

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

**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 MFRS 134 '*Interim Financial Reporting*' issued by the Malaysian Accounting Standards Board ("MASB"), the International Accounting Standard ("IAS") 34 '*Interim Financial Reporting*' and the requirements of Companies Act 2016. These Interim Reports have been prepared under the historical cost convention as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

These Interim Reports have also been prepared in accordance with paragraph 9.22 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

These unaudited Interim Reports should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2018. 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 2018.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and presentation adopted by the Group in these Interim Reports are consistent with those adopted in the Group's audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following standards and amendments to standards that became effective from financial year beginning on or after 1 January 2019:

- MFRS 16 '*Leases*'
- IC Interpretation 23 '*Uncertainty over Income Tax Treatments*'
- Amendments to MFRS 9 '*Financial Instruments - Prepayment features with negative compensation*'
- Amendments to MFRS 128 '*Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*'
- Annual Improvements to MFRSs 2015 – 2017 Cycle
 - Amendments to MFRS 3 '*Business Combinations*'
 - Amendments to MFRS 112 '*Income Taxes*'
 - Amendments to MFRS 123 '*Borrowing Costs*'
 - Amendments to MFRS 11 '*Joint Arrangement*'

The adoption of the above do not have any significant financial impact to the current and prior financial period's consolidated financial statements of the Group upon their initial application, except as mentioned below:

MFRS 16 '*Leases*'

MFRS 16 '*Leases*' supersedes MFRS 117 '*Leases*', IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

A2. SIGNIFICANT ACCOUNTING POLICIES (continued)

MFRS 16 'Leases' (continued)

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet).

MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 '*Property, Plant and Equipment*' and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group has adopted MFRS 16 using the modified retrospective approach which measured the right-of-use assets equals to the lease liabilities at 1 January 2019 with no restatement of comparative information. The Group has recognised right-of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

On transition to MFRS 16, the Group has recognised an amount of RM 6,520,000 of right-of-use assets and lease liabilities. When measuring the lease liabilities, the Group has discounted the operating lease commitments using the incremental borrowing rates at 1 January 2019.

The following standards, amendments to published standards and interpretations to existing standards that have been issued by MASB but are not yet effective to the Group:

Effective for annual periods commencing on or after 1 January 2020

- Amendments to MFRS 3 '*Business Combinations – Definition of a Business*'
- Amendments to MFRS 108 '*Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*'
- Amendments to MFRS 101 '*Presentation of Financial Statements – Definition of Material*'

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 '*Insurance Contracts*'

The International Accounting Standards Board has proposed to amend the effective date of IFRS 17 '*Insurance Contracts*' to 1 January 2022.

Effective date of these Amendments to Standards has been deferred, and yet to be announced

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 assess the application of adopting the above standards, amendments to published standards and interpretations to exiting standards before the effective dates.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

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 2019.

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial quarter and period ended 30 June 2019.

A5. CHANGES IN ESTIMATES

There were no changes in estimates that have any material effect during the current financial quarter and period ended 30 June 2019.

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 2019.

A7. DIVIDEND PAID

No interim dividend was paid by the Company during the current financial period ended 30 June 2019 in respect of the financial year ending 31 December 2019.

For the previous financial period ended 30 June 2018, 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 2018 totaling RM8,205,533 on 25 April 2018.

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 2019:

- Investment holdings
- General insurance business
- Education services

The Group's other segments comprise of hire purchase, leasing and other credit facilities, property management and consultancy services.

There have been no material changes in total assets, the basis of segmentation and the basis of measurement of segment profit or loss from the last annual financial statements, except that the retail mortgage lending business held via associated company, Columbus Capital Pty Limited ("CCA") has ceased to be the Group's operating segment subsequent to the disposal of CCA on 27 December 2018.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

A8. SEGMENTAL INFORMATION (continued)

3 months period ended 30 June 2019

	Investment holdings	General insurance	Education services	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	3,038	43,803	923	149	47,913
Net earned premiums	-	26,666	-	-	26,666
Investment income	2,978	2,709	-	105	5,792
Realised gains and losses – net	33	330	-	-	363
Fair value gains and losses – net	(5,128)	(377)	-	61	(5,444)
Commission income	-	630	-	-	630
Other operating revenue from non- insurance businesses	60	-	923	44	1,027
Other operating (expenses)/income – net	(409)	(556)	3	(14)	(976)
Net claims incurred	-	(11,959)	-	-	(11,959)
Commission expense	-	(10,116)	-	-	(10,116)
Management expenses	(5,509)	(5,041)	(1,008)	(889)	(12,447)
Finance costs	(29)	(25)	(11)	(5)	(70)
(Loss)/profit before taxation	(8,004)	2,261	(93)	(698)	(6,534)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

A8. SEGMENTAL INFORMATION (continued)

6 months period ended 30 June 2019

	Investment holdings	General insurance	Education services	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	5,050	85,099	1,773	234	92,156
Net earned premiums	-	53,040	-	-	53,040
Investment income	4,931	4,757	-	178	9,866
Realised gains and losses – net	258	2,340	-	-	2,598
Fair value gains and losses – net	1,778	(914)	-	95	959
Commission income	-	1,135	-	-	1,135
Other operating revenue from non- insurance businesses	119	-	1,773	56	1,948
Other operating (expenses)/income – net	(570)	(731)	4	(20)	(1,317)
Net claims incurred	-	(24,049)	-	-	(24,049)
Commission expense	-	(19,705)	-	-	(19,705)
Management expenses	(10,487)	(9,265)	(1,897)	(1,428)	(23,077)
Finance costs	(61)	(56)	(24)	(9)	(150)
(Loss)/profit before taxation	(4,032)	6,552	(144)	(1,128)	1,248

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

A8. SEGMENTAL INFORMATION (continued)

3 months period ended 30 June 2018

	Investment holdings	General insurance	Education services	Retail mortgage lending	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	2,454	37,329	1,022	-	22	40,827
Net earned premiums	-	24,643	-	-	-	24,643
Investment income	2,394	1,780	-	-	16	4,190
Realised gains and losses – net	(570)	(15)	-	-	-	(585)
Fair value gains and losses – net	1,741	(3,462)	-	-	13	(1,708)
Commission income	-	654	-	-	-	654
Other operating revenue from non-insurance businesses	60	-	1,022	-	6	1,088
Other operating income/ (expenses) - net	2,046	122	3	-	(17)	2,154
Net claims incurred	-	(10,563)	-	-	-	(10,563)
Commission expense	-	(8,948)	-	-	-	(8,948)
Management expenses	(5,832)	(4,016)	(991)	-	(637)	(11,476)
Finance costs	-	(2)	-	-	-	(2)
(Loss)/profit before taxation before share of profit of associate	(161)	193	34	-	(619)	(553)
Share of profit of an associate	-	-	-	923	-	923
(Loss)/profit before taxation	(161)	193	34	923	(619)	370

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

A8. SEGMENTAL INFORMATION (continued)

6 months period ended 30 June 2018

	Investment holdings	General insurance	Education services	Retail mortgage lending	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	4,419	73,559	1,966	-	47	79,991
Net earned premiums	-	50,060	-	-	-	50,060
Investment income	4,300	3,501	-	-	35	7,836
Realised gains and losses – net	507	950	-	-	-	1,457
Fair value gains and losses – net	(8,374)	(6,585)	-	-	34	(14,925)
Commission income	-	1,134	-	-	-	1,134
Other operating revenue from non-insurance businesses	119	-	1,966	-	12	2,097
Other operating income/ (expenses) - net	921	45	4	-	(7)	963
Net claims incurred	-	(20,467)	-	-	-	(20,467)
Commission expense	-	(17,706)	-	-	-	(17,706)
Management expenses	(11,622)	(8,311)	(1,897)	-	(1,120)	(22,950)
Finance costs	-	(5)	-	-	-	(5)
(Loss)/profit before taxation before share of profit of associate	(14,149)	2,616	73	-	(1,046)	(12,506)
Share of profit of an associate	-	-	-	1,680	-	1,680
(Loss)/profit before taxation	(14,149)	2,616	73	1,680	(1,046)	(10,826)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

A9. MATERIAL EVENTS AFTER THE REPORTING PERIOD

There were no material events subsequent to the end of the current financial period ended 30 June 2019 that have not been reflected in these Interim Reports.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial quarter and period ended 30 June 2019.

A11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment during the current financial quarter and period ended 30 June 2019. As at 30 June 2019, the Group's property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

A12. VALUATION OF INVESTMENT PROPERTIES

Investment properties of the Group were carried at revalued amount at the financial year ended 31 December 2018. These revalued amounts have been carried forward to the current financial period ended 30 June 2019.

A13. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets and liabilities as at the end of the financial period ended 30 June 2019.

A14. CAPITAL COMMITMENTS

Significant capital commitments contracted but not provided for the purchase of property, plant and equipment as at the end of the financial period are as follows:

	As at 30.6.2019	As at 31.12.2018
	RM'000	RM'000
Property, plant and equipment		
- Renovation	-	416

A15. RELATED PARTY DISCLOSURES

All related party transactions and balances within the Group had been entered in the normal course of business and were carried out on normal commercial terms. The Company will monitor related party transactions and comply with the requirements under Chapter 10 of the MMLR of Bursa Securities.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

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

B1. REVIEW OF GROUP PERFORMANCE

Current financial quarter ended 30 June 2019 (“2Q-2019”) against preceding year’s corresponding financial quarter ended 30 June 2018 (“2Q-2018”)

Group

	2Q-2019	2Q-2018
	RM’000	RM’000
Operating revenue	47,913	40,827
(Loss)/profit before taxation	(6,534)	370

In 2Q-2019 under review, the Group recorded a higher total operating revenue of RM47.9 million (2Q-2018: RM40.8 million), mainly contributed by the higher gross earned premiums of RM41.1 million (2Q-2018: RM35.5 million) recorded by the General Insurance business held via subsidiary, MAA General Assurance Philippines, Inc. (“MAAGAP”) and higher investment income of RM5.8 million (2Q-2018: RM4.2 million).

The Group recorded a Loss before taxation (“LBT”) of RM6.5 million (2Q-2018: Profit before taxation (“PBT”) of RM370,000) in 2Q-2019. The General Insurance business contributed a higher PBT of RM2.3 million (2Q-2018: PBT of RM193,000). However this profit was offset by a LBT of RM8.0 million (2Q-2018: LBT of RM161,000) from the Investment Holdings segment and a LBT of RM93,000 (2Q-2018: PBT of RM34,000) from the Education Services segment.

Investment Holdings

Key financial performance	2Q-2019	2Q-2018
	RM’000	RM’000
Operating revenue	3,038	2,454
Loss before taxation	(8,004)	(161)

The Investment Holdings segment recorded a 23.8% increase in total operating revenue to RM3.0 million (2Q-2018: RM2.5 million) which mainly comprised of interest income of RM1.8 million (2Q-2018: RM2.2 million), dividend income of RM1.1 million (2Q-2018: RM0.2 million) and rental income from investment properties of RM69,000 (2Q-2018: RM58,000).

In 2Q-2019, the Investment Holdings segment recorded a higher LBT of RM8.0 million (2Q-2018: RM161,000) mainly due to net fair value losses of RM4.9 million (2Q-2018: gains of RM3.0 million) on investments classified at FVTPL caused by equity markets downturns and management expenses of RM5.5 million (2Q-2018: RM5.8 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 30 June 2019 ("2Q-2019") against preceding year's corresponding financial quarter ended 30 June 2018 ("2Q-2018") (continued)

General Insurance

Key financial performance	2Q-2019		2Q-2018	
	PHP'000	RM'000	PHP'000	RM'000
Gross premium written ("GPW")	556,554	44,350	465,029	35,066
Underwriting surplus	65,399	5,220	77,146	5,786
Investment income	34,040	2,709	23,608	1,780
Claim ratio in %	44.8%	44.8%	42.9%	42.9%
Commission ratio in %	33.0%	33.0%	37.1%	37.1%
Profit before taxation	28,163	2,261	2,992	193
Range of currency exchange rate	1 RM = 12.45 to 12.73 PHP		1 RM= 13.20 to 13.36 PHP	

GPW grew by 19.7% from PHP465.0 million in 2Q-2018 to PHP556.6 million in 2Q-2019, driven mainly by increase in the production of both motor and non-motor classes of business. Motor classes recorded an increase in GPW of 9.2% to PHP195.5 million (2Q-2018: PHP179.1 million), whilst non-motor classes registered a 26.3% increase in GPW to PHP361.1 million (2Q-2018: PHP285.9 million). The motor and non-motor businesses contributed 35% (2Q-2018: 39%) and 65% (2Q-2018: 61%) respectively of the total GPW in 2Q-2019.

In 2Q-2019, MAAGAP recorded a lower underwriting surplus of PHP65.4 million compared to PHP77.1 million in 2Q-2018 due mainly to higher claim ratio of 44.8% (2Q-2018 : 42.9%) caused by fire and engineering claims from earthquake loss that occurred in April 2019.

Nevertheless, MAAGAP registered a higher PBT of PHP28.2 million (2Q-2018: PHP3.0 million) in 2Q-2019 mainly attributed by the higher investment income of PHP34.0 million (2Q-2018: PHP23.6 million), higher realised gains from disposal of investments of PHP3.9 million (2Q-2018: losses of PHP0.2 million) and lower net fair value losses of PHP4.8 million (2Q-2018: PHP45.9 million) on investments classified at FVTPL.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 30 June 2019 (“2Q-2019”) against preceding year’s corresponding financial quarter ended 30 June 2018 (“2Q-2018”) (continued)

Education Services

Key financial performance	2Q-2019	2Q-2018
	RM’000	RM’000
Operating revenue	923	1,022
(Loss)/profit before taxation	(93)	34

Total operating revenue of the Education Services segment consists of tuition fee income recorded a 9.7% decrease to RM0.9 million (2Q-2018: RM1.0 million) in 2Q-2019 affected by the reduction in students enrollment.

Corresponding to the lower tuition fee income, the Education Services segment has recorded a LBT of RM93,000 (2Q-2018: PBT of RM34,000).

Current financial period ended 30 June 2019 (“FPE 30.6.2019”) against preceding year’s corresponding financial period ended 30 June 2018 (“FPE 30.6.2018”)

Group

	FPE 30.6.2019	FPE 30.6.2018
	RM’000	RM’000
Operating revenue	92,156	79,991
Profit/(loss) before taxation	1,248	(10,826)

In FPE 30.6.2019 under review, the Group recorded a higher total operating revenue of RM92.2 million (FPE 30.6.2018: RM80.0 million), mainly contributed by the higher gross earned premiums of RM80.3 million (FPE 30.6.2018: RM70.1 million) recorded by MAAGAP and higher investment income of RM9.9 million (FPE 30.6.2018: RM7.8 million).

The Group recorded a PBT of RM1.2 million (FPE 30.6.2018: LBT of RM10.8 million) in FPE 30.6.2019. The General Insurance business contributed a higher PBT of RM6.6 million (FPE 30.6.2018: RM2.6 million). However this profit was offset by a LBT of RM4.0 million (FPE 30.6.2018: LBT of RM14.1 million) from the Investment Holdings segment and a LBT of RM144,000 (FPE 30.6.2018: PBT of RM73,000) from the Education Services segment.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period ended 30 June 2019 (“FPE 30.6.2019”) against preceding year’s corresponding financial period ended 30 June 2018 (“FPE 30.6.2018”) (continued)

Investment Holdings

Key financial performance	FPE 30.6.2019	FPE 30.6.2018
	RM’000	RM’000
Operating revenue	5,050	4,419
Loss before taxation	(4,032)	(14,149)
Assets	425,598	457,989
Liabilities	12,078	11,628

The Investment Holdings segment recorded a 14.3% increase in total operating revenue to RM5.1 million (FPE 30.6.2018: RM4.4 million) which mainly comprised of interest income of RM3.5 million (FPE 30.6.2018: RM4.0 million), dividend income of RM1.3 million (FPE 30.6.2018: RM205,000) and rental income from investment properties of RM141,000 (FPE 30.6.2018: RM134,000).

In FPE 30.6.2019, the Investment Holdings segment recorded a lower LBT of RM4.0 million (FPE 30.6.2018: RM14.1 million). The lower loss was mainly contributed by net fair value gains of RM2.2 million (FPE 30.6.2018: losses of RM7.1 million) on investments classified at FVTPL, lower fair value losses of RM0.3 million (FPE 30.6.2018: RM1.2 million) on investment properties and lower management expenses of RM10.5 million (FPE 30.6.2018: RM11.6 million).

As at 30 June 2019, the Investment Holdings segment’s assets were lower at RM425.6 million compared to RM458.0 million as at 30 June 2018. The decrease was due mainly the recorded net fair value losses on investments classified at FVTPL of RM15.2 million resulted from the weak stock market and the net fair value losses of RM1.9 million on investment properties during the period from July 2018 to 30 June 2019.

As at 30 June 2019, total liabilities of the Investment Holdings segment increased to RM12.1 million from RM11.6 million as at 30 June 2018. The increase was mainly attributed by the recognition of lease liabilities of RM3.6 million from the adoption of MFRS 16 on 1 January 2019.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period ended 30 June 2019 (“FPE 30.6.2019”) against preceding year’s corresponding financial period ended 30 June 2018 (“FPE 30.6.2018”) (continued)

General Insurance

Key financial performance	FPE 30.6.2019		FPE 30.6.2018	
	PHP'000	RM'000	PHP'000	RM'000
Gross premium written (“GPW”)	1,100,226	86,916	983,922	74,664
Underwriting surplus	131,707	10,421	171,479	13,020
Investment income	60,213	4,757	46,124	3,501
Claim ratio in %	45.4%	45.4%	40.9%	40.9%
Commission ratio in %	32.6%	32.6%	32.2%	32.2%
Profit before taxation	82,817	6,552	32,848	2,616
Assets	4,564,576	367,678	3,754,889	283,636
Liabilities	3,258,817	262,499	2,671,441	201,795
Range of currency exchange rate	1 RM = 12.45 to 12.83 PHP		1 RM= 12.75 to 13.38 PHP	

GPW grew by 11.8% from PHP983.9 million in FPE 30.6.2018 to PHP1,100.2 million in FPE 30.6.2019, driven mainly by 20.1% increase in the production of non-motor classes of business from PHP596.9 million in FPE 30.6.2018 to PHP716.9 million. Motor classes recorded a marginal decrease in GPW of 0.9% to PHP383.3 million (FPE 30.6.2018: PHP387.0 million). Motor and non-motor businesses contributed 35% (FPE 30.6.2018: 39%) and 65% (FPE 30.6.2018: 61%) respectively of the total GPW in FPE 30.6.2019.

In FPE 30.6.2019, MAAGAP recorded a lower underwriting surplus of PHP131.7 million compared to PHP171.5 million in FPE 30.6.2018 affected by higher claim ratio of 45.4% (FPE 30.6.2018 : 40.9%). In FPE 30.6.2019, the claim ratio for motor classes has improved marginally to 44.2% (FPE 30.6.2018: 45.4%). However for non-motor classes, the claim ratio has increased to 46.5% (FPE 30.6.2018: 36.0%) mainly due to higher claims from fire and engineering classes caused by earthquake loss that occurred in April 2019.

Nevertheless, MAAGAP registered a higher PBT of PHP82.8 million (FPE 30.6.2018: PHP32.8 million) in FPE 30.6.2019 mainly attributed by the higher investment income of PHP60.2 million (FPE 30.6.2018: PHP46.1 million), higher realised gains from disposal of investments of PHP29.5 million (FPE 30.6.2018: PHP12.4 million) and lower net fair value losses of PHP11.7 million (FPE 30.6.2018: PHP88.0 million) on investments classified at FVTPL.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial period ended 30 June 2019 (“FPE 30.6.2019”) against preceding year’s corresponding financial period ended 30 June 2018 (“FPE 30.6.2018”) (continued)

General Insurance (continued)

As at 30 June 2019, MAAGAP’s total assets increased by 21.6% to PHP4,564.6 million from PHP3,754.9 million as at 30 June 2018. The increase was mainly attributed by higher investments, reinsurance assets and insurance receivables positions which were in line with the company’s business growth.

Total liabilities increased by 7.9% to PHP3,258.8 million as at 30 June 2019 from PHP2,671.4 million as at 30 June 2018. The increase was mainly due to higher insurance contract liabilities, insurance and other payables positions which were in line with the company’s business growth.

Education Services

Key financial performance	FPE 30.6.2019	FPE 30.6.2018
	RM’000	RM’000
Operating revenue	1,773	1,966
(Loss)/profit before taxation	(144)	73
Assets	1,490	749
Liabilities	1,069	212

Total operating revenue of the Education Services segment consists of tuition fee income recorded a 9.8% decrease to RM1.8 million (FPE 30.6.2018: RM2.0 million) in FPE 30.6.2019 affected by the reduction in students enrollment.

Corresponding to the lower tuition fee income, the Education Services segment has recorded a LBT of RM144,000 (FPE 30.6.2018: PBT of RM73,000).

As at 30 June 2019, the Education Services segment’s assets and liabilities were higher at RM1.5 million (30 June 2018: RM0.7 million) and RM1.1 million (30 June 2018: RM0.2 million) respectively due mainly to recognition of right-of-use assets of RM0.9 million and lease liabilities of RM0.9 million from the adoption of new MFRS 16 on 1 January 2019.

B2. RESULTS OF THE CURRENT FINANCIAL QUARTER (2Q-2019) AGAINST THE PRECEDING FINANCIAL QUARTER (1Q-2019)

In 2Q-2019, the Group recorded a LBT of RM6.5 million (1Q-2019: PBT of RM7.8 million). The loss in 2Q-2019 arose mainly from the net fair value losses on investments classified at FVTPL totaling RM5.2 million and lower realised gains from disposal of investments of RM0.3 million; whilst the profit in 1Q-2019 was mainly contributed by the net fair value gains on investments classified at FVTPL totaling RM6.6 million and realised gains from disposal of investments of RM2.4 million.

B3. PROSPECTS

The Group's General Insurance business in the Philippines continues its growth momentum with 11.8% increase in gross premium written during the first half year of 2019 over last year corresponding period. However lower underwriting surplus due to higher claims experience caused by earthquake loss and fair value loss on investment portfolios classified at FVTPL have affected the profit of the General Insurance business. The performance of the General Insurance business of the Group for the remaining of 2019 may continue to be affected by claims from any unforeseen catastrophe loss in the Philippines and the global stock market uncertainty.

The Group's Education Services business has recorded a loss in the first half of 2019, due mainly to lower tuition fee income attributed by declining student enrollment. The Group foresees the operating environment in the second half of 2019 will remain challenging for the Education Services given the national school year will be ending in November. On this note, the Education Services has commenced action plans including tuition center reorganisation to improve student enrollment.

The Group's Investment Holdings segments' performance similarly may be affected by the global stock market uncertainty for the remaining of 2019 vis-à-vis the investment portfolios classified at FVTPL. On the PN17 status, the Company is continuing to explore investment opportunities with reasonable pricing and long-term sustainable profits to address this condition. Further announcement on the development of this will be made in due course after taking into consideration the extension of time up to 31 October 2019 by Bursa Securities for the Company to submit a regularisation plan.

In light of the prospects of the operating segments of the Group mentioned above, the Board foresees the remaining of 2019 to be challenging for the Group.

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 2019

B5. INVESTMENT INCOME

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Rental income from investment properties	69	58	141	134
Investments at FVTPL				
Dividend income				
- Equity securities quoted in Malaysia	63	32	111	44
- Equity securities quoted outside Malaysia	737	653	974	789
- Equity securities unquoted outside Malaysia	703	-	703	-
	1,503	685	1,788	833
Investments at FVOCI				
Dividend income				
- Equity securities quoted outside Malaysia	352	202	700	518
Interest income				
- Government debt securities quoted outside Malaysia	969	260	1,756	811
- Corporate debt securities quoted outside Malaysia	51	40	102	90
- Corporate debt securities unquoted in Malaysia	304	309	304	309
	1,676	811	2,862	1,728
Investments at AC				
Interest income				
- Government debt securities quoted outside Malaysia	98	93	196	188
- Corporate debt securities quoted outside Malaysia	589	553	1,065	1,078
	687	646	1,261	1,266
Interest income from:				
- staff loans	1	1	1	1
- fixed and call deposits	1,856	1,989	3,813	3,874
	1,857	1,990	3,814	3,875
	5,792	4,190	9,866	7,836

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B6. REALISED GAINS AND LOSSES – NET

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) from disposal of property, plant and equipment	17	-	(173)	-
Investments at FVTPL				
Net realised gains/(losses)				
- Equity securities quoted in Malaysia	203	(430)	465	259
- Equity securities quoted outside Malaysia	99	(192)	2,303	1,148
- Unit trusts quoted outside Malaysia	(69)	-	(80)	-
- Derivatives quoted in Malaysia	24	37	39	54
	257	(585)	2,727	1,461
Investments at FVOCI				
Net realised gains/(losses)				
- Government debt securities quoted outside Malaysia	89	-	44	(4)
	363	(585)	2,598	1,457

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B7. FAIR VALUE GAINS AND LOSSES – NET

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Net fair value losses on investment properties	(190)	(1,210)	(349)	(1,210)
Investments at FVTPL				
Net fair value gains/(losses)				
- Equity securities quoted in Malaysia	29	(338)	1,378	(1,481)
- Equity securities quoted outside Malaysia	(4,213)	573	1,888	(8,134)
- Equity securities unquoted outside Malaysia	(1,138)	(156)	(2,282)	(3,604)
- Unit trusts quoted in Malaysia	61	12	95	33
- Unit trusts quoted outside Malaysia	31	-	162	-
- Derivatives quoted in Malaysia	(24)	(589)	67	(529)
	(5,254)	(498)	1,308	(13,715)
	(5,444)	(1,708)	959	(14,925)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B8. 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):

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Write back of/(allowance for) impairment loss on:				
- investments at AC	(346)	(1)	(352)	(6)
- insurance receivables	33	278	77	(16)
- loans and receivables	-	7	-	(2)
- cash and cash equivalents	99	28	28	14
Bad debts recovered	-	-	-	8
Realised foreign exchange (losses)/gains – net	(90)	139	(271)	(313)
Unrealised foreign exchange (losses)/gains - net	(633)	226	(589)	(846)
Present value adjustment of Retained Consideration	-	1,735	-	1,735
Property, plant and equipment written off	-	-	(4)	(1)
Depreciation of property, plant and equipment	(248)	(245)	(468)	(484)
Depreciation of right-of-use assets	(458)	-	(913)	-
Amortisation of leasehold land	(1)	(1)	(1)	(1)
Amortisation of intangible assets	(19)	(16)	(36)	(30)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B9. TAXATION

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
<u>Current tax</u>				
Current financial quarter/period	1,077	1,392	1,715	2,661
Over provision in prior quarter/period	-	-	(20)	-
	1,077	1,392	1,695	2,661
<u>Deferred tax</u>				
Current financial quarter/period	611	155	1,178	311
Tax expenses	1,688	1,547	2,873	2,972

Even though the Group recorded a loss, provision for taxation has been made in the current financial quarter under review mainly for the profit recorded by General Insurance business held via MAAGAP as the group loss relief in Malaysia is not applicable to MAAGAP.

The Group's effective tax rate was higher than the statutory tax rate in the current financial period under review; this was due mainly to certain expenses including the fair value losses on investments that are not deductible for tax purposes.

Provision for taxation has been made in the previous year's financial quarter and period even though the Group had recorded a loss; this was due mainly to certain expenses including the fair value losses on investments that are not deductible for tax purposes.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B10. FAIR VALUE MEASUREMENT OF INVESTMENTS

The Group classifies investments which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurement:

- Level 1 - The fair value is measured by reference to published quotes in an active market which are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regular occurring market transactions on an arm's length basis.
- Level 2 - The fair value is measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions obtained via pricing services; where prices have not been determined in an active market.
- Level 3 - The fair value is determined using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. The unobservable inputs reflect the Group's own assumptions that market participants would use in pricing the investment. These inputs are developed based on the best information available, which might include the Group's own data.

The following tables show the Group's investments which are measured at fair value analysed by the various level within the fair value hierarchy:

At 30 June 2019

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Investments at FVTPL:				
Equity securities quoted in Malaysia	9,117	-	-	9,117
Equity securities quoted outside Malaysia	61,617	-	-	61,617
Equity securities unquoted outside Malaysia	-	-	21,767	21,767
Unit trusts quoted in Malaysia	2,228	-	-	2,228
	72,962	-	21,767	94,729
Investments at FVOCI:				
Government debt securities quoted outside Malaysia	51,574	-	-	51,574
Corporate debt securities quoted outside Malaysia	4,067	-	-	4,067
Equity securities quoted outside Malaysia	22,364	1,047	-	23,411
Equity securities unquoted outside Malaysia	-	-	4	4
	78,005	1,047	4	79,056
Total investments measured at fair value	150,967	1,047	21,771	173,785

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B10. FAIR VALUE MEASUREMENT OF INVESTMENTS (continued)

The following tables show the Group's investments which are measured at fair value analysed by the various level within the fair value hierarchy: (continued)

At 31 December 2018 (Audited)

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Investments at FVTPL:				
Equity securities quoted in Malaysia	7,982	-	-	7,982
Equity securities quoted outside Malaysia	69,248	-	-	69,248
Equity securities unquoted outside Malaysia	-	-	24,079	24,079
Unit trusts quoted in Malaysia	2,133	-	-	2,133
Unit trusts quoted outside Malaysia	1,719	-	-	1,719
Derivatives quoted in Malaysia	112	-	-	112
	81,194	-	24,079	105,273
Investments at FVOCI:				
Government debt securities quoted outside Malaysia	38,669	-	-	38,669
Corporate debt securities quoted outside Malaysia	3,728	-	-	3,728
Equity securities quoted outside Malaysia	21,892	448	-	22,340
Equity securities unquoted outside Malaysia	-	-	3	3
	64,289	448	3	64,740
Total investments measured at fair value	145,483	448	24,082	170,013

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There was no transfer among Level 1, 2 and 3 during the financial period ended 30 June 2019.

The following table shows the movement in Level 3 investments for the current financial period ended 30 June 2019:

	Unquoted equity securities	
	FVTPL	FVOCI
	RM'000	RM'000
At 1 January 2019	24,079	3
Fair value loss recorded in profit or loss	(2,282)	-
Currency translation difference	(30)	1
At 30 June 2019	21,767	4

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 to 31 October 2019 via Bursa Securities’ letters dated 17 May 2019, 30 October 2018, 27 June 2018, 12 January 2018, 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 October 2019 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 October 2019;
- (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 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.

B11. CORPORATE PROPOSALS (continued)

- (b) On 27 February 2019, the Board of Directors of the Company (“Board”) received a letter from Melewar Acquisitions Limited and Melewar Equities (BVI) Ltd (collectively “Non-Entitled Shareholders”), in their capacity as major shareholders of the Company, requesting the Company to undertake a selective capital reduction and repayment exercise pursuant to Section 116 of the Companies Act 2016 (“Proposed SCR”).

The Proposed SCR entailed a proposed cash amount of RM1.10 for each ordinary share in the Company (“Share”) held by all the shareholders (other than the Non-Entitled Shareholders) whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board (“Entitled Shareholders”).

The Entitled Shareholders collectively hold 167,740,668 Shares, representing approximately 61.33% of the total issued shares of the Company. Pursuant to the Proposed SCR, the issued share capital of the Company will be reduced by up to RM184,514,735 and the Entitled Shareholders will receive an aggregate capital repayment of RM184,514,735, which represents a cash repayment of RM1.10 for each Share held by the Entitled Shareholders on the Entitlement Date. For the avoidance of doubt, the Non-Entitled Shareholders will not be entitled to the capital repayment pursuant to the Proposed SCR.

In this regard, the Board has appointed Affin Hwang Investment Bank Berhad as the Principal Adviser in relation to the Proposed SCR on 27 February 2019, and on 14 March 2019 has further appointed Mercury Securities Sdn Bhd as the Independent Adviser to provide comments, opinions, information and recommendations to the Board (except for the Interested Directors) and to the Entitled Shareholders in respect of the Proposed SCR.

On 29 March 2019, the Company announced the Board (save for Tunku Dato’ Yaacob Khyra and Tunku Yahaya @ Yahya Bin Tunku Tan Sri Abdullah who are deemed interested in the Proposed SCR) has deliberated on the Proposed SCR and has resolved to table the Proposed SCR to the Entitled Shareholders of the Company for their consideration and approval at an extraordinary general meeting to be held at a later date.

Subsequently on 1 April 2019, the Board announced the application in relation to the Proposed SCR has been submitted to the Securities Commission Malaysia pursuant to Paragraph 2(a) of Schedule 3 of the Rules on Take-overs, Mergers and Compulsory Acquisitions.

On 2 May 2019, the Company announced that an extraordinary general meeting (“EGM”) will be held on 29 May 2019 for the Entitled Shareholders to vote for the special resolution on the Proposed SCR. The Company announced on 29 May 2019 that the special resolution for the Proposed SCR was not carried by way of poll at the EGM held on the same day.

B11. CORPORATE PROPOSALS (continued)

- (c) On 1 July 2019, the Company announced that the balance sale consideration of RM88,623,399.52 from the disposal of MAA Takaful Berhad (“MAA Takaful”) has been released to and received by the Company and a balance of RM5,126,600.48 is still being retained by Zurich Insurance Company Ltd (“Zurich”) until the Pending Purchaser Claims are resolved.

The Pending Purchase Claims relate to alleged breach of warranties, and mainly comprise of claims of RM6,668,792.30 additional taxes and penalties imposed on MAA Takaful by the Inland Revenue Board of Malaysia. The Company has engaged its advisers and attorneys to verify and assess the accuracy and validity of these claims. The Company will make necessary announcements on further developments as and when necessary.

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 2019

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 MAA Takaful Berhad on 30 September 2016

	Purpose	Revised Utilisation	Actual Proceeds received	Actual Utilisation	Revised timeframe for utilisation	Deviation	Explanations (if the deviation is 5% or more)
		RM'000	RM'000	RM'000		RM'000	
(i)	Future investment opportunity(ies)/ Prospective new business(es) to be acquired	68,250	68,250	-	Within 24 months from the EGM held on 5 June 2018	-	-
		93,750	^(N2) 88,623	-	Within 24 months from the receipt of the Retained Consideration on 1 July 2019	-	-
(ii)	Working capital and share buy-back exercise	30,854	30,854	20,999	Within 24 months from the EGM held on 5 June 2018	-	-
(iii)	Payment of dividends to shareholders for the FYE 2017	8,207	8,207	8,207	Utilised	-	-
(iv)	Payment of dividends to shareholders	32,822	32,822	-	Within 24 months from the EGM held on 5 June 2018	-	-
	Total	^(N1) 233,883	228,756	29,206		-	-

^(N1) Revised utilisation of balance proceeds from the disposal of MAA Takaful Berhad as approved by the Shareholders during the EGM held on 5 June 2018.

^(N2) On 1 July 2019, the Company received RM88,623,399.52 from the balance sale consideration of RM93,750,000. Further details on this are stated in Note B11(c) of these Interim Reports.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

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

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

(b) Disposal of Columbus Capital Pty Limited on 27 December 2018

	Purpose	Proposed Utilisation	Actual Utilisation	Revised timeframe for utilisation	Deviation	Explanations (if the deviation is 5% or more)
		RM'000	RM'000		RM'000	
(i)	Future investment opportunity(ies)/ Prospective new business(es) to be acquired	^(N3) 56,137	-	No limit specified	-	-
	Total	56,137	-		-	-

^(N3) Computed based on the initial consideration of AUD19,459,010 received on 27 December 2018 using the exchange rate of AUD 1 : RM2.889 on 30 June 2019.

B13. BORROWINGS AND DEBT SECURITIES

The Group has no outstanding borrowings and debt securities as at the end of the financial period ended 30 June 2019.

B14. CHANGES IN MATERIAL LITIGATION

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

B15. DIVIDEND PAYABLE

The total interim dividends paid for the current financial period ended 30 June 2019 is Nil (6 months period ended 30 June 2018: 3 sen).

On 9 July 2019, the Board of Directors declared 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 2019. This interim dividend has been paid on 20 August 2019.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2019

B16. BASIC LOSS PER ORDINARY SHARE

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
<u>Attributable to the Owners of the Company:</u>				
Net loss for the financial quarter/period (RM'000)	(8,226)	(1,158)	(1,660)	(13,788)
Number of ordinary shares in issue ('000)	273,518	273,518	273,518	273,518
Basic loss per ordinary share (sen)	(3.01)	(0.42)	(0.61)	(5.04)

B17. 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 2018 was not qualified.

By Order of the Board

Lily Yin Kam May
Company Secretary

KUALA LUMPUR
DATE: 29 August 2019