



MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED JUNE 30, 2004**
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	GROUP			
	Individual Period		Cumulative Period	
	3 months ended 30-June-2004 RM'000	3 months ended 30-June-2003 RM'000	3 months ended 30-June-2004 RM'000	3 months ended 30-June-2003 RM'000
Operating Revenue	<u>193,419</u>	<u>185,714</u>	<u>193,419</u>	<u>185,714</u>
Surplus/(Deficit) from Shareholders' Fund	(4,744)	(2,271)	(4,744)	(2,271)
Surplus/(Deficit) transferred from General Reinsurance Revenue Accounts	27,741	24,431	27,741	24,431
Share of profits/(losses) of an associate company	3,340	6,100	3,340	6,100
Profit Before Tax	26,337	28,260	26,337	28,260
Taxation	(6,695)	(6,410)	(6,695)	(6,410)
Share of taxation of an associate company				
Net Profit / (Loss) for the period	19,642	21,850	19,642	21,850
Earnings per share (sen):-				
• Basic	10.07	11.21	10.07	11.21
• Diluted	10.02	-	10.02	-

*The Condensed Financial Statements are to be read in conjunction with
the Annual Financial Report for the year ended March 31, 2004*



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CONDENSED CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2004

	GROUP	
	As At 30 June 2004 RM'000	As At 31 March 2004 (Audited) RM'000
ASSETS		
Property, Plant and Equipment	11,254	11,270
Deferred tax assets	8,600	9,400
Investment in Associated Company	109,368	106,028
Investments	1,243,215	1,222,026
Loan receivables	17,326	16,534
Receivables	107,408	93,194
Cash and bank balances	1,619	993
TOTAL GENERAL REINSURANCE BUSINESS AND SHAREHOLDERS' FUND ASSETS	1,498,790	1,459,445
General Takaful Fund assets	12,251	8,770
Family Takaful Fund assets	9,667	7,806
TOTAL ASSETS	1,520,708	1,476,021
LIABILITIES		
Provision for outstanding claims	584,629	582,928
Payables	333,114	39,911
Taxation	23,542	18,257
TOTAL GENERAL REINSURANCE BUSINESS AND SHAREHOLDERS' FUND LIABILITIES	641,285	641,096
General Takaful Fund liabilities	7,253	1,218
Family Takaful Fund liabilities	1,253	606
Unearned Premium Reserves	231,021	212,707
TOTAL LIABILITIES	880,812	855,627
TAKAFUL PARTICIPANTS' FUND		
General Takaful	130	2,458
Family Takaful	2,466	926
	883,408	859,011
SHAREHOLDERS EQUITY		
Share Capital	196,160	195,934
Reserves	441,140	421,076
	637,300	617,010
TOTAL LIABILITIES, TAKAFUL PARTICIPANTS' & SHAREHOLDERS' FUNDS	1,520,708	1,476,021
Net Tangible Assets/Share (RM)	3.25	3.15

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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2004**

	GROUP				
	Share Capital RM'000	RESERVES			Total RM'000
		Non-distributable Share Premium RM'000	Distributable Retained Profits RM'000	Translation Reserve on Consolidation RM'000	
As at April 1, 2004	195,934	73,181	309,553	38,342	617,010
Preliminary expenses – New ESOS	-	-	-	-	-
Exercise of ESOS	226	423	-	-	649
Profit before Tax	-	-	26,337	-	26,337
Statutory Taxation	-	-	(5,895)	-	(5,895)
Deferred tax assets/(liability)	-	-	(800)	-	(800)
Dividends	-	-	-	-	-
As at June 30, 2004	196,160	73,604	329,195	38,342	637,301

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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2003**

	GROUP				
	Share Capital	RESERVES			Total
		Non-distributable Share Premium	Distributable Retained Profits	Translation Reserve on Consolidation	
RM'000	RM'000	RM'000	RM'000	RM'000	
As at April 1, 2003					
As previously stated	194,299	70,196	262,307	38,342	565,144
Prior year adjustments	-	-	14,900	-	14,900
As at April 1, 2003 (restated)	194,299	70,196	277,207	38,342	580,044
Preliminary expenses – New ESOS		(73)	-	-	(73)
Exercise of ESOS					
Reserves Arising On Consolidation	-	-	-	-	-
Share of accumulated losses in associate	-	-	6,100	-	6,100
Net Profit for the Period	-	-	22,160	-	22,160
Statutory Taxation	-	-	(3,410)	-	(3,410)
Deferred tax assets/(liability)	-	-	(3,000)	-	(3,000)
Dividends	-	-	-	-	-
As at June 31, 2003	194,299	70,123	299,057	38,342	601,821

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	GROUP	
	3 months ended 30-June-2004 RM'000	3 months ended 30-June-2003 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	26,337	28,260
Adjustment for:		
Non-cash items	3,093	(24,217)
Non-cash operating items	(19,315)	(6,100)
Profit from operation before changes in operating assets and liabilities	10,115	(2,057)
Net change in current assets	(54,641)	7,270
Net change in current liabilities	12,515	3,861
Cash operating items	33,832	-
Net cash generated from operating activities	1,821	9,074
CASH FLOW FROM INVESTING ACTIVITIES	(1,844)	(3,440)
CASH FLOW FROM FINANCING ACTIVITIES	649	(73)
CASH AND BANK BALANCES		
Net increase during the period	626	5,561
Cash and bank balances at the beginning of the period	993	1,434
Cash and bank balances at the end of the period	1,619	6,995

The Condensed Financial Statements are to be read in conjunction with the Annual Financial Report for the year ended March 31, 2004



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**INTERIM FINANCIAL REPORT
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PART A – NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

A1. Basis of Preparation

The interim financial report has been prepared in accordance with MASB 26 on “Interim Financial Reporting” and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The figures have not been audited.

The interim financial report should be read in conjunction with the Group’s most recent audited financial statements for the year ended March 31, 2004.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended March 31, 2004.

A2. Disclosure on Qualification of Audit Report

The Audit Report on the Group’s preceding annual financial statements was not qualified.

A3. Seasonal or Cyclical Factors

The operation of the Group is not affected by any seasonal factors. With regards to cyclical factors, the performance of the Group is directly correlated with the economic performance of the Country.

A4. Unusual Item Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There was no unusual item affecting assets, liabilities, equity, net income or cash flows for the current financial year to date.

A5. Changes In Estimates

There were no material changes in estimates used in the preparation of this interim financial report.



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A6. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities

During the current financial year to June 30, 2004, 226,000 new ordinary shares of RM1.00 each were issued under the Employees Share Option Scheme (“ESOS”) of Malaysian National Reinsurance Berhad (“MNRB” or “the Company”) at an issue price of RM2.87 each.

A7. Dividend Paid

No dividends were paid during the current financial year to date.

A8. Segmental Reporting

The Group is principally engaged in the underwriting of all classes of general reinsurance business and the operation of general takaful and family takaful business. The subsidiary, Takaful Ikhlas Sdn. Bhd., (“Takaful Ikhlas”) commenced its core operation as a takaful operator on July 2, 2003. However, no segmental information is provided in this report as the results of the subsidiary are immaterial on a group wide basis.

A9. Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without any change from the previous annual financial statements.

A10. Subsequent Event

There were no significant subsequent events from March 31, 2004 to the date of this report.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial year to date.



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A12. Contingent Liabilities or Contingent Assets

There is no contingent liability or asset as at the date of the issue of this report. For the purpose of this paragraph, Contingent Liabilities or Assets do not include those arising from the contract of reinsurance or takaful operation.

**PART B – ADDITIONAL INFORMATION REQUIRED BY THE
LISTING REQUIREMENTS OF BURSA MALAYSIA**

B1. Review of Performance

For the three (3) months period ended June 30, 2004, the Group recorded a revenue of RM193.4 million, 4.1% higher than RM185.7 million for the same period in the preceding year. The higher revenue was due to the increase in MNRB's gross premium written for both the local and overseas treaty business.

The Group's Profit Before Tax of RM26.3 million is 7.1% lower from RM28.3 million recorded in the same period last year due mainly to losses incurred by the subsidiary, Takaful Ikhlas which is still in its gestation period.

B2. Review of Current Quarter Profitability Against Preceding Quarter

The RM193.4 million revenue recorded for the quarter ended June 30, 2004 was RM44.1 million or 29.5% higher than the RM149.3 million recorded in the 3 months period ended March 31, 2004 due to the increase in gross premium. However, the Group's Profit Before Tax decreased by 22.2% from RM33.8 million recorded in the 3-months period ended March 31, 2004 to RM26.3 million in the current quarter mainly due to the increase in the unearned premium reserves

B3. Current Year Prospects

Barring unforeseen circumstances, the Directors expect the Group's performance in the current financial year ending March 31, 2005 to be better than the financial year just ended.



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B4. Explanatory Note for Variance from Profit Forecast

Not Applicable - no profit forecast was issued by the Group during the period.

B5. Taxation

	GROUP			
	Individual Period		Cumulative Period	
	3 months ended 30-June-2004 RM'000	3 months ended 30-June-2003 RM'000	3 months ended 30-June-2004 RM'000	3 months ended 30-June-2003 RM'000
Profit before tax	26,337	28,260	26,337	28,260
Current tax: Current tax charge (as previously reported)	(5,895)	(3,410)	(5,895)	(3,410)
Deferred tax: Relating to timing differences	(800)	(3,000)	(800)	(3,000)
Profit after tax	19,642	21,850	19,642	21,850
<i>Effective tax rate</i>	25.42%	22.68%	25.42%	22.68%

The Group's effective tax rates are lower than the statutory tax rates due to no taxes being estimated for the associate company. The associate is a company incorporated in Labuan, hence the Group's share of the associate's tax is immaterial.

B6. Profit/(Loss) on sale of unquoted investments and/or properties

There was no sale of unquoted investments and/or properties during the quarter.



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B7. Quoted Securities

The Group's activities are regulated by the Insurance Act 1996, Takaful Act 1984, Offshore Insurance Act 1990 and are subject to supervision by Bank Negara Malaysia. The particulars of investment in quoted securities or any purchase or disposal of quoted securities are therefore not required.

B8. Status of Corporate Proposals

An announcement was made on August 22, 2003 that MNRB proposes to undertake a restructuring scheme involving amongst others, the transfer of the reinsurance license, reinsurance business and assets and investments of MNRB as a going concern to a proposed wholly-owned subsidiary company of MNRB ("Proposed Newco").

The restructuring exercise is expected to be completed within the current financial year ending March 31, 2005.

B9. Borrowings / debt securities

There were no borrowings or debt securities as at the end of the reporting period.

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with material off balance sheet risk as at the date of the issue of this quarterly report.

B11. Material Litigations

There was no pending material litigation since the last annual balance sheet date up to the date of issue of this quarterly report.



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B12. Dividends

- (a) (i) The Shareholders had, at the 31st Annual General Meeting held on 28th July 2004, approved a final dividend in respect of the financial year ended March 31, 2004;
 - (ii) The percentage / amount per share: 10%/10 sen (comprising 6%/6 sen less 28% tax and 4%/4sen tax-exempt);
 - (iii) The previous corresponding period: 15%/15 sen (10%/10 sen less 28% tax and 5%/5 sen tax-exempt);
 - (iv) The book closure and dividend payment dates for the above dividend were on August 5, 2004 and August 16, 2004 respectively.
- (b) There are no other dividends paid or declared for the current financial year to date.

B13. Earning Per Share (EPS)

Basic EPS

The basic EPS of the Company is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

Diluted EPS

In a diluted earning per share calculation, the share options are assumed to have been exercised into ordinary shares. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average share price of the Company's share for the period) based on the monetary value of the subscription rights attached to the outstanding share options. This calculation serves to determine the "unpurchased" share to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the net profit.



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	GROUP			
	Individual period		Cumulative period	
	3 months ended 30-June-2004 RM'000	3 months ended 30-June-2003 RM'000	3 months ended 30-June-2004 RM'000	3 months ended 30-June-2003 RM'000
Net profit for the period (RM'000)	19,642	21,850	19,642	21,850
Weighted average number of ordinary shares in issue ('000)	194,955	194,299	194,955	194,299
Assumed exercise of share options ('000)	1,861	N/A*	1,861	N/A*
Weighted average number of ordinary shares for diluted EPS ('000)	196,072	N/A*	196,072	N/A*
Basic EPS (sen)	10.07	11.21	10.07	11.21
Diluted EPS/Diluted Loss Per Share (sen)	10.02	N/A*	10.02	N/A*

* The previous ESOS expired in February 2003 and the new ESOS was subsequently only launched in July 2003.

By Order of the Board

NORAZMAN BIN HASHIM (MIA 5817)

LENA BTE ABD LATIF (LS 8766)

Company Secretaries

Kuala Lumpur

Dated: August 27, 2004