

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 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 MFRSs 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 MFRSs and IC interpretations does not have any material impact to the current financial period's financial statements of the Group.

The following MFRSs, amendments and improvements to MFRSs 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 30 JUNE 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 MFRSs, amendments and improvements to MFRs and interpretations when they become effective in the respective financial periods. These MFRSs, 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 30 June 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 30 June 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 30 June 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 30 June 2014.

A7. DIVIDEND PAID

During the current financial period ended 30 June 2014, the following dividend payments were made:

- a first 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; and
- a second interim gross dividend of 3 sen per share under the single-tier dividend system totaling RM9,131,000 on 31 July 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, consultancy services and education 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 30 JUNE 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 30 June 2014											
External revenue	(5)	(311)	101	54,788	100,909	916	-	4,569	160,967	-	160,967
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	<u>(5)</u>	<u>(311)</u>	<u>101</u>	<u>54,788</u>	<u>100,909</u>	<u>916</u>	<u>-</u>	<u>4,569</u>	<u>160,967</u>	<u>-</u>	<u>160,967</u>
Profit/(loss) by segments	257	2,643	(486)	250	1,069	(3,306)	-	(265)	162	-	162
Tax expenses attributable to participants	-	-	-	(377)	(1,364)	-	-	-	(1,741)	-	(1,741)
	<u>257</u>	<u>2,643</u>	<u>(486)</u>	<u>(127)</u>	<u>(295)</u>	<u>(3,306)</u>	<u>-</u>	<u>(265)</u>	<u>(1,579)</u>	<u>-</u>	<u>(1,579)</u>
(Surplus)/deficit attributable to participants	(257)	-	-	63	295	-	-	-	101	-	101
	<u>-</u>	<u>2,643</u>	<u>(486)</u>	<u>(64)</u>	<u>-</u>	<u>(3,306)</u>	<u>-</u>	<u>(265)</u>	<u>(1,478)</u>	<u>-</u>	<u>(1,478)</u>
Share of profit of associates not included in reportable segments									1,905	-	1,905
Profit before taxation ^(*)									<u>427</u>	<u>-</u>	<u>427</u>

(*) consist of profit before taxation from:

	RM'000
- Continuing	427
- Discontinued	-
	<u>427</u>

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 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
6 months period ended 30 June 2014											
External revenue	53	(376)	269	122,329	202,235	1,818	-	9,401	335,729	-	335,729
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	53	(376)	269	122,329	202,235	1,818	-	9,401	335,729	-	335,729
Profit/(loss) by segments	193	9,885	(1,318)	3,939	6,909	(4,219)	-	(2,831)	12,558	-	12,558
Tax expenses attributable to participants	-	-	-	(1,395)	(1,909)	-	-	-	(3,304)	-	(3,304)
(Surplus)/deficit attributable to participants	(193)	-	-	(1,272)	(5,000)	-	-	-	(6,465)	-	(6,465)
Share of profit of associates not included in reportable segments	-	9,885	(1,318)	1,272	-	(4,219)	-	(2,831)	2,789	-	2,789
Profit before taxation (*)									340	-	340
									3,129		3,129

(*) consist of profit before taxation from:

	RM'000
- Continuing	3,129
- Discontinued	-
	<u>3,129</u>

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 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 30 June 2013											
External revenue	55	6,904	422	56,305	78,188	916	11,959	4,206	158,955	-	158,955
Inter-segment revenue	-	-	-	-	-	-	-	44	44	(44)	-
Total operating revenue	55	6,904	422	56,305	78,188	916	11,959	4,250	158,999	(44)	158,955
(Loss)/profit by segments	(38)	(13,444)	(358)	(3,371)	15,444	3,361	779	(4,758)	(2,385)	(42)	(2,427)
Tax expenses attributable to participants	-	-	-	509	(1,656)	-	-	-	(1,147)	-	(1,147)
Deficit/(surplus) attributable to participants	(38)	(13,444)	(358)	(2,862)	13,788	3,361	779	(4,758)	(3,532)	(42)	(3,574)
Share of profit of associates not included in reportable segments	38	-	-	519	(13,788)	-	-	-	(13,231)	-	(13,231)
Loss before taxation (*)	-	(13,444)	(358)	(2,343)	-	3,361	779	(4,758)	(16,763)	(42)	(16,805)
									195	-	195
									(16,568)	(42)	(16,610)

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

	RM'000
- Continuing	(17,437)
- Discontinued	827
	<u>(16,610)</u>

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 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
6 months period ended 30 June 2013											
External revenue	108	24,148	748	101,549	131,975	1,881	22,007	8,057	290,473	-	290,473
Inter-segment revenue	-	-	-	-	-	-	-	89	89	(89)	-
Total operating revenue	<u>108</u>	<u>24,148</u>	<u>748</u>	<u>101,549</u>	<u>131,975</u>	<u>1,881</u>	<u>22,007</u>	<u>8,146</u>	<u>290,562</u>	<u>(89)</u>	<u>290,473</u>
(Loss)/profit by segments	(82)	(20,658)	(728)	(569)	19,454	2,923	1,319	(8,185)	(6,526)	3	(6,523)
Tax expenses attributable to participants	-	-	-	(149)	(1,616)	-	-	-	(1,765)	-	(1,765)
Deficit/(surplus) attributable to participants	<u>(82)</u>	<u>(20,658)</u>	<u>(728)</u>	<u>(718)</u>	<u>17,838</u>	<u>2,923</u>	<u>1,319</u>	<u>(8,185)</u>	<u>(8,291)</u>	<u>3</u>	<u>(8,288)</u>
Share of profit of associates not included in reportable segments	82	-	-	-	(17,838)	-	-	-	(17,756)	-	(17,756)
Loss before taxation (*)	<u>-</u>	<u>(20,658)</u>	<u>(728)</u>	<u>(718)</u>	<u>-</u>	<u>2,923</u>	<u>1,319</u>	<u>(8,185)</u>	<u>(26,047)</u>	<u>3</u>	<u>(26,044)</u>
									1,678	-	1,678
									<u>(24,369)</u>	<u>3</u>	<u>(24,366)</u>

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

	RM'000
- Continuing	(25,778)
- Discontinued	1,412
	<u>(24,366)</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014

A9. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the financial period ended 30 June 2014 that have not been reflected in these Interim Reports.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

- (a) On 21 April 2014, Pusat Tiusyen Kasturi Sdn Bhd and Keris Murni Sdn Bhd became wholly owned subsidiary companies of the Group as stated in note B10(c) of this report.
- (b) On 3 July 2014, Chelsea Parking Services Sdn Bhd ceased to be a subsidiary of the Group as stated in note B10(d) of this report.

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 30 June 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 30.6.2014	As at 31.12.2013
	RM'000	RM'000
Performance bonds and guarantees	25,604	24,183

A13. CAPITAL COMMITMENTS

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

	As at 30.6.2014
	RM'000
Authorised and contracted for:	
- Office renovation	621

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014

**A14. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY FUNDS (UNAUDITED)
AS AT 30 JUNE 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	21,127	74	-	-	-	21,201
Investment properties	12,500	-	-	-	-	12,500
Intangible assets	2,724	-	-	-	-	2,724
Investments	173,327	1,407	-	60,172	375,430	610,336
Financial assets at fair value through profit of loss	15,475	-	-	-	314,358	329,833
Available-for-sale financial assets	130,001	1,396	-	43,891	36,025	211,313
Held-to-maturity financial assets	-	-	-	15,000	25,042	40,042
Loans and receivables	27,851	11	-	1,281	5	29,148
Associates	64,160	-	-	-	-	64,160
Reinsurance/retakaful assets	-	20,701	-	247,308	9,611	277,620
Insurance/takaful receivables	-	41,107	-	54,061	4,721	99,889
Trade and other receivables	114,785	181	-	1,302	9,894	126,162
Tax recoverable	903	-	-	-	-	903
Deferred tax assets	-	-	-	142	-	142
Cash and cash equivalents	200,799	1,811	2,381	30,219	82,660	317,870
Asset classified as held for sale	178	-	-	-	-	178
Total assets	590,503	65,281	2,381	393,204	482,316	1,533,685
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	46,999	-	308,142	448,373	803,514
Investment contract liabilities	-	-	192	-	-	192
Borrowings						
- Bank overdrafts (unsecured)	4,965	-	-	-	-	4,965
Insurance/takaful payables	-	75,140	-	72,230	2,145	149,515
Trade and other payables	93,119	1,347	609	7,027	21,274	123,376
Current tax liabilities	679	14	-	1,568	1,498	3,759
Deferred tax liabilities	1,985	-	-	-	1,986	3,971
Total liabilities	100,748	123,500	801	388,967	475,276	1,089,292
Equity, policyholders' funds and liabilities						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	107,978	-	-	-	-	107,978
Reserves	12,207	-	-	-	-	12,207
Total equity attributable to the owners of the Company	424,539	-	-	-	-	424,539
Non-controlling interests	19,854	-	-	-	-	19,854
Total equity	444,393	-	-	-	-	444,393
Total equity, policyholders' funds and liabilities						
	545,141	123,500	801	388,967	475,276	1,533,685
Inter-fund balances	45,362	(58,219)	1,580	4,237	7,040	-

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**A14. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY FUNDS (AUDITED)
AS AT 31 DECEMBER 2013**

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total 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 of 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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**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS (UNAUDITED)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	11,488	(376)	53	122,329	202,235	-	335,729
Gross earned premiums/contributions	-	(468)	-	120,704	195,645	-	315,881
Premiums/contributions ceded to reinsurers/retakaful operators	-	881	-	(96,725)	(4,064)	-	(99,908)
Net earned premiums/contributions	-	413	-	23,979	191,581	-	215,973
Investment income	7,520	92	53	1,625	6,590	-	15,880
Realised gains and losses – net	170	58	-	(65)	9,792	-	9,955
Fair value gains and losses - net	413	-	(389)	-	4,193	-	4,217
Fee and commission income	-	31	-	23,082	-	-	23,113
Other operating revenue from non-insurance businesses	3,968	-	-	-	-	-	3,968
Wakalah fee from takaful business	72,912	-	-	-	-	(72,912)	-
Other revenue	84,983	181	(336)	24,642	20,575	(72,912)	57,133
Gross benefits and claims paid	-	(32,254)	-	(36,087)	(79,785)	-	(148,126)
Claims ceded to reinsurers/retakaful operators	-	25,246	-	26,320	4,441	-	56,007
Gross change to contract liabilities	-	24,679	489	(31,231)	(77,249)	-	(83,312)
Change in contract liabilities ceded to reinsurers/retakaful operators	-	(21,406)	-	29,216	(4,016)	-	3,794
Net insurance/takaful benefits and claims	-	(3,735)	489	(11,782)	(156,609)	-	(171,637)
Fee and commission expense	(50,724)	(46)	-	-	-	-	(50,770)
Management expenses	(51,754)	(1,330)	(220)	(1,519)	-	-	(54,823)
Expenses liabilities	(942)	-	-	-	-	-	(942)
Other operating income/(expenses) - net	10,287	14,402	260	-	(7,107)	-	17,842
Wakalah fee payable to Shareholders' fund	-	-	-	(31,381)	(41,531)	72,912	-
Finance cost	(218)	-	-	-	-	-	(218)
Other (expenses)/income	(93,351)	13,026	40	(32,900)	(48,638)	72,912	(88,911)
Share of profit of associates, net of tax	340	-	-	-	-	-	340
	(8,028)	9,885	193	3,939	6,909	-	12,898
Tax expenses attributable to participants	-	-	-	(1,395)	(1,909)	-	(3,304)
(Loss)/profit before taxation	(8,028)	9,885	193	2,544	5,000	-	9,594
(Surplus)/deficit attributable to participants	-	-	(193)	(1,272)	(5,000)	-	(6,465)
(Loss)/profit before taxation	(8,028)	9,885	-	1,272	-	-	3,129
Taxation	(380)	-	-	-	-	-	(380)
(Loss)/ profit for the financial period	(8,408)	9,885	-	1,272	-	-	2,749

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**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013**

Continuing Operations

	Shareholders ' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	10,686	24,148	108	101,549	131,975	-	268,466
Gross earned premiums/contributions	-	24,073	-	100,149	125,728	-	249,950
Premiums/contributions ceded to reinsurers/retakaful operators	-	(25,410)	-	(80,920)	(6,069)	-	(112,399)
Net earned premiums/contributions	-	(1,337)	-	19,229	119,659	-	137,551
Investment income	4,764	75	108	1,400	6,247	-	12,594
Realised gains and losses – net	2,264	-	-	50	8,634	-	10,948
Fair value gains and losses - net	413	-	(71)	-	(619)	-	(277)
Fee and commission income	-	1,375	-	24,907	-	-	26,282
Other operating revenue from non-insurance businesses	5,922	-	-	-	-	-	5,922
Wakalah fee from takaful business	71,720	-	-	-	-	(71,720)	-
Other revenue	85,083	1,450	37	26,357	14,262	(71,720)	55,469
Gross benefits and claims paid	-	(14,397)	(68)	(26,521)	(50,509)	-	(91,495)
Claims ceded to reinsurers/retakaful operators	-	6,808	-	18,176	6,481	-	31,465
Gross change to contract liabilities	-	(35,487)	202	(25,591)	(27,459)	-	(88,335)
Change in contract liabilities ceded to reinsurers/retakaful operators	-	27,812	-	20,995	1,571	-	50,378
Net insurance/takaful benefits and claims	-	(15,264)	134	(12,941)	(69,916)	-	(97,987)
Fee and commission expense	(49,017)	(2,012)	-	-	-	-	(51,029)
Management expenses	(46,025)	(3,074)	(346)	(43)	-	-	(49,488)
Other operating income/(expenses) - net	4,076	(421)	93	-	(6,002)	-	(2,254)
Wakalah fee payable to Shareholders' fund	-	-	-	(33,171)	(38,549)	71,720	-
Finance cost	(197)	-	-	-	-	-	(197)
Other expenses	(91,163)	(5,507)	(253)	(33,214)	(44,551)	71,720	(102,968)
Share of profit of associates, net of tax	1,678	-	-	-	-	-	1,678
	(4,402)	(20,658)	(82)	(569)	19,454	-	(6,257)
Tax expenses attributable to participants	-	-	-	(149)	(1,616)	-	(1,765)
(Loss)/profit before taxation	(4,402)	(20,658)	(82)	(718)	17,838	-	(8,022)
Deficit/(surplus) attributable to participants	-	-	82	-	(17,838)	-	(17,756)
Loss before taxation	(4,402)	(20,658)	-	(718)	-	-	(25,778)
Taxation	(935)	-	-	-	-	-	(935)
Loss for the financial period	(5,337)	(20,658)	-	(718)	-	-	(26,713)

**A14. CONDENSED CONSOLIDATED INCOME STATEMENT BY FUNDS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013**

Discontinued Operations

	Shareholders' fund	Total
	RM'000	RM'000
Operating revenue	<u>22,007</u>	<u>22,007</u>
Investment income	434	434
Realised gains and losses – net	(33)	(33)
Other operating revenue from non-insurance businesses	21,573	21,573
Other revenue	<u>21,974</u>	<u>21,974</u>
Management expenses	(11,678)	(11,678)
Other operating expenses - net	(8,884)	(8,884)
Other expenses	<u>(20,562)</u>	<u>(20,562)</u>
Profit before taxation	1,412	1,412
Taxation	(361)	(361)
Profit for the financial period	<u>1,051</u>	<u>1,051</u>

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014

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 30 June 2013 represent MAAKL Mutual Berhad which was disposed on 31 December 2013.

Current financial quarter ended 30 June 2014 (2Q-2014) against preceding year's corresponding financial quarter ended 30 June 2013 (2Q-2013)

Operating revenue

The Group recorded an increase of 1.3% in total operating revenue to RM161.0 million for 2Q-2014 under review, wholly from continuing operations (2Q-2013: RM159.0 million, of which the continuing operations recorded RM147.0 million and the discontinued operations recorded RM12.0 million).

Under the conventional insurance business, the General Insurance Division recorded a total negative gross earned premium of RM0.3 million (2Q-2013: RM6.9 million) due to refund 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 lower total gross earned contribution by 3.1% to RM53.9 million (2Q-2013: RM55.6 million) due mainly to decrease in fire and miscellaneous classes of business, whilst the Family Takaful Division registered a 30.2% increase in total gross earned contribution to RM96.9 million (2Q-2013: RM74.4 million), mainly growth from single premium investment-linked products.

The Shareholders' fund recorded a total operating revenue of RM5.6 million (2Q-2013: RM5.5 million), wholly from the continuing operations.

Profit / loss before taxation

The Group recorded a Profit before taxation ("PBT") of RM0.4 million for 2Q-2014 under review, wholly from continuing operations (2Q-2013: Loss before taxation ("LBT") of RM16.6 million, of which the continuing operations recorded a LBT of RM17.4 million and the discontinued operations recorded a PBT of RM0.8 million).

Under the conventional insurance business, the General Insurance Division recorded a PBT of RM2.6 million (2Q-2013: LBT of RM13.4 million) wholly from PT MAAG. The profit mainly consists of an income of RM1.8 million from claim liabilities waived via hair-cut negotiations and lower net insurance benefits and claims of RM0.5 million (2Q-2013: RM5.4 million). The loss in 2Q-2013 recorded by PT MAAG was mainly due to lower gross earned premium resulted from cessation of new business, refund premium for cancelled of policies and higher net insurance benefits and claims. The Life Insurance Division registered a PBT of RM0.3 million (2Q-2013: LBT of RM0.04 million) wholly from the continuing operations.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 30 June 2014 (2Q-2014) against preceding year's corresponding financial quarter ended 30 June 2013 (2Q-2013) (continued)

Profit before taxation

Under the takaful business, the General Takaful Division recorded a lower LBT of RM0.06 million in 2Q-2014 (2Q-2013: LBT of RM2.3 million) due mainly to lower net takaful benefits and claims of RM6.8 million (2Q-2013: RM8.3 million) and lower wakalah fee payable to Shareholders' fund of RM15.0 million (2Q-2013: RM19.8 million). The Family Takaful Division recorded a LBT of RM0.3 million (2Q-2013: PBT of RM13.8 million) due mainly to higher net takaful benefits and claims of RM83.7 million (2Q-2013: RM46.5 million) arising from higher provision made for claims as a result of the change in treaty arrangements during the current financial period.

The Shareholders' Fund recorded a higher LBT of RM2.2 million (2Q-2013: LBT of RM1.7 million), wholly from continuing operations. The higher loss was due mainly to lower wakalah fee income of RM35.9 million (2Q-2013: RM39.6 million) and higher management expenses of RM18.7 million (2Q-2013: RM15.0 million) recorded by the local takaful subsidiary company; however these were partly offset by a write back of impairment loss on loans of RM2.4 million recorded by a subsidiary engaged in leasing, hire purchase and other credit activities and higher share of profit from associated companies of RM1.9 million.

However, consistent with 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.

Current financial period ended 30 June 2014 ("FP2014") against preceding financial period ended 30 June 2013 ("FP2013")

Operating revenue

The Group recorded an increase of 15.6% in total operating revenue to RM335.7 million for FP2014 under review, wholly from continuing operations (FP2013: RM290.5 million, of which the continuing operations recorded RM268.5 million and the discontinued operations recorded RM22.0 million).

Under the conventional insurance business, the General Insurance Division recorded a total negative gross earned premium of RM0.5 million (FP2013: RM24.1 million) due to refund premium for canceled policies wholly from PT MAAG.

Under the takaful business, the General Takaful Division recorded a 20.6% increase in total gross earned contribution to RM120.7 million (FP2013: RM100.1 million), mainly growth from fire, motor, marine, aviation and transit ("MAT") classes of business, whilst the Family Takaful Division registered a 55.6% increase in total gross earned contribution to RM195.6 million (FP2013: RM125.7 million), mainly growth from single premium investment-linked products.

The Shareholders' fund recorded a total operating revenue of RM11.5 million (FP2013: RM10.7 million), wholly from the continuing operations.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period ended 30 June 2014 ("FP2014") against preceding financial period ended 30 June 2013 ("FP2013") (continued)

Profit / loss before taxation

The Group recorded a PBT of RM3.1 million for FP2014 under review, wholly from continuing operations. (FP2013: LBT of RM24.4 million, of which the continuing operations recorded a LBT of RM25.8 million and the discontinued operations recorded a PBT of RM1.4 million).

Under the conventional insurance business, the General Insurance Division recorded a PBT of RM9.9 million (FP2013: LBT of RM20.7 million) wholly from PT MAAG. The profit mainly consist of an income of RM11.0 million from claim liabilities waived via hair-cut negotiations and unrealised foreign exchange gain of RM1.9 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 RM3.7 million mainly from fire business. The loss in FP2013 recorded by PT MAAG was mainly due to lower earned gross premium resulted from cessation of new business, refund premium for cancelled of policies and higher net insurance benefits and claims. The Life Insurance Division registered a small PBT of RM0.2 million (FP2013: LBT of RM0.08 million) wholly from the continuing operations.

Under the takaful business, the General Takaful Division recorded a PBT of RM1.2 million in FP2014 (FP2013: LBT of RM0.7 million) due mainly to increase in gross earned contribution to RM120.7 million (FP2013: RM100.1 million) and improved in net claim ratio to 49.1% (FP2013: 67.3%). The Family Takaful Division recorded a lower PBT of RM5.0 million (FP2013: PBT of RM17.8 million). Despite of the increase in gross earned contribution to RM195.6 million (FP2013: RM125.7 million), the lower PBT was due mainly to higher net takaful benefits and claims of RM156.6 million (FP2013: RM69.9 million) arising from higher provision made for claims as a result of the change in treaty arrangements during the current financial period.

The Shareholders' Fund recorded a higher LBT of RM8.0 million (FP2013: LBT of RM4.4 million), wholly from continuing operations, due mainly to higher management expenses of RM35.3 million (FP2013: RM28.6 million) incurred by takaful subsidiary company and lower share of profit from associate companies of RM0.3 million (FP2013: share of profit of RM1.7 million); however these were partly offset by a write back of impairment loss on loans of RM2.4 million recorded by the subsidiary engaged in leasing, hire purchase and other credit activities.

However, consistent with 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.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014

B2. RESULTS OF THE CURRENT FINANCIAL QUARTER (2Q-2014) AGAINST THE PRECEDING QUARTER (1Q-2014)

In 2Q-2014, the Group registered a lower PBT of RM0.4 million (1Q-2014: PBT of RM2.7 million) wholly from continuing operations. The lower profit in 2Q-2014 was mainly due from higher net insurance/takaful benefits and claims of RM90.5 million (1Q-2014: RM81.1 million) and lower income of RM1.8 million (1Q-2014: RM9.1 million) from claim liabilities waived via hair-cut negotiations recorded by PT MAAG.

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 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 has on 21 July 2014 submitted an application to Bursa Securities for extension of time from complying with Paragraph 8.04(2), 8.04(3) and PN17 of the Listing Requirements ("Application") and is pending the approval of Bursa Securities.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014

B5. INVESTMENT INCOME

	3 months period ended		6 months period ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Interest income	6,919	4,822	13,375	9,583
Dividend income	1,960	2,120	2,849	2,941
Rental income	31	17	70	22
(Amortisation of premium)/accretion of discounts	(524)	19	(414)	48
	8,386	6,978	15,880	12,594
<u>Discontinued operations</u>				
Interest income	-	261	-	431
Dividend income	-	3	-	3
	-	264	-	434

B6. REALISED GAINS AND LOSSES - NET

	3 months period ended		6 months period ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Gains on disposal of :				
- investments	3,446	7,939	9,851	10,935
- property, plant and equipments	104	13	104	13
	3,550	7,952	9,955	10,948
Loss on disposal of :				
- property, plant and equipments	-	(33)	-	(33)

B7. FAIR VALUE GAINS AND LOSSES - NET

	3 months period ended		6 months period ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Fair value gains/(losses) on investments	5,418	4,861	4,217	(277)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 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		6 months period ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	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	(858)	-	(858)
- trade and other receivables	33	(137)	98	(130)
- insurance receivables	(745)	(30)	(1,519)	(43)
- loans from leasing, hire purchase and others receivables	2,423	(135)	2,268	557
Bad debts recovered	20	23	45	105
Income from claim liabilities waived	1,841	-	10,965	-
Net foreign exchange gain/(loss)	74	(2,050)	2,187	(2,105)
Depreciation of property, plant and equipment	(870)	(863)	(1,720)	(1,689)
Amortisation of intangible assets	(275)	(286)	(641)	(623)
Amortisation of lease	(7)	(7)	(15)	(14)
<u>Discontinued operations</u>				
Commission paid and payable to unit trust agents	-	(5,158)	-	(9,104)
Depreciation of property, plant and equipment	-	(106)	-	(213)
Amortisation of intangible assets	-	(120)	-	(240)

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014**B9. TAXATION**

	3 months period ended		6 months period ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
<u>Current tax</u>				
Current financial quarter/period	60	848	410	893
(Over)/under accrual in prior financial quarter/period	(20)	14	(20)	48
	40	862	390	941
<u>Deferred tax</u>				
Current financial quarter/period	(5)	(1)	(10)	(6)
Tax expense	35	861	380	935
<u>Discontinued operations</u>				
<u>Current tax</u>				
Current financial quarter/period	-	209	-	361
Tax expense	-	209	-	361

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

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 and no resolution has not reached or mutually agreed then.

On 1 August 2014, the Company entered into a second settlement agreement with Zurich for the settlement of Zurich’s Counterclaims that included, inter-alia, the following salient terms:

- (i) Without any admission of liability or wrongdoing on the part of either party, the parties agree to settle the disputes in relation to Zurich’s Counterclaims through the payment of RM32.5 million to Zurich from the escrow account, and the balance escrow monies of approximately RM23.9 million as at 30 July 2014 including interest accrued thereon (if any) shall be released to the Company.
 - (ii) With effect from the date that the payments are made to Zurich and the Company, the disputes in relation to Zurich’s Counterclaims shall be fully and finally settled (“Settlement Date”).
 - (iii) With effect from the Settlement Date, the parties agree to discontinue the arbitration proceedings with respect to Zurich’s Counterclaims and shall bear the Singapore International Arbitration Centre (SIAC) costs in equal proportions.
- (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”).

B10. STATUS OF CORPORATE PROPOSALS (continued)

- (b) 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;
- (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 21 July 2014, the Company submitted an application to Bursa Securities for extension of time from complying with Paragraph 8.04(2), 8.04(3) and PN17 of the Listing Requirements ("Application").

On 7 August 2014, the Company announced that Bursa Securities has vide its letter dated 6 August 2014 informed that the suspension on the 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 and pending decision on the Application.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014**B10. STATUS OF CORPORATE PROPOSALS** (continued)

(c) 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 formed 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 the Group.

(d) On 3 July 2014, MAA Corp disposed off its entire equity interest held in a dormant subsidiary, Chelsea Parking Services Sdn Bhd that has ceased operations for at a total cash consideration of RM10.00 (Ringgit Malaysia: Ten Only) to external parties, arrived at on a willing-buyer and willing-seller basis.

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

B11. GROUP BORROWINGS

The Group’s borrowings include:

	As at 30.6.2014	As at 31.12.2013
	RM’000	RM’000
<u>Short term</u>		
Bank overdrafts (unsecured)	4,965	4,715

B12. CHANGES IN MATERIAL LITIGATION

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

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014

B13. PROPOSED DIVIDEND

On 28 February 2014, the Board of Directors declared a first interim gross dividend of 3 sen per share totaling RM9,131,000 under the single-tier dividend system in respect of the financial year ending 31 December 2014. The first interim dividend was paid on 18 April 2014.

On 19 June 2014, the Board of Directors declared a second interim gross dividend of 3 sen per share totaling RM9,131,000 under the single-tier dividend system in respect of the financial year ending 31 December 2014. The second interim dividend was paid on 31 July 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		6 months period ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
<u>Attributable to the Owners of the Company:</u>				
Net profit/(loss) for the financial quarter /period (RM'000)				
- Continuing operations	796	(16,425)	1,959	(24,092)
- Discontinued operations	-	618	-	1,051
	796	(15,807)	1,959	(23,041)
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	0.26	(5.40)	0.64	(7.92)
- Discontinued operations	-	0.20	-	0.35
	0.26	(5.20)	0.64	(7.57)

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.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2014

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 30.6.2014	As at 31.12.2013
	RM'000	RM'000
Total retained earnings of the Group:		
- Realised	153,095	150,217
- Unrealised	(40,259)	(23,647)
	112,836	126,570
Total share of accumulated profit/(losses) from associates		
- Realised	(5,870)	(5,175)
- Unrealised	6,042	5,007
	172	(168)
	113,008	126,402
Less: Consolidation adjustments	(5,030)	(9,808)
Total Group retained earnings as per statement of financial position	107,978	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: 25 AUGUST 2014