

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

**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").

These unaudited Interim Reports should be read in conjunction with the Group's consolidated audited annual financial statements for the financial year ended 31 December 2013. 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 2013.

A2. SIGNIFICANT 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 2013, except for the adoption of the following amendments to MFRs and Issue Committee ("IC") interpretations issued by MASB that are effective and applicable to the Group.

Effective beginning on or after 1 January 2014

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

The adoption of the above amendments to MFRs and IC interpretations does not have any material impact to the current financial period's financial statements of the Group.

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

Effective for financial periods beginning on or after 1 July 2014

- Amendments to MFRS 119 Defined Benefits Plans – Employee Contributions
- Annual improvements to MFRS 2010 -2012 Cycle
- Annual improvements to MFRS 2011 -2013 Cycle

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

A2. CHANGES IN ACCOUNTING POLICIES (continued)

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 period ended 31 March 2014 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 period ended 31 March 2014.

A5. CHANGES IN ESTIMATES

There were no changes in estimates that have had any material effect in the current financial quarter and period ended 31 March 2014.

A6. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the current financial quarter and period ended 31 March 2014.

A7. DIVIDEND PAID

The Company paid an interim gross dividend of 3 sen per share under the single-tier dividend system totaling RM9,131,000 on 18 April 2014 in respect of the financial year ending 31 December 2014.

A8. SEGMENTAL INFORMATION

The Group has five (5) 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
- 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.

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(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014**A8. 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	Family takaful	Shareholders' fund					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Discontinued RM'000	Continuing RM'000	RM'000	RM'000	RM'000
3 months period ended											
31 March 2014											
External revenue	58	(65)	168	67,541	101,326	902	-	4,832	174,762	-	174,762
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	<u>58</u>	<u>(65)</u>	<u>168</u>	<u>67,541</u>	<u>101,326</u>	<u>902</u>	<u>-</u>	<u>4,832</u>	<u>174,762</u>	<u>-</u>	<u>174,762</u>
(Loss)/profit by segments	(64)	7,242	(832)	3,689	5,840	(913)	-	(2,566)	12,396	-	12,396
Tax expenses attributable to participants	-	-	-	(1,018)	(545)	-	-	-	(1,563)	-	(1,563)
Deficit/(surplus) attributable to participants	<u>(64)</u>	<u>7,242</u>	<u>(832)</u>	<u>2,671</u>	<u>5,295</u>	<u>(913)</u>	<u>-</u>	<u>(2,566)</u>	<u>10,833</u>	<u>-</u>	<u>10,833</u>
Share of loss of associates not included in reportable segments	64	-	-	(1,335)	(5,295)	-	-	-	(6,566)	-	(6,566)
Profit before taxation (*)	<u>-</u>	<u>7,242</u>	<u>(832)</u>	<u>1,336</u>	<u>-</u>	<u>(913)</u>	<u>-</u>	<u>(2,566)</u>	<u>4,267</u>	<u>-</u>	<u>4,267</u>
									(1,565)	-	(1,565)
									<u>2,702</u>	<u>-</u>	<u>2,702</u>

(*) consist of profit before taxation from:

	RM'000
- Continuing	2,702
- Discontinued	-
	<u>2,702</u>

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014**A8. 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	Family takaful	Shareholders' fund					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Discontinued RM'000	RM'000	RM'000	RM'000	RM'000
3 months period ended 31 March 2013											
External revenue	53	17,244	326	45,244	53,787	965	10,048	3,851	131,518	-	131,518
Inter-segment revenue	-	-	-	-	-	-	-	45	45	(45)	-
Total operating revenue	<u>53</u>	<u>17,244</u>	<u>326</u>	<u>45,244</u>	<u>53,787</u>	<u>965</u>	<u>10,048</u>	<u>3,896</u>	<u>131,563</u>	<u>(45)</u>	<u>131,518</u>
(Loss)/profit by segments	(44)	(7,214)	(370)	2,802	4,010	(438)	540	(3,427)	(4,141)	45	(4,096)
Tax expenses attributable to participants	-	-	-	(658)	40	-	-	-	(618)	-	(618)
Deficit/(surplus) attributable to participants	<u>(44)</u>	<u>(7,214)</u>	<u>(370)</u>	<u>2,144</u>	<u>4,050</u>	<u>(438)</u>	<u>540</u>	<u>(3,427)</u>	<u>(4,759)</u>	<u>45</u>	<u>(4,714)</u>
Share of profit of associates not included in reportable segments	44	-	-	(519)	(4,050)	-	-	-	(4,525)	-	(4,525)
Loss before taxation (*)	<u>-</u>	<u>(7,214)</u>	<u>(370)</u>	<u>1,625</u>	<u>-</u>	<u>(438)</u>	<u>540</u>	<u>(3,427)</u>	<u>(9,284)</u>	<u>45</u>	<u>(9,239)</u>
									1,483	-	1,483
									<u>(7,801)</u>	<u>45</u>	<u>(7,756)</u>

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

	RM'000
- Continuing	(8,341)
- Discontinued	585
	<u>(7,756)</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

A9. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the financial period ended 31 March 2014 that have not been reflected in these Interim Reports.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in composition of the Group during the current financial quarter and period ended 31 March 2014.

A11. CARRYING AMOUNT OF REVALUED ASSETS

Investment properties of the Group had been carried at revalued amount at the financial year ended 31 December 2013. These revalued amounts have been carried forward to the current financial period ended 31 March 2014.

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 31.3.2014	As at 31.12.2013
	RM'000	RM'000
Performance bonds and guarantees	24,096	24,183

A13. CAPITAL COMMITMENTS

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

	As at 31.3.2014
	RM'000
Authorised and contracted for:	
- Office renovation	584

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

**A14. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY FUNDS (UNAUDITED)
AS AT 31 MARCH 2014**

	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	21,508	111	-	-	-	21,619
Investment properties	12,500	-	-	-	-	12,500
Intangible assets	2,801	-	-	-	-	2,801
Investments	249,443	1,540	3,907	64,028	352,758	671,676
Financial assets at fair value through profit of loss	17,949	-	3,907	-	286,464	308,320
Available-for-sale financial assets	124,967	1,529	-	47,786	46,247	220,529
Held-to-maturity financial assets	-	-	-	15,000	20,042	35,042
Loans and receivables	106,527	11	-	1,242	5	107,785
Associates	59,799	-	-	-	-	59,799
Reinsurance/retakaful assets	-	41,348	-	217,212	14,617	273,177
Insurance/takaful receivables	-	11,857	-	61,223	7,355	80,435
Trade and other receivables	108,411	188	72	1,174	8,810	118,655
Tax recoverable	877	62	-	-	-	939
Deferred tax assets	-	-	-	172	-	172
Cash and cash equivalents	114,758	2,531	1,802	21,603	66,076	206,770
Asset classified as held for sale	178	-	-	-	-	178
Total assets	570,275	57,637	5,781	365,412	449,616	1,448,721
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	70,221	-	273,519	413,499	757,239
Investment contract liabilities	-	-	4,024	-	-	4,024
Borrowings						
- Bank overdrafts (unsecured)	4,838	-	-	-	-	4,838
Insurance/takaful payables	-	50,383	-	68,709	3,261	122,353
Trade and other payables	82,388	2,835	186	9,646	13,520	108,575
Current tax liabilities	670	-	-	387	725	1,782
Deferred tax liabilities	1,935	-	-	-	1,527	3,462
Total liabilities	89,831	123,439	4,210	352,261	432,532	1,002,273
Equity, policyholders' funds and liabilities						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	117,757	-	-	-	-	117,757
Reserves	3,923	-	-	-	-	3,923
Total equity attributable to the owners of the Company	426,034	-	-	-	-	426,034
Non-controlling interests	20,414	-	-	-	-	20,414
Total equity	446,448	-	-	-	-	446,448
Total equity, policyholders' funds and liabilities						
	536,279	123,439	4,210	352,261	432,532	1,448,721
Inter-fund balances	33,996	(65,802)	1,571	13,151	17,084	-

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

**A14. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY FUNDS (AUDITED)
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	21,714	129	-	-	-	21,843
Investment properties	12,500	-	-	-	-	12,500
Intangible assets	3,007	-	-	-	-	3,007
Investments	267,717	1,907	3,961	62,397	323,013	658,995
Financial assets at fair value through profit or loss	34,922	-	3,961	-	255,839	294,722
Available-for-sale financial assets	125,525	1,424	-	45,778	41,634	214,361
Held-to-maturity financial assets	-	-	-	15,365	25,516	40,881
Loans and receivables	107,270	483	-	1,254	24	109,031
Associates	61,497	-	-	-	-	61,497
Reinsurance/retakaful assets	-	41,972	-	200,362	15,490	257,824
Insurance/takaful receivables	-	6,706	-	37,940	6,276	50,922
Trade and other receivables	105,181	201	63	407	1,769	107,621
Tax recoverable	2,740	33	-	-	-	2,773
Deferred tax assets	-	-	-	47	-	47
Cash and cash equivalents	119,472	1,337	1,867	19,422	39,742	181,840
Asset classified as held for sale	178	-	-	-	-	178
Total assets	594,006	52,285	5,891	320,575	386,290	1,359,047
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	71,691	-	254,065	352,196	677,952
Investment contract liabilities	-	-	4,082	-	-	4,082
Borrowings						
- Bank overdrafts (unsecured)	4,715	-	-	-	-	4,715
Insurance/takaful payables	-	57,778	-	50,848	2,444	111,070
Trade and other payables	83,280	2,655	285	9,805	8,956	104,981
Current tax liabilities	366	40	-	173	1,081	1,660
Deferred tax liabilities	2,282	-	-	-	1,689	3,971
Total liabilities	90,643	132,164	4,367	314,891	366,366	908,431
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	116,594	-	-	-	-	116,594
Reserves	10,448	-	-	-	-	10,448
Total equity attributable to the owners of the Company	431,396	-	-	-	-	431,396
Non-controlling interests	19,220	-	-	-	-	19,220
Total equity	450,616	-	-	-	-	450,616
Total equity, policyholders' funds and liabilities	541,259	132,164	4,367	314,891	366,366	1,359,047
Inter-fund balances	52,747	(79,879)	1,524	5,684	19,924	-

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS (UNAUDITED)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

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	5,902	(65)	58	67,541	101,326	-	174,762
Gross earned premiums/contributions	-	(139)	-	66,782	98,763	-	165,406
Premiums/contributions ceded to reinsurers/retakaful operators	-	584	-	(54,643)	(3,555)	-	(57,614)
Net earned premiums/contributions	-	445	-	12,139	95,208	-	107,792
Investment income	4,040	74	58	759	2,563	-	7,494
Realised gains and losses – net	(222)	-	-	-	6,627	-	6,405
Fair value gains and losses - net	388	-	(46)	-	(1,543)	-	(1,201)
Fee and commission income	-	32	-	12,923	-	-	12,955
Other operating revenue from non-insurance businesses	1,862	-	-	-	-	-	1,862
Wakalah fee from takaful business	37,050	-	-	-	-	(37,050)	-
Other revenue	43,118	106	12	13,682	7,647	(37,050)	27,515
Gross benefits and claims paid	-	(10,829)	-	(16,537)	(33,664)	-	(61,030)
Claims ceded to reinsurers/retakaful operators	-	5,424	-	11,815	5,015	-	22,254
Gross change to contract liabilities	-	5,596	(12)	(7,155)	(46,635)	-	(48,206)
Change in contract liabilities ceded to reinsurers/retakaful operators	-	(3,433)	-	6,855	2,423	-	5,845
Net insurance/takaful benefits and claims	-	(3,242)	(12)	(5,022)	(72,861)	-	(81,137)
Fee and commission expense	(25,553)	(7)	-	-	-	-	(25,560)
Management expenses	(24,765)	(1,101)	(49)	(774)	-	-	(26,689)
Expenses liabilities	(609)	-	-	-	-	-	(609)
Other operating income/(expenses) - net	3,605	11,041	(15)	-	(3,440)	-	11,191
Wakalah fee payable to Shareholders' fund	-	-	-	(16,336)	(20,714)	37,050	-
Finance cost	(107)	-	-	-	-	-	(107)
Other expenses	(47,429)	9,933	(64)	(17,110)	(24,154)	37,050	(41,774)
Share of loss of associates, net of tax	(1,565)	-	-	-	-	-	(1,565)
	(5,876)	7,242	(64)	3,689	5,840	-	10,831
Tax expenses attributable to participants	-	-	-	(1,018)	(545)	-	(1,563)
(Loss)/profit before taxation	(5,876)	7,242	(64)	2,671	5,295	-	9,268
Deficit/(surplus) attributable to participants	-	-	64	(1,335)	(5,295)	-	(6,566)
(Loss)/profit before taxation	(5,876)	7,242	-	1,336	-	-	2,702
Taxation	(345)	-	-	-	-	-	(345)
(Loss)/ profit for the financial period	(6,221)	7,242	-	1,336	-	-	2,357

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

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

Continuing Operations

	Shareholders ' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	5,142	17,244	53	45,244	53,787	-	121,470
Gross earned premiums/contributions	-	17,186	-	44,566	51,323	-	113,075
Premiums/contributions ceded to reinsurers/retakaful operators	-	(12,033)	-	(35,556)	(2,539)	-	(50,128)
Net earned premiums/contributions	-	5,153	-	9,010	48,784	-	62,947
Investment income	2,363	58	53	678	2,464	-	5,616
Realised gains and losses – net	118	-	-	50	2,828	-	2,996
Fair value gains and losses - net	(133)	-	(4)	-	(5,001)	-	(5,138)
Fee and commission income	-	528	-	11,107	-	-	11,635
Other operating revenue from non-insurance businesses	2,779	-	-	-	-	-	2,779
Wakalah fee from takaful business	32,095	-	-	-	-	(32,095)	-
Other revenue	37,222	586	49	11,835	291	(32,095)	17,888
Gross benefits and claims paid	-	(6,879)	-	(13,304)	(20,602)	-	(40,785)
Claims ceded to reinsurers/retakaful operators	-	3,352	-	9,128	3,561	-	16,041
Gross change to contract liabilities	-	(29,655)	(8)	(786)	(7,653)	-	(38,102)
Change in contract liabilities ceded to reinsurers/retakaful operators	-	23,305	-	271	1,291	-	24,867
Net insurance/takaful benefits and claims	-	(9,877)	(8)	(4,691)	(23,403)	-	(37,979)
Fee and commission expense	(22,635)	(1,571)	-	-	-	-	(24,206)
Management expenses	(22,340)	(1,445)	(122)	(13)	-	-	(23,920)
Other operating income/(expenses) - net	3,615	(60)	37	-	(2,906)	-	686
Wakalah fee payable to Shareholders' fund	-	-	-	(13,339)	(18,756)	32,095	-
Finance cost	(97)	-	-	-	-	-	(97)
Other expenses	(41,457)	(3,076)	(85)	(13,352)	(21,662)	32,095	(47,537)
Share of profit of associates, net of tax	1,483	-	-	-	-	-	1,483
	(2,752)	(7,214)	(44)	2,802	4,010	-	(3,198)
Tax expenses attributable to participants	-	-	-	(658)	40	-	(618)
(Loss)/profit before taxation	(2,752)	(7,214)	(44)	2,144	4,050	-	(3,816)
Deficit/(surplus) attributable to participants	-	-	44	(519)	(4,050)	-	(4,525)
(Loss)/profit before taxation	(2,752)	(7,214)	-	1,625	-	-	(8,341)
Taxation	(74)	-	-	-	-	-	(74)
(Loss)/ profit for the financial period	(2,826)	(7,214)	-	1,625	-	-	(8,415)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

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

Discontinued Operations

	Shareholders' fund	Total
	RM'000	RM'000
Operating revenue	10,048	10,048
Investment income	170	170
Other operating revenue from non-insurance businesses	9,878	9,878
Other revenue	10,048	10,048
Management expenses	(5,611)	(5,611)
Other operating expenses - net	(3,852)	(3,852)
Other expenses	(9,463)	(9,463)
Profit before taxation	585	585
Taxation	(152)	(152)
Profit for the financial period	433	433

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

B1. REVIEW OF GROUP PERFORMANCE

In these Interim Reports under review, the discontinued operations for the preceding financial period ended 31 March 2013 represent MAAKL Mutual Berhad which was disposed in 31 December 2013.

Current financial quarter ended 31 March 2014 (1Q-2014) against preceding year's corresponding financial quarter ended 31 March 2013 (1Q-2013)

Operating revenue

The Group recorded an increase of 32.9% in total operating revenue to RM174.8 million for 1Q-2014 under review, wholly from continuing operations (1Q-2013: RM131.5 million, of which the continuing operations recorded RM121.5 million and the discontinued operations recorded RM10.0 million).

Under the conventional insurance business, the General Insurance Division recorded a total negative gross earned premium of RM0.1 million (1Q-2013: RM17.2 million) due to refunded premium for canceled policies wholly from the insurance subsidiary in Indonesia, PT MAA General Assurance ("PT MAAG").

Under the takaful business, the General Takaful Division recorded a 49.8% increase in total gross earned contribution to RM66.8 million (1Q-2013: RM44.6 million), mainly growth from fire, motor, engineering classes of business, whilst the Family Takaful Division registered a 92.6% increase in total gross earned contribution to RM98.8 million (1Q-2013: RM51.3 million), mainly growth from single premium investment-linked products.

The Shareholders' fund recorded a total operating revenue of RM5.9 million (1Q-2013: RM5.2 million), wholly from the continuing operations.

Profit / loss before taxation

The Group recorded a profit before taxation ("PBT") of RM2.7 million for 1Q-2014 under review, wholly from continuing operations. (1Q-2013: LBT of RM7.7 million, of which the continuing operations recorded a LBT of RM8.3 million and the discontinued operations recorded a PBT of RM0.6 million).

Under the conventional insurance business, the General Insurance Division recorded a profit before taxation ("PBT") of RM7.2 million (1Q-2013: LBT of RM7.2 million) wholly from PT MAAG. The profit mainly consist of an income of RM 7.8 million from claim liabilities waived via hair-cut negotiations and unrealised foreign exchange gain of RM1.8 million arose from the weakening of US dollar against Indonesia Rupiah. However the profit was partly offset by incurred net insurance benefits and claims of RM3.2 million mainly from fire business. The loss in 1Q-2013 recorded by PT MAAG was mainly due to lower earned gross premium resulted from cessation of new business, refund premium for cancellation of policies and higher net insurance benefits and claims. The Life Insurance Division registered a small LBT of RM0.06 million (1Q-2013: RM LBT of RM0.04 million) wholly from the continuing operations.

MAA GROUP BERHAD (471403-A)

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 31 March 2014 (1Q-2014) against preceding year's corresponding financial quarter ended 31 March 2013 (1Q-2013) (continued)

Profit before taxation

Under the takaful business, the General Takaful Division recorded a higher PBT of RM2.7 million in 1Q-2014 (1Q-2013: PBT of RM2.1 million) due mainly to increase in gross earned contribution to RM66.8 million (1Q-2013: RM44.6 million) and improvement in net claim ratio to 41.4% (1Q-2013: 52.1%). The Family Takaful Division recorded a higher PBT of RM5.8 million (1Q-2013: PBT of RM4.0 million) due mainly to increase in gross earned contribution to RM98.8 million (1Q-2013: RM51.3 million), higher net realised gain of RM6.6 million (1Q-2013: RM2.8 million) and lower fair value loss of RM1.5 million (1Q-2013: RM5.0 million) from investments.

The Shareholders' Fund recorded a higher LBT of RM5.9 million (1Q-2013: LBT of RM2.8 million), wholly from continuing operations due mainly to share of loss of associates of RM1.6 million (1Q-2013: share of profit of RM1.5 million).

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

B2. RESULTS OF THE CURRENT FINANCIAL QUARTER (1Q-2014) AGAINST THE PRECEDING QUARTER (4Q-2013)

In 1Q-2014, the Group registered a PBT of RM2.7 million, wholly from continuing operations (4Q-2013: PBT of RM10.5 million, of which the continuing operations recorded a PBT of RM9.0 million and the discontinued operations recorded a PBT of RM1.5 million). The profit in 4Q-2013 was mainly due to a surplus of RM7.3 million transferred from the Family Takaful Division to the Shareholders' Fund and a write back of impairment loss of RM3.7 million on investments in associates recorded by the Shareholders' Fund.

B3. PROSPECTS

The Group foresees its performance for the current financial year will continue to be affected by the business run-off, claims hair-cut negotiation and operations wind down of PT MAAG.

On the PN17 status, the Company will be continuing with its efforts to uplift the Company from its PN17 status. 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 has been granted a further extension of time up to 31 July 2014 to submit regularisation plan. The Company is in the midst of formulating a regularization 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.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

B5. INVESTMENT INCOME

	3 months period ended		3 months period ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Interest income	6,456	4,761	6,456	4,761
Dividend income	889	821	889	821
Rental income	39	5	39	5
Accretion of discounts	110	29	110	29
	<u>7,494</u>	<u>5,616</u>	<u>7,494</u>	<u>5,616</u>
<u>Discontinued operations</u>				
Interest income	-	170	-	170

B6. REALISED GAINS AND LOSSES

	3 months period ended		3 months period ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Gains on disposal of :				
- investments	6,405	2,996	6,405	2,996

B7. FAIR VALUE GAINS AND LOSSES

	3 months period ended		3 months period ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Fair value losses on investments	(1,201)	(5,138)	(1,201)	(5,138)

MAA GROUP BERHAD (471403-A)

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014**B8. PROFIT/(LOSS) BEFORE TAXATION FOR THE QUARTER AND PERIOD**

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

	3 months period ended		3 months period ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
(Allowance for)/write back of impairment loss on:				
- available-for-sale financial assets	(270)	-	(270)	-
- trade and other receivables	65	7	65	7
- insurance receivables	(774)	(13)	(774)	(13)
- loans from leasing, hire purchase and others receivables	(155)	692	(155)	692
Bad debts recovered	25	82	25	82
Income from claim liabilities waived	7,844	-	7,844	-
Net foreign exchange gain/(loss)	2,113	(55)	2,113	(55)
Depreciation of property, plant and equipment	(850)	(826)	(850)	(826)
Amortisation of intangible assets	(366)	(250)	(366)	(250)
Amortisation of lease	(8)	(7)	(8)	(7)
<u>Discontinued operations</u>				
Commission paid and payable to unit trust agents	-	(3,946)	-	(3,946)
Depreciation of property, plant and equipment	-	(107)	-	(107)
Amortisation of intangible assets	-	(120)	-	(120)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

B9. TAXATION

	3 months period ended		3 months period ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
<u>Current tax</u>				
Current financial quarter/period	350	45	350	45
(Over)/under accrual in prior financial quarter/period	-	34	-	34
	350	79	350	79
<u>Deferred tax</u>				
Current financial quarter/period	(5)	(5)	(5)	(5)
Tax expense	345	74	345	74
<u>Discontinued operations</u>				
<u>Current tax</u>				
Current financial quarter/period	-	152	-	152
Tax expense	-	152	-	152

The Group's effective tax rate for the current financial quarter under review was lower than the statutory tax rate of 25% due mainly to utilisation of prior years' tax losses by the subsidiary company in Indonesia.

B10. STATUS OF CORPORATE PROPOSALS

- (a) On 30 September 2013, the Company announced that an amount of RM55.1 million has been retained in the escrow account with regards to the sale of Malaysian Assurance Alliance Berhad (“MAA Assurance”) to Zurich Insurance Company Ltd (“Zurich”) 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 had been made in the financial year ended 31 December 2013. The said provision amount was based on both parties’ ongoing settlement negotiations, to date no resolution has not reached or mutually agreed yet.

- (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 PN17 of the Listing Requirements to announce details of the regularisation plan.

On 11 March 2014, Bursa Securities has granted a further extension of time of up to 31 July 2014 for the Company to submit a regularisation plan (“Extension of Time”).

The Extension of Time was granted by Bursa Securities after taking into consideration, on amongst others, the following:

- (i) The material developments in relation to the Group’s internal restructuring in particular the internal restructuring relating to its subsidiaries, namely PT MAA General Assurance (“PT MAAG”) and MAA Takaful Berhad (“MAAT”); and an associate, Columbus Capital Pty Ltd (“CCAU”); and
- (ii) The latest consolidated financial position of the Group including its consolidated shareholders’ equity and net assets, cash and cash equivalents as well as its gearing position.

The Company is required to provide detailed updates on the status of the Group’s internal restructuring and status of the submission of its regularisation plan to the regulatory authorities via its monthly announcements.

The Extension of Time is without prejudice to Bursa Securities’ right to proceed to suspend the trading of the listed securities of the Company and to de-list the Company in the event:

- (i) The Company fails to submit the regularisation plan to the regulatory authorities on or before 31 July 2014;

B10. STATUS OF CORPORATE PROPOSALS (continued)

- (b) (ii) The Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; and
- (iii) The Company fails to implement its regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of MAAG on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and de-list the Company, subject to the Company's right to appeal against the delisting.

On 2 May 2014, the Company made the following monthly announcement on the Group's internal restructuring:

- (i) PT MAAG is currently implementing the plan to settle its obligation and liabilities. From December 2013 to April 2014, PT MAAG has signed settlement agreements and paid settlements for approximately RP100.6 billion gross claims;
 - (ii) The proposed increase of the Group's equity interest in CCAU from 47.95% to 55% is pending approval from the Foreign Investment Review Board of Australia; and
 - (i) The Company is in the midst of re-evaluating its group structure including the Group's business plans and operational requirements, and splitting of the existing composite license of MAAT into two (2) capitalised legal entities that is Family takaful and General takaful to ensure compliance with the Islamic Financial Services Act, 2013.
- (a) On 14 April 2014, MAA Corp entered into a share sale agreement ("SSA") with AEC College Pte Ltd ("AEC") to acquire 30% interest in Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") and Keris Murni Sdn Bhd ("KMSB") ("Proposed Acquisition") for a total cash consideration of RM1.6 million. The purchase consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the aggregate profit after taxation of PTKSB and KMSB amounting to RM658,000 based on the audited financial statements for the financial year ended 31 December 2013.

The remaining 70% interest in PTKSB and KMSB is held by MAA Credit Berhad ("MAA Credit"), being a wholly-owned subsidiary of MAA Corp, pursuant to the exercise of its power of attorney on 2 October 2012 and forming part of the debt recovery action taken after its borrower had defaulted in its loan due to MAA Credit.

The Proposed Acquisition was completed on 21 April 2014 and consequently, PTKSB and KMSB became wholly-owned subsidiaries of MAA Corp.

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 PERIOD ENDED 31 MARCH 2014

B11. GROUP BORROWINGS

The Group's borrowings include:

	As at 31.3.2014	As at 31.12.2013
	RM'000	RM'000
<u>Short term</u>		
Bank overdrafts (unsecured)	4,838	4,715

B12. CHANGES IN MATERIAL LITIGATION

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

B13. PROPOSED DIVIDEND

On 28 February 2014, the Board of Directors has declared an interim gross dividend of 3 sen per share under the single-tier dividend system in respect of the financial year ending 31 December 2014. The interim dividend was paid on 18 April 2014.

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

B14. EARNINGS PER SHARE

	3 months period ended		3 months period ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
<u>Attributable to the Owners of the Company:</u>				
Net profit/(loss) for the financial quarter /period (RM'000)				
- Continuing operations	1,163	(7,667)	1,163	(7,667)
- Discontinued operations	-	433	-	433
	1,163	(7,234)	1,163	(7,234)
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	0.38	(2.52)	0.38	(2.52)
- Discontinued operations	-	0.14	-	0.14
	0.38	(2.38)	0.38	(2.38)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 31 MARCH 2014

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 2013 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 31.3.2014	As at 31.12.2013
	RM'000	RM'000
Total retained earnings of the Group:		
- Realised	172,363	150,217
- Unrealised	(47,843)	(23,647)
	124,520	126,570
Total share of accumulated losses from associates		
- Realised	(7,649)	(5,175)
- Unrealised	5,916	5,007
	(1,733)	(168)
	122,787	126,402
Less: Consolidation adjustments	(5,030)	(9,808)
Total Group retained earnings as per statement of financial position	117,757	116,594

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: 26 MAY 2014