

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

**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"), paragraph 9.22 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the requirements of Companies Act, 2016.

Companies Act 2016

Companies Act 2016 ("New Act") was enacted to replace Companies Act, 1965. The New Act becomes effective on 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company are:

- (i) removal of the authorised share capital;
- (ii) shares of the Company will cease to have par value or nominal value; and
- (iii) the Company's capital redemption reserves will become part of the Company's share capital.

The adoption of the above did not have financial impact to the consolidated financial statements of the Group in the financial period ended 30 June 2017.

These unaudited Interim Reports should be read in conjunction with the Group's consolidated audited financial statements for the financial year ended 31 December 2016. 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 2016.

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 2016.

The following amendments to MFRSs and annual improvements to MFRSs that are effective from financial year beginning on or after on 1 January 2017 have been adopted by the Group and do not have material financial impact to the current financial year's consolidated financial statements of the Group:

- Amendments to MFRS 12 Disclosures of Interests in Other Entities
- Amendments to MFRS 107 "Statements of Cash Flows – *Disclosure Initiative*
- Amendments to MFRS 112 Income Taxes - *Recognition of Deferred Tax Assets for Unrealised Losses*
- Annual Improvements to MFRSs 2014-2016 Cycle

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

A2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Effective from financial year beginning on or after 1 January 2018

- Amendments to MFRS 140 Investment Property – *Transfer of Investment Property*
- IC interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments – *Classification and Measurement of Financial Assets and Financial Liabilities*
- Amendments to MFRS 4 - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Annual Improvements to MFRS 2014-2016 Cycle
 - Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
 - Amendments to MFRS 128 Investment in Associates and Joint Ventures
- Amendments to MFRS 2 Share-based Payment – *Classification and Measurement of Share-based Payment Transactions*

Effective from financial year beginning on or after 1 January 2019

- MFRS 16 Leases

Effective date yet to be determined by MASB

- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group will adopt the above MFRSs, amendments to MFRSs and annual improvements to MFRSs when they become effective in the respective financial periods. These MFRSs, amendments to MFRSs and annual improvements to MFRSs except MFRS 9 are not expected to have any material financial impact to the consolidated financial statements of the Group upon their first adoption. MFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Towards this, the Group has commenced initial work with gap analysis to understand and assess the financial impact upon the first adoption of MFRS 9.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

A3. SEASONAL OR CYCLICAL FACTORS

The Group's business operations were not significantly affected by any seasonal or cyclical factors in the current financial quarter and period ended 30 June 2017.

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 2017.

A5. CHANGES IN ESTIMATES

There were no changes in estimates that have any material effect in the current financial quarter and period ended 30 June 2017.

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 2017.

A7. DIVIDEND PAID

For the current financial period ended 30 June 2017, the Company paid a first interim dividend of 6 sen per ordinary share under the single-tier dividend system in respect of the financial year ending 31 December 2017 totaling RM16,411,065 on 31 March 2017.

For the previous financial period ended 30 June 2016, the Company paid a first interim dividend of 3 sen per ordinary share under the single-tier dividend system in respect of the financial year ended 31 December 2016 totaling RM8,712,698 on 31 March 2016.

A8. SEGMENTAL INFORMATION

The following summary describes the operations in each of the Group's operating segments for the current financial quarter and period ended 30 June 2017:

- Investment holdings
- Education services
- Retail mortgage lending business
- General insurance business

Other segments comprise hire purchase, leasing and other credit facilities, property management and consultancy services.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

A8. SEGMENTAL INFORMATION (continued)

3 months period ended 30 June 2017

Continuing Operations

	Investment holdings	Education services	Retail mortgage lending	General insurance	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	3,398	1,450	-	24,195	29	29,072
Profit/(loss) before taxation before share of profit of associates	27,782	122	-	2,185	(191)	29,898
Share of profit of associates	-	-	1,309	718	-	2,027
Profit/(loss) before taxation ^(*)	27,782	122	1,309	2,903	(191)	31,925

^(*) Profit before taxation from:
- Continuing Operations
- Discontinued Operations
Consolidated

RM'000

31,925

-

31,925

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

A8. SEGMENTAL INFORMATION (continued)

6 months period ended 30 June 2017

Continuing Operations

	Investment holdings	Education services	Retail mortgage lending	General insurance	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	6,010	2,851	-	24,195	52	33,108
Profit/(loss) before taxation before share of profit of associates	25,359	159	-	2,185	(516)	27,187
Share of profit of associates	-	-	1,869	2,321	-	4,190
Profit/(loss) before taxation ^(*)	25,359	159	1,869	4,506	(516)	31,377

^(*) Profit before taxation from:
- Continuing Operations
- Discontinued Operations
Consolidated

RM'000
31,377
-
<u>31,377</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

A8. SEGMENTAL INFORMATION (continued)

3 months period ended 30 June 2016

Continuing Operations

	Investment holdings	Education services	Retail mortgage lending	General insurance	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,922	1,944	-	-	17	3,883
(Loss)/profit before taxation before share of profit of associates	(12,371)	69	-	-	(1,670)	(13,972)
Share of profit of associates	-	-	684	897	-	1,581
(Loss)/profit before taxation ^(*)	(12,371)	69	684	897	(1,670)	(12,391)

Discontinued Operations

	Investment holdings	Takaful	Other segments	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	-	146,927	-	146,927
Profit before taxation	294,759	967	-	295,726
Tax income attributable to participants	-	408	-	408
Profit before taxation ^(*)	294,759	1,375	-	296,134

(*) Profit/(loss) before taxation from:	RM'000
- Continuing Operations	(12,391)
- Discontinued Operations	296,134
Consolidated	<u>283,743</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

A8. SEGMENTAL INFORMATION (continued)

6 months period ended 30 June 2016

Continuing Operations

	Investment holdings	Education services	Retail mortgage lending	General insurance	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	3,853	3,702	-	-	51	7,606
(Loss)/profit before taxation before share of profit of associates	(16,058)	282	-	-	(1,817)	(17,593)
Share of profit of associates	-	-	464	1,800	-	2,264
(Loss)/profit before taxation ^(*)	(16,058)	282	464	1,800	(1,817)	(15,329)

Discontinued Operations

	Investment holdings	Takaful	Other segments	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	-	279,237	142	279,379
Profit/(loss) before taxation	295,726	7,080	(205)	302,601
Tax expenses attributable to participants	-	(1,380)	-	(1,380)
Profit/(loss) before taxation ^(*)	295,726	5,700	(205)	301,221

^(*) Profit/(loss) before taxation from:	RM'000
- Continuing Operations	(15,329)
- Discontinued Operations	301,221
Consolidated	<u>285,892</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

A9. MATERIAL EVENTS AFTER THE REPORTING PERIOD

There were no material events subsequent to the end of the current financial period ended 30 June 2017 that have not been reflected in these Interim Reports.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

As stated in note B11(b) of these Interim Reports, MAA General Assurance Philippines, Inc. ("MAAGAP") became a 70% subsidiary of the Group on 19 April 2017.

Subsequently on 31 May 2017, MAAGAP settled fully the amounts due to its immediate holding company, MAA International Group Ltd ("MAAIG")(formerly known as MAA International Assurance Ltd) via issue of new shares, where the Group's equity interest in MAAGAP increased further from 70% to 74%.

A11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss if any. There were no revaluations of property, plant and equipment during the current financial quarter and period ended 30 June 2017.

A12. VALUATION OF INVESTMENT PROPERTIES

Investment properties of the Group were carried at revalued amount at the financial year ended 31 December 2016. These revalued amounts have been carried forward to the current financial period ended 30 June 2017.

A13. CONTINGENCIES

There were no contingent assets and liabilities as at the end of the financial period ended 30 June 2017.

A14. CAPITAL COMMITMENTS

There were no capital commitment for the purchase of property, plant and equipment as at the end of the financial period ended 30 June 2017.

A15 RELATED PARTY DISCLOSURES

All related party transactions within the Group had been entered into the normal course of business in accordance with the Shareholders' mandate procured on 25 May 2017 under Chapter 10 of the MMLR of Bursa Securities and were carried out on normal commercial terms.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

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 previous financial period ended 30 June 2016 represent MAA Takaful Berhad (“MAA Takaful”) and MAA Cards Sdn Bhd (“MAA Cards”), subsidiaries disposed during that year. There is no Discontinued Operations in the current financial period ended 30 June 2017.

As stated in note A10 and B11(b) of these Interim Reports, MAAGAP became a 74% subsidiary of the Group with effect from 19 April 2017. Arising from this business combination, the results of MAAGAP for the period of May to June 2017 are consolidated in the Group’s interim financial results for the current financial period ended 30 June 2017.

Current financial quarter ended 30 June 2017 (“2Q-2017”) against preceding year’s corresponding financial quarter ended 30 June 2016 (“2Q-2016”)

	2Q-2017	2Q-2016
	RM’000	RM’000
<u>Group</u>		
Operating revenue		
- Continuing Operations	29,072	3,883
- Discontinued Operations	-	146,927
	<u>29,072</u>	<u>150,810</u>
Profit/(loss) before taxation		
- Continuing Operations	31,925	(12,391)
- Discontinued Operations	-	296,134
	<u>31,925</u>	<u>283,743</u>

In 2Q-2017 under review, the Group recorded total operating revenue of RM29.1 million (2Q-2016: RM150.8 million). The Continuing Operations recorded a higher operating revenue of RM29.1 million (2Q-2016: RM3.9 million) mainly comprised of gross earned premium of RM23.1 million (2Q-2016: nil) contributed by the General Insurance business held via MAAGAP and higher investment income of RM4.4 million (2Q-2016: RM1.9 million). The Discontinued Operations recorded total operating revenue of RM146.9 million in 2Q-2016 wholly from MAA Takaful.

The Group recorded a Profit before taxation (“PBT”) of RM31.9 million (2Q-2016: PBT of RM283.7 million). The Continuing Operations recorded a PBT of RM31.9 million (2Q-2016: Loss before taxation (“LBT”) of RM12.4 million) mainly attributed by other income arising from settlement with other receivables of RM20.0 million, reserve arising from business combination of RM15.4 million related to MAAGAP and PBT of RM2.2 million (2Q-2016: nil) contributed by the General Insurance business of MAAGAP. The Discontinued Operations recorded a PBT of RM296.1 million in 2Q-2016 contributed mainly by a gain of RM294.8 million from the disposal of MAA Takaful.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 30 June 2017 (“2Q-2017”) against preceding year’s corresponding financial quarter ended 30 June 2016 (“2Q-2016”) (continued)

Investment Holdings

Key financial performance	2Q-2017	2Q-2016
	RM'000	RM'000
Operating revenue		
- Continuing Operations	3,398	1,922
Profit/(loss) before taxation		
- Continuing Operations	27,782	(12,371)
- Discontinued Operations	-	294,759
	27,782	282,388

Total operating revenue of Investment Holdings segment comprised mainly of interest income increased by 78.9% to RM3.4 million (2Q-2016: 1.9 million) in 2Q-2017 on the back of higher amount of funds available for fixed deposit placements.

In 2Q-2017, the Continuing Operations of Investment Holdings segment recorded a PBT of RM27.8 million (2Q-2016: LBT of RM12.4 million) mainly attributed by other income arising from settlement with other receivables of RM20.0 million and reserve arising from business combination of RM15.4 million related to MAAGAP. The profit recorded in 2Q-2016 by Discontinued Operations contributed mainly by a gain of RM294.8 million from the disposal of MAA Takaful.

Education Services

Key financial performance	2Q-2017	2Q-2016
	RM'000	RM'000
Operating revenue	1,450	1,944
Profit before taxation	122	69

Total operating revenue of Education Services segment consists of tuition fee income recorded a 21.0% decrease to RM1.5 million (2Q-2016: RM1.9 million) in 2Q-2017 due mainly to reduction in students enrollment.

In 2Q-2017, Education Services segment recorded a higher PBT of RM122,000 (2Q-2016: RM69,000) due mainly to lower management expenses of RM1.3 million (2Q-2016: RM1.9 million) resulted from cost control efforts.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 30 June 2017 (“2Q-2017”) against preceding year’s corresponding financial quarter ended 30 June 2016 (“2Q-2016”) (continued)

Retail Mortgage Lending

The Group’s Retail Mortgage Lending business operating in Australia is held via 48% associated company Columbus Capital Pty Limited (“CCA”).

Key financial performance	2Q-2017		2Q-2016	
	AUD’000	RM’000	AUD’000	RM’000
Operating revenue	24,350	79,399	19,500	58,186
Profit before taxation	1,200	3,904	479	1,429
Group’s share of profit after taxation	402	1,309	230	684
Currency exchange rate	1 RM = 0.3073 AUD		1 RM = 0.3360 AUD	

CCA’s operating revenue consists of loan interest and fee income. In 2Q-2017, the operating revenue grew to RM79.4 million, a 36.5% increase compared to 2Q-2016 of RM58.2 million, on the back of higher assets under management from AUD 1.54 billion as at 30 June 2016 to AUD 2.07 billion as at 30 June 2017.

CCA recorded a higher PBT from RM1.4 million in 2Q-2016 to RM3.9 million in 2Q-2017, driven mainly by the growth in operating revenue and slight improvement in net interest margin.

In 2Q-2017, CCA has contributed a higher share of profit after taxation of RM1.3 million (2Q-2016: RM0.7 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 30 June 2017 (“2Q-2017”) against preceding year’s corresponding financial quarter ended 30 June 2016 (“2Q-2016”) (continued)

General Insurance

The Group’s General Insurance business in the Philippines is held via MAAGAP that became a subsidiary on 19 April 2017 from earlier an associated company.

Key financial performance	2Q-2017		2Q-2016	
	PHP’000	RM’000	PHP’000	RM’000
Gross premium written (“GPW”)	420,451	36,307	406,072	34,640
Underwriting surplus	66,380	5,751	52,916	4,488
Investment income	32,114	2,770	25,594	2,183
Loss ratio in %	49%	49%	51%	51%
Commission ratio in %	30%	30%	26%	26%
Profit before taxation	51,051	4,424	29,093	2,450
Currency exchange rate	1 RM= 11.59 Php		1 RM= 11.72 Php	
Group’s share of profit after taxation (when MAAGAP was an associated company)	8,234	718	10,604	897

In 2Q-2017, GPW grew by 4.9% from RM34.6 million in 2Q-2016 to RM36.3 million, driven mainly by increase in the production of both motor and non-motor classes of business. Motor and non-motor businesses contributed 46% (2Q-2016: 39%) and 54% (2Q-2016: 61%) respectively of the total GPW in 2Q-2017.

MAAGAP registered a higher PBT of RM4.4 million in 2Q-2017, a 76.0% increase over RM2.5 million in 2Q-2016. The higher profit was contributed mainly by higher underwriting surplus amounting to RM5.8 million (2Q-2016: RM4.5 million) driven by an overall stable combined loss and commission ratio of 79% (2Q-2016: 77%) and higher investment income of RM2.8 million (2Q-2016: RM2.2 million) attributed by higher interest and dividend income of RM1.7 million (2Q-2016: RM1.3 million) and write back of impairment allowance for investments of RM189,000 (2Q-2016: nil).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period ended 30 June 2017 (“FPE2017”) against preceding year’s corresponding financial period ended 30 June 2016 (“FPE2016”)

	FPE2017	FPE2016
	RM’000	RM’000
<u>Group</u>		
Operating revenue		
- Continuing Operations	33,108	7,606
- Discontinued Operations	-	279,379
	33,108	286,985
Profit/(loss) before taxation		
- Continuing Operations	31,377	(15,329)
- Discontinued Operations	-	301,221
	31,377	285,892

The Group recorded total operating revenue of RM33.1 million for FPE2017 under review (FPE2016: RM287.0 million). The Continuing Operations recorded a higher operating revenue of RM33.1 million (FPE2016: RM7.6 million) mainly comprised of gross earned premium of RM23.1 million (FPE2016: nil) contributed by the General Insurance business held via MAAGAP and higher investment income of RM7.0 million (FPE2016: RM3.8 million). The Discontinued Operations recorded total operating revenue of RM279.4 million in FPE2016 mainly from MAA Takaful with total operating revenue of RM279.2 million.

The Group recorded a PBT of RM31.4 million (FPE2016: PBT of RM285.9 million). The Continuing Operations recorded a PBT of RM31.4 million (FPE2016: LBT of RM15.3 million) mainly attributed by other income arising from settlement with other receivable of RM20.0 million, reserve arising from business combination of RM15.4 million related to MAAGAP and PBT of RM2.2 million (2Q-2016: nil) contributed by the General Insurance business of MAAGAP. The Discontinued Operations recorded a PBT of RM301.2 million in FPE2016 contributed mainly by a gain of RM294.8 million from the disposal of MAA Takaful and a gain of RM1.0 million from the disposal of MAA Cards.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period ended 30 June 2017 (“FPE2017”) against preceding year’s corresponding financial period ended 30 June 2016 (“FPE2016”) (continued)

Investment Holdings

Key financial performance	FPE2017	FPE2016
	RM’000	RM’000
Operating revenue		
- Continuing Operations	6,010	3,853
Profit/(loss) before taxation		
- Continuing Operations	25,359	(16,058)
- Discontinued Operations	-	295,726
	25,359	279,668
Assets	489,534	697,671
Liabilities	10,693	21,192

Total operating revenue of Investment Holdings segment comprised mainly of interest income increased by 53.8% to RM6.0 million (FPE2016: 3.9 million) in FPE2017 on the back of higher amount of available funds for fixed deposit placements.

In FPE2017, the Continuing Operations of Investment Holdings segment recorded a PBT of RM25.4 million (FPE2016: LBT of RM16.1 million) mainly attributed by other income arising from settlement with other receivable of RM20.0 million and reserve arising from business combination of RM15.4 million related to MAAGAP. The profit recorded in FPE2016 by Discontinued Operations comprised mainly by a gain of RM294.8 million from the disposal of MAA Takaful and a gain of RM1.0 million from the disposal of MAA Cards.

As at 30 June 2017, Investment Holdings segment’s assets were lower at RM489.5 million due mainly to interim and special payments totalling RM125.4 million during the period of 1 July 2016 to 30 June 2017, total purchase consideration for the share buy-back including transaction costs amounted to RM13.3 million and final downward price adjustment payment of RM29.4 million in relation to the Company’s initial disposal consideration of RM300 million from the disposal of MAA Takaful.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period ended 30 June 2017 (“FPE2017”) against preceding year’s corresponding financial period ended 30 June 2016 (“FPE2016”) (continued)

Education Services

Key financial performance	FPE2017	FPE2016
	RM'000	RM'000
Operating revenue	2,851	3,702
Profit before taxation	159	282
Assets	2,184	1,710
Liabilities	365	332

Total operating revenue of Education Services segment consists of tuition fee income recoded a 21.6% decrease to RM2.9 million (FPE2016: RM3.7 million) in FPE2017 due mainly to reduction in students enrollment.

In FPE2017, Education Services segment recorded a lower PBT of RM159,000 (FPE2016: RM282,000) caused by reduction in tuition fee income and higher tutor costs which have affected profit margin of the business.

As at 30 June 2017, Education Services segment’s assets were higher at RM2.2 million on the back of higher cash and cash equivalents.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period ended 30 June 2017 (“FPE2017”) against preceding year’s corresponding financial period ended 30 June 2016 (“FPE2016”) (continued)

Retail Mortgage Lending

The Group’s Retail Mortgage Lending business operating in Australia is held via 48% associated company CCA.

Key financial performance	FPE2017		FPE2016	
	AUD’000	RM’000	AUD’000	RM’000
Operating revenue	46,872	155,065	38,537	115,493
Profit before taxation	1,797	5,911	558	1,661
Group’s share of profit after taxation	568	1,869	161	464
Currency exchange rate	1 RM = 0.2910 AUD		1 RM = 0.3346 AUD	

CCA’s operating revenue consists of loan interest and fee income. In FPE2017, the operating revenue grew to RM155.1 million, a 34.3% increase compared to FPE2016 of RM115.5 million, on the back of higher assets under management from AUD 1.54 billion as at 30 June 2016 to AUD 2.07 billion as at 30 June 2017.

CCA recorded a higher PBT from RM1.7 million in FPE2016 to RM5.9 million in FPE2017, driven mainly by the growth in operating revenue and slight improvement in net interest margin.

In FPE2017, CCA has contributed a higher share of profit after taxation of RM1.9 million (FPE2016: RM0.5 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period ended 30 June 2017 (“FPE2017”) against preceding year’s corresponding financial period ended 30 June 2016 (“FPE2016”) (continued)

General Insurance

The Group’s General Insurance business in the Philippines is held via MAAGAP that became a subsidiary on 19 April 2017 from earlier an associated company.

Key financial performance	FPE2017		FPE2016	
	PHP’000	RM’000	PHP’000	RM’000
Gross premium written (“GPW”)	924,797	81,065	847,880	73,439
Underwriting surplus	163,086	14,310	129,065	11,164
Investment income	44,854	3,903	30,746	2,614
Loss ratio in %	46%	46%	46%	46%
Commission ratio in %	27%	27%	25%	25%
Profit before taxation	109,876	9,627	62,905	5,396
Assets	3,264,409	277,220	2,577,352	220,719
Liabilities	2,041,396	173,360	1,724,360	147,670
Currency exchange rate	1 RM = 11.43 Php		1 RM = 11.56 Php	
Group’s share of profit after taxation (when MAAGAP was an associated company)	26,372	2,321	21,028	1,800

In FPE2017, GPW grew by 10.5% from RM73.4 million in FPE2016 to RM81.1 million, driven mainly by increase in the production of both motor and non-motor classes of business. Motor and non-motor businesses contributed 43% (FPE2016: 40%) and 57% (FPE2016: 60%) respectively of the total GPW in FPE2017.

MAAGAP registered a higher PBT of RM9.6 million in FPE2017, a 77.8% increase over RM5.4 million in FPE2016. The higher profit was contributed mainly by higher underwriting surplus amounting to RM14.3 million (FPE2016: RM11.2 million) driven by an overall stable combined loss and commission ratio of 73% (FPE2016: 71%) and higher investment income of RM3.9 million (FPE2016: RM2.6 million) attributed by higher interest and dividend income of RM3.1 million (FPE2016: RM2.1 million) and higher realised gain on disposal of investments of RM0.8 million (FPE2016: RM0.5 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period ended 30 June 2017 (“FPE2017”) against preceding year’s corresponding financial period ended 30 June 2016 (“FPE2016”) (continued)

General Insurance (continued)

MAAGAP’s total assets grew by 25.6% from RM220.7 million as at 30 June 2016 to RM277.2 million as at 30 June 2017 contributed by increase in financial investments held. Total liabilities increased by 17.4% to RM173.4 million (2016: RM147.7 million) as at 30 June 2017, attributed by 15.3 % increase in insurance contract liabilities to RM127.3 million (2016: RM110.4 million) consistent with the growth in business written.

B2. RESULTS OF THE CURRENT FINANCIAL QUARTER (2Q-2017) AGAINST THE PRECEDING FINANCIAL QUARTER (1Q-2017)

In 2Q-2017, the Group recorded a PBT of RM31.9 million (1Q-2017: LBT of RM0.5 million) wholly from Continuing Operations.

The profit in 2Q-2017 was mainly attributed by other income arising from settlement with other receivable of RM20.0 million, reserve arising from business combination of RM15.4 million related to MAAGAP and PBT of RM2.2 million (2Q-2016: nil) contributed by the General Insurance business of MAAGAP.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B3. PROSPECTS

The Group's General Insurance business in the Philippines held via subsidiary MAAGAP recorded commendable growth in gross written premium (+10.5%) and profit before taxation (+77.8%) for the current financial period ended 30 June 2017. MAAGAP will continue its efforts to implement actions plans involving among others rolling out enhanced and new insurance products, enhancing existing systems and processes to expand marketing channels and customer service levels and continue active monitoring of its motor business profitability in terms of underwriting and claim policies and procedures to maintain its growth momentum.

The Reserve Bank of Australia ("RBA") in its domestic economic outlook for second half 2017 expected solid employment growth with inflation rate to reach around 2%, slightly higher than the 1.9% level at June 2017. At the same time, RBA cash rate has remained static at 1.5% since August 2016. These favorable economic indicators would enable the Retail Mortgage Lending business of the Group held via associated company CCA, to maintain steady funding costs to support its profit margin while continuing its focus to grow the loan book for the second half of 2017.

The remaining current year will remain challenging for the Group's Education Services business in view that the enrolled student numbers for tuition and tuition fee income will decline at the tail end of school academic year. Towards this, the Education Services will continue its efforts to critically assess areas to reduce operating costs per student and improve operation efficiency.

The Company via its Investment Holdings business has been continuing its efforts to explore other investment opportunities to address the PN17 status in the midst of the challenging economic conditions in Malaysia. On this note, the Company has assessed and evaluated companies in varied industries. Further announcement on the development will be made in due course taking into consideration the extension of time up to 31 December 2017 as approved by Bursa Securities to submit a regularisation plan.

In light of the prospect of the operating segments of the Group mentioned above, the Board expects the Group's performance to be satisfactory for the remaining year of 2017.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

B5. DISCONTINUED OPERATIONS

Statement of Profit of Loss
For the financial period ended 30 June 2016

	RM'000
Operating revenue	<u>279,379</u>
Gross earned contributions	269,430
Contributions ceded to retakaful operators	<u>(100,165)</u>
Net earned contributions	<u>169,265</u>
Investment income	9,845
Realised gains and losses – net	297,236
Fair value gains and losses - net	(16,785)
Fee and commission income	19,730
Other operating revenue from non-insurance businesses	104
Other operating income - net	<u>6,684</u>
Other revenue	<u>316,814</u>
Total revenue	<u>486,079</u>
Gross benefits and claims paid	(141,756)
Claims ceded to retakaful operators	46,860
Gross change to contract liabilities	(11,212)
Change in contract liabilities ceded to retakaful operators	<u>13,108</u>
Net takaful benefits and claims	<u>(93,000)</u>
Fee and commission expense	(46,143)
Management expenses	(44,005)
Expenses liabilities	<u>(330)</u>
Other expenses	<u>(90,478)</u>
Profit before taxation	<u>302,601</u>
Tax expenses attributable to participants	(1,380)
Profit before taxation	<u>301,221</u>
Taxation	<u>(5,109)</u>
Tax expenses attributable to participants	<u>1,380</u>
Tax expenses attributable to Shareholders' fund	<u>(3,729)</u>
Profit for the financial period	<u>297,492</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B6. INVESTMENT INCOME

	3 months period ended		6 months period ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
<u>Continuing Operations</u>				
Interest income	2,928	1,856	5,498	3,669
Dividend income	1,444	-	1,444	-
Rental income	67	-	67	102
	4,439	1,856	7,009	3,771
<u>Discontinued Operations</u>				
Interest income	-	4,711	-	9,069
Dividend income	-	386	-	867
Amortisation of premium	-	(51)	-	(91)
	-	5,046	-	9,845

B7. REALISED GAINS AND LOSSES – NET

	3 months period ended		6 months period ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
<u>Continuing Operations</u>				
Gains/(losses) on disposal of:				
- investments	791	7	791	7
- property, plant and equipment	55	(6)	53	33
	846	1	844	40
<u>Discontinued Operations</u>				
Gains on disposal of:				
- investments	-	2,875	-	1,510
- subsidiaries	-	294,759	-	295,726
	-	297,634	-	297,236

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B8. FAIR VALUE GAINS AND LOSSES – NET

	3 months period ended		6 months period ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
<u>Continuing Operations</u>				
Net fair value gains/(losses) on:				
- investments	30	28	(12)	54
- investment properties	(7,925)	-	(7,925)	-
	(7,895)	28	(7,937)	54
<u>Discontinued Operations</u>				
Net fair value losses on:				
- investments	-	(9,640)	-	(16,785)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B9. PROFIT/(LOSS) BEFORE TAXATION FOR THE FINANCIAL QUARTER AND PERIOD

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

	3 months period ended		6 months period ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
<u>Continuing Operations</u>				
Write back of/(allowance for) impairment loss on:				
- other receivables	34	(1,700)	34	(1,700)
- loans from leasing, hire purchase and others receivables	1	2	1	5
- insurance receivables	(41)	-	(41)	-
- investments	189	-	189	-
Disposal costs of MAA Takaful	-	(2,500)	-	(2,500)
Property, plant and equipment written off	-	(40)	-	(40)
Intangible assets written off	-	(1)	-	(1)
Bad debts recovered	38	15	54	34
Realised foreign exchange (losses)/gains	(43)	45	(75)	27
Unrealised foreign exchange losses	(172)	(1,334)	(313)	(2,190)
Other income arising from settlement with other receivable	20,000	-	20,000	-
Reserve arising from business combination	15,413	-	15,413	-
Gain on remeasurement of previously held equity interest held in an associate	2,496	-	2,496	-
Depreciation of property, plant and equipment	(238)	(175)	(426)	(351)
Amortisation of intangible assets	(17)	(16)	(34)	(27)
Amortisation of leases	(1)	-	(1)	(1)
<u>Discontinued Operations</u>				
(Allowance for)/write back of impairment loss on:				
- other receivables	-	(27)	-	(27)
- takaful receivables	-	(1,248)	-	827
Property, plant and equipment written off	-	(8)	-	(16)
Intangible assets written off	-	(382)	-	(383)
Write back of takaful payables	-	2,365	-	6,666
Depreciation of property, plant and equipment	-	(638)	-	(1,287)
Amortisation of intangible assets	-	(311)	-	(637)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B10. TAXATION

	3 months period ended		6 months period ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
<u>Continuing Operations</u>				
<u>Current tax</u>				
Current financial quarter/period	223	1	223	27
Over provision in prior financial quarter/period	-	-	-	(7)
	223	1	223	20
<u>Deferred tax</u>				
Current financial quarter/period	765	(1)	794	(19)
Tax expense	988	-	1,017	1
<u>Discontinued Operations</u>				
<u>Current tax</u>				
Current financial quarter/period	-	1,992	-	3,705
<u>Deferred tax</u>				
Current financial quarter/period	-	103	-	24
Tax expense	-	2,095	-	3,729

The Group's effective tax rate for the current and previous financial quarter and period was lower than the statutory tax rate of 24% due to certain gains not subject to tax.

B11. CORPORATE PROPOSALS

- (a) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 (“PN17”) of the MMLR of Bursa Securities whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad).

Nonetheless, the Company did not trigger any of the other prescribed criteria under PN17 of MMLR, 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.

Pursuant to Paragraph 8.04(3) of the MMLR, the Company is required to regularise its condition by undertaking a regularisation plan. The regularisation plan was required to be submitted to Bursa Securities on 30 September 2012, and was subsequently extended until 30 June 2017 via Bursa Securities’ letters dated 18 July 2017, 16 February 2017, 21 July 2016, 18 February 2016, 4 August 2015, 23 March 2015, 21 October 2014, 11 March 2014, 1 August 2013 and 20 December 2012.

The extension of time of up to 31 December 2017 for the Company to submit a regularisation plan 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 a regularisation plan to the regulatory authorities on or before 31 December 2017;
- (ii) The Company fails to obtain 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 the Company on the next market day on the 6th market day after 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.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B11. CORPORATE PROPOSALS (continued)

- (b) On 6 December 2016, the Company announced that MAAIG, a wholly owned subsidiary of MAA Corporation Sdn Bhd, had on the same date remitted a sum of PHP300 million to subscribe for additional 300,000 new shares with par value of PHP1,000.00 per share (“Proposed Subscription”) of MAAGAP, a licensed general insurance company operating in the Republic of Philippines. The Proposed Subscription is subject to the approval of regulatory authority in the Philippines.

On 21 April 2017, the Company announced that MAAGAP has received approval from Securities & Exchange Commission of Philippines vide its letter dated 19 April 2017 for the increase in the authorised and paid-up share capital of MAAGAP via the capital injection of PHP300 million by MAAIG, MAAGAP will now be a 70% subsidiary of MAAIG.

- (c) On 6 December 2016, MAAIG applied to Labuan Financial Services Authority (“LFSA”) to surrender its Labuan composite insurance license premised that since the second half of 2014 it had ceased all the previous offshore reinsurance and investment-linked businesses and also taking into consideration the high compliance cost. Presently the principal activity of MAAIG is investment holding and it does not have plan to re-active its insurance business.

On 5 January 2017, the Company announced that LFSA had vide its letter dated 3 January 2017 granted approval to MAAIG to surrender the Labuan composite insurance license effective 31 January 2017.

- (d) On 11 April 2017, the Company announced that it has on the same day entered into the following agreements for the Acquisition of Properties:
- (i) supplemental sale and purchase agreement with PIMA Pembangunan Sdn Bhd (“PIMA”) to complete the purchase of 783 car parking bays situated at a commercial development known as Prima Klang Avenue (“Development”) for a purchase price of RM3.5 million;
 - (ii) sale and purchase agreement with PIMA to purchase 38 office suits and retail units in Block B of the Development for a purchase price of RM23.0 million;
 - (iii) sale and purchase agreement with PIMA to purchase the land, together with the platform built thereon, comprised in Block C of the Development for a purchase price of RM11.0 million, and
 - (iv) settlement agreement with PIMA wherein the purchase considerations for the Properties will settle the amount owing by PIMA to the Company under the joint venture agreement entered into in 2013 with the balance purchase considerations totalling RM6.0 million payable to PIMA upon delivery of vacant possession of the Properties.

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 30 JUNE 2017

B12. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

Brief explanations of the status of utilisation of proceeds raised from corporate proposals of the Group are as follow:

(a) Disposal of Malaysian Assurance Alliance Berhad and other subsidiaries

	Purpose	Proposed Utilisation	Actual Utilisation	Intended timeframe for utilisation	Deviation	Explanations (if the deviation is 5% or more)
		RM'000	RM'000		RM'000	
(i)	Repayment of Medium-Term Notes	140,000	140,000	Immediately upon the receipt of the proceeds from the proposed disposal	-	-
(ii)	Repayment of borrowings and the payment of related interest cost	36,400	36,416	Immediately upon the receipt of the proceeds from the proposed disposal	16	-
(iii)	Payment of borrowings restructuring fees	3,800	3,800	Immediately upon the receipt of the proceeds from the proposed disposal	-	-
(iv)	General working capital requirements	191,096	117,795	Within 24 months from the date of receipt of the proceeds from the proposed disposal	-	-
(v)	Payment of dividends to shareholders during FY 2014, 2015, 2016 and 2017	-	69,429	-	69,429	Dividend payment to shareholders
	Total	371,296*	367,440		69,445	

*consist of headline consideration of RM344.0 million as stated in the Circular to Shareholders dated 29 August 2011 and additional proceeds received from price adjustments, net of settlement of agreed claims with the purchaser, Zurich Insurance Company Ltd ("Zurich").

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B12. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS (continued)

(b) Disposal of MAAKL Mutual Bhd

	Purpose	Proposed Utilisation	Actual Utilisation	Intended timeframe for utilisation	Deviation	Explanations (if the deviation is 5% or more)
		RM'000	RM'000		RM'000	
(i)	General working capital requirements	53,061	9,616	No limit specified	-	-
	Total	53,061	9,616			

(c) Disposal of MAA Takaful

	Purpose	Proposed Utilisation	Actual Utilisation	Intended timeframe for utilisation	Deviation	Explanations (if the deviation is 5% or more)
		RM'000	RM'000		RM'000	
(i)	Proposed Special Dividend	100,761	100,761	Within 6 months from the disposal completion date	-	-
(ii)	Future investment opportunity(ies)/ Prospective new business(es) to be acquired	196,739	56,606*	Within 24 months from the disposal completion date	n/a as the 24 months period is not yet due	-
		93,750	-	Within 24 months from the receipt of the Balance Consideration	n/a as the Balance Consideration has not been received yet	-
(iii)	Estimated expenses relating to the disposal	2,500	2,403	Within 1 month from the disposal completion date	97	-
	Total	393,750	159,770		97	

*consist of:

- a) an amount of RM29.351 million being the downward price adjustment in accordance with the terms of the sale and purchase agreement paid on 27 December 2016 to the purchaser, Zurich from the initial consideration of RM300.0 million received from Zurich on 30 June 2016, the sale completion date; and
- b) an amount of RM27.255 million being the consideration paid to subscribe for additional 300,000 new shares with par value of PHP1,000 per share of MAAGAP that increased the Group's equity interest from 40% to 70%, making it a subsidiary as stated in note B11(b) of these Interim Reports.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B13. CHANGES IN MATERIAL LITIGATION

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

B14. DIVIDEND PAYABLE

During the financial quarter ended 31 March 2017, a first interim dividend of 6 sen per share under the single-tier dividend system in respect of the financial year ending 31 December 2017 amounting to RM16,411,065 was paid on 31 March 2017.

The Board of Directors has approved the declaration of a second interim dividend of 3 sen per share under the single-tier dividend system in respect of the financial year ending 31 December 2017. The interim dividend payment date will be announced later.

The total interim dividends paid for the current financial period ended 30 June 2017 is 6.0 sen per ordinary share (6 months ended 30 June 2016: 3.0 sen).

B15. EARNINGS PER SHARE

	3 months period ended		6 months period ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
<u>Attributable to the Owners of the Company:</u>				
Net profit/(loss) for the financial quarter/period (RM'000)				
- Continuing Operations	30,452	(12,391)	29,875	(15,330)
- Discontinued Operations	-	294,241	-	297,040
	30,452	281,850	29,875	281,710
Weighted average number of ordinary shares in issue ('000)	273,518	289,651	273,518	292,554
Basic earnings/(loss) per share (sen)				
- Continuing Operations	11.13	(4.28)	10.92	(5.24)
- Discontinued Operations	-	101.58	-	101.53
	11.13	97.30	10.92	96.29

B16. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the audited annual financial statements for the financial year ended 31 December 2016 was not qualified.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2017

B17. DISCLOSURE OF REALISED AND UNREALISED PROFITS

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 30.6.2017	As at 31.12.2016
	RM'000	RM'000
Total retained earnings of the Group:		
- Realised	228,349	211,670
- Unrealised	10,395	11,040
	238,744	222,710
Total share of accumulated profits/(loss) from associates		
- Realised	11,843	9,475
- Unrealised	946	(876)
	12,789	8,599
	251,533	231,309
Add: Consolidation adjustments	2,281	8,855
Total Group retained earnings as per statement of financial position	253,814	240,164

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

By Order of the Board

Lily Yin Kam May
Yeo Took Keat
Company Secretaries

KUALA LUMPUR
DATE: 23 August 2017