

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 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, amendments to standards and interpretations that became effective from financial year beginning on or after 1 January 2019:

- MFRS 16 '*Leases*'
- 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*
- IC Interpretation 23 '*Uncertainty over Income Tax Treatments*'
- Annual Improvements to MFRSs 2015 – 2017 Cycle
 - Amendments to MFRS 3 '*Business Combinations*'
 - Amendments to MFRS 11 '*Joint Arrangement*'
 - Amendments to MFRS 112 '*Income Taxes*'
 - Amendments to MFRS 123 '*Borrowing Costs*'

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.

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 RM4.2 million of right-of-use assets and RM3.8 million of 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:

Effective for annual periods commencing on or after 1 January 2020

- The Conceptual Framework for Financial Reporting
- Amendments to MFRS 3 '*Business Combinations*' – *Definition of a Business*
- Amendments to MFRS 9 '*Financial Instruments*', MFRS 139 '*Financial Instruments : Recognition and Measurement*' and MFRS 7 '*Financial Instruments : Disclosures*' – *Interest Rate Benchmark Reform*
- Amendments to MFRS 101 '*Presentation of Financial Statements*' and MFRS 108 '*Accounting Policies, Changes in Accounting Estimates and Errors*' – *Definition of Material*

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 '*Insurance Contracts*'

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

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 YEAR ENDED 31 DECEMBER 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 year ended 31 December 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 year ended 31 December 2019.

A5. CHANGES IN ESTIMATES

There were no changes in estimates that have any material effect during the current financial quarter and year ended 31 December 2019.

A6. DEBT AND EQUITY SECURITIES

During the current financial quarter and year ended 31 December 2019, the Company has purchased 53,900 and 211,400 ordinary shares respectively from the open market at an average price of RM0.80 per share and RM0.83 per share respectively. The total purchase consideration paid for the shares buy-back including transaction costs during the current financial quarter and year ended 31 December 2019 amounted to RM42,626 and RM174,865 respectively and were financed by internally generated funds. The shares so purchased are held as treasury shares in accordance with the Companies Act 2016 and carried at purchase cost.

On 2 December 2019, the Company cancelled the whole 211,400 treasury shares in accordance with the Companies Act 2016. Accordingly, the Company's issued share capital was diminished by cancellation of the said treasury shares.

As at 31 December 2019, there were no treasury shares held by the Company.

Other than above, there were no issuances, repurchases and repayments of debt and equity securities during the current financial quarter and year ended 31 December 2019.

A7. DIVIDEND PAID

For the current financial year ended 31 December 2019, 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 ended 31 December 2019 totaling RM16,411,065 on 20 August 2019.

For the previous financial year ended 31 December 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.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

A8. SEGMENTAL INFORMATION

The following summary describes the operations in each of the Group's operating segments for the current financial quarter and year ended 31 December 2019:

- Investment holdings
- General insurance business
- Education services

The Group's other segments comprise of hire purchase, leasing and other credit facilities, property management, IT consultancy and business debt factoring services, none of which met the requirements of MFRS 8 'Operating Segment' to be separately presented as an operating segment.

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 associate company, Columbus Capital Pty Limited ("CCA") had ceased to be the Group's operating segment subsequent to the disposal of CCA on 27 December 2018.

3 months period ended 31 December 2019

	Investment holdings	General insurance	Education services	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	2,471	46,628	4,709	331	54,139
Net earned premiums	-	25,661	-	-	25,661
Investment income	2,411	2,669	26	161	5,267
Realised gains and losses – net	303	70	-	(1)	372
Fair value gains and losses – net	(164)	(2,802)	-	(84)	(3,050)
Commission income	-	586	-	-	586
Other operating revenue from non- insurance businesses	60	-	4,683	170	4,913
Other operating expenses – net	(12,738)	(193)	(567)	(508)	(14,006)
Net claims incurred	-	(18,487)	-	-	(18,487)
Commission expense	-	(10,599)	-	-	(10,599)
Management expenses	(5,818)	(4,824)	(6,481)	(926)	(18,049)
Finance costs	(4)	^(N1) 37	(117)	(3)	(87)
Loss before taxation	(15,950)	(7,882)	(2,456)	(1,191)	(27,479)

^(N1) Reversal of lease interest over recognised

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

A8. SEGMENTAL INFORMATION (continued)

12 months ended 31 December 2019

	Investment holdings	General insurance	Education services	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	9,909	176,357	7,527	607	194,400
Net earned premiums	-	106,928	-	-	106,928
Investment income	9,671	10,236	31	437	20,375
Realised gains and losses – net	775	2,424	-	(1)	3,198
Fair value gains and losses – net	3,867	(4,332)	-	67	(398)
Commission income	-	2,284	-	-	2,284
Other operating revenue from non- insurance businesses	238	-	7,496	170	7,904
Other operating expenses – net	(14,892)	(670)	(557)	(541)	(16,660)
Net claims incurred	-	(58,594)	-	-	(58,594)
Commission expense	-	(40,554)	-	-	(40,554)
Management expenses	(21,968)	(19,210)	(9,424)	(3,143)	(53,745)
Finance costs	(89)	(34)	(126)	(14)	(263)
Loss before taxation	(22,398)	(1,522)	(2,580)	(3,025)	(29,525)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

A8. SEGMENTAL INFORMATION (continued)

3 months period ended 31 December 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	2,091	40,883	471	-	534	43,979
Net earned premiums	-	26,232	-	-	-	26,232
Investment income	2,031	1,910	-	-	149	4,090
Realised gains and losses – net	(5,414)	(91)	-	-	-	(5,505)
Fair value gains and losses – net	(12,441)	1,362	-	-	(64)	(11,143)
Commission income	-	619	-	-	-	619
Other operating revenue from non-insurance businesses	60	-	471	-	385	916
Other operating income/(expenses) - net	115	111	18	-	(385)	(141)
Net claims incurred	-	(7,436)	-	-	-	(7,436)
Commission expense	-	(9,701)	-	-	-	(9,701)
Management expenses	(5,139)	(4,496)	(824)	-	(928)	(11,387)
Finance costs	-	(2)	-	-	-	(2)
(Loss)/profit before taxation before share of profit of associate	(20,788)	8,508	(335)	-	(843)	(13,458)
Share of profit of an associate	-	-	-	1,774	-	1,774
(Loss)/profit before taxation	(20,788)	8,508	(335)	1,774	(843)	(11,684)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

A8. SEGMENTAL INFORMATION (continued)

12 months ended 31 December 2018 (audited)

	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	9,247	155,774	3,607	-	613	169,241
Net earned premiums	-	104,021	-	-	-	104,021
Investment income	9,009	7,313	-	-	212	16,534
Realised gains and losses – net	(4,469)	1,132	-	-	-	(3,337)
Fair value gains and losses – net	(27,350)	(5,032)	-	-	3	(32,379)
Commission income	-	2,448	-	-	-	2,448
Other operating revenue from non-insurance businesses	238	-	3,607	-	401	4,246
Other operating income - net	2,247	172	155	-	349	2,923
Net claims incurred	-	(40,348)	-	-	-	(40,348)
Commission expense	-	(37,299)	-	-	-	(37,299)
Management expenses	(21,894)	(17,537)	(3,740)	-	(2,698)	(45,869)
Finance costs	-	(9)	-	-	-	(9)
(Loss)/profit before taxation before share of profit of associate	(42,219)	14,861	22	-	(1,733)	(29,069)
Share of profit of an associate	-	-	-	4,696	-	4,696
(Loss)/profit before taxation	(42,219)	14,861	22	4,696	(1,733)	(24,373)

A9. MATERIAL EVENTS AFTER THE REPORTING PERIOD

There were no material events subsequent to the end of the current financial year ended 31 December 2019 that have not been reflected in these Interim Reports.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

A10. CHANGES IN THE COMPOSITION OF THE GROUP

- (a) On 25 July 2019, Kasturi Services Sdn Bhd became a wholly-owned subsidiary of the Group as stated in note B11(d) of this report;
- (b) On 10 September 2019, Hospitality 360 Sdn Bhd became a 49% associate company of the Group as stated in note B11(e) of this report;
- (c) On 31 October 2019, HELP College of Art and Technology Sdn Bhd (“HCAT”) became a wholly-owned subsidiary of the Group as stated in note B11(f) of this report; and
- (d) On 31 October 2019, Scholastic IB International Sdn Bhd (“SIB”) and its wholly owned subsidiaries became 90% owned subsidiaries of the Group as stated in note B11(g) of this report.

A11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment during the current financial quarter and year ended 31 December 2019. As at 31 December 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 2019 based on valuations carried out by professional valuers during the financial year and the fair value changes therein were recognised in the income statement.

A13. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets and liabilities as at the end of the financial year ended 31 December 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 31.12.2019	As at 31.12.2018
	RM’000	RM’000
Property, plant and equipment		
- Renovation	401	416

A15. RELATED PARTY DISCLOSURES

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

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 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 31 December 2019 (“4Q-2019”) against preceding year’s corresponding financial quarter ended 31 December 2018 (“4Q-2018”)

Group

Key financial performance	4Q-2019	4Q-2018
	RM'000	RM'000
Operating revenue	54,139	43,979
Loss before taxation	(27,479)	(11,684)

In 4Q-2019 under review, the Group recorded a higher total operating revenue of RM54.1 million (4Q-2018: RM44.0 million), mainly contributed by the higher gross earned premiums of RM44.0 million (4Q-2018: RM39.0 million) recorded by the General Insurance business held via subsidiary, MAA General Assurance Philippines, Inc. (“MAAGAP”), higher investment income of RM5.2 million (4Q-2018: RM4.1 million) and higher other operating revenue from non-insurance businesses of RM4.9 million (4Q-2018: RM0.9 million) mainly from the Education services segment.

The Group recorded a higher Loss before taxation (“LBT”) of RM27.5 million (4Q-2018: LBT of RM11.7 million) in 4Q-2019, mainly affected by a LBT of RM16.0 million (4Q-2018: LBT of RM20.8 million) from the Investment Holdings segment, a LBT of RM7.9 million (4Q-2018: Profit before taxation (“PBT”) of RM8.5 million) from the General insurance business, a LBT of RM2.5 million (4Q-2018: LBT of RM0.3 million) from Education services segment and a LBT of RM1.2 million (4Q-2018: RM0.8 million) from Other segments.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 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 (continued)

Current financial quarter ended 31 December 2019 ("4Q-2019") against preceding year's corresponding financial quarter ended 31 December 2018 ("4Q-2018") (continued)

Investment Holdings

Key financial performance	4Q-2019	4Q-2018
	RM'000	RM'000
Operating revenue	2,471	2,091
Loss before taxation	(15,950)	(20,788)

The operating revenue of Investment Holdings segment comprised mainly of interest, dividend and rental income increased by 18.2% to RM2.4 million (4Q-2018: RM2.0 million) in 4Q-2019.

In 4Q-2019 under review, the Investment Holdings segment recorded a lower LBT of RM16.0 million (4Q-2018: RM20.8 million). The lower LBT was attributed to improved investment performance with net fair value gains of RM167,000 from investments classified at FVTPL compared to 4Q-2018 where it recorded net fair value losses of RM10.8 million, coupled with 6.3% reduction in management expenses and lower fair value loss of RM0.3 million (4Q-2018: loss of RM1.6 million) on investment properties. Notwithstanding this, the Investment Holdings segment has made a provision of RM5.1 million for Zurich's claims over the Retained Consideration from the disposal of MAA Takaful Berhad, an impairment loss of RM5.0 million on goodwill arising from the acquisition of HCAT and an impairment loss of RM3.0 million on amounts due from associate company.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 31 December 2019 (“4Q-2019”) against preceding year’s corresponding financial quarter ended 31 December 2018 (“4Q-2018”) (continued)

General Insurance

Key financial performance	4Q-2019		4Q-2018	
	PHP'000	RM'000	PHP'000	RM'000
Gross premium written (“GPW”)	512,571	41,862	446,714	35,001
Underwriting (deficit)/surplus	(34,431)	(2,839)	124,638	9,714
Investment income	32,709	2,669	24,346	1,910
Claim ratio in %	71.9%	71.9%	28.3%	28.3%
Commission ratio in %	41.0%	41.0%	38.0%	38.0%
(Loss)/profit before taxation	(96,219)	(7,882)	108,985	8,508
Range of currency exchange rate	1 RM = 12.17 to 12.30 PHP		1 RM = 12.65 to 12.94 PHP	

Total GPW grew by 14.8% to PHP512.6 million (4Q-2018: PHP446.7 million) in 4Q-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 8.1% to PHP193.2 million (4Q-2018: PHP178.7 million), whilst non-motor classes also registered a 19.2% increase in GPW to PHP319.4 million (4Q-2018: PHP268.0 million). The motor and non-motor businesses contributed 38% (4Q-2018: 40%) and 62% (4Q-2018: 60%) respectively of the total GPW in 4Q-2019.

Nevertheless despite of the GPW growth, MAAGAP has recorded a LBT of PHP96.2 million in 4Q-2019 compared to a PBT of PHP109.0 million in 4Q-2018. During the current quarter under review, the loss suffered by MAAGAP was attributed mainly to the underwriting deficit of PHP34.4 million affected by higher claim ratio of 71.9%, compared to the underwriting surplus of PHP124.6 million with claim ratio of 28.3% in 4Q-2018. Both motor and non-motor businesses recorded higher claim ratio at 64.4% (4Q-2018: 28.5%) and 82.5% (4Q-2018: 27.7%) respectively in 4Q-2019. The cause for the escalating claim ratio experienced in 4Q-2019 was mainly due to the abundant natural disasters namely typhoons and earthquakes that hit Philippines during the period.

In 4Q-2019, MAAGAP also recorded net fair value losses on investments classified at FVTPL of PHP34.3 million (4Q-2018: gains of PHP17.2 million) and higher management expenses of PHP59.1 million (4Q-2018: PHP57.4 million), offset by higher investment income of PHP32.7 million (4Q-2018: PHP24.3 million) and realised gains from disposal of investments of PHP0.8 million (4Q-2018: losses of PHP1.3 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 31 December 2019 (“4Q-2019”) against preceding year’s corresponding financial quarter ended 31 December 2018 (“4Q-2018”) (continued)

Education Services

HCAAT and SIB became subsidiaries of the Group on 31 October 2019 as stated in note B11(f) and (g) of this report.

The Education Services of the Group now comprised of the following business units:

- Edumaax Sdn Bhd and Kasturi Academy Sdn Bhd (“Kasturi Group”) – offer private tuition education for Malaysia National secondary school and Sijil Tinggi Persekolahan Malaysia (“STPM”) curriculum;
- St John’s International Edu Group Sdn Bhd, St John’s International (Campus 2) Sdn Bhd and Alfaakedimik Sdn Bhd (collectively known as “SJI Group”) – offer International school secondary education and private tuition for Cambridge, IGCSE O-Level and A-Level; and
- HCAAT – offers tertiary education for certificates, diplomas, professional and post graduate degrees.

Key financial performance	4Q-2019	4Q-2018
	RM’000	RM’000
Operating revenue	4,709	471
Loss before taxation	(2,456)	(335)

Key financial performance by business units

	4Q-2019				4Q-2018
	Kasturi Group	SJI Group*	HCAAT*	Total	Kasturi Group
	RM’000	RM’000	RM’000	RM’000	RM’000
Operating revenue	431	2,623	1,655	4,709	471
(Loss)/profit before taxation	(732)	100	(1,824)	(2,456)	(335)

*Comprised of financial results for two (2) months – November and December 2019 after SJI Group and HCAAT became subsidiaries of the Group on 31 October 2019.

Total operating revenue of the Education Services segment mainly consists of tuition fee income recorded an increase to RM4.7 million (4Q-2018: RM0.5 million) in 4Q-2019 mainly contributed by SJI Group and HCAAT of RM2.6 million and RM1.7 million respectively.

In 4Q-2019, Kasturi Group’s total operating revenue recorded a 8.5% decrease to RM431,000 (4Q-2018: RM471,000), affected by the reduction in the number of students enrolment. Corresponding to the lower tuition fee income and profit margin, Kasturi Group has recorded a LBT of RM732,000 (4Q-2018: RM335,000).

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 31 December 2019 ("4Q-2019") against preceding year's corresponding financial quarter ended 31 December 2018 ("4Q-2018") (continued)

Education Services (continued)

For the two months ended 31 December 2019, SJI Group recorded a total operating revenue of RM2.6 million with a small PBT of RM100,000 given that November and December 2019 were low periods for secondary schools with the year-end school holidays. For the same period, HCAT recorded a total operating revenue of RM1.7 million and a LBT of RM1.8 million caused mainly by year-end low periods and a one-off property, plant and equipment written off of RM1.0 million from reorganisation of the college campus under a re-negotiated new tenancy with exclusion of excess floor area and lower rental rate that is cost beneficial to HCAT.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial year ended 31 December 2019 ("FYE 31.12.2019") against preceding financial year ended 31 December 2018 ("FYE 31.12.2018")

Group

Key financial performance	FYE 31.12.2019	FYE 31.12.2018 (Audited)
	RM'000	RM'000
Operating revenue	194,400	169,241
Loss before taxation	(29,525)	(24,373)

In FYE 31.12.2019 under review, the Group recorded a higher total operating revenue of RM194.4 million (FYE 31.12.2018: RM169.2 million), mainly contributed by the higher gross earned premiums of RM166.1 million (FYE 31.12.2018: RM148.5 million) recorded by MAAGAP, higher investment income of RM20.4 million (FYE 31.12.2018: RM16.5 million) and higher other operating revenue from non-insurance businesses of RM7.9 million (FYE 31.12.2018: RM4.2 million) mainly from the Education services segment.

The Group recorded a LBT of RM29.5 million (FYE 31.12.2018: LBT of RM24.4 million) in FYE 31.12.2019 with the Investment Holdings segment recorded a LBT of RM22.4 million (FYE 31.12.2018: LBT of RM42.2 million), the General insurance business recorded a LBT of RM1.5 million (FYE 31.12.2018: PBT of RM14.9 million), the Education services segment recorded a LBT of RM2.6 million (FYE 31.12.2018: PBT of RM22,000) and the Other segments recorded a LBT of RM3.0 million (FPY 31.12.2018: LBT of RM1.8 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial year ended 31 December 2019 ("FYE 31.12.2019") against preceding financial year ended 31 December 2018 ("FYE 31.12.2018") (continued)

Investment Holdings

Key financial performance	FYE 31.12.2019	FYE 31.12.2018 (Audited)
	RM'000	RM'000
Operating revenue	9,909	9,247
Loss before taxation	(22,398)	(42,219)
Assets	338,796	434,950
Liabilities	9,883	8,948

The operating revenue of Investment Holdings segment comprised mainly of interest, dividend and rental income increased by 7.2% to RM9.9 million (FYE 31.12.2018: RM9.2 million).

In FYE 31.12.2019 under review, the Investment Holdings segment recorded a lower LBT of RM22.4 million (FYE 31.12.2018: RM42.2 million). The lower LBT was attributed to improved investment return with net fair value gains of RM4.6 million from investments classified at FVTPL compared to FYE 31.12.2018 where it recorded net fair value losses of RM24.5 million, coupled with 4.3% reduction in management expenses and lower fair value losses of RM0.7 million (FYE 31.12.2018: losses of RM2.8 million) on investment properties. Notwithstanding this, the Investment Holdings segment has made a provision of RM5.1 million for Zurich's claims over the Retained Consideration from the disposal of MAA Takaful Berhad, an impairment loss of RM5.0 million on goodwill arising from the acquisition of HCAT and an impairment loss of RM3.0 million on amounts due from associate company.

As at 31 December 2019, the Investment Holdings segment's assets were lower at RM338.8 million (31.12.2018: RM434.9 million) with 63.9% comprised of low risk liquid assets held in fixed and call deposits, cash and bank balances. The lower assets position was mainly attributed to utilization of certain funds for acquisition of SIB and HCAT and provision of working capital to subsidiary to commence new factoring business. Total liabilities of the Investment Holdings segment stood at RM9.9 million as at 31 December 2019 (2018: RM8.9 million).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial year ended 31 December 2019 (“FYE 31.12.2019”) against preceding financial year ended 31 December 2018 (“FYE 31.12.2018”) (continued)

General Insurance

Key financial performance	FYE 31.12.2019		FYE 31.12.2018 (Audited)	
	PHP'000	RM'000	PHP'000	RM'000
Gross premium written (“GPW”)	2,193,273	175,671	1,951,286	149,433
Underwriting surplus	127,987	10,064	375,913	28,822
Investment income	127,714	10,236	95,367	7,313
Claim ratio in %	54.7%	54.7%	38.8%	38.8%
Commission ratio in %	33.1%	33.1%	33.7%	33.7%
(Loss)/profit before taxation	(15,786)	(1,522)	191,100	14,861
Assets	4,962,786	399,404	3,941,049	309,770
Liabilities	3,731,433	300,307	2,717,576	213,606
Range of currency exchange rate	1 RM = 12.16 to 12.88 PHP		1 RM= 12.32 to 13.52 PHP	

Total GPW grew by 12.4% from PHP1,951.3 million in FPE 31.12.2018 to PHP2,193.3 million in FYE 31.12.2019, driven mainly by increase in the production of both motor and non-motor classes of business. Motor classes recorded an increase in GPW of 4.3% to PHP789.2 million (FYE 31.12.2018: PHP756.8 million), whilst non-motor classes registered a 17.5% increase in GPW to PHP1,404.1 million (FYE 31.12.2018: PHP1,194.5 million). Motor and non-motor businesses contributed 36% (FYE 31.12.2018: 39%) and 64% (FYE 31.12.2018: 61%) respectively of the total GPW in FYE 31.12.2019.

Nevertheless despite of the GPW growth, MAAGAP has recorded a LBT of PHP15.8 million compared to a PBT of PHP191.1 million in FYE 31.12.2018. During the current financial year under review, the loss suffered by MAAGAP was attributed mainly to the lower underwriting surplus of PHP128.0 million affected by higher claim ratio of 54.7%, compared to the underwriting surplus of PHP375.9 million with claim ratio of 38.8% in FYE 31.12.2018. Both motor and non-motor businesses recorded higher claim ratio at 55.7% (FYE 31.12.2018: 44.6%) and 53.5% (FYE 31.12.2018: 33.0%) respectively in FYE 31.12.2019. The cause for the escalating claim ratio experienced in FYE 31.12.2019 was mainly due to the abundant natural disasters namely typhoons and earthquakes that hit Philippines during the year.

Notwithstanding the deteriorating claim experiences, MAAGAP has registered improvement in investment performance with higher investment income of PHP127.7 million (FYE 31.12.2018: PHP95.4 million), higher realised gains from disposal of investments of PHP30.6 million (FYE 31.12.2018: PHP14.6 million) and lower net fair value losses on investments classified at FVTPL of PHP53.7 million (FYE 31.12.2018: PHP68.2 million) during the current financial year under review.

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial year ended 31 December 2019 ("FYE 31.12.2019") against preceding financial year ended 31 December 2018 ("FYE 31.12.2018") (continued)

General Insurance (continued)

As at 31 December 2019, MAAGAP's total assets increased by 25.9% to PHP4,962.8 million from PHP3,941.0 million as at 31 December 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. Correspondingly the total liabilities of MAAGAP has increased by 37.3% to PHP3,731.4 million as at 31 December 2019 from PHP2,717.6 million as at 31 December 2018. The increase was mainly due to higher insurance contract liabilities, insurance and other payables positions.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial year ended 31 December 2019 ("FYE 31.12.2019") against preceding financial year ended 31 December 2018 ("FYE 31.12.2018") (continued)

Education Services

Key financial performance	FYE 31.12.2019	FYE 31.12.2018 (Audited)
	RM'000	RM'000
Operating revenue	7,527	3,607
(Loss)/profit before taxation	(2,580)	22
Assets	76,407	798
Liabilities	36,622	160

Key financial performance by business units

	FYE 31.12.2019				FYE 31.12.2018 (Audited)
	Kasturi Group	SJI Group*	HCAT*	Total	Kasturi Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	3,249	2,623	1,655	7,527	3,607
(Loss)/profit before taxation	(856)	100	(1,824)	(2,580)	22
Assets	43,374	21,953	11,080	76,407	798
Liabilities	6,024	21,706	8,892	36,622	160

* Comprised of financial results for two (2) months – November and December 2019 after SJI Group and HCAT became subsidiaries of the Group on 31 October 2019.

Total operating revenue of the Education Services segment mainly consists of tuition fee income recorded an increase to RM7.3 million (FYE 31.12.2018: RM3.6 million) in FYE31.12.2019 mainly contributed by SJI Group and HCAT of RM2.6 million and RM1.7 million respectively.

In FYE 31.12.2019, Kasturi Group's total operating revenue recorded a 8.3% decrease to RM3.2 million (FYE 31.12.2018: RM3.6 million), affected by the reduction in the number of students enrolment. Corresponding to the lower tuition fee income and profit margin, Kasturi Group has recorded a LBT of RM856,000 (FYE 31.12.2018: PBT of RM22,000).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial year ended 31 December 2019 ("FYE 31.12.2019") against preceding financial year ended 31 December 2018 ("FYE 31.12.2018") (continued)

Education Services (continued)

Kasturi Group's total assets at 31 December 2019 were higher at RM43.4 million (31 December 2018: RM0.7 million), which included a goodwill of RM26.6 million arising from the acquisition of SIB. Total liabilities increased from RM160,000 as at 31 December 2018 to RM6.0 million mainly attributed by the recognition of lease liabilities of RM0.9 million from the adoption of new MFRS 16 on 1 January 2019 and a purchase consideration of RM5.0 million retained from the acquisition of SIB which is payable to the sellers upon them fulfilling the profit guarantees for FYE 2019 and FYE 2020 cumulatively.

For the two (2) months ended 31 December 2019, SJI Group recorded a total operating revenue of RM2.6 million with a small PBT of RM100,000 given that November and December 2019 were low periods for secondary schools with the year-end school holidays.

For HCAT, it recorded a total operating revenue of RM1.7 million and a LBT of RM1.9 million for the two (2) months ended 31 December 2019. The loss arose mainly from year-end low periods and a one-off property, plant and equipment written off of RM1.0 million from reorganisation of the college campus under a re-negotiated new tenancy with exclusion of excess floor area and lower rental rate that is cost beneficial to HCAT.

B2. RESULTS OF THE CURRENT FINANCIAL QUARTER (4Q-2019) AGAINST THE PRECEDING FINANCIAL QUARTER (3Q-2019)

In 4Q-2019, the Group recorded a higher LBT of RM27.5 million (3Q-2019: LBT of RM3.3 million), mainly affected by a higher LBT of RM7.9 million (3Q-2019: LBT of RM2.4 million) from the General Insurance business, a provision of RM5.1 million made for Zurich's claims, an impairment loss of RM5.0 million on goodwill arising from the acquisition of HCAT, an impairment loss of RM3.0 million on amounts due from associate company and a LBT of RM2.5 million from the Education services segment.

B3. PROSPECTS

In 2019, both Malaysia and the Philippines missed the governments' gross domestic product ("GDP") targets. Malaysia recorded a GDP growth of 4.3%, below the government's official target of 4.7%. The Philippines GDP growth was 5.9%, missing the government's 6.0% - 6.5% target. Barring uncertainties in external conditions like the Covid-19 outbreak, the various trade negotiations and geopolitical risks as well as domestic factors, Bank Negara Malaysia expects the Malaysian economy to continue with growth in 2020, supported by household spending, the realisation of approved private investment projects and higher public sector capital spending; while the global credit watcher Fitch Ratings has recently revised the Philippines economy outlook from the previous "stable" to "positive" for 2020, given its sound macroeconomic policy framework and progressive fiscal reforms that will continue to support economic growth.

Riding on these, the Group expects the General Insurance business in the Philippines to continue with premium growth in 2020 given the favorable economic outlook for Philippines. Barring unforeseen circumstances like natural disasters which Philippines is most vulnerable to and the market driven stock performance, the Group expects MAAGAP to improve its financial performance in 2020.

On another front, 2020 will be a challenging year for the Group's Education Services business. The Education Services' operating units namely Kasturi Group and the newly acquired SJI Group and HCAT will continue to intensify their marketing efforts to increase student enrollment, diversify program offerings and continue with cost control measures. At the same time, the Group will also focus to grow the new debt factoring business in 2020 to expand its income stream.

The global economy outlook for first quarter of 2020 has turned cautious with the Covid-19 (novel coronavirus) epidemic. The extent of disruption to Malaysia, Philippines and other global economies and the regional stock markets in the near term are too early to access at this stage. It all depends on how long the situation will last.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B5. INVESTMENT INCOME

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Rental income from investment properties	70	90	267	346
Investments at FVTPL				
Dividend income				
- Equity securities quoted in Malaysia	92	38	262	171
- Equity securities quoted outside Malaysia	115	137	1,514	1,263
- Equity securities unquoted outside Malaysia	-	-	703	624
- Unit trusts quoted in Malaysia	109	87	109	87
	316	262	2,588	2,145
Investments at FVOCI				
Dividend income				
- Equity securities quoted outside Malaysia	404	415	1,553	1,360
Interest income				
- Government debt securities quoted outside Malaysia	1,323	456	4,350	1,751
- Corporate debt securities quoted outside Malaysia	53	49	208	184
- Corporate debt securities unquoted in Malaysia	317	315	621	624
	2,097	1,235	6,732	3,919
Investments at AC				
Interest income				
- Government debt securities quoted outside Malaysia	102	99	399	383
- Corporate debt securities quoted outside Malaysia	602	652	2,255	2,384
- Private trust fund – unquoted in Malaysia	5	-	5	-
- Private trust fund – unquoted outside Malaysia	2	-	2	-
	711	751	2,661	2,767

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B5. INVESTMENT INCOME (CONTINUED)

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- staff loans	-	-	2	1
- advances to associate company	31	-	31	-
- fixed and call deposits	2,042	1,752	8,094	7,356
	2,073	1,752	8,127	7,357
	5,267	4,090	20,375	16,534

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B6. REALISED GAINS AND LOSSES – NET

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) from disposal of property, plant and equipment	-	12	(146)	12
Investments at FVTPL				
Net realised gains/(losses)				
- Equity securities quoted in Malaysia	57	(506)	571	(49)
- Equity securities quoted outside Malaysia	202	(19)	2,610	1,785
- Unit trusts quoted outside Malaysia	-	-	(80)	7
- Derivatives quoted in Malaysia	-	-	39	54
	259	(525)	3,140	1,797
Investments at FVOCI				
Net realised gains/(losses)				
- Government debt securities quoted outside Malaysia	113	-	204	(154)
Net loss on disposal of an associated company				
- Gain on disposal	-	4,048	-	4,048
- Reclassification of cumulative foreign currency translation differences from equity to profit or loss	-	(9,040)	-	(9,040)
		(4,992)	-	(4,992)
	372	(5,505)	3,198	(3,337)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 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 To date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Net fair value losses on investment properties	(331)	(1,627)	(688)	(2,837)
Investments at FVTPL				
Net fair value gains/(losses)				
- Equity securities quoted in Malaysia	1,015	(2,100)	2,879	(2,971)
- Equity securities quoted outside Malaysia	(4,934)	(5,935)	(1,656)	(20,546)
- Equity securities unquoted outside Malaysia	1,284	(1,192)	(1,229)	(5,303)
- Unit trusts quoted in Malaysia	(84)	(65)	67	3
- Unit trusts quoted outside Malaysia	-	37	162	24
- Derivatives quoted in Malaysia	-	(261)	67	(749)
	(2,719)	(9,516)	290	(29,542)
	(3,050)	(11,143)	(398)	(32,379)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

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

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

	Individual Period		Cumulative Period	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	To date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
(Allowance for)/write back of impairment loss on:				
- investments at AC	(158)	(97)	(403)	(105)
- loans and receivables	-	21	-	(1)
- loans from money lending, hire purchase and other credit activities	(506)	-	(506)	-
- insurance receivables	522	(50)	734	(91)
- trade and other receivables	(385)	-	(385)	-
- amounts due from associate company	(2,998)	-	(2,998)	-
- cash and cash equivalents	34	1	31	14
Realised foreign exchange (losses)/gains – net	(59)	64	(127)	129
Unrealised foreign exchange gains/(losses) - net	405	(1,870)	(1,799)	(2,122)
Provision for Zurich's claims	(5,127)	-	(5,127)	-
Allowance for impairment loss on goodwill acquired	(4,996)	-	(4,996)	-
Present value adjustment of Retained Consideration	-	1,576	-	3,959
Loss on deconsolidation of subsidiaries	-	-	-	(757)
Property, plant and equipment written off	(1,024)	-	(1,036)	(1)
Depreciation of property, plant and equipment	(1,483)	(228)	(2,243)	(959)
Depreciation of right-of-use assets	(1,712)	-	(3,500)	-
Amortisation of leasehold land	-	-	(1)	(1)
Amortisation of intangible assets	(28)	(38)	(82)	(84)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B9. TAXATION

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
<u>Current tax</u>				
Current financial quarter/year	572	1,011	1,706	4,271
Over provision in prior quarter/year	-	-	(13)	-
	572	1,011	1,693	4,271
<u>Deferred tax</u>				
Origination and reversal of temporary differences	(1,718)	(1,758)	44	(1,306)
Tax (income)/expense	(1,146)	(747)	1,737	2,965

Even though the Group recorded a loss in the current financial quarter and year under review, provision for taxation has been made mainly due to certain expenses that are not deductible for tax purposes.

Provision for taxation had been made in the previous year's financial quarter and year even though the Group recorded a loss, mainly for the profit recorded by General Insurance business held via MAAGAP as the group loss relief in Malaysia is not applicable to MAAGAP and certain expenses that are not deductible for tax purposes.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 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 31 December 2019

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Investments at FVTPL:				
Equity securities quoted in Malaysia	10,572	-	-	10,572
Equity securities quoted outside Malaysia	59,883	-	-	59,883
Equity securities unquoted outside Malaysia	-	-	22,565	22,565
Unit trusts quoted in Malaysia	2,308	-	-	2,308
	<u>72,763</u>	<u>-</u>	<u>22,565</u>	<u>95,328</u>
Investments at FVOCI:				
Government debt securities quoted outside Malaysia	52,150	-	-	52,150
Corporate debt securities quoted outside Malaysia	4,193	-	-	4,193
Equity securities quoted outside Malaysia	25,073	1,030	-	26,103
Equity securities unquoted outside Malaysia	-	-	3	3
	<u>81,416</u>	<u>1,030</u>	<u>3</u>	<u>82,449</u>
Total investments measured at fair value	<u>154,179</u>	<u>1,030</u>	<u>22,568</u>	<u>177,777</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 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 RM'000	Level 2 RM'000	Level 3 RM'000	Total 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 year ended 31 December 2019.

The following table shows the movement in Level 3 investments for the current financial year ended 31 December 2019:

	Unquoted equity securities	
	FVTPL RM'000	FVOCI RM'000
At 1 January 2019	24,079	3
Fair value loss recorded in profit or loss	(1,229)	-
Currency translation difference	(285)	-
At 31 December 2019	22,565	3

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 30 April 2020 via Bursa Securities’ letters dated 20 November 2019, 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 30 April 2020 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 30 April 2020;
- (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, mainly comprise of claims of 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.

- (d) On 25 July 2019, MAA Corporation Sdn Bhd (“MAA Corp”), the wholly-owned subsidiary of the Company has incorporated a company by the name of Kasturi Services Sdn Bhd (“Kasturi Services”) with paid-up capital of RM1.00 consist of one (1) ordinary share with issue price of RM1.00. The principal activity of Kasturi Services is to carry on the business of rent-to-rent and providing rental management services for immovable properties.
- (e) On 10 September 2019, MAA Corp acquired 49 ordinary shares, representing 49% of the issued and paid-up share capital of Hospitality H360 Sdn Bhd (“H360”), a company incorporated in Malaysia, for a total cash purchase consideration of RM49. The principal activities of H360 are investment holding and the provision of advisory and management of hotels.
- (f) On 13 September 2019, the Company via its wholly-owned sub-sub-subsidiary, Edumaax Sdn Bhd (“Edumaax”) (formerly known as Indopelangi Sdn Bhd), entered into a Share Purchase Agreement (“SPA”) with HELP International Corporation Sdn Bhd (“Seller”), for the acquisition of 30,259,564 ordinary shares representing 100% equity interest in HELP College of Arts and Technology Sdn Bhd (formerly known as HELP ICT Sdn Bhd) (“HCAT”) for a total cash purchase consideration of RM5,500,000 (“Purchase Consideration”) subject to further terms and conditions stipulated in SPA.

Upon the fulfilment of the conditions precedent in the SPA on 31 October 2019, the full Purchase Consideration was paid to the appointed lawyers of Seller and the Company as stakeholders. On even date, the Company has taken management control of HCAT. Notwithstanding this, the shares transfer is pending the approval from the Ministry of Education for the change in shareholder.

B11. CORPORATE PROPOSALS (continued)

- (g) On 20 September 2019, Edumaax entered into a Share Acquisition Agreement (“SAA”) with Scholastic Ventures Sdn Bhd and PAC Edu KL Sdn Bhd for the acquisition of 1,147,059 ordinary shares representing 90% equity interest in Scholastic IB International Sdn Bhd (“SIB”) for a total cash purchase consideration of RM27,000,000 subject to further terms and conditions stipulated in the SAA (“Acquisition of SIB”).

SIB is principally involved in investment holding and its wholly-owned subsidiary companies are principally involved in:

- (i) St John’s International Edu Sdn Bhd – offering Cambridge lower secondary and upper secondary, IGCSE O-Level and A-Level program;
- (ii) St John’s International (Campus 2) Sdn Bhd – dormant; and
- (iii) Alfaakademik Sdn Bhd – offering tuition/tutorial classes for Cambridge lower secondary and IGCSE O-Level.

(Companies in (i) to (iii) are collectively known as “SJI Group”)

On 31 October 2019, the Acquisition of SIB was completed in accordance with terms and conditions of the SAA.

The Acquisition of SIB and HCAT will enable the Group to expand and accelerate growth in the existing Education Services business segment by providing a wide range of education services from the existing tuition center education for national schools to secondary education for Cambridge, IGCSE O-Level, A-Level and tertiary education for certificate, diplomas, professional and post graduate degrees.

- (h) On 23 October 2019, the Company announced that its sub-subsidiary, MAA International Corporation Ltd (“MAAIC”), which was placed under Members’ Voluntary Winding Up was dissolved on 23 October 2019 after the expiration of three months from the date of the lodgement of the Return by Liquidators relating to the final meeting with the Labuan Financial Services Authority and the Official Receiver on 25 July 2019, pursuant to Section 459(5) of the Companies Act 2016.

The dissolution of MAAIC has no financial effect for the financial year ending 31 December 2019 as MAAIC has been deconsolidated from the Group on 30 August 2018.

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

MAA GROUP BERHAD (471403-A)

(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 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 on 30 September 2016

	Purpose	Revised Utilisation	Actual Proceeds Received	Revised Timeframe For Utilisation	Deviations	Explanations (if the deviation is 5% or more)	Actual Utilisation	Revised Remaining Unutilised Proceeds
		RM'000	RM'000		RM'000		RM'000	RM'000
(i)	Future investment opportunity(ies)/ Prospective new business(es) to be acquired ^(N4)	68,250	68,250	Within 24 months from the EGM held on 5 June 2018	(51,673)	Refer to Note A	-	16,577
		93,750	^(N2) 88,623	Within 24 months from the receipt of the Retained Consideration on 1 July 2019	-	-	-	88,623
(ii)	Working capital and share buy-back exercise	30,854	30,854	Within 24 months from the EGM held on 5 June 2018	13,381	Refer to Note A	44,235	-
(iii)	Payment of dividends to shareholders for the FYE 2017	8,207	8,207	Utilised	-	-	8,207	-
(iv)	Payment of dividends to shareholders	32,822	32,822	Within 24 months from the EGM held on 5 June 2018	-	-	16,411	16,411
(v)	Acquisition of new businesses/investments	-	-	By mid-June 2021	38,292	Refer to Note A	33,292	5,000 ^(N3)
	Total	^(N1) 233,883	228,756		-	-	102,145	126,611

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

(a) Disposal of MAA Takaful Berhad on 30 September 2016 (continued)

^(N1) Revised utilisation approved by shareholders during the EGM held on 5 June 2018.

^(N2) Of the RM93,750,000 balance sale consideration of MAA Takaful retained by Zurich, the Company received RM88,623,399.52 from Zurich on 1 July 2019 net of Zurich's claims of RM5,126,600.48.

^(N3) RM5.0 million of the purchase consideration for SIB and its subsidiaries has been withheld by the Company pending fulfillment of RM5.0 million profit guarantees for financial years ended 31 December 2019 and ending 31 December 2020 cumulatively by the sellers.

^(N4) As disclosed in the Circular to Shareholders in relation to the disposal of MAA Takaful dated 6 June 2016, the actual proceeds of RM156.8 million is allocated for the Company to acquire future investment opportunity(ies)/prospective new business(es) to enhance its earning profile, regulate its financial conditions and address the PN17 status.

MAA GROUP BERHAD (471403-A)

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 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 MAA Takaful on 30 September 2016 (continued)Note A

Deviations from the utilisation of MAA Takaful Sale Proceed as at 31 December 2019 consist of:

Utilisation	Amount	% of deviation	Explanations (if the deviation is 5% or more)
	RM'000		
(i) Payment of purchase consideration of HCAT to appointed lawyers of the Company and Seller as stakeholders pending approval from Ministry of Education	5,500	1.51%	The purchase of HCAT and SIB and its subsidiaries will enable the Group to expand the existing education business segment from tuition centre education to secondary and tertiary education
(ii) Payment of purchase consideration of SIB and its subsidiaries	27,000	7.41%	
(iii) Subscription of additional shares in Altech Chemicals Ltd ("Altech")	5,792	1.59%	Opportunity to participate in the future growth of Altech's high purity alumina ("HPA") plant project in Malaysia as well as to enjoy potential capital appreciation in the investment value upon operation of the HPA plant
(iv) Working capital for:			
(a) New factoring business	10,581	2.90%	Working capital allocated to commence new factoring business
(b) Others	2,800	0.77%	General working capital
Total	51,673	14.18%	

MAA GROUP BERHAD (471403-A)

(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 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 ("CCA") on 27 December 2018

	Purpose	Proposed Utilisation	Actual Utilisation	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	58,482	^(N4) 14,499	No time limit specified	-	-
	Total	58,482	14,499		-	-

^(N4) Acquisition of a loan secured by mortgage which was valued approximately 2.5 times above the debt.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 DECEMBER 2019

B13. BORROWINGS AND DEBT SECURITIES

The Group has no outstanding borrowings and debt securities as at the end of the financial year ended 31 December 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 year ended 31 December 2019 is 6 sen (Financial year ended 31 December 2018: 3 sen).

B16. BASIC LOSS PER ORDINARY SHARE

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
<u>Attributable to the Owners of the Company:</u>				
Net loss for the financial quarter/year (RM'000)	(26,258)	(11,036)	(31,217)	(27,457)
Weighted average number of ordinary shares in issue ('000)	273,462	273,518	273,462	273,518
Basic loss per ordinary share (sen)	(9.60)	(4.03)	(11.42)	(10.04)

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: 28 FEBRUARY 2020