

MAA GROUP BERHAD

Registration No. 199801015274 (471403-A)

(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020

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 2019. 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 2019.

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 2019, 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 2020:

- 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 2022

- Amendments to MFRS 101 '*Classification of liabilities as current or non-current*'

The International Accounting Standards Board has proposed to defer by one year the effective date of the amendments to MFRS 101 '*Classification of liabilities as current or non-current*' to 1 January 2023.

Effective for annual periods commencing on or after 1 January 2023

- MFRS 17 '*Insurance Contracts*'

The Group will assess the application of adopting the above standards, amendments to published standards and interpretations to existing standards before the effective dates.

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A3. SEASONAL OR CYCLICAL FACTORS

The Group's business operations were not significantly affected by any seasonal or cyclical factors.

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 2020.

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 2020.

A6. DEBT AND EQUITY SECURITIES

During the current financial quarter and period ended 30 June 2020, the Company has purchased 3,285,100 and 4,868,500 ordinary shares respectively from the open market at an average price of RM0.57 per share and RM0.63 per share respectively. The total purchase consideration paid for the shares buy-back including transaction costs during the current financial quarter and period ended 30 June 2020 amounted to RM2,313,714 and RM3,516,730 respectively and were financed by internally generated funds. The shares purchased are held as treasury shares in accordance with the Companies Act 2016 and carried at purchase cost.

Other than above, there were no issuances, repurchases and repayments of debt and equity securities during the current financial quarter and period ended 30 June 2020.

A7. DIVIDEND PAID

No interim dividend was paid by the Company during the current financial quarter and period ended 30 June 2020 in respect of the financial year ending 31 December 2020.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**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 2020:

- 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.

The table below shows the segment information for the reportable segments:

	Investment Holdings	General Insurance	Education Services	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>3 months period ended 30 June 2020</u>					
Operating revenue	1,493	41,010	5,549	2,109	50,161
Net earned premiums	-	27,573	-	-	27,573
Investment income	554	722	-	-	1,276
Interest income	879	2,307	76	26	3,288
Realised gains and losses – net	13,023	1,646	-	-	14,669
Fair value gains and losses - net	4,324	3,272	-	224	7,820
Commission income	-	539	-	-	539
Other operating revenue from non-insurance businesses	60	-	5,473	2,083	7,616
Other operating (expenses)/income – net	(290)	(52)	690	(53)	295
Net claims incurred	-	(4,319)	-	-	(4,319)
Commission expenses	-	(9,414)	-	-	(9,414)
Management expenses	(4,204)	(3,926)	(8,114)	(3,765)	(20,009)
Finance costs	(10)	(9)	(152)	(3)	(174)
Profit/(loss) before taxation	14,336	18,339	(2,027)	(1,488)	29,160

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**A8. SEGMENTAL INFORMATION** (continued)

The table below shows the segment information for the reportable segments (continued):

	Investment Holdings	General Insurance	Education Services	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>6 months period ended 30 June 2020</u>					
Operating revenue	3,232	84,354	13,859	3,048	104,493
Net earned premiums	-	56,523	-	-	56,523
Investment income	818	1,356	-	-	2,174
Interest income	2,295	4,532	185	65	7,077
Realised gains and losses – net	8,733	2,025	9	-	10,767
Fair value gains and losses - net	(11,293)	(2,411)	-	275	(13,429)
Commission income	-	981	-	-	981
Other operating revenue from non- insurance businesses	119	-	13,674	2,983	16,776
Other operating (expenses)/income – net	(2,245)	(59)	1,232	(2,248)	(3,320)
Net claims incurred	-	(17,391)	-	-	(17,391)
Commission expenses	-	(19,069)	-	-	(19,069)
Management expenses	(8,289)	(8,374)	(18,020)	(5,424)	(40,107)
Finance costs	(25)	(24)	(329)	(8)	(386)
(Loss)/profit before taxation	(9,887)	18,089	(3,249)	(4,357)	596

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**A8. SEGMENTAL INFORMATION** (continued)

The table below shows the segment information for the reportable segments (continued):

	Investment Holdings	General Insurance	Education Services	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>3 months period ended 30 June 2019</u>					
Operating revenue	3,038	43,803	923	149	47,913
Net earned premiums	-	26,666	-	-	26,666
Investment income	1,170	754	-	-	1,924
Interest income	1,808	1,955	-	105	3,868
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 expenses	-	(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)

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**A8. SEGMENTAL INFORMATION** (continued)

The table below shows the segment information for the reportable segments (continued):

	Investment Holdings	General Insurance	Education Services	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>6 months period ended 30 June 2019</u>					
Operating revenue	5,050	85,099	1,773	234	92,156
Net earned premiums	-	53,040	-	-	53,040
Investment income	1,463	1,166	-	-	2,629
Interest income	3,468	3,591	-	178	7,237
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 expenses	-	(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

	Investment Holdings	General Insurance	Education Services	Other segments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Segmental Assets</u>					
At 30 June 2020	288,312	431,580	74,042	58,425	852,359
At 31 December 2019 (Audited)	338,796	399,404	76,407	24,597	839,204
<u>Segmental Liabilities</u>					
At 30 June 2020	10,919	312,778	35,016	1,054	359,767
At 31 December 2019 (Audited)	9,883	300,307	36,622	709	347,521

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A9. MATERIAL EVENT AFTER THE REPORTING PERIOD

There was no material event subsequent to the end of the current financial quarter and period ended 30 June 2020 that have not been reflected in these Interim Reports.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

On 7 July 2020, MAA Corporation Sdn Bhd, a wholly-owned subsidiary of the Company, subscribed for two (2) new ordinary shares of RM2 each, representing 100% of the issued and paid up capital in a new subsidiary, Glovtec Sdn Bhd ("Glovtec"), a company incorporated in Malaysia, for cash purchase consideration of RM4.

A11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment during the current financial period ended 30 June 2020. As at 30 June 2020, 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. These revalued amounts have been carried forward to the current financial period ended 30 June 2020.

A13. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets and liabilities as at the end of the financial period ended 30 June 2020.

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 30.6.2020	As at 31.12.2019
	RM'000	RM'000
Property, plant and equipment		
- Renovation	63	401

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.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**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 2020 ("2Q-2020") against preceding year's corresponding financial quarter ended 30 June 2019 ("2Q-2019")**Group

Key financial performance	2Q-2020	2Q-2019
	RM'000	RM'000
Operating revenue	50,161	47,913
Profit/(loss) before taxation	29,160	(6,534)

In 2Q-2020 under review, the Group recorded a total operating revenue of RM50.2 million (2Q-2019: RM47.9 million) which comprised mainly of gross earned premiums of RM38.0 million (2Q-2019: RM41.1 million) recorded by the General Insurance business held via subsidiary, MAA General Assurance Philippines, Inc. ("MAAGAP"), investment and interest income of RM4.6 million (2Q-2019: RM5.8 million) and other operating revenue from non-insurance businesses of RM7.6 million (2Q-2019: RM1.0 million).

In 2Q-2020, the Group recorded a Profit before taxation ("PBT") of RM29.2 million (2Q-2019: Loss before taxation ("LBT") of RM6.5 million). The profit in 2Q-2020 was mainly contributed by PBT of RM14.3 million (2Q-2019: LBT of RM8.0 million) from the Investment Holdings segment, PBT of RM18.3 million (2Q-2019: PBT of RM2.3 million) from the General Insurance business, offset by LBT of RM2.0 million (2Q-2019: LBT of RM93,000) from the Education Services segment and LBT of RM1.5 million (2Q-2019: LBT of RM0.7 million) from other segments.

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B1. REVIEW OF GROUP PERFORMANCE (continued)**Current financial quarter ended 30 June 2020 ("2Q-2020") against preceding year's corresponding financial quarter ended 30 June 2019 ("2Q-2019")** (continued)Investment Holdings

Key financial performance	2Q-2020	2Q-2019
	RM'000	RM'000
Operating revenue	1,493	3,038
Profit/(loss) before taxation	14,336	(8,004)

Investment Holdings segment recorded a decrease in total operating revenue to RM1.5 million (2Q-2019: RM3.0 million) which comprised mainly of interest income of RM0.9 million (2Q-2019: RM1.8 million), dividend income of RM0.5 million (2Q-2019: RM1.1 million) and rental income from investment properties of RM36,000 (2Q-2019: RM69,000).

In 2Q-2020, the Investment Holdings segment recorded a PBT of RM14.3 million (2Q-2019: LBT of RM8.0 million). The profit was attributed to improved investment performance with higher realised gains from disposal of investments of RM13.0 million (2Q-2019: gains of RM33,000) and fair value gains of RM4.3 million (2Q-2019: losses of RM4.9 million) on equity investments classified at fair value through profit or loss ("FVTPL").

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B1. REVIEW OF GROUP PERFORMANCE** (continued)**Current financial quarter ended 30 June 2020 ("2Q-2020") against preceding year's corresponding financial quarter ended 30 June 2019 ("2Q-2019")** (continued)General Insurance

Key financial performance	2Q-2020		2Q-2019	
	PHP'000	RM'000	PHP'000	RM'000
Gross premium written ("GPW")	356,968	30,530	556,554	44,350
Underwriting surplus	168,374	14,379	65,399	5,221
Investment income	8,445	722	9,499	754
Interest income	26,994	2,307	24,540	1,955
Claim ratio in %	15.6%	15.6%	44.8%	44.8%
Commission ratio in %	47.6%	47.6%	33.0%	33.0%
Profit before taxation	214,665	18,339	28,162	2,261
Range of currency exchange rate	1RM = 11.66 to 11.74PHP		1RM = 12.45 to 12.73 PHP	

GPW decrease by 35.9% from PHP556.6 million in 2Q-2019 to PHP357.0 million in 2Q-2020, affected mainly by decrease in the production of both motor and non-motor classes of business. Motor classes recorded a decrease in GPW of 32.9% to PHP131.2 million (2Q-2019: PHP195.5 million); whilst non-motor classes registered a 37.5% increase in GPW to PHP225.8 million (2Q-2019: PHP361.1 million). Motor and non-motor businesses contributed 37% (2Q-2019: 35%) and 63% (2Q-2019: 65%) respectively of the total GPW in 2Q-2020.

Despite of the lower GPW, MAAGAP has registered a higher PBT of PHP214.7 million (2Q-2019: PHP28.2 million). The higher profit was mainly contributed by higher underwriting surplus of PHP168.4 million with lower claim ratio of 15.6%, compared to PHP65.4 million in 2Q-2019 with claim ratio of 44.8%. In 2Q-2020, the claim ratios for both motor and non-motor classes have improved to 21.3% (2Q-2019: 38.5%) and 9.1% (2Q-2019: 51.2%) respectively.

MAAGAP has also registered improvement in investment performance with higher realised gains from disposal of investments of PHP19.2 million (2Q-2019: PHP3.9 million) and higher net fair value gains of PHP38.3 million (2Q-2019: losses of PHP4.8 million) on equity investments classified at FVTPL during the 2Q-2020 under review.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B1. REVIEW OF GROUP PERFORMANCE** (continued)**Current financial quarter ended 30 June 2020 ("2Q-2020") against preceding year's corresponding financial quarter ended 30 June 2019 ("2Q-2019")** (continued)Education Services

Education Services 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 curriculum and Sijil Tinggi Persekolahan Malaysia ("STPM") curriculum;
- St John's International Edu Group Sdn Bhd, St John's International (Campus 2) Sdn Bhd and Alfaakademik Sdn Bhd (collectively known as "SJI Group") – offer International school secondary education and private tuition for Cambridge, IGCSE O-Level and A-Level program; and
- HELP College of Arts and Technology Sdn Bhd ("HCAAT") (now known as Imperium Edumaax Sdn Bhd ("Imperium Edumaax")) – offers tertiary education for certificates, diplomas, professional and post graduate degrees.

Key financial performance	2Q-2020	2Q-2019
	RM'000	RM'000
Operating revenue	5,549	923
Loss before taxation	(2,027)	(93)

Key financial performance by business units

	2Q-2020				2Q-2019
	Kasturi Group	SJI Group*	Imperium Edumaax*	Total	Kasturi Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	89	3,738	1,722	5,549	923
Loss before taxation	(278)	(20)	(1,729)	(2,027)	(93)

*SJI Group and Imperium Edumaax became subsidiaries of the Group on 31 October 2019.

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B1. REVIEW OF GROUP PERFORMANCE (continued)

Current financial quarter ended 30 June 2020 ("2Q-2020") against preceding year's corresponding financial quarter ended 30 June 2019 ("2Q-2019") (continued)

Education Services (continued)

The Covid-19 pandemic and the subsequent the movement control order ("MCO") started on 18 March 2020 have affected the education sector in Malaysia, leading to closures of tuition centers schools, colleges and universities during 2Q-2020 under review.

In 2Q-2020, Kasturi Group recorded a lower operating revenue of RM89,000 (2Q-2019: RM923,000) with a LBT of RM278,000 (2Q-2019: LBT of RM93,000) due to closures mentioned above and the reduction of students enrollments, affected by the cancellation of two major school examinations Ujian Penilaian Sekolah Rendah (UPSR) and Pentaksiran Tingkatan Tiga (PT3) coupled with the postponement of Sijil Pelajaran Malaysia (SPM) and Sijil Tinggi Persekolahan Malaysia (STPM) announced by the education ministry.

SJI Group recorded a total operating revenue of RM3.7 million with a small LBT of RM20,000 in 2Q-2020. For HCAT (now known as Imperium Edumaax), it recorded a total operating revenue of RM1.7 million with a LBT of RM1.7 million. Both SJI and HCAT were also affected by closures during the MCO which had affected student enrolment.

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Key financial performance	FPE	FPE
	30.6.2020	30.6.2019
	RM'000	RM'000
Operating revenue	104,493	92,156
Profit before taxation	596	1,248

In FPE 30.6.2020 under review, the Group recorded a total operating revenue of RM104.5 million (FPE 30.6.2019: RM92.2 million) which comprised of gross earned premiums of RM78.5 million (FPE 30.6.2019: RM80.3 million) recorded by MAAGAP, investment and interest income of RM9.2 million (FPE 30.6.2019: RM9.9 million) and other operating revenue from non-insurance businesses of RM16.8 million (FPE 30.6.2019: RM1.9 million).

The Group recorded a lower PBT of RM0.6 million (FPE 30.6.2019: PBT of RM1.2 million) in FPE 30.6.2020. The General Insurance business contributed a higher PBT of RM18.1 million (FPE 30.6.2019: RM6.6 million). However this profit was offset by LBT of RM9.9 million (FPE 30.6.2019: LBT of RM4.0 million) from the Investment Holdings segment, LBT of RM3.2 million (FPE 30.6.2019: LBT of RM144,000) from Education Services segment and LBT of RM4.4 million (FPE 30.6.2019: LBT of RM1.1 million) from Other segments.

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B1. REVIEW OF GROUP PERFORMANCE (continued)**Current financial period ended 30 June 2020 ("FPE 30.6.2020") against preceding year's corresponding financial period ended 30 June 2019 ("FPE 30.6.2019")** (continued)Investment Holdings

Key financial performance	FPE 30.6.2020	FPE 30.6.2019
	RM'000	RM'000
Operating revenue	3,232	5,050
Loss before taxation	(9,887)	(4,032)

Investment Holdings segment recorded a decrease in total operating revenue to RM3.2 million (FPE 30.6.2019: RM5.1 million) which comprised mainly of interest income of RM2.3 million (FPE 30.6.2019: RM3.5 million), dividend income of RM0.7 million (FPE 30.6.2019: RM1.3 million) and rental income from investment properties of RM142,000 (FPE 30.6.2019: RM141,000).

In FPE 30.6.2020, the Investment Holdings segment recorded a LBT of RM9.9 million (FPE 30.6.2019: LBT of RM4.0 million) arose mainly from net fair value losses of RM11.3 million (FPE 30.6.2019: gains of RM2.1 million) on equity investments classified at FVTPL; offset by higher realised gains from disposal of investments of RM8.7 million (FPE 30.6.2019: gains of RM451,000).

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Key financial performance	FPE 30.6.2020		FPE 30.6.2019	
	PHP'000	RM'000	PHP'000	RM'000
Gross premium written ("GPW")	813,221	67,643	1,100,226	86,916
Underwriting surplus	249,050	21,044	131,707	10,421
Investment income	16,144	1,356	14,768	1,166
Interest income	54,206	4,532	45,445	3,591
Claim ratio in %	31.2%	31.2%	45.4%	45.4%
Commission ratio in %	40.1%	40.1%	32.6%	32.6%
Profit before taxation	211,170	18,089	82,817	6,552
Range of currency exchange rate	1RM = 11.66 to 12.44PHP		1 RM = 12.45 to 12.83 PHP	

GPW decrease by 26.1% from PHP1,100.2 million in FPE 30.6.2019 to PHP813.2 million in FPE 30.6.2020, affected mainly by decrease in the production of both motor and non-motor classes of business. Motor classes recorded a decrease in GPW of 16.9% to PHP318.8 million (FPE 30.6.2019: PHP383.3 million), whilst non-motor classes registered a 31.0% increase in GPW to PHP494.5 million (FPE 30.6.2019: PHP716.9 million). Motor and non-motor businesses contributed 39% (FPE 30.6.2019: 35%) and 61% (FPE 30.6.2019: 65%) respectively of the total GPW in FPE 30.6.2020.

Despite of the lower GPW, MAAGAP has registered a higher PBT of PHP211.2 million (FPE 30.6.2019: PHP82.8 million). The higher profit was mainly contributed by higher underwriting surplus of PHP249.1 million with lower claim ratio of 31.2%, compared to PHP131.7 million with claim ratio of 45.4% in FPE 30.6.2019. In FPE 30.6.2020, the claim ratios for both motor and non-motor classes have improved to 34.3% (FPE 30.6.2019: 44.2%) and 27.6% (FPE 30.6.2019: 46.5%) respectively.

In FPE 30.6.2020, MAAGAP registered a higher interest and dividend income totaling PHP70.4 million (FPE 30.6.2019: PHP60.2 million), lower realised gains from disposal of investments of PHP23.9 million (FPE 30.6.2019: PHP29.5 million) and higher net fair value losses of PHP30.7 million (FPE 30.6.2019: PHP11.8 million) on equity investments classified at FVTPL.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B1. REVIEW OF GROUP PERFORMANCE** (continued)**Current financial period ended 30 June 2020 ("FPE 30.6.2020") against preceding year's corresponding financial period ended 30 June 2019 ("FPE 30.6.2019")** (continued)Education Services

Key financial performance	FPE	FPE
	30.6.2020	30.6.2019
	RM'000	RM'000
Operating revenue	13,859	1,773
Loss before taxation	(3,249)	(144)

Key financial performance by business units

	FPE 30.6.2020				FPE 30.6.2019
	Kasturi Group	SJI Group*	Imperium Edumaax*	Total	Kasturi Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	690	8,996	4,173	13,859	1,773
(Loss)/profit before taxation	(224)	162	(3,187)	(3,249)	(144)

*SJI Group and Imperium Edumaax became subsidiaries of the Group on 31 October 2019.

In FPE 30.6.2020, Kasturi Group recorded a lower total operating revenue RM0.7 million (FPE 30.6.2019: RM1.8 million) with a LBT of RM224,000 (FPE 30.6.2019: LBT of RM144,000), affected mainly by the closures of tuition centers and reduction of student enrollment amid the Covid-19 pandemic and the cancellation of 2 major school examinations- UPSR and PT 3 and the postponement of SPM and STPM.

SJI Group recorded a total operating revenue of RM9.0 million with a small PBT of RM162,000 in FPE 30.6.2020. For HCAT (now known as Imperium Edumaax), it recorded a total operating revenue of RM4.2 million with a LBT of RM3.2 million mainly affected by closure of college during the MCO which had affected student enrolment.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020

B2. RESULTS OF THE CURRENT FINANCIAL QUARTER (2Q-2020) AGAINST THE PRECEDING FINANCIAL QUARTER (1Q-2020)

In 2Q-2020, the Group recorded a PBT of RM29.2 million (1Q-2020: LBT of RM28.6 million), mainly contributed by a net fair value gains of RM7.8 million (1Q-2020: losses of RM21.2 million) on equity investments classified at FVTPL and realised gains of RM14.7 million (1Q-2020: losses of RM3.9 million) from disposal of investments.

B3. PROSPECTS

The Covid-19 pandemic has caused major disruption to the global economies including Malaysia. Businesses worldwide are currently facing a very challenging time and having to manage uncertainties that have arisen resulting from the outbreak of the Covid-19 situation.

As at the date of this announcement, there are on-going proactive measures introduced by each company in the Group. The Group will also continue to improve its management efficiency and intensifying costs optimization efforts to ensure business sustainability.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B5. INVESTMENT INCOME**

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Rental income from investment properties	36	69	142	141
Investments at FVTPL				
Dividend income from				
- Equity securities quoted in Malaysia	37	63	97	111
- Equity securities quoted outside Malaysia	777	737	1,105	974
- Equity securities unquoted outside Malaysia	-	703	-	703
	814	1,503	1,202	1,788
Investments at FVOCI				
Dividend income from				
- Equity securities quoted outside Malaysia	426	352	830	700
	1,276	1,924	2,174	2,629

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B6. INTEREST INCOME**

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Investments at FVOCI				
Interest income from				
- Government debt securities quoted outside Malaysia	541	969	1,061	1,756
- Corporate debt securities quoted outside Malaysia	17	51	54	102
- Corporate debt securities unquoted in Malaysia	309	304	309	304
	867	1,324	1,424	2,162
Investments at AC				
Interest income from				
- Government debt securities quoted outside Malaysia	184	98	328	196
- Corporate debt securities quoted outside Malaysia	1,528	589	3,005	1,065
- Private trust fund unquoted in Malaysia	8	-	15	-
- Private trust fund unquoted outside Malaysia	2	-	4	-
	1,722	687	3,352	1,261
Interest income from				
- staff loans	-	1	1	1
- advances to associate companies	65	-	114	-
- fixed and call deposits	634	1,856	2,186	3,813
	699	1,857	2,301	3,814
	3,288	3,868	7,077	7,237

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B7. REALISED GAINS AND LOSSES - NET**

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) from disposal of property, plant and equipment	-	17	9	(173)
Investments at FVTPL				
Net realised gains/(losses)				
- Equity securities quoted in Malaysia	588	203	194	465
- Equity securities quoted outside Malaysia	12,378	99	8,256	2,303
- Unit trusts quoted outside Malaysia	-	(69)	-	(80)
- Derivatives quoted in Malaysia	-	24	-	39
	12,966	257	8,450	2,727
Investments at FVOCI				
Net realised gains/(losses)				
- Government debt securities quoted outside Malaysia	1,703	89	2,316	44
- Corporate debt securities quoted outside Malaysia	-	-	(8)	-
	1,703	89	2,308	44
	14,669	363	10,767	2,598

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B8. 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
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Net fair value losses on investment properties	-	(190)	-	(349)
Investments at FVTPL				
Net fair value gains/(losses)				
- Equity securities quoted in Malaysia	1,528	29	(978)	1,378
- Equity securities quoted outside Malaysia	6,671	(4,213)	(9,017)	1,888
- Equity securities unquoted outside Malaysia	(603)	(1,138)	(3,709)	(2,282)
- Unit trusts quoted in Malaysia	224	61	275	95
- Unit trusts quoted outside Malaysia	-	31	-	162
- Derivatives quoted in Malaysia	-	(24)	-	67
	7,820	(5,254)	(13,429)	1,308
	7,820	(5,444)	(13,429)	959

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B9. PROFIT/(LOSS) BEFORE TAXATION FOR THE FINANCIAL QUARTER AND PERIOD**

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

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
(Allowance for)/write back of impairment loss on:				
- investments at AC	(24)	(346)	(34)	(352)
- loans from money lending, hire purchase and other credit activities	(51)	-	(2,213)	-
- amounts due from associate company	(564)	-	(2,410)	-
- cash and cash equivalents	24	99	7	28
- insurance receivables	(491)	33	(657)	77
- trade receivables	38	-	87	-
- factoring receivables	(3,212)	-	(4,316)	-
Realised foreign exchange (losses)/gains - net	(554)	(90)	47	(271)
Unrealised foreign exchange gains/ (losses) - net	995	(633)	794	(589)
Property, plant and equipment written off	-	-	-	(4)
Depreciation of property, plant and equipment	(599)	(248)	(1,275)	(468)
Depreciation of right-of-use assets	(2,061)	(458)	(4,110)	(913)
Amortisation of leasehold land	(1)	(1)	(1)	(1)
Amortisation of intangible assets	(39)	(19)	(77)	(36)

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B10. TAXATION**

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
<u>Current tax</u>				
Current financial quarter/period	5,285	1,077	6,702	1,715
Over provision in prior quarter/period	(24)	-	(24)	(20)
	5,261	1,077	6,678	1,695
<u>Deferred tax</u>				
Origination and reversal of temporary differences	583	611	1,110	1,178
Tax expense	5,844	1,688	7,788	2,873

The Group's provision for taxation made in the current and previous financial period and quarter mainly for the profit recorded by General Insurance business held via MAAGAP as the group loss relief in Malaysia is not applicable to MAAGAP.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B11. 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 2020

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Investments at FVTPL:				
Equity securities quoted in Malaysia	7,281	-	-	7,281
Equity securities quoted outside Malaysia	93,557	-	-	93,557
Equity securities unquoted outside Malaysia	-	-	19,935	19,935
Unit trusts quoted in Malaysia	2,584	-	-	2,584
	103,422	-	19,935	123,357
Investments at FVOCI:				
Government debt securities quoted outside Malaysia	58,447	-	-	58,447
Corporate debt securities quoted outside Malaysia	1,470	-	-	1,470
Equity securities quoted outside Malaysia	25,113	1,074	-	26,187
Equity securities unquoted outside Malaysia	-	-	4	4
	85,030	1,074	4	86,108
Total investments measured at fair value	188,452	1,074	19,939	209,465

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B11. 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 2019 (Audited)

	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>

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 2020.

The following table shows the movement in Level 3 investments for the current financial period ended 30 June 2020:

	Unquoted equity securities	
	FVTPL	FVOCI
	RM'000	RM'000
At 1 January 2020	22,565	3
Fair value loss recorded in profit or loss	(3,709)	-
Currency translation difference	1,079	1
At 30 June 2020	<u>19,935</u>	<u>4</u>

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020

B12. 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 2020 via Bursa Securities’ letters dated 5 May 2020, 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 31 October 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 31 October 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.

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

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B13. 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 ("MAA Takaful") on 30 September 2016

	Purpose	Revised Utilisation	Actual Proceeds Received	Further Revised Utilisation	Further Revised Timeframe For Utilisation	Actual Utilisation	Further 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 93,750	68,250 ^(N2) 88,623	- 70,127	Within 24 months from the EGM held on 30 June 2020	-	70,127
(ii)	Working capital	30,854	30,854	84,435		Within 24 months from the EGM held on 30 June 2020	75,585
(iii)	Payment of dividends to shareholders for the FYE 2017	8,207	8,207	8,207	Utilised	8,207	-
(iv)	Payment of dividends to shareholders	32,822	32,822	32,822	Within 24 months from the EGM held on 30 June 2020	16,411	16,411
(v)	Acquisition of HCAT, Acquisition of Scholastic IB International Sdn Bhd ("SIB") and Subscription of Shares in Altech Chemicals Limited ("Altech")	-	-	38,292	Within 18 months from the EGM held on 30 June 2020	33,292	5,000 ^(N3)
	Total	^(N1) 233,883	228,756	^(N5) 233,883		133,495	100,388

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020

B13. 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 (“MAA Takaful”) 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 Insurance Company Ltd (“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.

^(N5) Further revised utilisation approved by shareholders during the EGM held on 30 June 2020.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B13. 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	63,281	^(N6) 15,200	No time limit specified	-	-
	Total	63,281	15,200		-	-

^(N6) Acquisition of a loan secured by mortgage which was valued approximately 2.5 times above the debt.

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER AND PERIOD ENDED 30 JUNE 2020**B14. BORROWINGS AND DEBT SECURITIES**

The Group has no outstanding borrowings and debt securities as at the end of the financial period ended 30 June 2020.

B15. CHANGES IN MATERIAL LITIGATION

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

B16. DIVIDEND PAYABLE

The Board of Directors does not recommend the payment of any interim dividend for the financial period ended 30 June 2020 (30 June 2019: Nil) in respect for the financial year ending 31 December 2020.

B17. BASIC EARNING/(LOSS) PER ORDINARY SHARE

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
<u>Attributable to the Owners of the Company:</u>				
Net profit /(loss) for the financial quarter/period (RM'000)	23,171	(8,226)	(7,326)	(1,660)
Weighted average number of ordinary shares in issue ('000)	273,100	273,518	272,651	273,518
Basic earnings/(loss) per ordinary share (sen)	8.48	(3.01)	(2.69)	(0.61)

B18. 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 2019 was not qualified.

By Order of the Board

Lily Yin Kam May
Company Secretary

KUALA LUMPUR

DATE: 25 AUGUST 2020