company as at the reporting date.

B13. PROPOSED DIVIDEND

The Board of Directors has agreed to declare the payment of an interim gross dividend of 3 sen per share, less income tax, in respect of the financial year ending 31 December 2014. The interim dividend payment date will be announced later.

B14. EARNINGS PER SHARE

	3 months period ended		12 months period ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012 (Restated)
<u>Attributable to the Owners of the Company:</u>				
Net profit/(loss) for the financial quarter /year (RM'000)				
- Continuing operations	3,931	1,627	(12,612)	(27,221)
- Discontinued operations	1,041	3,268	17,524	69,698
	4,972	4,895	4,912	42,477
Weighted average number of ordinary shares in issue (‘000)				
Basic earnings/(loss) per share (sen)				
- Continuing operations	1.29	0.53	(4.14)	(8.94)
- Discontinued operations	0.34	1.07	5.76	22.90
	1.63	1.60	1.62	13.96

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2013

B15. 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.

B16. 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 31.12.2013	As at 31.12.2012
	RM'000	RM'000
Total retained earnings of the Group:		
- Realised	153,873	131,741
- Unrealised	(27,099)	1,415
	126,774	133,156
Total share of accumulated losses from associated companies		
- Realised	(5,175)	(5,606)
- Unrealised	5,007	3,913
	(168)	(1,693)
	126,606	131,463
Less: Consolidation adjustments	(9,808)	(12,729)
Total Group retained earnings as per statement of financial position	116,798	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: 28 February 2014