MAA GROUP BERHAD
(471403-A)

2013
Annual Report

CONTENTS

MISSION STATEMENT

MAA Group's Mission is to be the Number One Private Sector Financial Services Company in Malaysia.

This means, Giving our Best to what is Right and Noble, Using Wisdom in all that we Undertake, and Achieving Supremacy in Everything we Manage. MAA is "Mulia Arif Agung" - "Honour Wisdom Strength".

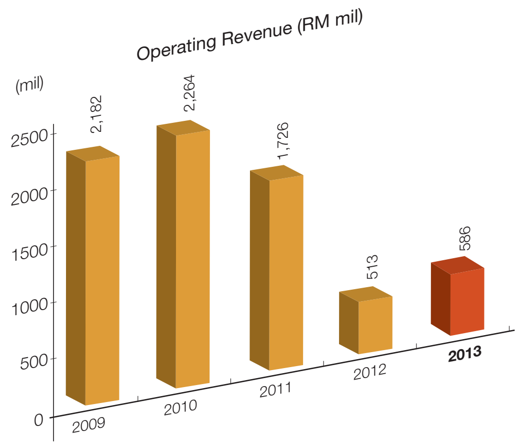
FINANCIAL HIGHLIGHTS

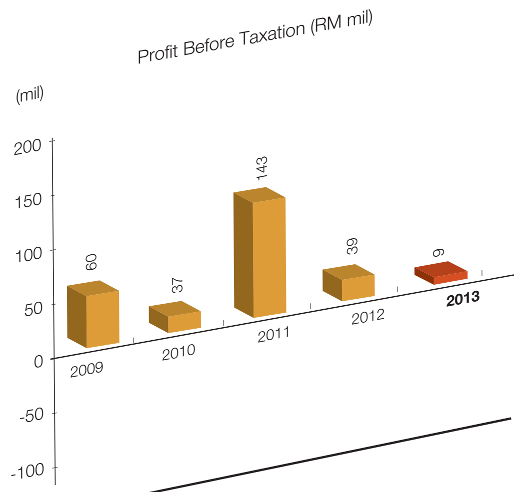
FIVE YEARS GROUP FINANCIAL HIGHLIGHTS

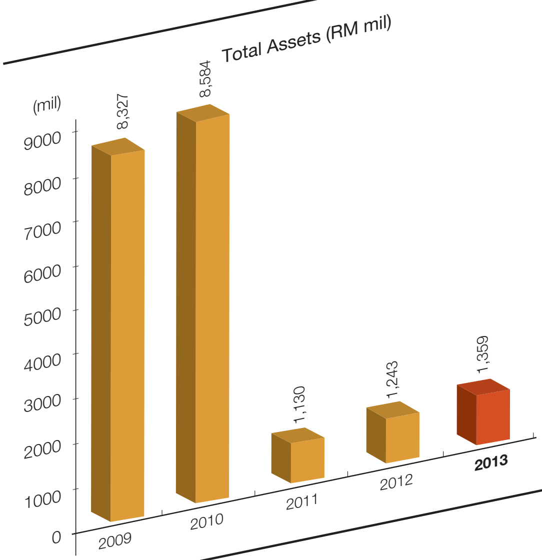
Year Ended 31 December	2013	2012	2011	2010	2009
Income Statements (RM' million)					
Operating Revenue	**586**	513	1,726[1]	2,264	2,182
Profit Before Taxation	**9**	39	143[1]	37	60
Statement of Financial Position (RM' million)					
Total Assets	**1,359**	1,243	1,130[1]	8,584	8,327
Total Borrowings	**5**	4	9	216	221
Shareholders' Equity	**431**	427	380	265	277
Financial Ratios					
Return on Capital Employed	**2.0%**	8.9%	36.8%	9.7%	14.8%
Return on Total Assets	**0.6%**	3.1%	12.7%	0.6%	0.9%
Earnings per Share (sen)	**1.6**	14.0	37.8	9.0	17.3
Net Asset per Share (RM)	**1.4**	1.4	1.3	0.9	0.9

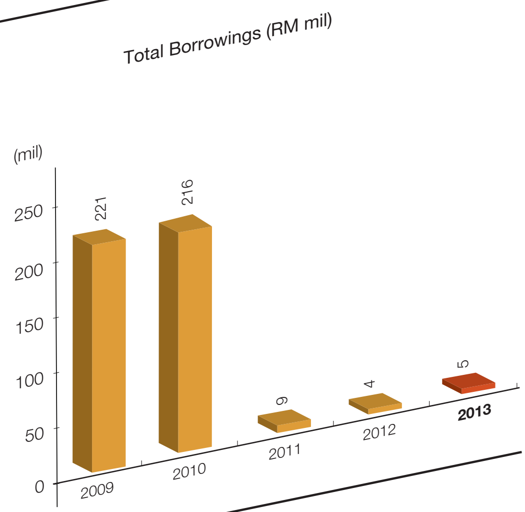
(1) Following the completion of the sale of Malaysian Assurance Alliance Berhad, Malaysian Alliance Property Services Sdn Bhd, Maagnet Systems Sdn Bhd, Maagnet SSMS Sdn Bhd and Multioto Services Sdn Bhd to Zurich Insurance Company Ltd on 30 September 2011, only nine (9) months results were included in the financial year ended 31 December 2011

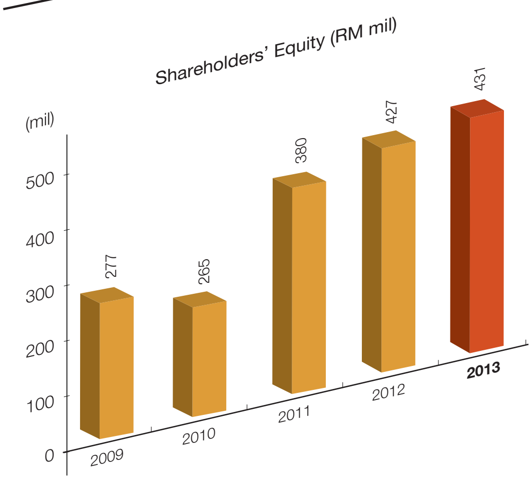
FINANCIAL HIGHLIGHTS
(continued)











BOARD OF DIRECTORS' PROFILE

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Executive Chairman

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, aged 53, a Malaysian, has been a Director since its inception in November 1998. He was appointed as the Group Managing Director/Chief Executive Officer in 1999. Subsequently, he was re-designated as Executive Chairman of the Company on 28 August 2008. He currently holds the position of Non-Executive Chairman of Mycron Steel Berhad ("MSB") and Executive Chairman of Melewar Industrial Group Berhad ("MIG").

Tunku Dato' Ya'acob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants.

Tunku Dato' Ya'acob started his career as an Auditor with Price Waterhouse in London from 1982 to 1985 and subsequently, employed by the same firm in Kuala Lumpur from 1986 to 1987. Tunku Dato' Ya'acob joined Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in 1987 until October 2006.

Currently, Tunku Dato' Ya'acob is a Board Member of MIG, MSB, Melewar Group Berhad, Khyra Legacy Berhad and Ithmaar Bank B.S.C. (listed on the Bahrain Stock Exchange) and several private limited companies. His shareholdings in the Company is disclosed on page 201 of the Annual Report.

Tunku Dato' Ya'acob is the Chairman of the Board of Trustees for MAA-Medicare Kidney Charity Fund and The Budimas Charitable Foundation. He also sits on the Executive Board of Federation of Public Listed Companies Berhad (FPLC) as Vice President.

Tunku Dato' Ya'acob does not have any personal interest in any business arrangements involving the Company.

Tunku Dato' Ya'acob does not have any conflict of interest with the Company and he has had no convictions for any offences within the past 10 years.

BOARD OF DIRECTORS' PROFILE
(continued)

Muhamad Umar Swift
Chief Executive Officer/Group Managing Director

Encik Muhamad Umar Swift, aged 49, is a permanent resident, was appointed as Chief Executive Officer ("CEO")/Group Managing Director of MAA Group Berhad on 7 September 2006.

Encik Umar started his career with Price Waterhouse as a Chartered Accountant in January 1986. He has more than 22 years experience in the areas of banking and financial services. He began his career in the banking industry in November 1992 as Manager, Corporate Finance in Bank of Singapore (Australia) Limited.

He then went on to hold numerous positions within the bank before joining Gas Malaysia Sdn Bhd in January 1996 as General Manager, Corporate Finance. A year later, he was promoted to CEO of Gas Malaysia in 1997. Encik Umar left Gas Malaysia in January 2002 to become a Practice Leader for the Utilities Business of Deloitte Consulting in Malaysia.

In April 2004, he joined Maybank as Executive Vice President – Head, Enterprise Financial Services Group. In May 2006, Encik Umar left Maybank and joined the Company as Deputy CEO.

Encik Umar was appointed as Acting CEO of Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) in August 2007 and appointed as CEO of MAA in August 2008. He ceased to be the CEO of MAA when MAA was sold to Zurich Insurance Company Ltd on 30 September 2011, and remained as CEO/Group Managing Director of MAA Group Berhad.

Encik Umar graduated with a Bachelor of Economics from Monash University, Clayton, Australia in December 1985 and is an Associate of the Institute of Chartered Accountants in Australia, a member of CPA Australia, a Fellow of the Taxation Institute of Australia, as well as a Fellow of the Financial Services Institute of Australasia in Australia. He is also a Chartered Accountant with the Malaysian Institute of Accountants and a Registered Financial Planner.

Currently, Encik Umar is a Board Member of MAA Takaful Berhad and Columbus Capital Pty Ltd. He also sits on the Board of several private limited companies in the group.

Encik Umar is also a Member of the Board of Trustees for MAA-Medicare Kidney Charity Fund, the Board of Trustees for The Budimas Charitable Foundation as well as a Member of the Anaho Foundation.

Encik Umar does not have any personal interest in any business arrangements involving the Company.

Encik Umar does not have any family relationship with any Director and/or major shareholders of the Company. He also does not have any shareholding in the Company and he has had no convictions for any offences within the past 10 years.

BOARD OF DIRECTORS' PROFILE
(continued)

Yeo Took Keat
Group Chief Operating Officer
Executive Director

Mr Yeo Took Keat, aged 56, a Malaysian, was appointed to the Board on 24 February 2005.

Mr Yeo has vast experience in accounting and finance having served various capacities in insurance companies and audit firms upon completing his studies in 1980. He joined Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in 1986 and has held several positions, the last of which was as Senior Vice President – Finance & Administration before his transfer to MAA Group Berhad in May 2002 as the Group Chief Operating Officer.

Mr Yeo is a Fellow of The Association of Chartered Certified Accountants, United Kingdom and a Member of the Malaysian Institute of Accountants. He is also an Executive Committee member of the Federation of Public Listed Companies Berhad and has contributed to the Working Groups on accounting standards led by the Malaysian Accounting Standards Board.

Mr Yeo currently sits on the Boards of MAA Bancwell Trustee Berhad, MAA Credit Berhad and MAA International Assurance Ltd. He also serves on the Boards of several private limited companies in the group.

Mr Yeo does not have any personal interest in any business arrangements involving the Company.

Mr Yeo does not have any family relationship with any Director and/or major shareholders of the Company and he has had no convictions for any offences within the past 10 years. His shareholdings in the Company is disclosed on page 201 of the Annual Report.

BOARD OF DIRECTORS' PROFILE
(continued)

Datuk Seri Razman Md Hashim

Senior Independent Non-Executive Director
Chairman of Nomination and Remuneration Committee
Member of Audit Committee
Member of Risk Management Committee

Datuk Seri Razman, aged 75, a Malaysian, was appointed to the Board on 1 July 2006.

Datuk Seri Razman completed his early secondary education in Australia and on completion, studied Accounting and Banking where he became a member of the Australian Institute of Bankers.

Upon his return to Malaysia, Datuk Seri Razman joined Standard Chartered Bank Malaysia Berhad ("SCB") as an Officer Trainee in 1967. Throughout his 34 years of banking experience in SCB, he served with the bank's offices in London, Europe, Hong Kong and Singapore. In 1994, he was appointed as the Executive Director/Deputy Chief Executive of SCB until his retirement in June 1999.

In the same month in 1999, Datuk Seri Razman was appointed as Chairman of MBf Finance Berhad by Bank Negara Malaysia ("BNM") until January 2002 when the finance company was sold to Arab-Malaysian Group. In May 2002 he was appointed as an Independent Non-Executive Director of Affin Bank Berhad by BNM until his retirement in May 2009. He was appointed as Independent Non-Executive Director of Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) on 1 July 2006 until 30 September 2011 when MAA was sold to Zurich Insurance Company Ltd.

Datuk Seri Razman is currently the Deputy Chairman of the Sunway Group of Companies and his current directorships in other public companies include SILK Holdings Berhad, Berjaya Land Berhad, Sunway Berhad, MAA Takaful Berhad and Mycron Steel Berhad.

Datuk Seri Razman is also a Director of ASLI Foundation and Jeffrey Cheah Foundation as well as the Alternate Director in Perdana Leadership Foundation.

Datuk Seri Razman does not have any personal interest in any business arrangements involving the Company.

Datuk Seri Razman does not have any family relationship with any Director and/or major shareholders of the Company and he has had no convictions for any offences within the past 10 years. His shareholdings in the Company is disclosed on page 201 of the Annual Report.

BOARD OF DIRECTORS' PROFILE
(continued)

Tan Sri Ahmad Bin Mohd Don
Independent Non-Executive Director
Member of Risk Management Committee
Member of Audit Committee
Member of Nomination and Remuneration Committee

Y. Bhg. Tan Sri Ahmad Mohd Don, aged 66, a Malaysian, was appointed to the Board on 13 October 2006.

Tan Sri Ahmad is a Summa cum Laude graduate in Economics and Business from the Aberystwyth University, United Kingdom. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Ahmad has extensive experience in finance and banking, having worked in various capacities with Pernas Securities Sdn Bhd, Permodalan Nasional Berhad and Malayan Banking Berhad. He served as the Group Managing Director and Chief Executive Officer of Malayan Banking Berhad from 1991 to 1994. Tan Sri Ahmad was the Governor of Bank Negara Malaysia from May 1994 to August 1998. He currently serves on the Boards of KAF Investment Bank Berhad, United Malacca Berhad, Hap Seng Plantations Holdings Berhad and KomarkCorp Berhad. Tan Sri Ahmad is currently the Independent Non-Executive Chairman of MAA Takaful Berhad and Zurich Insurance Malaysia Berhad. He also sits on the Board of another subsidiary of the group, namely MAA Cards Sdn Bhd.

Tan Sri Ahmad does not have any personal interest in any business arrangements involving the Company.

Tan Sri Ahmad does not have any family relationship with any Director and/or major shareholders of the Company and he has had no convictions for any offences within the past 10 years. His shareholdings in the Company is disclosed on page 201 of the Annual Report.

BOARD OF DIRECTORS' PROFILE
(continued)

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Non-Independent Executive Director

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah, aged 52, a Malaysian, was appointed to the Board on 10 January 2007. He was re-designated as Non-Independent Executive Director of the Company on 1 December 2011 by virtue of his appointment as Head of E-Commerce (Vice President) of MAA Corporation Sdn Bhd, the wholly-owned subsidiary of MAA Group Berhad.

Tunku Yahaya is the brother to Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Executive Chairman of the Company. Therefore, he is deemed a substantial shareholder by virtue of his relationship with Tunku Dato' Ya'acob who is the founder and ultimate beneficial owner of Khyra Legacy Berhad, the ultimate substantial shareholder of the Company. His shareholdings in the Company is disclosed on page 201 of the Annual Report.

Tunku Yahaya graduated in 1983 with a Bachelor of Science (Hons) degree in Economics and Accountancy from the City University, London. Upon completion, he joined Peat Marwick Mitchell & Co. in London that same year. In 1986, he obtained his Master of Science in Economics from Birkbeck College, University of London.

Upon returning to Malaysia in 1986, he joined the advertising company, MZC-Saatchi & Saatchi. In 1988, he joined the management of the refurbished Central Market (KL) as Executive Director. In 1994, he was appointed to put into operation and manage the television station, Metro Vision as Managing Director. In 1997, he started the music recording label, Melewar Parallax Sdn Bhd.

He currently sits on the Boards of Melewar Industrial Group Berhad, Mithril Berhad, Melewar Group Berhad, The Melewar Corporation Berhad, MAA Credit Berhad, MAA Bancwell Trustee Berhad, Jat Acres Berhad and several private limited companies.

Tunku Yahaya does not have any personal interest in any business arrangements involving the Company.

Tunku Yahaya does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

BOARD OF DIRECTORS' PROFILE
(continued)

Dato' Narendrakumar Jasani A/L Chunilal Rugnath

Independent Non-Executive Director
Chairman of Risk Management Committee
Member of Audit Committee
Member of Nomination and Remuneration Committee

Dato' Narendrakumar Jasani A/L Chunilal Rugnath, aged 64, a Malaysian, was appointed to the Board on 5 September 2012 as an Independent Non-Executive Director. He is the Chairman of the Risk Management Committee and a member of Audit Committee and Nomination and Remuneration Committee of the Company.

Dato' Jasani is currently the Managing Partner of SJ Grant Thornton, a firm of public accountants. He qualified as a Chartered Accountant in England in 1974. He gained experience with Grant Thornton in the United Kingdom and locally with Ernst & Young. Whilst with the two firms, he was involved in rendering professional services for large financial institutions and a number of other international and public listed companies.

Dato' Jasani has been involved in all aspects of professional practice including auditing, consulting and investigative assignments, corporate restructuring and privatisation. He is the Secretary for the National Insurance Association of Malaysia. Dato' Jasani contributes towards the professional development of the accounting standards and practice via his involvement as an elected Council Member and Chairman of the Public Practice Committee of the Malaysian Institute of Accountants. He was also the Founding Chairman of the Chartered Accountants in England and Wales (ICAEW) Malaysian chapter for four (4) years and now serves as the Adviser.

Dato' Jasani has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Dato' Jasani does not have any personal interest in any business arrangements involving the Company.

Dato' Jasani does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

BOARD OF DIRECTORS' PROFILE
(continued)

Onn Kien Hoe

Independent Non-Executive Director
Chairman of Audit Committee
Member of Risk Management Committee
Member of Nomination and Remuneration Committee

Mr Onn Kien Hoe, aged 49, a Malaysian, was appointed as an Independent Non-Executive Director and Chairman of the Audit Committee of the Company on 5 September 2012. Mr Onn is also a member of Risk Management Committee and Nomination and Remuneration Committee of the Company. He currently sits on the Boards of Nova MSC Berhad, MAA Takaful Berhad, MAA International Assurance Ltd and several private limited companies.

Mr Onn completed his professional qualification with the Association of Chartered Certified Accountants (U.K.) in 1988 and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr Onn is a partner with Crowe Horwath, an internationally affiliated accounting firm which is the 5th largest in Malaysia. His role includes acting as the Co-Head of the Corporate Advisory Division of Crowe Horwath. Mr Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants and as a member of the Interpretation Committee of the Malaysian Accounting Standards Board.

Mr Onn has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Mr Onn does not have any personal interest in any business arrangements involving the Company.

Mr Onn does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Encik Muhamad Umar Swift
Mr Yeo Took Keat
Datuk Seri Razman Md Hashim
Tan Sri Ahmad bin Mohd Don
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Mr Onn Kien Hoe

AUDIT COMMITTEE

Mr Onn Kien Hoe *(Chairman)*
Tan Sri Ahmad bin Mohd Don
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Datuk Seri Razman Md Hashim

RISK MANAGEMENT COMMITTEE

Dato' Narendrakumar Jasani A/L Chunilal Rugnath *(Chairman)*
Tan Sri Ahmad bin Mohd Don
Datuk Seri Razman Md Hashim
Mr Onn Kien Hoe

NOMINATION AND REMUNERATION COMMITTEE

Datuk Seri Razman Md Hashim *(Chairman)*
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Tan Sri Ahmad bin Mohd Don
Mr Onn Kien Hoe

SECRETARIES

Mr Yeo Took Keat *(MIA No. 3308)*
Ms Lily Yin Kam May *(MAICSA No. 0878038)*

AUDITORS

Messrs PricewaterhouseCoopers
Chartered Accountants

PRINCIPAL PLACE OF BUSINESS

13th Floor, No. 566, Jalan Ipoh
51200 Kuala Lumpur
Telephone No : 03-6256 8000
Facsimile No.: 03-6251 0373

REGISTERED OFFICE

Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur
Telephone No.: 03-6252 8880
Facsimile No.: 03-6252 8080

SHARE REGISTRAR

TRACE MANAGEMENT SERVICES SDN BHD
Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur
Telephone No.: 03-6252 8880
Facsimile No.: 03-6252 8080

CORPORATE INFORMATION
(continued)

PANEL OF REINSURERS

Family Takaful

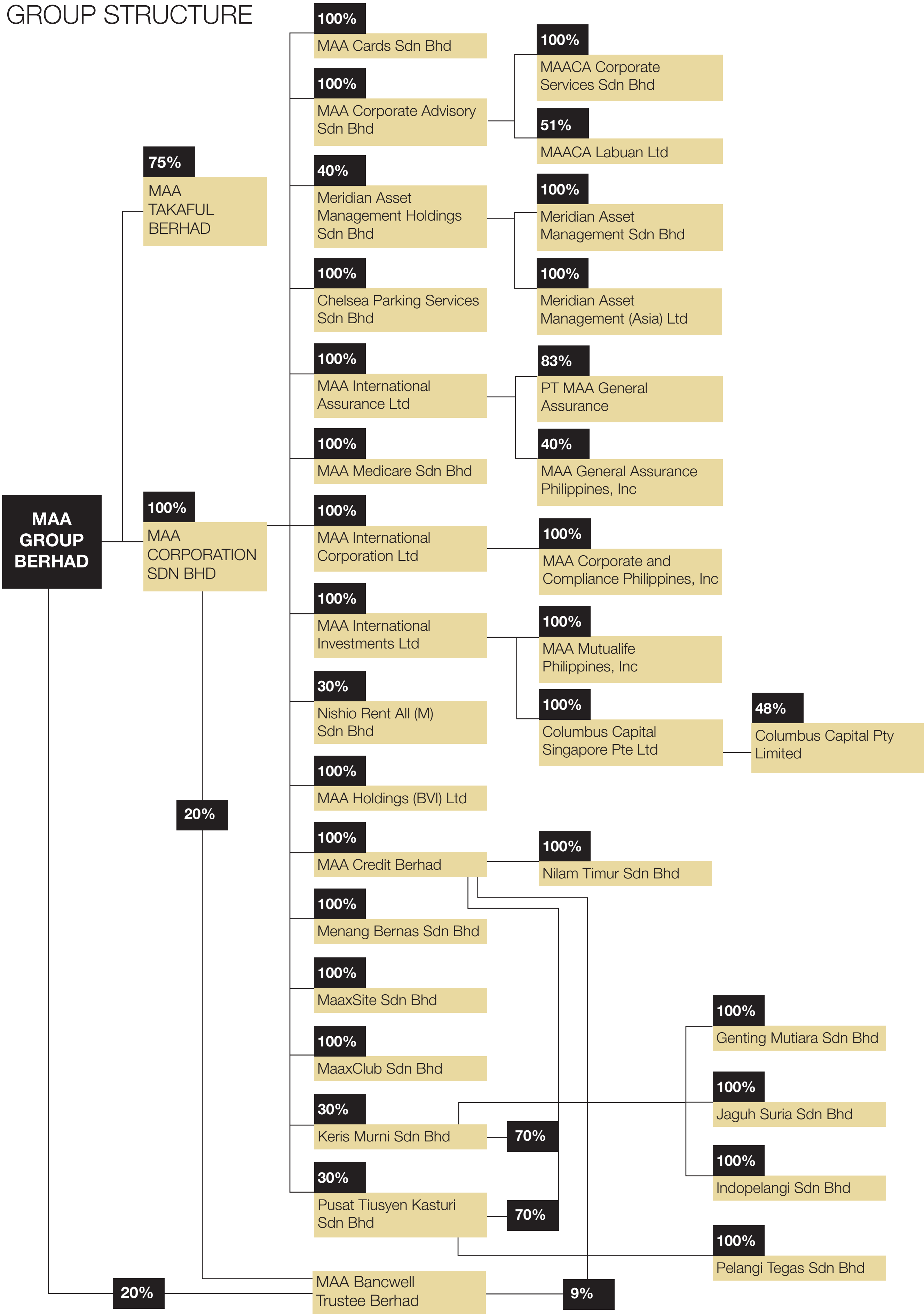
Retakaful Operators / Reinsurers	Rating
MNRB Retakaful Berhad 9th Floor, Bangunan Malaysia Re 17 Lorong Dungun Damansara Heights 50490 Kuala Lumpur	BBB+ (Fitch)
Hannover Rückversicherung AG Malaysian Branch Suite 31-1, 31st Floor Wisma UOA II No. 21 Jalan Pinang 50450 Kuala Lumpur	AA- (S&P)
Hannover ReTakaful B.S.C. © 17th Floor Al Zamil Tower Government Avenue P.O Box 75180 Manama Kingdom of Bahrain	A+ (S&P)
Malaysian Life Reinsurance Group Berhad (MLRe) Unit 39-A-6 Level 39 Tower A Menara UOA Bangsar No. 5 Jalan Bangsar Utama 1 59000 Kuala Lumpur	AA- (S&P)
RGA Global Reinsurance Company Ltd., Labuan Branch Lot 3, 2nd Floor Lazenda Phase 3 Shophouse Off Jalan OKK Abdullah P.O. Box 82300 87032 Labuan	AA- (S&P)
BEST RE Family (L) Limited Suite 3B-15-6, Level 15, Block 3B Plaza Sentral, Jalan Stesen Sentral 5 50470 Kuala Lumpur, Malaysia	B+ (S&P)

General Takaful

Retakaful Operators / Reinsurers	Rating
Swiss Re Retakaful Suite 28.01, 28th Floor Menara Keck Seng No. 203, Jalan Bukit Bintang 55100 Kuala Lumpur	AA- (S&P)
MNRB Retakaful Berhad 9th Floor, Bangunan Malaysian Re No. 17, Lorong Dungun, Damansara Heights 50490 Kuala Lumpur	BBB+ (Fitch)
ACR Retakaful Berhad Unit A-12A-10, Level 12A, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur	A- (AM Best)
Labuan Reinsurance (L) Limited Tower 5, Avenue 5, Bangsar South City No. 8, Jalan Kerinchi 59200 Kuala Lumpur	A- (AM Best)
Taiping Reinsurance Co., Ltd, Labuan Branch c/o Etiqa Offshore Insurance (L) Ltd Level 11(B), Block 4, Office Tower Financial Park Labuan Complex, Jalan Merdeka 87000 W.P. Labuan	A (S&P)
Scor Reinsurance Asia-Pacific Pte Ltd., Labuan Branch Suite 47.02, Level 47, Letter Box No. 110 Menara AmBank, Jalan Yap Kwan Seng 50450 Kuala Lumpur	A+ (S&P)
Kuwait Reinsurance Co. Far East Regional Office, Labuan Branch A-27-8, Level 27, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur	A- (AM Best)
Takaful Re Limited, Labuan Branch c/o Brighton Management Limited Brighton Place, Ground Floor No. UO215, Jalan Bahasa, P.O. Box 80431 87014 W.P. Labuan	BBB (S&P)
General Insurance Corporation of India, Labuan Branch A-23A-1, Level 23A, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur	A- (AM Best)
Hannover ReTakaful B.S.C. (C). Al Zamil Tower, 17th Floor, Government Avenue P.O. Box 75180, Manama Kingdom of Bahrain	A+ (S&P)
Singapore Reinsurance Corporation Limited, Labuan Branch c/o Etiqa Offshore Insurance (L) Ltd Level 11(B), Block 4, Office Tower Financial Park Labuan Complex, Jalan Merdeka 87000 W.P. Labuan	A- (AM Best)

CORPORATE INFORMATION
(continued)

GROUP STRUCTURE



MAA REGIONAL NETWORK

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

MAA GROUP BERHAD
(471403-A)
Incorporated in Malaysia

NOTICE IS HEREBY GIVEN that the **16TH ANNUAL GENERAL MEETING** of the Company will be held at **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur** on **Friday, 20 June 2014 at 10.00 a.m.** for the following purposes:

AS ORDINARY BUSINESS	**Resolution**
(1) To receive the Audited Financial Statements for the year ended 31 December 2013 together with the Reports of the Directors and the Auditors thereon.	**Please refer to Explanatory Note A**
(2) To approve the payment of Directors' fees amounting to RM225,000.00 for the period from 1 July 2014 to 30 June 2015 to be payable quarterly in arrears.	**1**
(3) To re-elect the following Directors who are retiring in accordance with Article 73 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:	
(i) Tan Sri Ahmad bin Mohd Don	**2**
(ii) Encik Muhamad Umar Swift	**3**
(4) To re-elect Datuk Seri Razman Md Hashim who is retiring pursuant to Section 129(6) of the Companies Act, 1965 ("the Act") and to hold office until the conclusion of the next Annual General Meeting ("AGM").	**4**
(5) To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.	**5**

AS SPECIAL BUSINESS

(6) To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

(a) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") **6**

"THAT the mandate granted by the shareholders of the Company on 29 May 2013 pursuant to Paragraph 10.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), authorising the Company and its subsidiaries ("the MAAG Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the MAAG Group's day-to-day operations as set out in Section 3.4 - Table 3.4(B) of Part A of the Circular to Shareholders dated 29 May 2014 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, provided that:

(a) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders of the Company;

(b) the transactions are made at arm's length and on normal commercial terms; and

(c) disclosure will be made in the annual report providing the breakdown of the aggregate value of the transactions conducted pursuant to the mandate during the financial year, amongst others, based on the following information:-

i) the type of the RRPTs made;

ii) the names of the related parties involved in each type of the RRPTs made and their relationship with the Company.

AND THAT, authority conferred by such renewed and granted mandate shall continue to be in force (unless revoked or varied by the Company in general meeting), until

(a) the conclusion of the next AGM of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at that meeting or Extraordinary General Meeting whereby the authority is renewed; or

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING
(continued)

Resolution

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

(b) Proposed Renewal of Share Buy-Back Authority **7**

"THAT subject to compliance with Section 67A of the Act, the Listing Requirements of Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorised to purchase and hold such number of ordinary shares of RM1.00 each in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time-to-time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company and that an amount not exceeding the Company's total audited retained profits of RM63,272,891 as at 31 December 2013 would be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

AND THAT such authority shall commence immediately upon passing of this Ordinary Resolution and will expire at the conclusion of the next AGM of the Company unless earlier revoked or varied by Ordinary Resolution of shareholders of the Company in a general meeting or upon the expiration of the period within which the next AGM is required by law to be held whichever is earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date.

AND THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Renewal of Share Buy-Back Authority and further THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the shares so purchased as treasury shares or cancel them or both."

(c) Authority to Issue and Allot Shares Pursuant to Section 132D of the Act **8**

"THAT, subject always to the Act, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby authorised pursuant to Section 132D of the Act, to issue and allot shares in the Company at any time until the conclusion of the next AGM, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued."

BY ORDER OF THE BOARD

YEO TOOK KEAT (MIA NO. 3308)
LILY YIN KAM MAY (MAICSA NO. 0878038)
Company Secretaries

Kuala Lumpur
Dated : 29 May 2014

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING
(continued)

NOTES: -

1. *Applicable to shares held through a nominee account.*
2. *A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company, and the provision of the Section 149(1)(b) of the Act shall not apply to the Company.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.*
4. *Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Any alteration in the form of proxy must be initialled.*
8. *Form of Proxy sent through facsimile transmission shall not be accepted.*
9. *For the purpose of determining a member who shall be entitled to attend this 16th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 51(b), 51(c) and 51(d) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 16 June 2014. Only a depositor whose name appears on the Record of Depositors as at 16 June 2014 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.*
10. *(i) Explanatory Note to Ordinary Business of the Agenda 1 (Explanatory Note A):-*

    This Agenda item is meant for discussion only as the provision of Section 169(1) of the Act, does not require a formal approval of the shareholders and hence, is not put forward for voting.

    (ii) Explanatory Notes to Special Business of the Agenda 6:

    (a) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

    The Proposed Resolution 6, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time-to-time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

    (b) Proposed Renewal of Share Buy-Back Authority

    The Proposed Resolution 7, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

    (c) Authority to Issue and Allot Shares Pursuant to Section 132D of the Act

    This mandate for issue and allot of shares was not sought for in the preceding year and the Board is now desirous of seeking a new mandate at this forthcoming AGM. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.

    The Proposed Resolution 8, if passed, will empower the Board to issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company, subject to compliance with regulatory requirements. The approval is sought to avoid any delay and cost in convening a general meeting for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The detailed information on Special Business of Agenda 6 except for Ordinary Resolution 8 as mentioned above is set out in the Circular to Shareholders of the Company dated 29 May 2014 which is despatched together with the Company's 2013 Annual Report

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Securities, the details of the Directors who are seeking for re-election or re-appointment in Agenda 3 and 4 of the Notice of 16th AGM of the Company are set out in the Directors' Profile on pages 5,7 and 8 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 201 of this Annual Report.

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Akaun Kumpulan bagi tahun berakhir 31 Disember 2013.

PERSEKITARAN OPERASI

Pada 2013, aktiviti ekonomi global bertambah baik di negara-negara maju, dengan pertumbuhan di serata Asia terus berkembang pesat memandangkan permintaan domestik yang sederhana diimbangi oleh prestasi eksport lebih baik. Sejajar dengan itu, ekonomi Malaysia meneruskan momentum pertumbuhan pada kadar lebih rendah sebanyak 4.7% (2012: 5.6%), disokong terutamanya oleh permintaan sektor swasta dan peningkatan eksport.

Bagi tahun 2013, perniagaan insurans hayat dan takaful keluarga mencatatkan pertumbuhan perlahan dari segi pendapatan premium bersih dan sumbangan bersih, iaitu pada kadar 5.8% (2012: 9.3%) dan 4.7% (2012: 23.5%) masing-masing. Pasaran terjejas oleh kelembapan pertumbuhan produk berkaitan pelaburan, disebabkan keadaan pasaran ekuiti yang tidak stabil pada 2013. Memandangkan produk berkaitan pelaburan merangkumi sebahagian besar, iaitu 40% daripada pendapatan perniagaan baru, jumlah premium/sumbangan perniagaan baru bagi insurans hayat dan takaful keluarga mencatatkan peningkatan marginal iaitu 1.7% kepada RM12.2 bilion (2012: RM12.0 bilion). Sementara itu, jumlah pendapatan premium yang diraih bagi perniagaan insurans/takaful am meningkat sebanyak 11.0% (2012: 10.1%) kepada RM15.2 bilion (2012: RM13.7 bilion), berasaskan pertumbuhan premium kukuh yang berterusan daripada segmen motor dan kebakaran.

ULASAN PRESTASI

Seperti yang didedahkan dalam bahagian seterusnya, Maklumat Terkini Tentang Cadangan Korporat Terbaru, anak syarikat Kumpulan yang telah dilupuskan, iaitu Malaysian Assurance Alliance Berhad ("MAA Assurance") (kini dikenali sebagai Zurich Insurance Malaysia Berhad) dan MAAKL Mutual Bhd ("MAAKL Mutual"), telah diklasifikasikan di bawah operasi dihentikan dalam penyata kewangan berikutan pelaksanaan piawaian perakaunan diluluskan yang berkenaan.

<u>Hasil Operasi</u>

Bagi tahun yang dilaporkan, Jumlah Hasil Operasi Kumpulan meningkat sebanyak 14.3% kepada RM586.2 juta (2012: RM513.0 juta), dengan operasi berterusan mencatatkan peningkatan 17.5% kepada RM539.0 juta (2012: RM458.7 juta) manakala operasi dihentikan mencatatkan penyusutan 13.1% kepada RM47.2 juta (2012: RM54.3 juta).

PENYATA PENGERUSI

(bersambung)

Di bawah Sektor Insurans Konvensional, Bahagian Insurans Am mencatatkan Jumlah Premium Diraih Kasar sebanyak RM28.2 juta (2012: RM69.4 juta), secara sepenuhnya daripada operasi berterusan Kumpulan di luar negara. Bagi tahun 2012, Bahagian Insurans Hayat mencatatkan Jumlah Premium Diraih Kasar sebanyak RM3.5 juta, secara sepenuhnya daripada operasi luar negara yang dihentikan.

Di bawah Sektor Takaful, Bahagian Takaful Am dan juga Bahagian Takaful Keluarga terus berkembang dengan momentum kukuh, masing-masing mencatatkan Sumbangan Diraih Kasar berjumlah RM215.8 juta (2012: RM152.9 juta) dan RM258.2 juta (2012: RM209.1 juta).

Bahagian Pengurusan Dana Unit Amanah Kumpulan (operasi dihentikan) juga mencatatkan prestasi yang setanding, dengan peningkatan sebanyak 20.9% dalam hasil operasi kepada RM47.2 juta (2012: RM39.0 juta), sebahagian besarnya menerusi pendapatan yuran perkhidmatan awal dan yuran pengurusan yang lebih tinggi berjumlah RM46.3 juta (2012: RM38.0 juta).

Dana Pemegang Saham Kumpulan (tidak termasuk Bahagian Pengurusan Dana Unit Amanah) mencatatkan penyusutan 17.8% dalam jumlah hasil operasi kepada RM21.3 juta, secara sepenuhnya daripada operasi berterusan (2012: RM25.9 juta, dengan RM14.6 juta adalah daripada operasi berterusan dan RM11.3 juta daripada operasi dihentikan).

Untung / Rugi Sebelum Cukai

Kumpulan mencatatkan Untung Sebelum Cukai ("USC") lebih rendah berjumlah RM9.2 juta bagi tahun semasa yang dilaporkan (2012: USC RM39.2 juta), dengan operasi berterusan mencatatkan Rugi Sebelum Cukai ("RSC") lebih rendah sebanyak RM9.5 juta (2012: RSC RM31.1 juta) sementara operasi dihentikan mencatatkan USC lebih rendah berjumlah RM18.7 juta (2012: USC RM70.3 juta).

Di bawah Sektor Insurans Konvensional, Bahagian Insurans Am mencatatkan RSC lebih tinggi berjumlah RM28.1 juta (2012: RSC RM12.3 juta), secara sepenuhnya daripada operasi luar negara yang berterusan. Bagi tahun 2012, RSC lebih rendah dicatatkan oleh Bahagian Insurans Am terutamanya disebabkan oleh pendapatan daripada pemansuhan hutang berjumlah RM14.9 juta di bawah perjanjian komutasi Persetiaan Insurans Semula Am yang ditandatangani oleh anak syarikat insurans luar pesisir Kumpulan dengan MAA Assurance.

Bahagian Insurans Am mencatatkan RSC kecil berjumlah RM1.0 juta, secara sepenuhnya daripada operasi berterusan, berbanding RSC RM3.3 juta pada 2012 (RSC operasi berterusan RM0.1 juta dan RSC operasi dihentikan berjumlah RM3.2 juta).

Di bawah Sektor Takaful, Bahagian Takaful Am dan Bahagian Takaful Keluarga masing-masing mencatatkan USC lebih rendah berjumlah RM1.6 juta (2012: USC RM6.8 juta) dan RM7.3 juta (2012: USC RM9.8 juta).

Bahagian Pengurusan Dana Unit Amanah Kumpulan (operasi dihentikan) mencatatkan USC lebih rendah berjumlah RM4.3 juta pada tahun semasa yang dilaporkan (2012: RSC RM6.0 juta).

Dana Pemegang Saham Kumpulan (tidak termasuk Bahagian Pengurusan Dana Unit Amanah) mencatatkan USC lebih rendah sebanyak RM32.4 juta (2012: USC RM42.0 juta), dengan operasi berterusan mencatatkan USC RM18.0 juta (2012: RSC RM25.5 juta) manakala operasi dihentikan mencatatkan USC berjumlah RM14.4 juta (2012: USC RM67.5 juta).

Untung yang dicatatkan oleh operasi berterusan bagi 2013 disumbangkan oleh pendapatan nilai saksama bersih berjumlah RM12.7 juta yang diiktiraf daripada bon yang dipindahkan daripada MAA Assurance di bawah Perjanjian Penyelesaian dengan Zurich Insurance Company Limited ("Zurich") bagi pelupusan MAA Assurance, pengiraan semula kerugian rosot nilai yang sebelum ini diperuntukkan bagi pelaburan dalam syarikat bersekutu dan keuntungan direalisasi bersih dan nilai saksama lebih tinggi daripada pelaburan dalam syarikat bersekutu. Bagi tahun 2012, RSC yang dicatatkan oleh operasi berterusan sebahagian besarnya disebabkan peruntukan RM14.4 juta yang dibuat bagi liabiliti luar jangka sebuah bekas anak syarikat.

Untung yang dicatatkan daripada operasi dihentikan bagi tahun semasa yang dilaporkan termasuk keuntungan RM14.3 juta daripada pelupusan MAA Assurance di bawah Perjanjian Penyelesaian dengan Zurich dan keuntungan RM45.0 juta daripada pelupusan MAAKL Mutual. Walau bagaimanapun, keuntungan ini diimbangi sebahagiannya oleh peruntukan RM45.0 juta yang dibuat bagi Tuntutan Balas Zurich. Bagi tahun 2012, USC termasuk keuntungan RM50.7 juta yang diiktiraf daripada penerimaan jumlah yang ditahan daripada pertimbangan jualan MAA Assurance selepas memenuhi beberapa prasyarat seperti yang dinyatakan dalam Perjanjian Jual Beli dengan Zurich, keuntungan RM5.3 juta daripada pelarasan ke atas selanjutnya bagi pertimbangan jualan MAA Assurance disebabkan liabiliti dana Hayat yang terlebih nyata dalam Draf Akaun Penyempurnaan MAA Assurance yang disediakan oleh Zurich dan keuntungan RM10.8 juta daripada pelupusan PT MAA Life Assurance.

Pada 31 Disember 2013, Jumlah Aset Kumpulan bernilai RM1.4 bilion, lebih tinggi sedikit berbanding RM1.2 bilion yang dilaporkan pada 2012, dengan Pendapatan Sesaham ("EPS") sebanyak 1.55 sen (2012: 13.96 sen).

ULASAN OPERASI PERNIAGAAN

Bagi tahun yang dilaporkan, segmen operasi utama Kumpulan terdiri daripada:

- Insurans Takaful Malaysia
- Pengurusan Unit Amanah Malaysia
- Insurans Antarabangsa
- Pembiayaan Gadai Janji Australia

Maklumat mengenai prestasi setiap segmen dibincangkan secara berasingan di halaman yang dilampirkan.

PENYATA PENGERUSI
(bersambung)

DIVIDEN

Pada 4 Mac 2014, Lembaga Pengarah telah mengisytiharkan dividen kasar interim sebanyak 3 sen sesaham di bawah sistem dividen satu peringkat, bagi tahun berakhir 31 Disember 2014 yang perlu dibayar pada 18 April 2014.

MAKLUMAT TERKINI TENTANG CADANGAN KORPORAT TERBARU

Kumpulan dengan sukacitanya memaklumkan perkembangan terkini berikut:

(a) Pada 30 September 2011, Kumpulan menyempurnakan pelupusan seluruh kepentingan ekutiti (100%) dalam MAA Assurance dan anak syarikat lain yang dikenal pasti, iaitu Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd dan Maagnet-SSMS Sdn Bhd (seterusnya secara tergabung dikenali sebagai ("Anak Syarikat Dilupuskan") kepada Zurich dengan pertimbangan tunai berjumlah RM344.0 juta ("Pelupusan").

Di bawah syarat-syarat Perjanjian Jual Beli Bersyarat ("SPA") dengan Zurich berhubung Pelupusan ini, pelarasan dibuat kepada pertimbangan jualan bernilai RM344.0 juta yang bersamaan dengan perbezaan antara nilai aset bersih agregat Anak Syarikat Dilupuskan pada 30 September 2010 dan nilai aset bersih agregat akhir pada 30 September 2011 ("Pelarasan kepada Pertimbangan"). Pelarasan kepada Pertimbangan perlu dimuktamadkan dalam masa seratus dua puluh (120) hari dari tarikh penyempurnaan jualan Anak Syarikat Dilupuskan, melainkan pertikaian timbul, yang akan diselesaikan menurut terma dan syarat berkaitan yang dinyatakan dalam SPA.

Pada 30 Disember 2011, berdasarkan Draf Akaun Penyempurnaan dan Penyata Nilai Aset Bersih Agregat bagi Anak Syarikat Dilupuskan yang disediakan oleh dan diterima daripada Zurich, terdapat pertambahan berjumlah RM86.0 juta kepada pertimbangan jualan sebanyak RM344.0 juta. Pertambahan berjumlah RM86.0 juta tersebut bersamaan dengan perbezaan antara nilai aset bersih agregat Anak Syarikat Dilupuskan pada 30 September 2010 dan nilai aset bersih agregat akhir pada 30 September 2011.

Pada 17 Februari 2012 dan 12 April 2012, Syarikat telah mengemukakan pemberitahuan pertikaian kepada Zurich kerana tidak bersetuju terhadap pengurangan tertentu ("Perkara Dipertikaikan") yang dibuat kepada Draf Akaun Penyempurnaan dan Penyata Nilai Aset Bersih Agregat bagi Anak Syarikat Dilupuskan.

Pada 16 Julai 2012, Syarikat menerima surat bertarikh 13 Julai 2012 daripada Zurich yang mengesahkan jumlah terlebih nyata sebanyak RM5.3 juta dalam liabiliti dana Hayat MAA Assurance dalam Draf Akaun Penyempurnaan.

Pada 2 November 2012, Syarikat memfailkan dan mengemukakan notis penimbangtaraan terhadap Zurich menerusi Pusat Penimbangtaraan Antarabangsa Singapura, yang antara lain meminta perisytiharan untuk merujuk pertikaian tentang pengiraan Rizab Insurans Am dan perkara lain yang dipertikaikan dalam Draf Akaun Penyempurnaan yang disediakan oleh Zurich kepada seorang Akauntan Pakar menurut terma SPA untuk menentukan harga jualan akhir Anak Syarikat Dilupuskan, di samping perisytiharan selanjutnya tentang haknya untuk menerima pembayaran wang eskrow menurut Perjanjian Eskrow bertarikh 28 September 2011, selepas memenuhi keperluan di bawah SPA dan Surat Sampingan bertarikh 17 Ogos 2011 berkaitan dengan hartanah Prima Avenue Klang, bersama dengan pampasan, faedah dan kos.

Pada 24 Julai 2013, Syarikat memeterai perjanjian penyelesaian ("Perjanjian Penyelesaian") dengan Zurich bagi penyelesaian Perkara Dipertikaikan berkaitan dengan Draf Akaun Penyempurnaan dan hartanah Prima Avenue Klang ("PAK") ("Cadangan Penyelesaian").

Tertakluk kepada penunaian syarat yang ditetapkan dalam Perjanjian Penyelesaian, terma penting Cadangan Penyelesaian, antara lain termasuk yang berikut:

(i) Pihak-pihak yang terbabit bersetuju dan memperakui bahawa pertimbangan tambahan akhir yang dipersetujui yang perlu dibayar oleh Zurich adalah RM103.4 juta, mengambil kira semua pelarasan bagi rizab insurans am, penghutang am dan rizab liabiliti hayat seperti yang dinyatakan dalam Perjanjian Penyelesaian.

(ii) Berhubung dengan penyelesaian pertikaian rosot nilai bagi bon Senai Desaru dan Domayne ("Bon"), Syarikat bersetuju untuk menerima pemindahan Bon pada rosot nilai bawaan dan pemotongan harga pindahan Bon daripada pertimbangan tambahan oleh Zurich.

(iii) Pihak-pihak yang terbabit memperakui bahawa jumlah RM103.4 juta adalah tertakluk kepada pemotongan harga pindahan Bon dan Nilai Tertahan PAK (seperti yang ditakrifkan dalam (iv) di bawah), dengan jumlah bersih yang perlu dibayar oleh Zurich kepada akaun eskrow adalah RM78.8 juta.

(iv) Zurich akan mengarah dan menahan sejumlah RM3.0 juta ("Jumlah Pegangan PAK") sehingga penyerahan hak milik strata individu bagi Blok A PAK dalam tempoh 3 tahun.

Lanjutan daripada obligasi Syarikat berkaitan dengan (iv) seperti yang didedahkan di atas dan untuk mendapatkan kembali pelaburan asal Syarikat sebanyak RM20.0 juta dalam pembangunan (ditakrifkan seterusnya) yang timbul daripada jualan asal MAA Assurance kepada Zurich pada 30 September 2011, Syarikat telah memeterai perjanjian usaha sama dengan PIMA Pembangunan Sdn Bhd ("PIMA") pada 30 Julai 2013 berhubung dengan pembangunan komersial yang dikenali sebagai Prima Avenue Klang atau Pusat Perniagaan Prima Klang ("Pembangunan") yang kini merangkumi ruang pejabat dan/atau lot kedai Blok A dan Blok B dan tapak bangunan bagi Blok C (akan dibina). Pembangunan ini kini dicagarkan kepada Malayan Banking Berhad menerusi cagaran undang-undang pertama.

PENYATA PENGERUSI

(bersambung)

Pada 11 September 2013, Syarikat mengumumkan bahawa Perkara Dipertikaikan berhubung dengan Draf Akaun Penyempurnaan antara Syarikat dan Zurich telah diselesaikan pada hari tersebut dan Syarikat telah menerima Bon daripada Zurich pada 6 September 2013 dan baki pertimbangan tambahan/jumlah bersih RM78.8 juta telah didepositkan dengan sewajarnya oleh Zurich ke dalam akaun eskrow.

Pada 30 September 2013, sejumlah RM136.5 juta (termasuk faedah yang diraih) telah dikeluarkan daripada akaun eskrow kepada Syarikat selepas tamat tempoh 2 tahun daripada penyiapan dan baki RM55.1 juta masih ditahan dalam akaun eksrow sehingga baki tuntutan tertunggak Zurich telah diselesaikan.

Baki tuntutan tertunggak Zurich berkaitan dengan dakwaan perlanggaran waranti dan indemniti ("Tuntutan Balas Zurich"), yang mana peruntukan RM45.0 juta telah dibuat dalam penyata kewangan bagi tahun berakhir 31 Disember 2013. Syarikat telah melantik akauntan, aktuari dan peguam profesional untuk menentusah dan menilai ketepatan dan kejituan Tuntutan Balas Zurich dan telah menerima laporan yang berkenaan. Syarikat akan membuat pengumuman mengenai perkembangan selanjutnya pada masa yang sewajarnya.

(b) Pada 30 September 2011, Syarikat telah dimasukkan dalam kategori penerbit saham tersenarai yang terjejas, menurut Nota Amalan 17 ("PN17") Keperluan Penyenaraian di mana penerbit saham tersenarai telah menggantung atau menamatkan perniagaan utamanya, iaitu dalam kes ini, pelupusan MAA Assurance.

Namun begitu, Syarikat tidak mencetuskan mana-mana kriteria lain yang dinyatakan di bawah PN17 Keperluan Penyenaraian, seperti ekuiti pemegang saham disatukan untuk modal saham terbitan dan berbayar sebanyak 25% atau kurang, kegagalan Kumpulan membuat pembayaran, pendapat negatif atau penafian oleh juruaudit terhadap akaun teraudit terkini Syarikat, dll.

Sebagai penerbit saham tersenarai yang terjejas, Syarikat perlu mematuhi perenggan 4.1 PN17 Keperluan Penyenaraian untuk mengumumkan butir-butir rancangan penyusunan semula.

Pada 28 September 2012, Syarikat mengemukakan permohonan kepada Bursa Malaysia Securities Berhad ("Bursa Securities") untuk pengecualian daripada mematuhi Perenggan 8.04(2) Keperluan Penyenaraian dan pengecualian daripada mengemukakan rancangan penyusunan semula kepada Bursa Securities menurut Perenggan 8.04(3) Keperluan Penyenaraian ("Permohonan Pertama Pengecualian").

Pada 30 November 2012, Syarikat mengemukakan permohonan kepada Bursa Securities untuk lanjutan masa bagi mematuhi Perenggan 8.04(3) dan PN17 Keperluan Penyenaraian ("Permohonan Pertama Lanjutan Masa").

Pada 20 Disember 2012, Bursa Securities menolak Permohonan Pertama Pengecualian Syarikat daripada mematuhi Perenggan 8.04(3) dan PN17 Keperluan Penyenaraian dan memberikan lanjutan masa sehingga 18 Jun 2013 bagi Syarikat mengemukakan rancangan penyusunan semula ("Pemberian Lanjutan Masa Pertama").

Pada 7 Jun 2013, Syarikat mengemukakan permohonan kepada Bursa Securities untuk lanjutan masa daripada mematuhi Perenggan 8.04(3) dan PN17 Keperluan Penyenaraian ("Permohonan Lanjutan Masa Kedua").

Pada 1 Ogos 2013, Bursa Securities memberikan lanjutan masa tambahan sehingga 30 November 2013 ("Pemberian Lanjutan Masa Kedua") bagi Syarikat untuk mengemukakan rancangan penyusunan semula selepas mengambil kira antara lain perkara berikut:

(i) Kedudukan kewangan disatukan terkini Kumpulan, termasuk ekuiti pemegang saham, aset bersih dan nisbah hutang disatukan;

(ii) Penerimaan baki wang tunai daripada pelupusan Anak Syarikat Dilupuskan pada masa depan, berikutan cadangan penyelesaian atas jumlah yang diterima oleh Syarikat seperti yang diumumkan pada 24 Julai 2013; dan

(iii) Perkembangan peraturan terkini di bawah Akta Perkhidmatan Kewangan Islam, 2013, yang mula berkuat kuasa pada 1 Julai 2013 yang mengawal selia aktiviti perniagaan teras Syarikat.

Pemberian Lanjutan Masa Kedua tidak menjejaskan hak Bursa Securities untuk menggantung jual beli saham Syarikat dan mengeluarkan Syarikat daripada senarai sekiranya:

(i) Syarikat gagal mengemukakan rancangan penyusunan semula pada atau sebelum 30 November 2013;

(ii) Syarikat gagal untuk mendapatkan kelulusan daripada mana-mana pihak berkuasa kawal selia yang diperlukan bagi pelaksanaan rancangan penyusunan semula; atau

(iii) Syarikat gagal melaksanakan rancangan penyusunan semula dalam tempoh masa atau tempoh masa lanjutan yang ditetapkan oleh Bursa Securities.

Jika berlaku mana-mana perkara yang dinyatakan dalam (i) hingga (iii) di atas, Bursa Securities akan menggantung jual beli saham tersenarai Syarikat selepas tamat tempoh lima (5) hari pasaran dari tarikh Syarikat dimaklumkan oleh Bursa Securities dan mengeluarkan Syarikat daripada senarai, tertakluk kepada hak Syarikat untuk membuat rayuan agar tidak dikeluarkan daripada senarai. Berdasarkan keputusan Bursa Securities, Lembaga Pengarah akan merangka rancangan penyusunan semula dan akan mengemukakannya kepada Bursa Securities untuk kelulusan.

Pada 2 September 2013, 1 Oktober 2013 dan 1 November 2013, Syarikat mengumumkan bahawa ia masih dalam proses merangka rancangan penyusunan semula untuk dikemukakan kepada Bursa Securities untuk kelulusan.

PENYATA PENGERUSI
(bersambung)

Pada 29 November 2013, Syarikat mengemukakan permohonan kepada Bursa Securities untuk lanjutan masa menurut Perenggan 8.04(2), 8.04(3) dan PN17 Keperluan Penyenaraian ("Permohonan Lanjutan Masa Ketiga").

Pada 9 Disember 2013, Bursa Malaysia memaklumkan bahawa penggantungan jual beli saham Syarikat dan pengeluaran Syarikat daripada senarai menurut Perenggan 8.04(5) Keperluan Penyenaraian akan ditangguhkan bergantung kepada keputusan Permohonan Lanjutan Masa Ketiga.

Pada 2 Januari 2014 dan 4 Februari 2014, Syarikat mengumumkan bahawa tiada perkembangan penting dalam Permohonan Lanjutan Masa Ketiga.

Pada 11 Mac 2014, Bursa Securities telah memberikan lanjutan masa sehingga 31 Julai 2014 kepada Syarikat untuk mengemukakan rancangan penyusunan semula ("Pemberian Lanjutan Masa Ketiga").

Pemberian Lanjutan Masa Ketiga dibuat oleh Bursa Securities selepas mengambil kira, antara lain, perkara berikut:

(i) Perkembangan penting berkaitan penstrukturan semula dalaman Kumpulan, secara khususnya penstrukturan semula dalaman berkaitan anak-anak syarikat, iaitu PT MAA General Assurance ("PT MAAG") dan MAA Takaful Berhad ("MAAT"); dan syarikat sekutunya, Columbus Capital Pty Ltd ("CCAU"); dan

(ii) Kedudukan kewangan disatukan terkini Kumpulan termasuk ekuiti pemegang saham dan aset bersih disatukan, tunai dan kesetaraan tunai dan juga kedudukan hutangnya.

Syarikat juga perlu memberikan maklumat terperinci mengenai status penstrukturan semula dalaman Kumpulan dan status penyerahan rancangan penyusunan semula kepada pihak berkuasa kawal selia menerusi pengumuman bulanan.

Akhir sekali, Pemberian Lanjutan Masa Ketiga tidak menjejaskan hak Bursa Securities untuk menggantung jual beli saham tersenarai Syarikat dan mengeluarkan Syarikat daripada senarai sekiranya:

(i) Syarikat gagal mengemukakan rancangan penyusunan semula kepada pihak berkuasa kawal selia pada atau sebelum 31 Julai 2014;

(ii) Syarikat gagal mendapatkan kelulusan daripada mana-mana pihak berkuasa kawal selia yang perlu bagi pelaksanaan rancangan penyusunan semula; dan

(iii) Syarikat gagal untuk melaksanakan rancangan penyusunan semula dalam tempoh masa atau tempoh masa lanjutan yang diberikan oleh mana-mana pihak berkuasa kawal selia.

Jika berlaku mana-mana perkara yang dinyatakan dalam (i) hingga (iii) di atas, Bursa Securities akan menggantung jual beli saham tersenarai MAAG pada hari pasaran seterusnya selepas lima (5) hari pasaran dari tarikh pemberitahuan penggantungan oleh Bursa Malaysia dan mengeluarkan Syarikat daripada senarai, tertakluk kepada hak Syarikat untuk membuat rayuan agar tidak dikeluarkan daripada senarai.

Pada 1 April 2014, Syarikat mengumumkan status perkembangan terkini berikut tentang proses penstrukturan semula dalaman Kumpulan.

(i) PT MAAG kini sedang melaksanakan rancangan untuk menjelaskan tanggungan dan liabilitinya. Dari Disember 2012 hingga Mac 2014, PT MAAG telah menandatangani perjanjian penyelesaian dan menjelaskan tuntutan kasar berjumlah kira-kira RP128.3 bilion;

(ii) Cadangan peningkatan kepentingan ekuiti MAAG dalam CCAU daripada 47.95% kepada 55% adalah tertakluk kepada kelulusan daripada Lembaga Penilaian Pelaburan Asing Australia; dan

(iii) Syarikat kini sedang dalam pross menilai semula struktur kumpulan termasuk rancangan perniagaan dan keperluan operasi Kumpulan, dan pemisahan lesen komposit sedia ada MAAT kepada dua (2) entiti sah dipermodalkan iaitu takaful keluarga dan takaful am untuk menjamin pematuhan kepada Akta Perkhidmatan Kewangan Islam, 2013.

(c) Pada 13 November 2013, Syarikat mengumumkan bahawa anak syarikat milik penuh, MAA Corporation Sdn Bhd ("MAA Corp") bersama dengan pemegang saham lain MAAKL Mutual, iaitu, Khyra Liberty Sdn Bhd, Edmond Cheah Swee Leng, Wong Boon Choy dan Nge Koh Nguong (secara kolektif dirujuk sebagai "Vendor"), telah pada hari yang sama memeterai perjanjian jual beli ("SPA") dengan Manulife Holdings Berhad ("Manulife") untuk pelupusan seluruh modal saham terbitan dan berbayar MAAKL Mutual untuk pertimbangan berjumlah RM96.5 juta ("Pertimbangan Jualan"), yang dipersetujui atas dasar 'pembeli sukarela-penjual sukarela' dan selepas mengambil kira aset bersih teraudit dan untung selepas cukai MAAKL Mutual berdasarkan penyata kewangan teraudit pada 31 Disember 2012. Bahagian Pertimbangan Jualan MAA Corp yang berkadar dengan 55% kepentingan ekuiti dalam MAAKL Mutual adalah RM56.1 juta.

SPA ini tertakluk kepada pematuhan terhadap prasyarat yang ditetapkan termasuk pemindahan RM19.3 juta daripada Pertimbangan Jualan kepada akaun eskrow ("Jumlah Eskrow"). Jumlah Eksrow bersama dengan faedah terakru tetapi ditolak sebarang jumlah yang dibayar oleh agen eksrow berhubung sebarang tuntutan bagi perlanggaran sebarang waranti atau indemniti kepada SPA akan dibayar kepada Vendor 24 bulan selepas tarikh jualan disempurnakan.

Pada 31 Disember 2013, Syarikat telah menyempurnakan pelupusan kepentingan ekuiti 55% dalam MAAKL Mutual kepada Manulife.

PENYATA PENGERUSI
(bersambung)

TANGGUNGJAWAB SOSIAL KORPORAT

Kumpulan sentiasa komited terhadap usaha menjadi warga yang bertanggungjawab dan prihatin.

Dalam hal ini, Dana Kebajikan Buah Pinggang MAA Medicare ("MAA Medicare") telah ditubuhkan pada 1994 sebagai tonggak Tanggungjawab Sosial Korporat Kumpulan untuk mengurangkan beban kewangan pesakit buah pinggang dan keluarga mereka dengan menyediakan kemudahan dialisis dan penjagaan kesihatan yang berkualiti pada kos rawatan yang tersubsidi. Selama ini, MAA Medicare telah meluaskan rangkaiannya kepada dua belas (12) pusat dialisis buah pinggang yang tersebar di seluruh negara dalam memenuhi keperluan pesakit baru yang semakin meningkat untuk perkhidmatan perubatan tersubsidi tersebut. Dalam tempoh dua dekad lepas, MAA Medicare telah berkembang menjadi penyedia dialisis kedua terbesar di Malaysia, yang berkhidmat untuk lebih 820 pesakit di negara ini.

Kumpulan juga memainkan peranan aktif menyokong Yayasan Kebajikan Budimas ("Budimas") dalam matlamatnya untuk menyediakan keperluan kebajikan dan kesejahteraan kanak-kanak miskin dan kurang bernasib baik. Budimas bergiat aktif menjaga kebajikan kanak-kanak kurang bernasib baik di Malaysia dengan menyokong lebih daripada 860 kanak-kanak yang menghuni 14 rumah amal selain membekalkan sarapan kepada 2,530 kanak-kanak miskin di 48 buah sekolah.

Salah satu daripada matlamat utama Budimas ialah untuk menyediakan pendidikan kepada kanak-kanak kurang bernasib baik di Malaysia. Untuk tujuan ini, Budimas telah menubuhkan Dana Kebajikan Pendidikan Budimas untuk menyediakan kemudahan pendidikan, seperti perpustakaan di kawasan luar bandar dan miskin di seluruh negara, yang akan dibiayai, dibekalkan dan diuruskan oleh Budimas, dengan bantuan masyarakat setempat.

Akhir sekali, Kumpulan akan terus memperuntukkan sumber untuk melanjutkan lagi matlamat aktviti kebajikan pada tahun-tahun akan datang dalam usaha menunaikan tanggungjawab sosial korporat.

Maklumat tentang Tanggungjawab Sosial Korporat dibincangkan secara berasingan pada halaman seterusnya.

PEMBANGUNAN INDUSTRI

Rangka kerja peraturan dan pengawalseliaan Malaysia kini memasuki peringkat baru perkembangan dengan pengumuman penguatkuasaan Akta Perkhidmatan Kewangan 2013 ("FSA") dan Akta Perkhidmatan Kewangan Islam 2013 ("IFSA") oleh Bank Negara Malaysia ("BNM") pada 30 Jun 2013.

FSA dan IFSA menggabungkan beberapa undang-undang berasingan yang mengawal selia sektor kewangan, iaitu Akta Institusi Perbankan dan Kewangan 1989, Akta Perbankan Islam 1983, Akta Insurans 1996, Akta Takaful 1984, Akta Sistem Pembayaran 2003 dan Akta Kawalan Pertukaran Wang 1953 yang telah dimansuhkan pada 30 Jun 2013, untuk menjadi rangka kerja perundangan tunggal masing-masing bagi sektor kewangan konvensional dan Islam, termasuk pengendali insurans dan takaful konvensional.

FSA dan IFSA memberikan BNM lebih kuasa untuk melaksanakan peranannya sebagai badan peraturan dan kawal selia yang bukan sahaja tertumpu kepada pengendali insurans dan takaful individu tetapi juga meliputi risiko seluruh kumpulan ("Kumpulan Kewangan") dan risiko seluruh sistem, termasuk pemantauan syarikat pegangan induk ("Syarikat Pegangan Kewangan") dan meletakkannya di bawah keperluan peraturan sama yang mungkin termasuk mengenakan syarat keperluan modal di Syarikat Pegangan Kewangan, mengikut setiap keadaan. Di bawah struktur pelesenan FSA dan IFSA, Syarikat Pegangan Kewangan perlu memohon kepada BNM untuk kelulusan jika mereka bercadang untuk memegang lebih 50% kepentingan ekuiti dalam entiti berlesen. Pada masa yang sama, syarikat insurans dan pengendali takaful berlesen tidak akan dibenarkan untuk menjalankan perniagaan takaful hayat/keluarga dan perniagaan takaful am/am di bawah entiti tunggal. Syarikat insurans dan pengendali takaful diberikan tempoh ihsan lima (5) tahun untuk memisahkan perniagaan tersebut kepada entiti berasingan.

Lanjutan daripada itu, pada 6 Februari 2014, BNM telah mengeluarkan kertas konsep mengenai Pendekatan untuk Mengatur dan Mengawal Selia Kumpulan Kewangan sebagai maklum balas industri. Kertas konsep ini menetapkan cara Kumpulan Kewangan akan ditakrifkan dan menetapkan rancangan BNM untuk mengukuhkan ketelitian rangka kerja bagi Kumpulan Kewangan, termasuk piawaian ketelitian di peringkat kumpulan.

Pada November 2013, BNM telah menerbitkan kertas konsep mengenai Rangka Kerja Insurans Hayat dan Takaful Keluarga ("Rangka Kerja LIFT") yang bertujuan meningkatkan kecekapan dan keberkesanan saluran pengedaran dan menggalakkan lagi inovasi produk. Rangka Kerja LIFT termasuk antara lain cadangan mengenepikan had kos operasi yang berkuat kuasa terhadap produk berkaitan pelaburan dalam bentuk komisen dan perbelanjaan berkaitan agensi, mengenepikan had komisen bagi produk perlindungan tulen dengan syarat pengendali insurans konvensional dan pengendali takaful menawarkan produk ini menerusi saluran pengedaran langsung, menjajarkan had komisen bagi bankasuran dan ejen korporat, memberikan insentif untuk pertumbuhan penasihat kewangan, dll.

Dalam sektor insurans am dan takaful, BNM akan meneruskan tumpuannya untuk mencapai objektif dua penjuru yang ditetapkan di bawah Rangka Kerja Perlindungan Motor Baru yang diperkenalkan pada 2011, yang bertujuan meningkatkan kecekapan dalam proses penjelasan tuntutan motor dan memastikan perlindungan insurans dan takaful motor disediakan dan diperolehi dengan cara yang berdaya maju. Dalam usaha mencapai matlamat ini, BNM telah melancarkan inisiatif selanjutnya termasuk pelarasan premium motor yang berkuatkuasa dari Februari 2013, penubuhan Pusat Panggilan Bantuan Kemalangan yang memulakan operasi pada Jun 2013 dan mengeluarkan Panduan Tuntutan Motor yang mengandungi maklumat penting tentang cara membuat tuntutan insurans dan takaful motor.

PENYATA PENGERUSI
(bersambung)

Akhir sekali, BNM melaksanakan Rangka Kerja Modal Berasaskan Risiko ("Rangka Kerja RBC") untuk Pengendali Takaful berkuatkuasa dari 1 Januari 2014, berikutan pelaksanaan secara selari selama setahun. Selain daripada keperluan modal peraturan minimum yang perlu dipatuhi oleh syarikat insurans dan pengendali takaful, entiti berlesen individu juga perlu menjalani Proses Penilaian Kecukupan Modal Dalaman untuk memastikan syarikat mengekalkan modal secukupnya pada setiap masa bagi menyokong operasi perniagaan dan menguruskan risiko tidak dijangka yang mungkin menjejaskan kedudukan kewangannya.

Perubahan peraturan baru ini dan cadangan yang bakal dilaksanakan, apabila berkuatkuasa kelak, akan mengubah cara pengendali insurans dan takaful menjalankan perniagaan masing-masing pada masa depan.

PROSPEK

Bagi 2014, BNM telah mengunjurkan pertumbuhan Keluaran Dalam Negara Kasar antara 4.5% dan 5.5%, dipacu oleh permintaan domestik pada kadar pertumbuhan lebih sederhana berasaskan pelaksanaan berterusan projek berbilang tahun oleh Kerajaan Malaysia dan peningkatan yang diramalkan dalam permintaan luar.

Selepas penjualan MAAKL Mutual, Kumpulan akan meneruskan usaha merangsang pertumbuhan perniagaan takaful menerusi MAA Takaful Berhad ("MAA Takaful"). Namun begitu, Kumpulan akan terus menghadapi persaingan sengit dalam persekitaran operasi takaful dan pengurusan modal memandangkan peraturan baru yang digubal dan kertas konsep yang diterbitkan di mana BNM akan secara beransur-ansur melancarkan piawaian ketelitian pada masa mendatang, untuk mengawal selia pengendali insurans dan takaful konvensional, Syarikat Pegangan Kewangan dan Kumpulan Kewangan.

Pada masa yang sama, Kumpulan meramalkan bahawa prestasi kewangannya pada tahun kewangan berikutnya mungkin terjejas akibat penutupan dan pembubaran operasi perniagaan insurans am di Indonesia.

Mengenai status PN17 Syarikat, Lembaga Pengarah berhasrat untuk mengekalkan status penyenaraian Syarikat. Untuk tujuan itu, Syarikat akan berusaha merumuskan dan mengemukakan rancangan penyusunan semula kepada Bursa Securities dalam tempoh lanjutan sehingga 31 Julai 2014, yang tidak akan menimbulkan perubahan ketara dalam hala tuju atau dasar perniagaan Kumpulan.

PENGIKTIRAFAN DAN PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada pasukan pengurusan dan kakitangan kerana komitmen berterusan, dedikasi dan sumbangan mereka dalam memastikan pertumbuhan dan kejayaan berterusan Kumpulan.

Saya juga ingin mengambil kesempatan ini untuk merakamkan penghargaan kami kepada pelanggan, ejen, sekutu perniagaan dan pemegang saham yang dihargai atas sokongan, keyakinan dan kepercayaan tidak berbelah bahagi mereka terhadap kami.

Akhir sekali, saya ingin mengucapkan terima kasih kepada ahli Lembaga Pengarah kerana panduan dan sumbangan mereka kepada Kumpulan.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
Pengerusi

ULASAN OPERASI PERNIAGAAN

ULASAN TAKAFUL MALAYSIA

Pada 2013, Bahagian Takaful Keluarga Malaysia mencatatkan peningkatan 28.3% dalam Sumbangan Diraih Kasar kepada RM268.2 juta (2012: RM209.1 juta), manakala Bahagian Takaful Am mencatatkan kenaikan 41.1% dalam Sumbangan Diraih Kasar kepada RM215.8 juta (2012: RM152.9 juta).

Dana Pemegang Saham MAA Takaful pula mencatatkan Untung Sebelum Cukai ("USC") lebih rendah berjumlah RM13.3 juta (2012: RM16.3 juta), selepas mengambil kira lebihan berjumlah RM7.3 juta (2012: RM9.8 juta) yang dipindahkan daripada Dana Takaful Keluarga dan RM1.6 juta (2012: RM6.8 juta) yang dipindahkan daripada Dana Takaful Am.

Dana Takaful Am MAA Takaful mencatatkan Lebihan Sebelum Cukai ("LSC") lebih rendah iaitu sebanyak RM2.9 juta (2012: RM10.1 juta) pada tahun yang dilaporkan. LSC lebih rendah diperolehi terutamanya kerana manfaat dan tuntutan takaful bersih yang lebih tinggi, perbelanjaan yuran wakalah yang meningkat, dan peruntukan kecil yang dibuat bagi kerugian rosot nilai penghutang insurans.

Dana Takaful Keluarga MAA Takaful juga mencatatkan LSC lebih rendah berjumlah RM10.1 juta (2012: RM12.3 juta) sebelum pemindahan lebihan berjumlah RM7.3 juta (2012: RM9.8 juta) kepada Dana Pemegang Saham. LSC lebih rendah disebabkan oleh manfaat dan tuntutan takaful bersih yang lebih tinggi, dan perbelanjaan yuran wakalah pada tahun yang dilaporkan. Seperti yang diperuntukkan dalam Akta IFSA, lembaga pengarah MAA Takaful telah meluluskan pengagihan lebihan Dana Takaful Keluarga berjumlah RM14.5 juta (2012: RM19.6 juta). Pengagihan ini dikongsi secara saksama antara syarikat (sebagai pengendali) dan peserta Takaful menurut dasar pengagihan lebihan MAA Takaful.

MAA Takaful menjangkakan persekitaran operasi di dalam sektor Takaful kekal positif, walaupun menghadapi cabaran daripada penggubalan IFSA dan perubahan peraturan lain yang bakal dilaksanakan tidak lama lagi, dan perkongsian kerugian mandatori daripada Insurans Kenderaan Berkelompok Malaysia seperti yang ditetapkan oleh BNM, dengan tarikh pelaksanaan efektif telah ditangguhkan dari 2013 dan masih lagi belum diumumkan.

Namun begitu, MAA Takaful akan meneruskan usaha dan langkah untuk mengoptimumkan proses dalaman dengan sistem baru yang disusun dan penambahbaikan sistem, pelancaran produk inovatif baru untuk memenuhi permintaan pengguna yang semakin meningkat, meluaskan asas pelanggan, mendapatkan tenaga agensi yang berkualiti dan produktif bagi menyediakan tahap profesionalisme dan perkhidmatan lebih baik kepada pemegang polisi, dan menubuhkan cawangan dan saluran pengedaran baru, untuk menjamin kejayaan jangka panjang bahagian ini.

ULASAN UNIT AMANAH MALAYSIA

Pada 2012, Industri Unit Amanah Malaysia terus berkembang dengan peningkatan Nilai Aset Bersih ("NAB") dana di bawah pengurusan sebanyak 13.8% kepada RM335.5 bilion (2012: RM294.9 bilion), mengatasi Indeks Komposit FTSE Bursa Malaysia Kuala Lumpur yang meningkat sebanyak 10.5%.

Pada akhir Disember 2013, dana di bawah pengurusan oleh MAAKL Mutual berjumlah dua puluh enam (26). Pada tahun yang dilaporkan, jumlah NAB dana unit amanah di bawah pengurusan MAAKL Mutual meningkat sebanyak 20.2% daripada RM2.18 bilion pada akhir Disember 2012 kepada RM2.62 bilion pada akhir Disember 2013. Pada akhir Disember 2013, MAAKL Mutual berada di tangga kesembilan dari segi bahagian pasaran di kalangan 41 Syarikat Pengurusan Unit Amanah di Malaysia.

Pada akhir Disember 2013, tenaga agensi MAAKL Mutual berjumlah 1,301 ejen (2012: 1,538 ejen).

Pada tahun yang dilaporkan, MAAKL Mutual terus memberikan sumbangan positif kepada keputusan Kumpulan dengan USC RM4.1 juta (2012: RM2.5 juta), yang diraih daripada peningkatan dalam pendapatan perkhidmatan awal dan yuran pengurusan berjumlah RM46.3 juta (2012: RM38.0 juta).

Dana MAAKL Mutual mencatatkan prestasi yang memberangsangkan pada tahun yang dilaporkan, dengan penerimaan 4 anugerah di Anugerah Dana The Edge-Lipper Malaysia 2014 bagi dua (2) dana, iaitu "Aset Bercampur 3-tahun dan 5-tahun - Fleksibel" bagi Dana Flexi MAAKL-HW, dan "Aset Bercampur 3-tahun dan 5-tahun - Fleksibel (Islam)" bagi Dana Shariah Flexi MAAKL-CM.

Pada 31 Disember 2013, Kumpulan bersama vendor MAAKL Mutual yang lain melupuskan seluruh modal terbitan dan berbayar syarikat kepada Manulife untuk jumlah pertimbangan RM96.5 juta ("Pertimbangan Jualan"), yang diperolehi atas dasar 'pembeli sukarela-penjual sukarela'.

ULASAN INSURANS ANTARABANGSA

MAA International Assurance Ltd ("MAAIA"), bahagian insurans dan pelaburan luar pesisir Kumpulan yang beroperasi di Labuan, mencatatkan Rugi Sebelum Cukai ("RSC") berjumlah RM8.2 juta, (2012: USC RM10.2 juta). RSC pada tahun yang dilaporkan sebahagian besarnya disebabkan peruntukan yang dibuat bagi kerugian rosot nilai atas pendahuluan yang diberikan kepada Perniagaan Insurans Am di Indonesia (sebelum penghapusan peringkat kumpulan) untuk menampung perbelanjaan perniagaan sambil menunggu operasi ditamatkan. Keuntungan pada 2012 timbul terutamanya daripada penepian hutang RM14.9 juta yang dicatatkan oleh Dana Insurans Am di bawah Perjanjian Komutasi Persetiaan Insurans Semula Am yang dimeterai dengan MAA Assurance pada 2011.

Pada tahun yang dilaporkan, Perniagaan Insurans Am di Filipina memberikan sumbangan positif kepada keputusan Kumpulan dengan USC RM1.5 juta (2012: RM3.0 juta). Untung lebih rendah pada 2013 terutamanya disebabkan nisbah tuntutan lebih tinggi sebanyak 59.8% (2012: 52.1%), secara khususnya daripada kelas perniagaan motor dan kebakaran berikutan beberapa bencana taufan yang melanda Filipina pada tahun yang dilaporkan.

ULASAN OPERASI PERNIAGAAN
(bersambung)

Pada 2013, bahagian Insurans Am di Indonesia mencatatkan keputusan negatif bagi Kumpulan dengan RSC RM28.1 juta (2012: RM27.1 juta). Kerugian lebih tinggi disebabkan oleh kesan menampung kos perniagaan berterusan selepas tidak lagi menaja jamin perniagaan baru dan pembaharuan, pemulangan premium bagi polisi dibatalkan, kerugian rosot nilai bagi penghutang insurans dan peruntukan bagi belanja pemberhentian tenaga kerja, yang sebahagiannya diimbangi oleh pelepasan Tuntutan yang Ditanggung Tetapi Belum Dilaporkan pada tahun dilaporkan.

Pada tahun yang dilaporkan, anak syarikat Insurans Am di Indonesia telah mengemukakan rancangan rundingan tuntutan dengan pihak yang membuat tuntutan dan penginsurans semula kepada pihak berkuasa insurans tempatan untuk persetujuan mereka. Ini adalah sebagai sebahagian daripada rancangan penyelesaian untuk perniagaan dan menjamin daya maju entiti. Rancangan rundingan tuntutan masih lagi sedang diusahakan pada tarikh laporan ini.

ULASAN PEMBIAYAAN GADAI JANJI AUSTRALIA

Syarikat bersekutu milik 49% Kumpulan di Australia, Columbus Capital Pty Ltd (“CCAU”) yang terlibat dalam perniagaan pinjaman gadai janji runcit dan pensekuritian hutang, mencatatkan USC RM3.4 juta pada tahun yang dilaporkan, lebih baik berbanding RSC sebanyak RM9.1 juta yang dicatatkan pada 2012. Untung diperolehi terutamanya daripada hasil faedah lebih tinggi daripada pemerolehan Portfolio Asal gadai janji perumahan bernilai kira-kira AUD2.2 bilion pada September 2012, disokong oleh margin faedah kasar daripada purata 3.6% pada 2012 kepada 8.4% pada tahun yang dilaporkan.

Namun begitu, Columbus akan terus menguruskan portfolio gadai janji sedia ada secara aktif dengan pra penetapan harga faedah dengan matlamat meningkatkan margin faedah dan pada masa yang sama cuba mencari peluang menambah portfolio untuk mengembangkan operasinya.

Kumpulan berhasrat untuk meningkatkan kepentingan ekuiti dalam CCAU, menjadikannya sebuah anak syarikat bagi bagi memanfaatkan sumbangan keuntungannya. Untuk tujuan itu, CCAU telah mengemukakan permohonan kepada Lembaga Penilaian Pelaburan Asing (“FIRB”) Australia pada 6 November 2013 untuk mendapatkan kelulusan bagi Syarikat meningkatkan kepentingan dalam CCAU kepada sehingga 55%. Setakat ini, permohonan masih menantikan keputusan FIRB.

CHAIRMAN'S STATEMENT


Mulia Arif Agung

On behalf of the Board of Directors, I am pleased to present the Annual Report and Accounts of the Group for the year ended 31 December 2013.

OPERATING ENVIRONMENT

In 2013, global economic activity improved in the major economies, with growth across Asia continuing as moderating domestic demand was offset by better export performance. Consistent with this, the Malaysian economy continued its growth momentum albeit at a lower rate of 4.7% (2012: 5.6%), supported largely by private sector demand and improvement in exports.

For the year 2013, the life insurance and family takaful businesses recorded slower growth in net premium income of 5.8% (2012: 9.3%) and net contributions of 4.7% (2012: 23.5%) respectively. The market was affected by the weaker growth for investment-linked products, as a consequence of volatile equity market conditions during 2013. With investment-linked products accounted for a significant 40% share of new business income, the total new business premiums/contributions for life insurance and family takaful recorded a marginal increase of 1.7% to RM12.2 billion (2012: RM12.0 billion). On the other hand, the total earned premium income for the general insurance/takaful businesses increased by 11.0% (2012: 10.1%) to RM15.2 billion (2012: RM13.7 billion), on the back of continued strong premium growth from motor and fire segments.

PERFORMANCE REVIEW

As disclosed in the ensuing section, Update on Recent Corporate Proposals, the Group's disposed subsidiaries, namely Malaysian Assurance Alliance Berhad ("MAA Assurance") (now known as Zurich Insurance Malaysia Berhad) and MAAKL Mutual Bhd ("MAAKL Mutual"), had been classified under discontinued operations in the financial statements following the applicable approved accounting standards.

Operating Revenue

For the year under review, the Group's Total Operating Revenue increased by 14.3% to RM586.2 million (2012: RM513.0 million), of which the continuing operations recorded an increase of 17.5% to RM539.0 million (2012: RM458.7 million) and the discontinued operations recorded a decrease of 13.1% to RM47.2 million (2012: RM54.3 million).

Under the Conventional Insurance Sector, the General Insurance Division recorded Total Gross Earned Premiums of RM28.2 million (2012: RM69.4 million), wholly from the Group's continuing overseas operations. For year 2012, the Life Insurance Division recorded Total Gross Earned Premiums of RM3.5 million, wholly from the discontinued overseas operations.

CHAIRMAN'S STATEMENT
(continued)

Under the Takaful Sector, both the General Takaful Division and Family Takaful Division continued to grow, with a strong momentum, to register higher Gross Earned Contributions of RM215.8 million (2012: RM152.9 million) and RM258.2 million (2012: RM209.1 million) respectively.

The Group's Unit Trust Fund Management Division (discontinued operations) performed equally well to record a 20.9% increase in operating revenue to RM47.2 million (2012: RM39.0 million), mainly due to higher initial service and management fee income of RM46.3 million (2012: RM38.0 million).

The Group's Shareholder Fund (excluding the Unit Trust Fund Management Division) recorded a 17.8% decrease in total operating revenue to RM21.3 million, wholly from the continuing operations (2012: RM25.9 million, of which RM14.6 million from the continuing operations and RM11.3 million from the discontinued operations).

<u>Profit / Loss Before Taxation</u>

The Group recorded a lower Profit Before Taxation ("PBT") of RM9.2 million for the current year under review (2012: PBT RM39.2 million), of which the continuing operations recorded a lower Loss Before Taxation ("LBT") of RM9.5 million (2012: LBT RM31.1 million) and the discontinued operations recorded a lower PBT of RM18.7 million (2012: PBT of RM70.3 million).

Under the Conventional Insurance Sector, the General Insurance Division recorded a higher LBT of RM28.1 million (2012: LBT RM12.3 million), wholly from the continuing overseas operations. For year 2012, the lower LBT recorded by the General Insurance Division was due mainly to an income from a waiver of debts of RM14.9 million under a General Reinsurance Treaty commutation agreement signed between the Group's Labuan based offshore insurance subsidiary with MAA Assurance.

The Life Insurance Division registered a small LBT of RM1.0 million, wholly from the continuing operations, compared to 2012 LBT of RM3.3 million (continuing operations LBT of RM0.1 million and discontinued operations LBT of RM3.2 million).

Under the Takaful Sector, the General Takaful Division and Family Takaful Division recorded lower PBT of RM1.6 million (2012: PBT RM6.8 million) and RM7.3 million (FY2012: PBT RM9.8 million) respectively.

The Group's Unit Trust Fund Management Division (discontinued operations) recorded a lower PBT of RM4.3 million during the current year under review (2012: PBT RM6.0 million).

The Group's Shareholder Fund (excluding the Unit Trust Fund Management Division) recorded a lower PBT of RM32.4 million (2012: PBT RM42.0 million), of which the continuing operations recorded a PBT of RM18.0 million (2012: LBT RM25.5 million) and the discontinued operations recorded a PBT of RM14.4 million (2012: PBT RM67.5 million).

The profit recorded by the continuing operations for 2013 was contributed by a net fair value gain of RM12.7 million recognised from bonds transferred from MAA Assurance under the Settlement Agreement with Zurich Insurance Company Limited ("Zurich") on the disposal of MAA Assurance, a write-back of impairment loss made previously on investments in associated companies and higher net realised and fair value gains from investments. For year 2012, the LBT recorded by the continuing operations was mainly due to provision made for contingent liabilities of a former subsidiary company of RM14.4 million.

The profit recorded by the discontinued operations for the current year under review included a gain of RM14.3 million from the disposal of MAA Assurance under the Settlement Agreement with Zurich and a gain of RM45.0 million from the disposal of MAAKL Mutual. However, these profits were offset partially by a provision of RM45.0 million made for Zurich's Counterclaims. For year 2012, the PBT included a gain of RM50.7 million recognised from the receipt of held back sum from the sale consideration of MAA Assurance after satisfaction of certain conditions precedent as stipulated in the Sale and Purchase Agreement with Zurich, a gain of RM5.3 million from a subsequent upward adjustment to the sale consideration of MAA Assurance due to overstatement of Life fund liabilities in the Draft Completion Accounts of MAA Assurance prepared by Zurich and a gain of RM10.8 million from the disposal of PT MAA Life Assurance.

As at 31 December 2013, the Group's Total Assets stood at RM1.4 billion, marginally higher than 2012 of RM1.2 billion, with Earnings Per Share ("EPS") of 1.55 sen (2012: 13.96 sen).

BUSINESS OPERATIONS REVIEW

For the year under review, the Group's major operational segments are:

- Malaysian Takaful Insurance
- Malaysian Unit Trust Management
- International Insurance
- Australian Mortgage Financing

Details of their performance are separately discussed in the attached pages.

DIVIDENDS

On 4 March 2014, the Board of Directors has declared an interim gross dividend of 3 sen per share under the single-tier dividend system, in respect of the year ending 31 December 2014 to be payable on 18 April 2014.

CHAIRMAN'S STATEMENT
(continued)

UPDATES ON RECENT CORPORATE PROPOSALS

The Group is pleased to provide the following updates:

(a) On 30 September 2011, the Group completed the disposal of its entire 100% equity interest in MAA Assurance and other identified subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd (hereinafter collectively known as the ("Disposed Subsidiaries")) to Zurich for a total cash consideration of RM344.0 million ("the Disposal").

Under the terms of the Conditional Sale and Purchase Agreement ("SPA") with Zurich in relation to the Disposal, there is an adjustment to the sale consideration of RM344.0 million equal to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 ("Adjustment to Consideration"). The Adjustment to Consideration shall be finalised within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless dispute arises which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA.

On 30 December 2011, based on the Draft Completion Accounts and Statement of Aggregate Net Assets Value of the Disposed Subsidiaries prepared by and received from Zurich, there was an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equals to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011.

On 17 February 2012 and 12 April 2012, the Company had submitted notifications of disputes to Zurich to disagree certain downward adjustments ("Disputed Matters") made to the Draft Completion Accounts and Statement of Aggregate Net Assets Value of the Disposed Subsidiaries.

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich confirming an overstatement of RM5.3 million in the Life fund liabilities of MAA Assurance in the Draft Completion Accounts.

On 2 November 2012, the Company filed and served a notice of arbitration against Zurich with the Singapore International Arbitration Centre seeking, inter alia, declarations to refer disputes on the calculation of General Insurance Reserves and other disputes matter in the Draft Completion Accounts prepared by Zurich to an Expert Accountant in accordance with terms of the SPA in order to determine the final selling price of the Disposed Subsidiaries, as well as further declarations to be entitled to receive payment of escrow monies in accordance with the Escrow Agreement dated 28 September 2011, having satisfied the requirements under the SPA and the Side Letter dated 17 August 2011 in respect of the Prima Avenue Klang property, together with damages, interests and costs.

On 24 July 2013, the Company entered into a settlement agreement ("Settlement Agreement") with Zurich for settlement of the Disputed Matters in relation to the Draft Completion Accounts and Prima Avenue Klang property ("PAK") ("Proposes Settlement").

Subject to fulfillment of the conditions precedent set out in the Settlement Agreement, the salient terms of the Proposed Settlement, inter alia, include the following:

(i) The parties agree and acknowledge that the final agreed additional consideration payable by Zurich shall be RM103.4 million incorporating all adjustments on the general insurance reserves, general receivables and life liabilities reserve as specified in the Settlement Agreement.

(ii) With respect to settlement of impairment dispute on Senai Desaru and Domayne bonds ("Bonds"), the Company agrees to accept transfer of the Bonds at the impaired carrying values and the deduction of the Bonds transfer price from the additional consideration by Zurich.

(iii) The parties acknowledge that the amount of RM103.4 million is subject to the deduction of the Bonds transfer price and PAK Hold Back Amount (as defined in (iv) below), such that the net amount payable by Zurich into the escrow account is RM78.8 million.

(iv) Zurich shall instruct and withhold an amount of RM3.0 million ("PAK Hold Back Amount") until delivery of the individual strata title for Block A of PAK within 3 years period.

In furtherance of the Company's obligations in relation to (iv) as disclosed above, and to recover the Company's initial investment of RM20.0 million in the development (hereafter defined) arising from the original sale of MAA Assurance to Zurich on 30 September 2011, the Company entered into a joint venture agreement with PIMA Pembangunan Sdn Bhd ("PIMA") on 30 July 2013 in respect of a commercial development known as Prima Avenue Klang or Pusat Perniagaan Prima Klang ("Development") which currently comprise of Block A and Block B office space and/or shop lots and a building platform for Block C (to be built). The Development is currently charged to Malayan Banking Berhad by way of first legal charge.

On 11 September 2013, the Company announced that the Disputed Matters in relation to the Draft Completion Accounts between the Company and Zurich had been settled on that day and the Company had duly received Bonds from Zurich on 6 September 2013 and the balance additional consideration/net amount of RM78.8 million had been duly deposited by Zurich in the escrow account.

On 30 September 2013, an amount of RM136.5 million (including interest earned) had been released from the escrow account to the Company after the expiry of 2 years from completion and a balance of RM55.1 million is still being retained in the escrow account until Zurich's remaining outstanding claims are resolved.

CHAIRMAN'S STATEMENT
(continued)

Zurich's remaining outstanding claims relate to alleged breach of warranties and indemnities ("Zurich's Counterclaims"), of which a provision of RM45.0 million has been made in the financial statements for the year ended 31 December 2013. The Company had engaged its professional accountants, actuaries and attorneys to verify and assess the accuracy and validity of Zurich's Counterclaims and had received the respective reports. The Company will make the necessary announcements on further development in due course.

(b) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Listing Requirements whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of MAA Assurance.

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

As an affected listed issuer, the Company is required pursuant to paragraph 4.1 of the PN17 of the Listing Requirements to announce details of the regularisation plan.

On 28 September 2012, the Company submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for a waiver from having to comply with Paragraph 8.04(2) of the Listing Requirements and a waiver from submitting a regularisation plan to Bursa Securities pursuant to Paragraph 8.04(3) of the Listing Requirements ("First Application for Waiver").

On 30 November 2012, the Company submitted an application to Bursa Securities for extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("First Application for Extension of time").

On 20 December 2012, Bursa Securities rejected the Company's First Application for Waiver from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements and had granted an extension of time of up to 18 June 2013 for the Company to submit a regularisation plan ("First Granted Extension of Time").

On 7 June 2013, the Company submitted an application to Bursa Securities for extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("Second Application for Extension of time").

On 1 August 2013, Bursa Securities granted a further extension of time of up to 30 November 2013 ("Second Granted Extension of Time") for the Company to submit a regularisation plan taking into consideration amongst others the following:

(i) The latest consolidated financial position of the Group including its consolidated shareholders' equity, net assets and gearing ratio position;

(ii) The future receipts of the balance of cash proceeds from the disposal of Disposed Subsidiaries following the proposed settlement on the amount receivable by the Company as announced on 24 July 2013; and

(iii) The latest regulatory development vis-à-vis the Islamic Financial Services Act, 2013 which came into effect on 1 July 2013, which governs the Company's core business activities.

The Second Granted Extension of Time was without prejudice to Bursa Securities' right to proceed to suspend the trading of the securities of the Company and to delist the Company in the event:

(i) The Company fails to submit the regularisation plans on or before 30 November 2013;

(ii) The Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; or

(iii) The Company fails to implement its regularisation plan within the time frame or extended time frames stipulated by Bursa Securities.

Upon the 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 upon the expiry of five (5) market days from the date the Company is notified by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting. Based on the decision by Bursa Securities, the Board will formularise a regularisation plan and will submit it to Bursa Securities for approval.

On 2 September 2013, 1 October 2013 and 1 November 2013, the Company announced that it was still in the midst of formulating a regularisation plan for submission to Bursa Securities for approval.

On 29 November 2013, the Company submitted an application to Bursa Securities for extension of time to comply with Paragraph 8.04(2), 8.04(3) and PN17 of the Listing Requirements ("Third Application for Extension of time").

On 9 December 2013, Bursa Securities informed that the suspension of trading of the Company's securities and the delisting of the Company in accordance with Paragraph 8.04(5) of the Listing Requirements shall be deferred pending the decision of the Third Application for Extension of time.

On 2 January 2014 and 4 February 2014, the Company announced that there was no material development to the Third Application for Extension of time.

CHAIRMAN'S STATEMENT
(continued)

On 11 March 2014, Bursa Securities has granted an extension of time of up to 31 July 2014 for the Company to submit a regularisation plan ("Third Granted Extension of Time").

The Third Granted Extension of Time was given by Bursa Securities after taking into consideration, on amongst others, the following:

(i) The material developments in relation to the Group's internal restructuring in particular the internal restructuring relating to its subsidiary companies, namely PT MAA General Assurance ("PT MAAG") and MAA Takaful Berhad ("MAAT"); and associated company, Columbus Capital Pty Ltd ("CCAU"); and

(ii) The latest consolidated financial position of the Group including its consolidated shareholders' equity and net assets, cash and cash equivalents as well as its gearing position.

The Company is also required to provide detailed updates on the status of the Group's internal restructuring and status of the submission of its regularisation plan to the regulatory authorities via its monthly announcements.

Lastly, the Third Granted Extension of Time 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 the regularisation plan to the regulatory authorities on or before 31 July 2014;

(ii) The Company fails to obtain the 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 MAAG on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting.

On 1 April 2014, the Company announced the following status update of the Group's internal restructuring:

(i) PT MAAG is currently implementing the plan to settle its obligation and liabilities. From December 2012 to March 2014, PT MAAG has signed settlement agreements and paid settlements for approximately RP128.3 billion gross claims;

(ii) The proposed increase of MAAG's equity interest in CCAU from 47.95% to 55% is pending approval from Foreign Investment Review Board of Australia; and

(iii) The Company is in the midst of re-evaluating its group structure including the Group's business plans and operational requirements, and splitting of the existing composite license of MAAT into two (2) capitalised legal entities that is family takaful and general takaful to ensure compliance with the Islamic Financial Services Act, 2013.

(c) On 13 November 2013, the Company announced that its wholly-owned subsidiary, MAA Corporation Sdn Bhd ("MAA Corp") together with the other shareholders of MAAKL Mutual namely, Khyra Liberty Sdn Bhd, Edmond Cheah Swee Leng, Wong Boon Choy and Nge Koh Nguong (collectively referred to as the "Vendors"), had on the same day entered into a conditional sale and purchase agreement ("SPA") with Manulife Holdings Berhad ("Manulife") for the disposal of the entire issued and paid up ordinary share capital of MAAKL Mutual for a total consideration of RM96.5 million ("Sale Consideration"), arrived at on a 'willing buyer-willing seller' basis, and after taking into account the audited net assets and profit after tax of MAAKL Mutual based on its audited financial statements as at 31 December 2012. MAA Corp's share of the Sale Consideration in proportionate to its 55% equity interest in MAAKL Mutual is RM56.1 million.

The SPA was subject to fulfilment of the conditions precedent as set out including the transfer of RM19.3 million from the Sale Consideration to an escrow account ("Escrow Amount"). The Escrow Amount together with accrued interest but less any amount paid by the escrow agent in connection with any claims for a breach of any of the warranties or indemnities to the SPA shall be paid to the Vendors on the date failing after 24 months from the sale completion date.

On 31 December 2013, the Company had completed the disposal of 55% equity interest in MAAKL Mutual to Manulife.

CORPORATE SOCIAL RESPONSIBILITY

The Group has always remained committed to its quest to be a responsible and caring citizen.

Towards this, the MAA Medicare Kidney Charity Fund ("MAA Medicare") was set up in 1994 as the Corporate Social Responsibility arm of the Group to ease the financial burden of kidney patients and their families by providing affordable access to quality dialysis and healthcare at subsidised treatment costs. Over the years, MAA Medicare has expanded its network to twelve (12) kidney dialysis centres which are well spread over the whole country to cater for the needs of the ever-increasing number of new patients for such subsidised medical services. Over the past two decades, MAA Medicare has grown to become the second largest dialysis provider in Malaysia, caring for more than 820 patients across the country.

CHAIRMAN'S STATEMENT
(continued)

The Group also actively supports The Budimas Charitable Foundation ("Budimas") in its objective of providing for the welfare and well-being of underprivileged and poor children. Budimas actively looks after the welfare of underprivileged children in Malaysia by supporting more than 860 underprivileged children in 14 charitable homes as well as providing breakfast to 2,530 poor children in 48 schools.

Budimas also has as one of its key goals, the objective of providing education to the underprivileged children of Malaysia. In this context, Budimas has set up the Budimas Education Charity Fund to establish educational facilities, such as libraries, in rural and poor villages throughout the country, which will be funded, stocked and managed by Budimas, with the assistance of the local community.

Lastly, the Group will continue to allocate resources to further the objectives of these charitable activities in the years ahead in fulfillment of its corporate social responsibility initiatives.

Details of Corporate Social Responsibility are separately discussed in the attached pages.

INDUSTRY DEVELOPMENT

The regulatory and supervisory framework of Malaysia entered a new stage of its development with Bank Negara Malaysia ("BNM") announced on 30 June 2013 the coming into force of the Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA").

The FSA and IFSA amalgamated several separate laws that govern the financial sector, namely the Banking and Financial Institutions Act 1989, Islamic Banking Act 1983, Insurance Act 1996, Takaful Act 1984, Payment Systems Act 2003 and Exchange Control Act 1953 which were repealed on 30 June 2013, into a single legislative framework for the conventional and Islamic financial sectors respectively, including the conventional insurance and takaful operators.

The FSA and IFSA provide BNM the enhanced powers to perform its regulatory and supervisory roles beyond the individual insurance and takaful operators to encompass group-wide ("Financial Group") and system-wide risks, including oversight over the ultimate holding companies ("Financial Holding Companies") and subject them to the same regulatory requirements that may include imposition of capital requirements at the Financial Holding Companies, on a case-to-case basis. Under the licensing structures of FSA and ISFA, Financial Holding Companies are required to apply to BNM for approval if they intend to hold over 50% equity interests in a licensed entity. At the same time, licensed insurers and takaful operators will not be allowed to carry on both life/family takaful business and general/general takaful business under a single entity. Insurers and takaful operators are given a grace period of five (5) years to split these businesses into separate entities.

Furtherance to this, BNM has on 6 February 2014 issued for industry feedback the concept paper on Approach to Regulating and Supervising Financial Groups. This concept paper laid out how the boundaries of a Financial Group will be defined, and sets out BNM's plans to enhance the prudential framework for Financial Group, including in respect of group-level prudential standards.

In November 2013, BNM published the concept paper on the Life Insurance and Family Takaful Framework ("LIFT Framework") which aimed at raising the efficiency and effectiveness of delivery channels and promoting greater product innovation. The LIFT Framework includes proposals amongst others to remove operating costs limits applicable to investment-linked products in the form of commission and agency related expenses, remove commission limits for pure protection products subject to conventional insurance and takaful operators offering these products via direct distribution channels, align commission limits for bancassurance and corporate agents, incentivise growth of financial advisers, etc.

In the general insurance and takaful sector, BNM is continuing its focus to achieve the two-pronged objectives set out under the New Motor Cover Framework introduced in 2011, which are aimed to improve efficiency in the motor claims settlement process and to ensure continued access to motor insurance and takaful protection on a viable basis. Towards this, BNM has rolled out further initiatives that include motor premium adjustments which took effect from February 2013, the establishment of an Accident Assist Call Centre which commenced operations in June 2013, and issuance of the Motor Claims Guide that contains key information on making a motor insurance and takaful claim.

Lastly, BNM implemented the Risk-Based Capital Framework ("RBC Framework") for Takaful Operators with effect from 1 January 2014, following a one-year parallel run. Beyond the minimum regulatory capital requirements which insurers and takaful operators must comply, individual licensed entity is also required to conduct an Internal Capital Adequacy Assessment Process to ensure that it maintains at all time the adequate capital to support its business operations and manage any unanticipated risks that may affect its financial position.

These new regulatory changes and impending proposals once implemented, will change and shape the way insurance and takaful operators conduct their businesses moving forward.

PROSPECTS

For 2014, BNM has projected a domestic Gross Domestic Product growth, of between 4.5% and 5.5%, driven by domestic demand albeit with a more moderate growth pace, on the back of the ongoing implementation of multiyear projects by the Malaysian Government and the forecast improvement in external demand.

Subsequent to the sale of MAAKL Mutual, the Group will continue its efforts to accelerate the growth of its takaful business via MAA Takaful Berhad ("MAA Takaful"). Nevertheless, the Group will continue to face strong competition in its takaful operating environment and capital management in light of the enacted new regulations and published concept papers where BNM will gradually roll out further prudential standards moving forward, to govern the conventional insurance and takaful operators, Financial Holding Companies and the Financial Group.

CHAIRMAN'S STATEMENT
(continued)

At the same time, the Group foresees that its performance for the next financial year may be affected by the business run-off and operations wind down of its overseas general insurance operations in Indonesia.

On the PN17 status of the Company, it is the Board's intention to maintain the listing status of the Company. On this end, the Company will work towards formulating and submitting a regularisation plan to Bursa Securities within the granted extension of time of up to 31 July 2014, which will not result in a significant change in the business direction or policies of the Group.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to thank the management team and staff for their continued commitment, dedication and contributions to ensure the continued growth and success of the Group.

I would also like to take this opportunity to extend our appreciation to our valued customers, agents, business associates and the shareholders for their invaluable support, confidence and trust they have placed in us.

Finally, I would like to thank my fellow Board members for their stewardship and contribution to the Group.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
Chairman

BUSINESS OPERATIONS REVIEW

MALAYSIAN TAKAFUL REVIEW

In 2013, the Malaysian Family Takaful Division registered a 28.3% increase in total Gross Earned Contributions to RM268.2 million (2012: RM209.1 million), whilst the General Takaful Division recorded a 41.1% increase in total Gross Earned Contributions to RM215.8 million (2012: RM152.9 million).

The Shareholders' Fund of MAA Takaful recorded a lower Profit Before Taxation ("PBT") of RM13.3 million (2012: RM16.3 million), after taking into account a surplus of RM7.3 million (2012: RM9.8 million) transferred from the Family Takaful Fund and RM1.6 million (2012: RM6.8 million) transferred from General Takaful Fund.

The General Takaful Fund of MAA Takaful recorded a lower Surplus Before Taxation ("SBT") of RM2.9 million (2012: RM10.1 million) during the year under review. The lower SBT was affected mainly by higher net takaful benefits and claims, increased wakalah fee expenses and some allowance made for impairment loss insurance receivables.

The Family Takaful Fund of MAA Takaful also recorded a lower SBT of RM10.1 million (2012: RM12.3 million) before surplus transfer of RM7.3 million (2012: RM9.8 million) to the Shareholders' Fund. The lower SBT was a result of both higher net takaful benefits and claims, and wakalah fee expenses during the year under review. As provided in IFSA Act, the board of directors of MAA Takaful has approved the distribution of surplus on the Family Takaful Fund amounting to RM14.5 million (2012: RM19.6 million). This distribution is shared equally by the company (being the operator) and the Takaful participants in accordance with MAA Takaful's surplus distribution policy.

MAA Takaful expects the operating environment in the Takaful Sector to remain positive, although faced with challenges brought by the enacted IFSA and other imminent regulatory changes that are coming into effect, and the mandatory sharing of losses of the Malaysian Motor Insurance Pool as dictated by BNM, although the effective implementation date has been postponed from 2013 and yet to be announced.

Nevertheless, MAA Takaful will continue with its measures and efforts to achieve optimised internal processes with developed new systems and system enhancement, roll out new innovative products to meet the increasing consumers' demand, expand its customer base, recruit quality and productive agency force to provide higher level of professionalism and services to the policyholders, and establish new branches and distribution channels, to ensure the long-term success of the division.

MALAYSIAN UNIT TRUST REVIEW

In 2012, the Malaysian Unit Trust Industry registered an expansion with total Net Asset Value ("NAV") of funds under management increased by 13.8% to RM335.5 billion (2012: RM294.9 billion), outperforming the FTSE Bursa Malaysia Kuala Lumpur Composite Index which advanced by 10.5%.

As at end of December 2013, the total number of funds under management by MAAKL Mutual stood at twenty six (26). During the year under review, the total NAV of unit trust funds under management of MAAKL Mutual increased by 20.2% from RM2.18 billion as at end December 2012 to RM2.62 billion as at end December 2013. As at end December 2013, MAAKL Mutual's market ranking in terms of market share stood at number 9 among a total of 41 Unit Trust Management Companies in Malaysia.

As at end December 2013, the agency force of MAAKL Mutual stood at 1,301 agents (2012: 1,538 agents).

During the year under review, MAAKL Mutual continued to contribute positively to the results of the Group with a PBT of RM4.1 million (2012: RM2.5 million), contributed by the increase in initial service and management fee income of RM46.3 million (2012: RM38.0 million).

MAAKL Mutual's funds performed well during the year under review, with the receipt of 4 awards at The Edge-Lipper Malaysia Fund Awards 2014 for two (2) funds, namely "3-year and 5-year Mixed Assets - Flexible" for MAAKL-HW Flexi Fund, and "3-year and 5-year Mixed Asset - Flexible (Islamic)" for MAAKL-CM Shariah Flexi Fund.

On 31 December 2013, the Group together with the other vendors of MAAKL Mutual disposed the entire issued and paid up ordinary share capital of the company to Manulife for a total consideration of RM96.5 million ("Sale Consideration"), arrived at on a 'willing buyer-willing seller' basis.

INTERNATIONAL INSURANCE REVIEW

MAA International Assurance Ltd ("MAAIA"), the Labuan based offshore insurance and investment arm of the Group, recorded a Loss Before Taxation ("LBT") of RM8.2 million, (2012: PBT of RM10.2 million). The LBT during the year under review was due mainly to allowance made for impairment loss on advances extended to the General Insurance Business in Indonesia (before group-elimination) to support the company's business run-off expenses. The profit in 2012 arose mainly from a waiver of debt of RM14.9 million recorded by the General Insurance Fund under a General Reinsurance Treaty commutation agreement entered into with MAA Assurance in 2011.

During the year under review, the General Insurance Business in Philippines contributed positively to the results of the Group with PBT of RM1.5 million (2012: RM3.0 million). The lower profit in 2013 was due mainly to higher claims ratio of 59.8% (2012: 52.1%) particularly from the motor and fire class of businesses, arising from the several catastrophic typhoons which hit Philippines during the year.

BUSINESS OPERATIONS REVIEW
(continued)

In 2013, the General Insurance business in Indonesia posted negatively to the results of the Group with LBT of RM28.1 million (2012: RM27.1 million). The higher loss was resulted from business run-off effects with cessation of underwriting new and renewal businesses, premium refund for cancelled policies, impairment loss for insurance receivables and provision for staff retrenchment expenses, partly offset by the release of Incurred But Not Reported Claims during the year.

During the year under review, the General Insurance subsidiary company in Indonesia has submitted claim negotiation plan with claimants and reinsurers to the local insurance authority for consent, as part of the resolution plan for the business and financial viability of the entity. Towards this end, the claim negotiation plan is still in progress as at to date.

AUSTRALIAN MORTGAGE FINANCING REVIEW

The Group's 49% associated company in Australia, Columbus Capital Pty Ltd ("CCAU") which is in the business of retail mortgage lending and loan securitisation, recorded a PBT of RM3.4 million during the year under review, turnaround from the LBT of RM9.1 million in 2012. The profit arose mainly from higher interest revenue arising from the acquisition of the Origin Portfolio of approximately AUD2.2 billion in residential mortgages in September 2012, coupled with improved gross interest margin from an average 3.6% in 2012 to 8.4% during the year.

Nevertheless, Columbus will continue to manage its existing mortgage portfolios actively with interest pre-pricing the view to improve interest margins and simultaneously source for portfolio acquisition opportunities to grow its operations.

The Group intends to increase its equity stake in CCAU making it a subsidiary company to capitalise on its profit contribution. Towards this end, CCAU has submitted an application to the Foreign Investment Review Board ("FIRB") of Australia on 6 November 2013 to seek approval for the Company to increase its interest in CCAU up to 55%. To date, the application is still pending the decision of FIRB.

STATEMENT ON CORPORATE GOVERNANCE

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of the Company is pleased to present this statement on the Company's corporate governance practices and the Company's application of the principles and compliance with the recommendations under the Malaysian Code on Corporate Governance 2012 ("Code") for its financial year ended 31 December 2013.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Company is led by its Board of Directors ("Board") which has the overall responsibility to provide strategic guidance and effective oversight of management of the Company as well as effectively achieving good governance and protecting shareholders' interest.

1.1 Clear Functions of the Board and Management

To ensure the effective discharge of its function and responsibilities, the Board had established a Board Charter which clearly sets out the relevant matters reserved for the Board's approval, as well as those that are delegated to the Board Committees and Chief Executive Officer.

Key matters reserved for the Board's decision include, inter alia, the following:

- Acquisition and disposal of assets of the Company or of its subsidiaries that are material in nature;
- Investment in new business;
- Divestment / sale of existing business;
- Related-party transactions of a material nature;
- Authority levels for core functions;
- Outsourcing of core business functions; and
- Corporate proposal on fund raising.

The Board Committees are authorised by the Board to undertake the duties and responsibilities in accordance with their respective Terms of Reference. The Chairman of the respective Board Committees reports its recommendation to the Board on matters deliberated in the Board Committee meetings.

1.2 Roles and Responsibilities of the Board

The role of the Board is to effectively represent and promote the interests of the shareholders with a view to adding long term value to the Company's shares. The Board will also direct and supervise the management in relation to the business and affairs of the Company.

In discharging its stewardship responsibilities, the Board has formally assumed the six (6) specific responsibilities as follows:-

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Senior Management;
- Developing and implementing an investor relations programme or shareholders communication policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

In the financial year 2013, the Board has been reviewing the Group's internal restructuring including implementation of the PT MAA General Assurance's liabilities settlement plan, the proposed increase of the Company's equity interest in Columbus Capital Pty Ltd and splitting of the existing composite license of MAA Takaful Berhad into two (2) capitalised legal entities that is family takaful and general takaful insurance, to ensure compliance with the Islamic Financial Services Act 2013.

1.3 Code of Conduct

The Board continues to adhere to the Company's Code of Conduct which sets out standards of business and ethical conduct based on general principles including, amongst others, integrity, honesty, fair dealing and confidentiality as guidance to all directors and employees in the conduct of their business and that of the Company, in order to enhance the standard of corporate governance and behaviour.

1.4 Strategies Promoting Sustainability

The Board regularly reviews the strategic direction of the Company taking into account business strategy that drives longer term corporate growth and shareholder value by embedding and managing economic, environmental and social developments/issues into the business model. Detailed information on the sustainability activities are set out in the Business Sustainability statement of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE
(continued)

1.5 Access to Information and Independent Professional Advice

The Board is given unrestricted access to the advice and services of the Company Secretary and the Senior Management staff in the Group.

The Directors have full and unlimited access to any information pertaining to the Group.

The Directors have direct communication channels with the Internal and External Auditors, and are able to convene meetings with the External Auditors whenever deemed necessary.

Directors are also allowed to obtain independent professional advice at the Company's expense in furtherance of their duties. However, there was no such advice sought by any Director during the year.

1.6 Qualified and Competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its duties. The Company Secretary advises the Board in relation to the Company's policies and procedures and compliance with the relevant regulatory and listing requirements.

1.7 Board Charter

The Board Charter provides guidance to the Board in the fulfilment of its roles and responsibilities which are in line with the principles of good corporate governance. The Board Charter is subject to review periodically in order to ensure it is updated to reflect the changes to the Company's policies, procedures and processes as well as the latest relevant legislations and regulations. The Board Charter had been reviewed and agreed by the Board on 23 April 2013.

2. STRENGTHEN COMPOSITION

2.1 Nomination and Remuneration Committee

The Board of Directors had on 27 February 2013 combined both the Nomination Committee and Remuneration Committee into one committee to be named as "Nomination and Remuneration Committee". The Nomination and Remuneration Committee comprises wholly of Independent Non-Executive Directors. The members of the Nomination and Remuneration Committee as at the date of this Annual Report are as follows:

Chairman	:	Datuk Seri Razman Md Hashim - Independent Non-Executive Director (Appointed as member on 5 September 2012 and subsequently as Chairman on 27 February 2013)
Members	:	Dato' Jaffar Indot - Independent Non-Executive Director (Demised on 8 April 2014)
		Dato' Narendrakumar Jasani A/L Chunilal Rugnath - Independent Non-Executive Director (Appointed on 5 September 2012)
		Tan Sri Ahmad bin Mohd Don (appointed on 17 April 2014) Onn Kien Hoe (appointed on 17 April 2014)

The duties and responsibilities of the Nomination and Remuneration Committee are to assist the Board in reviewing and recommending the appropriate remuneration policies applicable to Directors, Chief Executive Officer/Managing Director (CEO/MD) and Senior Management and the appointment and evaluation of the performance of Directors.

The principal Terms of Reference of the Nomination and Remuneration Committee are as follows:

- To review and determine the mix of skills, experience and other qualities (including core competencies of Non-Executive Directors) on an annual basis;
- To assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director on an annual basis;
- To recommend a framework of remuneration for Directors, CEO and key senior officers of the Company and its subsidiary companies; and
- To recommend specific remuneration packages for Directors, CEO and key senior officers of the Company and its subsidiary companies.

The Nomination and Remuneration Committee meets at least once a year, with additional meetings convened as and when necessary. The Nomination and Remuneration Committee met twice during the financial year 31 December 2013 to review the results of the evaluation performed on the Board and Board Committees as well as to review, assess and recommend to the Board the remuneration package of the CEO, Executive Directors and Senior Management of the Company and its subsidiary companies.

STATEMENT ON CORPORATE GOVERNANCE
(continued)

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

2.2.1 Assessment and Recruitment

In selecting suitable candidates, the Nomination and Remuneration Committee is guided by the Procedure for the Appointment and Removal of Directors, which takes into account the following criteria:

- Number of directorships already held by the candidate;
- Candidate's other commitments, resources and time available for input to the Board;
- Relationship of the candidate with another Director or major shareholder of the Company;
- Interest of the Company's stakeholders;
- Diverse background of the candidates;
- Education qualification and/or working experience of the candidates;
- Candidates with strategic thinking and leadership skills who are dynamic and responsive to the business environment;
- Ability of the candidates to ensure the effective management of internal and external risks of the Company;
- Ability of the candidates to interact effectively with the Board and the Management, to resolve contentious issues/ problems arising in connection with the Company's business activities; and
- Whether the candidates have directed sufficient attention and resources towards the continuous growth and development of the Company.

The final decision on the appointment of a candidate recommended by the Nomination and Remuneration Committee rests with the whole Board. The assessment of the effectiveness of the Board is an ongoing responsibility of the Nomination and Remuneration Committee.

As part of the assessment process for financial year ended 2013, the Board also conducted a self-assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board during the year.

2.2.2 Gender Diversity

The Company sees the participation of women as being fundamental to the achievement of equal opportunity in the workplace. The relatively large number of female employees in the Group is proof that the gender diversity approach has long been in practice in the Group.

The Company further believes, by virtue of being the apex body overseeing key issues as strategy execution, management of risks and governance, that Board diversity translates into a more effective Board.

The Board is of the view that membership of the Board should be dependent on each candidate's skills, experience, core competencies and other qualities regardless of gender.

The Company had on 23 May 2013 reviewed and formalised its Policy on Gender Diversity and Non Discriminatory as well as revised its procedures of appointment and removal of directors to include gender diversity in the boardroom.

2.3 Remuneration Policies

The Board is aware that fair remuneration is critical to attract, retain and motivate directors. The Nomination and Remuneration Committee in discharging its responsibilities in the review of the remuneration considers various factors including the following:

- Directors' skills and experiences;
- Market rate for Executive Director's salary having regard to the nature of the Company's business;
- Evaluation conducted by the Nomination Committee with respect to the effectiveness and contribution of the Director concerned;
- Non-Executive Directors' time devoted to the Company's affairs; and
- Directors' experience and responsibilities undertaken.

The Remuneration of the Directors for the financial year ended 31 December 2013 is set out below:

	Executive Directors (RM)	Non-Executive Directors (RM)
Fees	-	225,000
Salaries and allowances	4,248,199	72,250
Bonus	1,170,396	-
Other Benefits	86,841	-
Total	5,505,436	297,250

STATEMENT ON CORPORATE GOVERNANCE
(continued)

The number of Directors whose total remuneration falls within the following bands is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	5
RM300,001 to RM500,000	1	
RM1,000,001 to RM1,500,000	1	-
RM1,500,001 to RM2,000,000	1	-
RM2,000,001 to RM2,500,000	1	-

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board conducts an annual self-assessment on the effectiveness of the Board and the Board Committees. The self-assessment covers topics that include independence of the independent directors, the effectiveness of the roles and responsibilities, Board structure, conduct of Board and Board Committees meetings and decision making. The results of the self-assessment are evaluated and assessed at the Nomination and Remuneration Committee meeting. Thereafter, the Chairman of the Nomination and Remuneration Committee would report its assessment to the Board for further deliberation, if necessary.

The Board values the independent and objective judgment brought by the Independent Directors to the Board, and recognises that the independence of the Independent Directors is crucial to provide an unbiased and independent view, advice and judgment to take into account the interest, of not only the Group but also of shareholders, employees and communities in which the Company conducts business.

Based on the assessment conducted on 17 April 2014, the Board is satisfied with the level of independence demonstrated by the present Independent Directors and their ability to act in the best interest of the Company.

3.2 Tenure of Independent Directors

The Board complies with the recommendation on the tenure of an Independent Director not exceeding a cumulative term of nine (9) years.

3.3 Shareholders' Approval for the Re-appointment of Non-Executive Directors

Currently, the Company does not have any Independent Non-Executive Director who has exceeded the nine (9) years tenure.

3.4 Positions of the Executive Chairman and the Chief Executive Officer

The roles of Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah as the Executive Chairman and Muhamad Umar Swift as the Chief Executive Officer/Group Managing Director ("CEO/Group MD") are distinct and separate, each has a clearly accepted division of responsibilities to ensure accountability.

The responsibilities of the Executive Chairman are, inter alia, as follows:

- Provides management of and leadership to the Board;
- Ensures regular Board meetings are held and ad hoc Board meetings are convened when necessary;
- Ensures that Board members are provided with complete, adequate and timely information;
- Chairs the shareholders' meeting;
- Acts as the Group's ambassador within the domestic and international market;
- Participates in the management committee meetings;
- Ensures and monitors compliance with policies set by the Board;
- Provides opinion to and/or work with the Group MD/CEO on major strategic issues;
- Acts as a liaison between the Group and government officials, embassy and foreign investors; and
- The main spokesperson for the Group.

The CEO/Group MD is responsible to ensure the execution of strategic goals, implementation of all decisions of the Board and the strategy adopted by the Board and assumes full accountability to the Board for all aspects of the Company's day-to-day operations and overall performance of the Group. The CEO/Group MD further ensures accurate and timely preparation of information for the Board on matters pertaining to the Group and sets the Board agenda for the approval of the Executive Chairman.

Based on the review and recommendation made by the Nomination and Remuneration Committee, the Board is of the view that Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah has been able to perform his role and responsibilities as the Executive Chairman without any impairment of objectivity and always in consideration of the best interests of the shareholders.

STATEMENT ON CORPORATE GOVERNANCE
(continued)

3.5 Composition of the Board

The Board is a balanced board with a complementary blend of expertise, with professional and business experiences relevant to the Group's business. These can be seen in the Board of Directors' profile section which illustrates the Directors' background and experiences.

For financial year 2013, the Board comprised of nine (9) members, of whom five (5) are Independent Non-Executive Directors. Following the demise of Dato' Jaffar Indot on 8 April 2014, the Nomination and Remuneration Committee will assess and recommend the appointment of a new Independent Non-Executive Director, to be in line with recommendation 3.5 of the Code.

4. FOSTER COMMITMENT

4.1 Time Commitment

The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for the financial year ended 31 December 2013.

The Board has met seven (7) times during the financial year ended 31 December 2013. The details of the attendance by each of the Directors for the financial year ended 31 December 2013 are as follows:

Members of the Board	Attendance	Percentage
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah (Chairman)	7/7	100%
Muhamad Umar Swift	7/7	100%
Yeo Took Keat	7/7	100%
Datuk Seri Razman Md Hashim	5/7	71%
Tan Sri Ahmad bin Mohd Don	7/7	100%
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	7/7	100%
Dato' Jaffar Indot (Demised on 8 April 2014)	4/7	57%
Dato' Narendrakumar Jasani A/L Chunilal Rugnath	5/7	71%
Onn Kien Hoe	7/7	100%

An annual meeting calendar is prepared by the Company Secretary and circulated to all Directors before the beginning of every year which sets out the scheduled dates for meetings of the Board and Board Committees, in order to facilitate and foster the Directors' time planning and commitment to the Company.

The Nomination and Remuneration Committee is guided by the Company's Procedure for the Appointment and Removal of Director and will take into consideration various criteria in assessing new appointment of directorships to the Company including the number of directorships already held by the candidate and candidate's time availability and other commitments.

4.2 Training

All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. The Nomination and Remuneration Committee regularly evaluates the training needs of the Directors and recommends trainings to each Director to enable the Directors to discharge his/her duties effectively and proficiently, taking into account the individual needs of each of the Directors.

During the financial year ended 31 December 2013, the Directors have attended and participated in various programmes and forums which they have individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as Directors.

The programmes or forums attended by the Directors include, inter alia, the following:-

Members of the Board	Programmes / Forum
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	• In-House Directors' Training: Economic and Capital Market Review
Muhamad Umar Swift	• In-House Directors' Training: Economic and Capital Market Review • 2013 CPA Congress • MIA Conference 2013
Yeo Took Keat	• In-House Directors' Training: Economic and Capital Market Review • MIA Conference 2013
Datuk Seri Razman Md Hashim	• Corporate Governance Guide - Towards Boardroom Excellence by Bursa Malaysia • Sunway Managers' Conference 2013

STATEMENT ON CORPORATE GOVERNANCE
(continued)

Members of the Board	Programmes / Forum
Tan Sri Ahmad bin Mohd Don	• Overview of Board Presentation on the Competition Act 2010 and the Personal Data Protection Act 2010 • In-House Directors' Training: Economic and Capital Market Review • 13th Annual Forbes Global CEO Conference • Sunway Managers' Conference 2013
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	• In-House Directors' Training: Economic and Capital Market Review
Dato' Jaffar Indot (Demised on 8 April 2014)	• Advocacy Sessions On Corporate Disclosure organised by Bursa Securities
Dato' Narendrakumar Jasani A/L Chunilal Rugnath	• IRB – CTIM Roadshow 2013 The Importance of Taxpayer Compliance • CTIM – Insights to Malaysia's First Transfer Pricing Litigation • Grant Thornton – Practical aspects of applying MFRS • Grant Thornton – Enhancing Corporate Governance • Grant Thornton – Tax Seminar on Malaysian Budget 2014 • CTIM – 2014 Budget Seminar • MIA Conference 2013
Onn Kien Hoe	• CCH ProSystem fx Engagement Reviewer Training • Financial Institutions Directors' Education (FIDE) Programme • Auditing for Fraud • In-House Directors' Training: Economic and Capital Market Review • Financial Accounting and Reporting for Takaful • Seminar on Liquidation • Seminar Percukaian Kebangsaan 2013

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Financial Reporting Standards

The Company's annual financial statements and quarterly financial results are reviewed by the Audit Committee in consultation with the external auditors to ensure the reliability of the Company's financial statements in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965, before recommending for the Board's approval and submission to Bursa Securities for announcement.

5.2 Relationship with External Auditors

The Audit Committee reviews the appointment, performance and remuneration of the external auditors, before recommending them to the shareholders for re-appointment in the Annual General Meeting.

The Audit Committee convenes meetings with the external auditors without the presence of the Executive Directors and Management of the Group whenever it deems necessary.

During the financial year ended 2013, the Audit Committee had conducted two (2) meetings with the external auditors without the presence of the internal Auditors and Management to discuss their audit plan, audit findings, financial statements and other matters that require the Board's attention.

During the year, the Audit Committee had assessed Messrs PricewaterhouseCoopers ("PwC") and is satisfied with the suitability and independence of PwC as external auditors of the Company.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound Framework

The Board through the Risk Management Committee and the Audit Committee, continually reviews the adequacy and effectiveness of the risk management processes in place within the various operating units with the aim of strengthening the risk management functions across the Company and the Group.

The features of the Company's risk management framework and the internal controls system are as highlighted in the Statement on Risk Management and Internal Control in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE
(continued)

6.2 Internal Audit Function

The Company has outsourced its internal audit function to KPMG Management and Risk Consulting Sdn Bhd beginning 2014, who has the relevant qualifications and is responsible in providing assurance to the Board via its periodical audit reports on the effectiveness of the internal controls.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies and Procedures

The Company has in place a Corporate Disclosure Policies and Procedures which sets out clear procedures on corporate disclosure, designated corporate disclosure officer and appointed spokespersons for the Company to ensure that material information disclosed by the Company is accurate, timely and complete. Clear roles and responsibilities of Directors, Management and employees are provided together with levels of authority provided to designated persons in handling and disclosing material information.

7.2 Leverage of Information Technology for Effective Dissemination of Information

Shareholders and investors can access the Company's website at www.maa.my for the latest corporate information of the Group. The Company's website provides all relevant information about the Company and is accessible by the public. It includes, amongst others, announcements by the Company, annual reports, the corporate governance structure and Code of Conduct of the Company.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Shareholders Participation at General Meetings

The Board notes the recommendation 8.1 of the Code to take reasonable steps to encourage shareholders participation at the AGM. The Company will use best endeavours to serve the notice of the AGM meeting to shareholders earlier than the minimum notice period of at least twenty one (21) days before the date of the meeting in order to allow the shareholders to make necessary arrangements to attend and participate either in person or by proxy.

The Company also took note of the recommendation on e-voting and will explore the suitability and feasibility of employing electronic means for poll voting in future.

8.2 Poll Voting

The Company duly notes recommendation 8.2 of the Code to encourage poll voting, and Paragraph 10.08(7A) of the Bursa Securities Main Market Listing Requirements which mandates poll voting for related party transactions.

8.3 Effective Communication and Proactive Engagement

The forthcoming Annual General Meeting ("AGM") will be a good opportunity for proactive engagement and communication between the Board, shareholders and investors.

The Chairman and the Board members will be present to address all queries from shareholders on issues related to the Company. The shareholders will have direct access to the Board and are encouraged to participate in the question and answer session.

COMPLIANCE WITH CODE

The Board is satisfied that the Company has implemented the principles and recommendations under the Code and believes that all material aspects have been complied with reasonably and in the manner most suited and appropriate for the Company in the best interest of all stakeholders.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION

1. **Utilisation of Proceeds Raised from Corporate Proposal**

   During the financial year ended 31 December 2013, there were no proceeds raised by the Company from any corporate proposal.

2. **Share Buy-Back**

   The Company has not purchased any of its own shares during the financial year ended 31 December 2013 and the preceding financial year.

3. **Options, Warrants or Convertible Securities**

   During the financial year ended 31 December 2013, there were no options, warrants or convertible securities exercised or converted by the Company.

4. **American Depository Receipt (ADR) or Global Depository Receipt (GDR)**

   The Company has not sponsored any ADR or GDR programme for the financial year ended 31 December 2013.

5. **Sanctions and/or Penalties**

   There were no sanctions and/or penalties imposed on the Company, its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2013.

6. **Non-Audit Fees**

   During the financial year ended 31 December 2013, the following non-audit fees were incurred by the Company for services rendered by the external auditors or a firm or corporation affiliated to them:

   (i) Ringgit Malaysia Three Hundred Eighteen Thousand (RM318,000.00) being fee for professional services rendered in connection with the review and validation of Zurich's counter claims with regards to alleged breach of warranties and indemnities in relation to the disposal of Malaysian Assurance Alliance Berhad;

   (ii) Ringgit Malaysia Three Thousand (RM3,000.00) being fee for professional services rendered in connection with the agreed upon procedures as Independent Scrutineers at the Fifteenth Annual General Meeting; and

   (iii) Ringgit Malaysia Two Hundred Thousand (RM200,000.00) being fee for professional services rendered in connection with the review of financial forecasts of the Group for PN17 regularisation plan.

7. **Variation in Results**

   The Company did not make or announce any profit forecast or projection during the financial year ended 31 December 2013. There was also no variation of 10% or more between the audited results and the unaudited result which were announced for the financial year ended 31 December 2013.

8. **Profit Guarantees**

   During the financial year ended 31 December 2013, there were no profit guarantees given by the Company.

9. **Material Contracts**

   There was no material contracts (not being entered into in the ordinary course of business) entered into by the Group which involved Directors and Shareholders, either still subsisting at the end of the financial year ended 31 December 2013 or entered into since the end of the previous financial year.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION (continued)

Recurrent Related Party Transactions of a Revenue or Trading Nature

On 20 June 2013, the Company sought approval for a shareholders' mandate for MAAG Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 29 May 2013) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the Listing Requirements of Bursa Securities.

The aggregate value of Recurrent Transactions conducted during the financial year ended 31 December 2013 are:

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2013 - 31/12/2013) RM '000
MAAG Group	Corporate secretarial and related services fees paid and payable	Trace Management Services Sdn Bhd ("Trace")	A company in which TY* and TYY* have deemed interest by virtue of their substantial interest in The Melewar Corporation Berhad, the substantial shareholder of Trace.	370
MAAG	Management fee income	MAAKL Mutual Bhd ("MAAKL Mutual") [(1)]	A 55% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, whose ultimate holding company is Khyra Legacy Berhad ("Khyra"). TY is the founder and ultimate beneficial owner of Khyra.	56
		MAA Bancwell Trustee Berhad ("MAA Bancwell")	An associated company and a company in which TY and TYY have deemed interest by virtue of their substantial shareholdings in Melewar Group Berhad ("MGB"), a shareholder of MAA Bancwell.	(676) **
MAA Takaful Berhad ("MAAT")	Provision of information technology services	MAAKL Mutual	A 55% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, whose ultimate holding company is Khyra. TY is the founder and ultimate beneficial owner of Khyra.	318
		MAA Bancwell	An associated company and a company in which TY and TYY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell.	6
MAAG	Human resource system licence fee income	MAAKL Mutual	A 55% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, whose ultimate holding company is Khyra. TY is the founder and ultimate beneficial owner of Khyra.	10
		MAA Bancwell	An associated company and a company in which TY and TYY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell.	-***
MAA Corporation Sdn Bhd ("MAA Corp")	Office service charge income	MAAKL Mutual	A 55% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, whose ultimate holding company is Khyra. TY is the founder and ultimate beneficial owner of Khyra.	79
		MAA Bancwell	An associated company and a company in which TY and TYY have deemed interest by virtue of their substantial shareholdings in MGB, a shareholder of MAA Bancwell.	1
		Melewar Equities Sdn Bhd ("MESB")	A company in which TY is deemed interested in MESB and MESB is a subsidiary of Khyra. TY is the founder and ultimate beneficial owner of Khyra. TYY is deemed interested in MESB by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	10

OTHER BURSA SECURITIES COMPLIANCE INFORMATION (continued)

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2013 - 31/12/2013) RM '000
MAA Corp	Office service charge income	Melewar Industrial Group Berhad ("MIG")	TY and TYY are directors of MIG. TY is deemed interested in MIG by virtue of his indirect substantial interest in MESB, who in turn is the major shareholder of MIG. TYY is deemed interested in MIG by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	15
MAA Corp	Office rental income	MESB	A company in which TY is deemed interested in MESB and MESB is a subsidiary of Khyra. TY is the founder and ultimate beneficial owner of Khyra. TYY is deemed interested in MESB by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	43
		MIG	TY and TYY are directors of MIG. TY is deemed interested in MIG by virtue of his indirect substantial interest in MESB, who in turn is the major shareholder of MIG. TYY is deemed interested in MIG by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	67
		Trace	A company in which TY and TYY have deemed interest by virtue of their substantial interest in The Melewar Corporation Berhad, the substantial shareholder of Trace.	86
MAAT	Disaster recovery centre services income	MAAKL Mutual	A 55% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, whose ultimate holding company is Khyra. TY is the founder and ultimate beneficial owner of Khyra.	153
MAA International Assurance Ltd	Provision of corporate advisory services	MAACA Labuan Ltd ("MAACAL")	TY is deemed interested in MAACAL by virtue of his deemed substantial interest in MAA Corporate Advisory Sdn Bhd, who in turn is the subsidiary of MAA Corp, who in turn is a subsidiary of MAAG.	-
MAA Corp	Property management service income	MAAKL Mutual	A 55% subsidiary of the Company and 20% owned by Khyra Liberty Sdn Bhd, whose ultimate holding company is Khyra. TY is the founder and ultimate beneficial owner of Khyra.	44
MAAG	Office rental charge	Melewar Integrated Engineering Sdn Bhd ("MIE")	TYY is a director of MIE. MIE is a subsidiary of MIG. TY is deemed interested in MIE by virtue of his indirect substantial interest in MIG. TYY is deemed interested in MIE by virtue of his family relationship with TY.	61

Definition:
* TY is Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
* TYY is Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
** Consist of management fee charged to MAA Bancwell of RM204,000 and a fee reduction of RM880,000 for previous year's management fee charged for services rendered on a special purpose vehicle ("SPV") assignment undertaken by MAA Bancwell. The fee reduction was on a back-to-back fee discount given by MAA Bancwell to the bondholders of the SPV after due negotiation.
*** Transaction value of RM204 only

(1) MAAKL Mutual Bhd ceased to be a subsidiary of MAAG Group on 31 December 2013.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code of Corporate Governance 2012 ("Code") recommends that the Board of Directors ("the Board") of listed Companies should maintain a sound risk management and internal control framework in order to safeguard shareholders' investments and the Company's and Group's assets. Bursa Malaysia Securities Berhad's Listing Requirements also requires the Board of a listed Company to include a statement on the state of their internal controls in their annual reports.

In view of the above, the Board of the Company is pleased to present the following statement that is prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" issued by Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITY

The Board recognises their responsibility for upholding an effective and adequate risk management and internal control system, which contributes materially to good corporate governance. In line with this objective, the Board acknowledges its responsibility of ensuring the principal and significant risks of the Company and Group are identified, evaluated, mitigated and properly managed by the risk management and internal control systems of the Company on a continuing basis. Towards this end, the Board has agreed to outsource the Group Risk Management function to a third party service provider. This initiative is aimed at eliminating the negative impact of the high personnel turnover which was experienced in the recent years and impacted work quality, continuity, and coverage of the planned scope of work.

From time to time, the Board has received assurance from the Chief Executive Officer and Chief Operating Officer that the risk management and internal control system is operating in an adequate and effective manner, and that it is sufficient to safeguard the interests of the Company and the Group.

The Board acknowledges that a sound risk management and internal control system provides reasonable but not absolute assurance, that the Company and the Group will not be hindered in achieving its business objectives in the ordinary course of business.

The Board also accepts the fact that a sound internal control system, can only reduce, but not eliminate the risks deriving from poor judgment in decision-making; human error; control processes being deliberately circumvented by employees, and any other unforeseeable circumstances.

As part of the Group's effort to comply with the Code as well as to enhance the overall risk governance structure, MAA Takaful Berhad ("MAAT") as the core operating subsidiary company has a dedicated Risk Management team. The Head of Risk Management of MAAT reports to their respective Risk Management Committee and Board.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee ("RMC") was established by the Board to review the effectiveness of the risk management process and report on key risks and recommend appropriate risk management strategies for the Board's approval.

The Committee had met four (4) times during the financial year. The Risk Management Committee as at the date of this Annual Report are as follows:

Chairman : Dato' Narendrakumar Jasani A/L Chunilal Rugnath - Independent Non-Executive Director
(Appointed as a member on 5 September 2012 and subsequently as Chairman on 17 April 2014)

Members : Tan Sri Ahmad bin Mohd Don *(Appointed on 5 September 2012)*
: Datuk Seri Razman Md Hashim *(Appointed on 17 April 2014)*
: Onn Kien Hoe *(Appointed on 17 April 2014)*

- Risk Management Committee Meetings held during the financial year ended 31 December 2013 were as follows:

Name of Committee Members	**Total Meetings attended**
Dato' Jaffar Indot *(Demised on 8 April 2014)* *(Chairman, Independent Non-Executive Director)*	3/4
Dato' Narendrakumar Jasani A/L Chunilal Rugnath *(Member, Independent Non-Executive Director)*	4/4
Tan Sri Ahmad bin Mohd Don *(Member, Independent Non-Executive Director)*	4/4

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

INTERNAL CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

Management acknowledges its responsibility for the management of risks, for developing, operating and monitoring the system of internal controls and for providing assurance to the Board that it has done so in accordance with the policies adopted by the Board. Further assurance is provided by the Internal Audit function which operates across the Group with emphasis on key operating units within the Group. Acknowledging the need for an effective and independent Internal Audit function as an integral part of the control structure and risk management framework of the Company and the Group, the Internal Audit activities were outsourced to a third party service provider. This was an initiative to improve the effectiveness of the Internal Audit function.

The Board fully understands the contents of the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" and through the Risk Management Committee and the Audit Committee, continually reviews the adequacy and effectiveness of the risk management processes in place within the various operating units with the aim of strengthening the risk management functions across the Company and the Group.

The Board and Management also recognise and acknowledge that the development of an effective risk management and internal control system is an ongoing process and to this end maintains a continuous commitment to strengthen the existing risk management and internal control environment of the Company and the Group.

GROUP RISK MANAGEMENT DEPARTMENT

The day-to-day responsibility for risk management is primarily supported by the Group Risk Management Department ("GRMD"), which is charged with the responsibility of overseeing the implementation of the approved Enterprise Risk Management ("ERM") framework. The GRMD is responsible for developing tools and methodologies to govern the conduct of the business with particular emphasis on identifying and mitigating risk exposures. This includes assessing the adequacy of the internal control systems.

The Group outsourced its Risk Management activities beginning 2014. The service provider commenced work at the end of 2013 by conducting training to the staff of MAA Group Berhad and MAA Takaful Berhad. Following this initiative, the Management has taken the necessary steps to ensure the full adoption and deployment of the Q-radar system throughout the Group.

OTHER KEY RISK MANAGEMENT AND INTERNAL CONTROL ELEMENTS

- Clearly defined terms of reference, authorities and responsibilities of the various committees which include the Audit Committee, Risk Management Committee, Nomination and Remuneration Committee and Investment Committee.

- A well defined organisational structure with clear segregation of duties, accountability and the delegation of responsibilities to Senior Management and the respective division heads including appropriate authority limits to ensure accountability and approval responsibility.

- Budgets are prepared annually for the Business/Operating units and approved by the Board. The budgets which include both operational and financial parameters and longer term initiatives are monitored on a quarterly basis.

- The Chief Executive Officer/Group Managing Director meets regularly with Senior Management to discuss issues pertaining to the financial performance, business initiatives and other management and corporate issues of the Company and the Group.

- There are regular Board meetings and Board papers are distributed in advance to all Board Members. Decisions of the Board are only made after the required information is made available and deliberated on. The Board maintains complete and effective control over the strategies and direction of the Company and the Group.

- The Audit Committee reviews the effectiveness of the system of risk management and internal control of the Company and the Group on behalf of the Board. The Audit Committee comprises entirely by Non-Executive Members of the Board, who are also Independent Directors. The Audit Committee is not restricted in any way in the conduct of its duties and has unrestricted access to the internal and external auditors of the Company and to all employees of the Company and the Group. The Audit Committee is also entitled to seek such other third party independent professional advice deemed necessary to the performance of its responsibility.

- Reviews by the Audit Committee of all risk management internal control issues identified by the external and internal auditors. Findings are communicated to the Management and the Audit Committee with recommendations for improvements and follow up reviews are conducted by Internal Auditors to confirm all agreed recommendations are implemented. The internal audit plan is structured on a risk based approach and is reviewed and approved by the Audit Committee.

- Review of all proposals for material capital and investment opportunities by the Investment Committee and approval of the same by the Board prior to undertaking the expenditure.

- Generating reports in respect of the business and operating units to enable proper review of the operational, financial and regulatory environment. Management Accounts are prepared on a monthly basis and is reviewed by the Chief Executive Officer/Group Managing Director together with the Senior Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

WEAKNESSES IN RISK MANAGEMENT AND INTERNAL CONTROL RESULTING IN MATERIAL LOSS

The Board is of the opinion that there was no significant weakness identified during the year in the system of risk management and internal control, contingencies or uncertainties that could result in material loss and adversely affect the Company and the Group. The Company and the Group continues to take necessary measures to strengthen its internal control structure and the management of risks.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF ANNUAL AUDITED ACCOUNTS

The Directors are responsible for ensuring that the annual audited financial statements of the Company and the Group are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and the Listing Requirements of Bursa Securities.

The Directors are also responsible for ensuring that the annual audited financial statements of the Company and the Group are prepared with reasonable accuracy from the accounting records of the Company and the Group so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2013.

In preparing the annual audited financial statements, the Directors have:

(a) applied the appropriate and relevant accounting policies on a consistent basis;

(b) made judgments and estimates that are reasonable and prudent; and

(c) prepared the annual audited financial statements on a going concern basis.

AUDIT COMMITTEE REPORT

MEMBERSHIP AND MEETINGS

The members of the Audit Committee are wholly Independent Non-Executive Directors. The details of members and attendance of meetings held during the financial year ended 31 December 2013 are as follows:

Name of Committee	No. of Meetings Attended
Onn Kien Hoe *(Chairman, Independent Non-Executive Director)*	6/6
Datuk Seri Razman Md Hashim *(Member, Independent Non-Executive Director)*	4/6
Tan Sri Ahmad bin Mohd Don *(Member, Independent Non-Executive Director)*	6/6
Dato' Jaffar Indot *(Demised on 8 April 2014)* *(Member, Independent Non-Executive Director)*	3/6
Dato' Narendrakumar Jasani A/L Chunilal Rugnath *(Member, Independent Non-Executive Director)*	6/6

The Company has fulfilled the requirements of Section 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with regard to composition of the Audit Committee. The Committee met according to the schedule of at least once every quarter. The Group Managing Director or Chief Executive Officer, Chief Operating Officer, Independent Non-Executive Directors, External Auditors and members of Senior Management were also invited to attend the meetings. Notice of meeting was given to the Audit Committee members accordingly and minutes of meetings were distributed to the Board members and the Audit Committee Chairman reports to the Board. The Company Secretary, Ms. Lily Yin Kam May is the Secretary to the Audit Committee.

The Audit Committee has met twice with the External Auditor without the presence of the Executive Board members and Senior Management team.

TERMS OF REFERENCE

Composition

The members of the Audit Committee shall be appointed by the Board from among the Directors of the Company and comprising no fewer than three (3) Directors, of whom all must be Non-Executive Directors, with majority of them being Independent Directors.

The members of the Audit Committee shall elect among them an Independent Non-Executive Director as Chairman of the Audit Committee.

All members of the Audit Committee should be financially literate and at least one (1) member of the Audit Committee:

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and:-
  i. he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
  ii. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

Where the Chairman is unable to attend the meeting, the members shall elect a person among themselves as Chairman. No alternate director shall be appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the Company must fill the vacancy within three (3) months.

The Board of Directors must review the term of office and performance of the Audit Committee at least once every three (3) years to determine whether the Audit Committee has carried out their duties in accordance with their terms of reference.

Meetings

The Senior Management's representatives, Internal Audit representatives, and External Auditors' representatives attend the meetings when appropriate. Other Board members and employees may attend meetings upon invitation of the Audit Committee. The Committee should meet with the External Auditors without Board members present at least twice every year.

Quorum

A quorum shall consist of a majority of Audit Committee members who are Independent Directors.

AUDIT COMMITTEE REPORT
(continued)

Secretary

The Secretary of the Company shall also be the Secretary of the Audit Committee. The Secretary shall be responsible for drawing up the agenda in consultation with the Chairperson and shall be responsible for keeping the minutes of the meeting of the Audit Committee, circulating them to committee members and ensuring compliance with regulatory requirements. The agenda together with relevant explanatory papers and documents are circulated to the committee members.

Authorities

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company:

- Have explicit authority to investigate any activity within its terms of reference;
- Provided with resources as well as full and unrestricted access to all information which are required to perform its duties;
- Maintain direct communication channels and convene meetings with the Internal Auditors or External Auditors, or both, without the attendance of the Executive Directors and Senior Management team, whenever deemed necessary;
- Obtain, if it considers necessary, external independent professional advice and to invite the attendance of outsiders with relevant experience; and
- Where an Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the requirements, the Audit Commitee must promptly report such matter to Bursa Securities.

In discharge of the above functions, the Group Internal Audit has been empowered by the Board to have:

- Necessary resources which are required to perform its duties; and
- Full and unrestricted access to any information and documents relevant to its activities.

Duties and Responsibilities

The Chairman of the Audit Committee should engage on a continuous basis with Senior Management, such as the Chairman, Chief Executive Officer, Finance Director, Chief Audit Executive and the External Auditors in order to be kept informed of matters affecting the Company. The duties and responsibilities of the Audit Committee are as follows:

- **Internal Audit Function**

  i. To review the adequacy of the scope, functions, resources and competency and ensure that it has the necessary authority to carry out its work;

  ii. To assess internal audit programmes, processes, results of the audit and whether or not appropriate action has been taken on the recommendations; and

  iii. To review the Internal Audit reports and to ensure that appropriate and prompt remedial action is taken by Management on lapse in controls or procedures that are identified by Internal Audit.

- **External Audit**

  i. To consider the appointment of the External Auditor, the audit fee and any question of resignation or dismissal and make recommendations to the Board;

  ii. To assess the qualification, expertise, resources and effectiveness of the External Auditors;

  iii. To monitor the effectiveness of the External Auditors' performance and their independence and objectives;

  iv. To discuss with the External Auditor the audit plan, evaluation of the system of internal control and the External Audit Report as well as to review the External Auditor Management letter and Management's response;

  v. To review major audit findings raised by the External Auditors and Management's response, including the status of previous audit recommendations;

  vi. To review the assistance given by the Group's officers to the External Auditors and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information; and

  vii. To review or approve non-audit services provided by the External Auditors.

AUDIT COMMITTEE REPORT
(continued)

- **Financial Reporting and Annual Report**

  To review the quarterly and year-end financial statements prior to recommendation to the Board, focusing particularly on:-

  i. Changes in accounting policies and practices;

  ii. Significant adjustments arising from the audit; and

  iii. Compliance with applicable accounting standards and other legal and regulatory requirements.

- **Related Party Transaction**

  To review related party transactions and conflict of interest situations that may arise within the Group including any transactions, procedures or course of conducts that may raise questions on Management's integrity.

- **Investigation**

  Instruct an investigation on any activities or matters within its terms of reference.

- **Other Matters**

  Act on other matters as the Committee considers appropriate or as authorised by the Board of Directors.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2013, the Audit Committee has carried out its duties as set out in the terms of reference. The main activities were as follows:

Internal Audit Function

- Reviewed the annual audit plan to ensure adequate scope and coverage over the activities of the Group, focusing mainly on high risks areas;
- Reviewed the effectiveness of the audit methodology, adequacy of resources and the competency of the Internal Auditors;
- Reviewe d internal audit reports and Management's response to the audit recommendations;
- Monitored Management's progress on implementation of audit recommendations; and
- Reviewed the appraisal on performance and remuneration of Internal Auditors.

External Audit

- Reviewed the audit scope, audit strategy, audit plan and Audit Report issued for the financial year;
- Assessed the objectivity and independence of the External Auditors during the year;
- Evaluated the performance and effectiveness of the External Auditors and make recommendations to the Board on their appointment and audit fee; and
- Reviewed major audit findings raised by the External Auditors and Management's response, including the status of previous audit recommendations.

Financial Reporting and Annual Report

- Reviewed the quarterly unaudited financial results and annual audited financial statements of the Group to ensure that financial reporting and disclosure requirements are in compliance with relevant standards and regulations, prior to recommendation to the Board for approval.

AUDIT COMMITTEE REPORT
(continued)

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by Group Internal Audit Department ("GIAD") which conducts audit for the whole Group except for MAA Takaful Berhad which is supported by their own Internal Audit Department.

GIAD assists the Board, Audit Committee and Senior Management in discharging their duties and responsibilities by providing an independent and objective assurance on the adequacy and effectiveness of the internal control system, risk management and governance processes. The annual audit plan was developed based on assessment of the significance of potential risk exposure of respective auditable areas. The audit scope covers operational, financial, compliance and information system control. It seeks to ensure that internal controls embedded in respective business processes are adequate and effective in mitigating associated risks to the level acceptable to the Management. The results of the audit are reported to the Audit Committee on a quarterly basis to highlight major audit internal control issues with significant risk exposure and effectiveness of the existing mitigating internal controls. An audit follow-up would also be carried out to report on the progress of implementation of audit recommendations to the Audit Committee.

During the financial year, the following activities were carried out by Internal Audit Function:

- Developed annual audit plan and prioritisation of auditable areas based on significance of potential risk exposure to the Group results, input from Senior Management and the Audit Committee, and in cognisance of Group business objectives and goals;
- Executed audit of respective business units and processes based on systematic and disciplined risk based audit approach;
- Ascertained the extent of compliance with established policies and procedures and statutory requirements;
- GIAD also conducted audit on Information Systems of the Group;
- Carried out ad hoc audit assignments and special reviews as requested by Senior Management and Audit Committee;
- Carried out investigation into activities or matters as instructed by the Audit Committee and Senior Management;
- Recommended improvements to existing internal control system and work processes; and
- Preparation of Audit Committee Report and Statement on Risk Management and Internal Control for inclusion into Annual Report for financial year ended 31 December 2013.

CORPORATE SOCIAL RESPONSIBILITY

Introduction

As a responsible corporate entity, MAA Group Berhad ("MAAG" or the "Company") takes pride in its CSR initiatives. We are continuously developing new and improved policies that incorporate responsible practices into our daily business operations.

We believe that an organisation's values and objectives are witnessed through its strategic CSR applications which in turn, builds a sustainable and profitable future in the marketplace, the environment, the workplace and the community.

CSR in the Marketplace

MAAG encourages transparency and ethical procurement practices that preserve the interests of our stakeholders. We believe in acting responsibly by delivering quality products that are of value for money and by meeting the demands of customers. By ingraining CSR practices into our business strategies, we now have the opportunity to continually affect change, increase profitability and provide options for business investments.

CSR and the Environment

Whilst our day-to-day business operations are not industrial in nature, the Company has always embraced a green policy which reduces overall waste. MAAG is committed to operating in a manner that minimises the use of the earth's resources.

CSR within the Workplace

MAAG is committed towards the well-being of our employees; regarded as the Company's greatest assets. We have developed a safe and healthy working environment that nurtures the personal growth of our employees.

Our initiatives include;

1. Health, Safety and Employee Welfare

   Our Occupational Safety & Health ("OSH") team looks into all aspects of office safety and health, and organises activities compliant with the Department of Occupational Safety and Health (DOSH) regulation standards. Aligned with this, the Company implemented a Safety Policy on 1st January 2013 with the objective of introducing a safe working culture and providing a safe working environment to all employees.

   Some of the activities conducted by MAAG's OSH team include; health talks on the importance of health screening, reducing the risk and early detection of breast cancer, nutrition and fatigue management; fire drill pre-exercise briefing; blood donation drive and city survival training.

2. Staff Training

   Training and development are essential learning tools in any organisation. A highly motivated, skilled and qualified workforce is the key to success. At MAAG, staff training is designed to suit various levels within the organisation; from clerical to senior management staff.

   The various types of employee training modules that cover specific topics include; leadership and management skills, information technology, industrial and industry training and technical training.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

3. Agent and Advisor Training

   We have always extended training to our Consultants and Unit Trust Advisors, who we believe, are essential in our Company. These specific trainings are vital in enhancing their professionalism; ensuring they remain industry-competitive and knowledgeable. Working hand-in-hand with our Advisors, we have developed many practical signature courses to enhance one's individual potential and growth.

   We are also, in continuous collaboration with LIMRA International and Centre for Research and Training (CERT) in developing all our training modules and materials in order to ensure the quality of our training programmes.

4. Staff Benefits

   Rewarding our staff through incentives, company benefits and career advancement opportunities have always been the Company's priority. In 2013 alone, a total of RM1,897,599.00 and RM345,675.00 were spent on staff retirement gratuity and training respectively.

5. Long Service Awards

   The Long Service Awards ceremony is held to recognise employees who have completed five or more, years of service with MAAG and its subsidiaries. In 2013, 68 employees who had completed 5 to 10 years of service and 18 employees who had completed 15 to 30 years of service, received their awards and tokens in the form of mementos and cash.

6. Gymnasium and Exercise Classes

   A healthy mind and body contributes to a productive workforce. MAAG recognises the importance of maintaining a healthy work-life balance and has taken the initiative to provide our employees with fitness facilities at a subsidised cost.

CSR within our Community

MAAG plays a positive role in society through various programmes that benefit the local community. The following are some of our CSR initiatives;

MAA Medicare Kidney Charity Fund ("MAA Medicare")

1. MAA Medicare opened its doors to the public in 1994 to provide treatment to needy kidney patients. The organisation presently has 12 centres throughout Malaysia, with over 220 dialysis machines, caring for more than 820 patients, all of whom have been pre-screened, as needy individuals. From a shop lot in Jalan Ipoh, equipped with just 7 machines and caring for 20 patients, MAA Medicare has grown by leaps and bounds to become the second largest dialysis provider in Malaysia.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

Some of the activities and fundraising events of MAA Medicare were;

- Roche Children's Walk raised RM33,628.00 in aid of MAA Medicare
- Received a 12-seater van donation worth RM88,000.00 from Chemstation Asia
- "Celebrate Life 2" – Patients, staff and volunteers scaled Broga Hill to raise funds for growing number of kidney patients and the Patient Welfare Fund at its Klang Valley centres
- Received dialysis machines and medical equipment donated by Global Minerals (Sarawak), SP Setia, Amcorp Properties Berhad and Jazzercise Malaysia
- "Jazzercise Malaysia Sweat 2 Smiles 2013" – Raised RM70,000.00 to upgrade MAA Medicare's dialysis centres in Penang, Kelantan, Pahang and Selangor
- Organised "Dress Down Day", a campaign in aid of World Kidney Month
- "Walk a Mile With Me 2" – A collaboration between MAA Medicare Johor Bahru (1 and 2) and Johor Bahru Lions to raise funds for kidney patients who receive treatment at MAA Medicare

2. The Budimas Charitable Foundation ("Budimas")

Budimas was incorporated under the Trustees Act 1952 and is under the royal patronage of DYMM Seri Paduka Baginda, Raja Permaisuri Agong. Budimas supports more than 860 orphaned and underprivileged children in 14 charitable homes throughout the country, under the Budimas Home Charity Fund.

The Budimas Food Charity Fund provides breakfast to 2,530 underprivileged school children in 48 schools across five states in Malaysia (i.e. in Selangor, Kuala Lumpur, Malacca, Negeri Sembilan and Pulau Pinang).

The Budimas Education Charity Fund, launched in November 2013, focuses its efforts to provide rural children with the means for quality education and learning. Its pioneer library project is being constructed in Kg. Bukit Kepong, Port Dickson and is expected to be completed in 2014.

In 2013, some of the activities and fundraising events of Budimas were;

- Budimas' Direct Debit Donor Programme raised RM7,700,000.00
- Budimas' Direct Debit Mail Appeal raised RM62,000.00
- OCBC Cycle Malaysia selected Budimas as one of its three charity participants for the OCBC Cycle Malaysia Corporate Charity Challenge 2013 which raised RM25,000.00 for the foundation
- Genting Group donated RM30,000 to Budimas at the Genting Group Chinese New Year Luncheon
- The children of Budimas Orion were treated to a day of fun activities whilst being educated on "Going Green" organised by Shalini Ganendra Art Foundation
- Received a donation of RM100,000.00 from KYB-UMW Malaysia Sdn Bhd as part of their Caring and Sharing programme
- Serta International (M) Sdn Bhd donated 100 pillows and 30 mattresses for the new Budimas home as part of their CSR programme
- Launched the Budimas Education Charity Fund followed by a book auction which raised RM62,500.00
- Joined forces with Big Bad Wolf Books under their Red Readerhood programme which garnered 14,000 brand-new books for Budimas' four new rural library projects
- Mamee and Shell's joint partnership selected Budimas from a shortlist of charities and raised RM12,800.00 for the foundation
- Budimas 9th Annual Charity Raffle raised RM440,246.00




CORPORATE SOCIAL RESPONSIBILITY
(continued)

3. Donations for Charitable Causes

MAAG believes in aiding other charitable causes which will benefit the local and international community. In 2013, RM95,300.00 was extended as donations for the following;

- Dress Down Day in aid of MAA Medicare – RM5,000.00
- Baktisiswa Faculty of Medicine University Malaya 2013 – RM15,000.00
- Sentul Race Series – RM15,000.00
- Islamic Fashion Festival (IFF) Paris – RM5,000.00
- OCBC Cycle Malaysia (Corporate Charity Challenge) – RM5,000.00
- St John's School Magazine Advertisement – RM500.00
- Philippine Red Cross, GMA Kapuso Foundation and ABS-CBN Foundation in aid of Typhoon Haiyan Relief – RM49,800.00

MAA Takaful Berhad contributed a total of RM95,000.00 for the following;

- Wakaf Contribution to Bank Muamalat – RM50,000.00
- Zakat Contribution in aid of the flood victims in Kuantan, Pahang – RM10,000.00
- Islamic Fashion Festival (IFF) Paris – RM10,000.00
- MAA Medicare for Greeting Cards – RM20,000.00
- Dress Down Day in aid of MAA Medicare – RM5,000.00

MAAKL Mutual Bhd contributed a total of RM16,115.00 for the following;

- Dress Down Day in aid of MAA Medicare – RM5,000.00
- Kelab Angsana for Family Day Programme – RM1,000.00
- Kiwanis Treasure Hunt T-shirts – RM5,115.00
- Islamic Fashion Festival (IFF) Paris – RM5,000.00

BUSINESS SUSTAINABILITY

Reinforcing the Group's long term commitment towards the business sustainability agenda, initiatives during the year represented largely a continuum of those previously described. Some of these, which were in the planning phase in FY2012, took a more definitive form or were brought to fruition in FY2013. Amongst others, these included the ceasure of operations by a loss making subsidiary, reviewing the financial impact of enhancing retention levels to improve the profitability of MAA Takaful Berhad ("MAAT") and the outsourcing of the Risk Management and Internal Audit functions at Group level, to overcome turnover / expertise constraints.

Notwithstanding the above and in line with the Group's stated goal of making sustainability an integral part of its business strategy, a number of new initiatives were introduced during the period under review.

MAAT managed another industry first with the rollout of the Innovative Multiplatform Agency Application Portal (iMAAP). Representing an extension of the award winning Innovative Consultant Management System (iCMS), the iMAAP facilitates the electronic submission of insurance proposals via tablets and smart phones operating on the iOS, Android or Windows systems. It is also a cost-effective option in enhancing interaction with the sales force since it eliminates the need to build, maintain and update multiple mobile sites in multiple languages. As a sales tool, iMAAP improves the customer experience. This is because it encapsulates the elements of speed, professionalism and effectiveness in the entire value chain i.e. from the point of capturing the clients' data and needs analysis; through delivery of sales quotes to end stage closure of the deals with e-signatures.

The iMAAP has allowed MAAT to virtually close and automate the entire loop of a typical sales transaction by allowing for the issuance of the E-Certificate. This gives the customer the option to receive their Takaful Certificates in a web-based portal called "MyAccount" thus allowing them to access the Certificates and other related information at the click of a button. The Company is expected to save about RM8.47 per certificate in terms of printing costs and reduce the length of the turnaround time for certificate issuance by two days with this facility in place.

From a broader perspective, it also obviates the need for customers to get in touch with Customer Care or the sales Consultants for any information on their policies as these can now be accessed directly from the secure personal depository in the portal. This also eliminates complaints of missing or misdirected mails and reduces individual carbon footprints.

During the year, Group Human Resources initiated the preliminary steps to transform and restructure specific existing practices in order to emplace a more proactive and innovative work regime. Central to this, is the deployment of a technology enabled personnel management system which is designed to operate as a self-service interface for employees. It is envisaged that, this change will not only increase but also enhance the quality of the direct engagement with staff members particularly those at the line level. It will also substantially reduce the current high daily volume of operational tasks and paper based work processes performed in the Human Resource Departments.

Concomitant with this IT based access and process enhancement, Group Human Resource had instituted a review of the staff benefits package with a view to bring them in line with market practices and to reduce elevated attrition levels in specific job segments.

As the Group's activities in the sustainability realm cover a wide spectrum, it will be instructive to read this section together with that on Corporate Social Responsibility that appears on Page 55.

Financial Statements 2013

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and providing management services, whilst the principal activities of the subsidiaries are as stated in Note 9 to the financial statements.

There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year, other than the significant events as disclosed in Note 50 to the financial statements.

FINANCIAL RESULTS

The results of the operations of the Group and the Company for the financial year were as follows:

	GROUP	COMPANY
	RM'000	RM'000
Profit/(loss) for the financial year attributable to:		
- Owner of the Company	4,708	(9,637)
- Non-controlling interests	(890)	-
	3,818	(9,637)

DIVIDENDS

The Company paid an interim gross dividend of 3 sen per share in respect of the financial year ended 31 December 2013, less income tax totalling RM6,848,000 on 5 July 2013. The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2013.

The Company paid an interim gross dividend of 3 sen per share under the single-tier dividend system, in respect of the financial year ending 31 December 2014 totalling RM9,131,000 on 18 April 2014.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are as disclosed in the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last report are:

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Muhamad Umar Swift
Yeo Took Keat
Datuk Seri Razman Md Hashim bin Che Din Md Hashim
Tan Sri Ahmad bin Mohd Don
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Dato' Jaffar Indot (demised on 8.4.2014)
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Onn Kien Hoe

In accordance with Section 129(6) of the Companies Act, 1965, Datuk Seri Razman Md Hashim bin Che Din Md Hashim retires and being eligible, offer himself for re-election.

In accordance with Article 73 of the Company's Articles of Association, Muhamad Umar Swift and Tan Sri Ahmad bin Mohd Don retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' REPORT
(continued)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in the shares of the Company are as follows:

	Number of ordinary shares of RM1.00 each			
Company	At 1.1.2013	Acquired	Disposed	At 31.12.2013
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY") - Indirect #	105,777,084	-	-	105,777,084
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY") - Indirect *	105,777,084	-	-	105,777,084
Tan Sri Ahmad bin Mohd Don	2,055,000	-	-	2,055,000
Datuk Seri Razman Md Hashim bin Che Din Md Hashim	150,000	-	-	150,000
Yeo Took Keat	80,000	-	-	80,000

Deemed interested by virtue of TY being the founder and ultimate beneficial owner of Khyra Legacy Berhad, the holding company of Iternum Melewar Sdn Bhd who is in turn a substantial shareholder of Melewar Equities Sdn Bhd. Melewar Equities Sdn Bhd is the holding company of Melewar Equities (BVI) Ltd.

* Under Section 6A(4) of the Companies Act, 1965, TYY is deemed interested in Khyra Legacy Berhad's deemed interest in the Company by virtue of his family relationship with TY.

By virtue of the above mentioned Directors' interests in the shares of the Company, they are also deemed to have a substantial interest in the shares of the subsidiaries of the Company to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration, fees paid to a company in which certain Directors have an interest and benefits provided to Directors as disclosed in Note 32 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and the Company misleading.

DIRECTORS' REPORT
(continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

For the purpose of the above paragraph, contingent liabilities or other liabilities do not include liabilities arising from contracts of insurance/takaful underwritten in the ordinary course of business of the insurance/takaful subsidiaries of the Company.

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the gain on disposal of subsidiaries as disclosed in the "Significant Events During The Financial Year and Subsequent to the Financial Year End" in this report and in Note 50 to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made, other than as disclosed in the "Significant Events During The Financial Year and Subsequent to the Financial Year End" in this report and in Note 50 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END

(a) On 30 September 2011, the Group completed the disposal of its entire 100% equity interest in Malaysian Assurance Alliance Berhad ("MAA Assurance") (now known as Zurich Insurance Malaysia Berhad) and other identified subsidiaries, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd (hereinafter collectively known as the ("Disposed Subsidiaries") to Zurich Insurance Company Ltd ("Zurich") for a total cash consideration of RM344.0 million ("the Disposal")).

Under the terms of the Conditional Sale and Purchase Agreement ("SPA") with Zurich in relation to the Disposal, there is an adjustment to the sale consideration of RM344.0 million equal to the difference between the aggregate net asset value of the Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 ("Adjustment to Consideration"). The Adjustment to Consideration shall be finalised within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless dispute arises which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA.

On 30 December 2011, based on the Draft Completion Accounts and Statement of Aggregate Net Assets Value of the Disposed Subsidiaries prepared by and received from Zurich, there was an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equaled to the difference between the aggregate net asset value of the Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011.

On 17 February 2012 and 12 April 2012, the Company submitted notifications of disputes to Zurich to disagree certain downward adjustments ("Disputed Matters") made to the Draft Completion Accounts and Statement of Aggregate Net Assets Value of the Disposed Subsidiaries.

On 28 June 2012, the Company received RM30.1 million in the escrow account from Zurich being the net held back sum upon satisfaction of certain conditions precedent in the SPA in relation to Prima Avenue Klang property ("PAK"), one of the real properties owned by MAA Assurance.

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich that confirmed an overstatement of RM5.3 million in the life fund liabilities of MAA Assurance in the Draft Completion Accounts.

On 27 July 2012, the Company received RM20.6 million in the escrow account from Zurich being the held back sum upon satisfaction of certain conditions precedent in the SPA in relation to Mithril's 3% 8-year redeemable convertible secured loan stocks ("RCSLS").

On 2 November 2012, the Company filed and served a notice of arbitration against Zurich with the Singapore International Arbitration Centre seeking, inter alia, declarations to refer the disputes on the calculation of general insurance reserves and other disputed matters in the Draft Completion Accounts to an Expert Accountant in accordance with terms of the SPA in order to determine the final selling price of the Disposed Subsidiaries, as well as further declarations to be entitled to receive payment of escrow monies in accordance with the Escrow Agreement dated 28 September 2011 having satisfied the requirements under the SPA and the Side Letter dated 17 August 2011 in respect of the PAK, together with damages, interests and costs.

On 24 July 2013, the Company entered into a settlement agreement ("Settlement Agreement") with Zurich for settlement of the Disputed Matters in relation to the Draft Completion Accounts and PAK ("Proposed Settlement").

DIRECTORS' REPORT
(continued)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (continued)

Subject to fulfilment of the conditions precedent set out in the Settlement Agreement, the salient terms of the Proposed Settlement, inter alia, include the following:

(i) The parties agree and acknowledge that the final agreed additional consideration payable by Zurich shall be RM103,428,081 incorporating all adjustments on the general insurance reserves, general receivables and life liabilities reserve as specified in the Settlement Agreement.

(ii) With respect to settlement of impairment dispute on Senai Desaru and Domayne bonds ("Bonds"), the Company agrees to accept transfer of the Bonds at the impaired carrying values and the deduction of the Bonds transfer price from the additional consideration payable by Zurich.

(iii) The parties acknowledge that the amount of RM103,428,081 is subject to the deduction of the Bonds transfer price and PAK Hold Back Amount (as defined in (iv) below), such that the net amount of additional consideration payable by Zurich into the escrow account is RM78,825,822.

(iv) Zurich shall instruct and withhold an amount of RM3.0 million ("PAK Hold Back Amount") until delivery of the individual strata titles for Block A of PAK within 3 years period.

In furtherance of the Company's obligations in relation to (iv) as disclosed above, and to recover the Company's initial investment of RM20.0 million in the development (hereafter defined) arising from the original sale of MAA Assurance to Zurich on 30 September 2011, the Company had on 30 July 2013 entered into a joint venture agreement ("JVA") with PIMA Pembangunan Sdn Bhd ("PIMA") in respect of a commercial development known as Prima Avenue Klang or Pusat Perniagaan Prima Klang ("Development") which currently comprise of Block A and Block B office space and/or shop lots and a building platform for Block C (to be built). The Development is currently charged to Malayan Banking Berhad by way of first legal charge. As disclosed in Note 13(b) to the financial statements, an amount of RM19.4 million has been extended by the Company to PIMA under the JVA as at 31 December 2013.

On 11 September 2013, the Company announced that the Disputed Matters in relation to the Draft Completion Accounts between the Company and Zurich had been settled on that day and the Company had duly received Bonds from Zurich on 6 September 2013 and the net amount additional consideration of RM78,825,822 had been duly deposited by Zurich in the escrow account.

On 30 September 2013, the Company announced that an amount of RM136.5 million (including interest earned) had been released from the escrow account to the Company on the same day after the expiry of 2 years from the completion of the Disposal and a balance of RM55.1 million is still being retained in the escrow account until Zurich's remaining outstanding claims are resolved.

Zurich's remaining outstanding claims relate to alleged breach of warranties and indemnities ("Zurich's Counterclaims"), of which a provision of RM45.0 million has been made in the financial year ended 31 December 2013. The said provision amount was based on the parties' ongoing settlement negotiations, which to date has not been reached or mutually agreed.

(b) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Listing Requirements whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of MAA Assurance.

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

As an affected listed issuer, the Company is required pursuant to paragraph 4.1 of the PN17 of the Listing Requirements to announce details of the regularisation plan.

On 28 September 2012, the Company submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for a waiver from having to comply with Paragraph 8.04(2) of the Listing Requirements and a waiver from submitting a regularisation plan to Bursa Securities pursuant to Paragraph 8.04(3) of the Listing Requirements ("First Application for Waiver").

On 30 November 2012, the Company submitted an application to Bursa Securities for extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("First Application for Extension of time").

On 20 December 2012, Bursa Securities had vide its letter rejected the Company's First Application for Waiver from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements and had granted an extension of time of up to 18 June 2013 ("First Granted Extension of Time") for the Company to submit a regularisation plan.

On 7 June 2013, the Company submitted an application to Bursa Securities for extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("Second Application for Extension of time").

On 1 August 2013, Bursa Securities had vide its letter granted a further extension of time of up to 30 November 2013 ("Second Granted Extension of Time") for the Company to submit a regularisation plan taking into consideration amongst others the following:

(i) The latest consolidated financial position of the Group including its consolidated shareholders' equity, net assets and gearing ratio position;

DIRECTORS' REPORT
(continued)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (continued)

(ii) The future receipts of the balance of cash proceeds from the disposal of Disposed Subsidiaries following the proposed settlement on the amount receivable by the Company as announced on 24 July 2013; and

(iii) The latest regulatory development vis-à-vis the Islamic Financial Services Act, 2013 which came into effect on 1 July 2013, which governs the Company's core business activities.

The Second Granted Extension of Time was without prejudice to Bursa Securities' right to proceed to suspend the trading of the securities of the Company and to delist the Company in the event:

(i) The Company fails to submit the regularisation plans on or before 30 November 2013;

(ii) The Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; or

(iii) The Company fails to implement its regularisation plan within the time frame or extended time frames stipulated by Bursa Securities.

Upon the 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 upon the expiry of five (5) market days from the date the Company is notified by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting. Based on the decision by Bursa Securities, the Board will formularise a regularisation plan and will submit it to Bursa Securities for approval.

On 2 September 2013, 1 October 2013 and 1 November 2013, the Company announced that it was still in the midst of formulating a regularisation plan for submission to Bursa Securities for approval.

On 29 November 2013, the Company submitted an application to Bursa Securities for extension of time to comply with Paragraph 8.04(2), 8.04(3) and PN17 of the Listing Requirements ("Third Application for Extension of Time").

On 9 December 2013, Bursa Securities had vide its letter informed that the suspension of trading of the Company's securities and the delisting of the Company in accordance with Paragraph 8.04(5) of the Listing Requirements shall be deferred pending the decision of the Third Application for Extension of Time.

On 11 March 2014, Bursa Securities has granted an extension of time of up to 31 July 2014 for the Company to submit a regularisation plan ("Third Granted Extension of Time").

The Third Granted Extension of Time was given by Bursa Securities after taking into consideration, on amongst others, the following:

(i) The material developments in relation to the Group's internal restructuring in particular the internal restructuring relating to its subsidiaries, namely PT MAA General Assurance ("PT MAAG") and MAA Takaful Berhad ("MAAT"); and associated company, Columbus Capital Pty Ltd ("CCAU"); and

(ii) The latest consolidated financial position of the Group including its consolidated shareholders' equity and net assets, cash and cash equivalents as well as its gearing position.

The Company is also required to provide detailed updates on the status of the Group's internal restructuring and status of the submission of its regularisation plan to the regulatory authorities via its monthly announcements.

The Third Granted Extension of Time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to delist the Company in the event:

(i) The Company fails to submit the regularisation plan to the regulatory authorities on or before 31 July 2014;

(ii) The Company fails to obtain the 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 MAAG on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting.

On 1 April 2014, the Company announced the following status update of the Group's internal restructuring:

(i) PT MAAG is currently implementing the plan to settle its obligation and liabilities. From December 2012 to March 2014, PT MAAG has signed settlement agreements and paid settlements for approximately RP128.3 billion gross claims;

(ii) The proposed increase of the Group's equity interest in CCAU from 47.95% to 55% is pending approval from the Foreign Investment Review Board of Australia; and

DIRECTORS' REPORT
(continued)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (continued)

(ii) The Company is in the midst of re-evaluating its group structure including the Group's business plans and operational requirements, and splitting of the existing composite license of MAAT into two (2) capitalised legal entities that is Family takaful and General takaful to ensure compliance with the Islamic Financial Services Act, 2013.

(c) On 13 November 2013, the Company's wholly-owned subsidiary, MAA Corporation Sdn Bhd ("MAA Corp") together with the other shareholders of MAAKL Mutual Bhd ("MAAKL Mutual") namely, Khyra Liberty Sdn Bhd, Edmond Cheah Swee Leng, Wong Boon Choy and Nge Koh Nguong (collectively referred to as the "Vendors"), had on the same day entered into a conditional sale and purchase agreement ("SPA") with Manulife Holdings Berhad ("Manulife") for the disposal of the entire issued and paid up ordinary share capital of MAAKL Mutual for a total cash consideration of RM96.5 million ("Sale Consideration"), arrived at on a 'willing buyer-willing seller' basis, and after taking into account the audited net assets and profit after tax of MAAKL Mutual based on its audited financial statements as at 31 December 2012. MAA Corp's share of the Sale Consideration in proportionate to its 55% equity interest in MAAKL Mutual is RM53.1 million.

The SPA is subject to fulfilment of the conditions precedent as set out including the transfer of RM19.3 million from the Sale Consideration to an escrow account ("Escrow Amount"). The Escrow Amount together with accrued interest but less any amount paid by the escrow agent in connection with any claims for a breach of any of the warranties or indemnities stated in the SPA shall be paid to the Vendors on the date failing after 24 months from the sale completion date.

On 31 December 2013, MAA Corp completed the disposal of its 55% equity interest in MAAKL Mutual to Manulife.

(d) On 14 April 2014, MAA Corp entered into a share sale agreement ("SSA") with AEC College Pte Ltd ("AEC") to acquire 30% interest in Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") and Keris Murni Sdn Bhd ("KMSB") ("Proposed Acquisition") for a total cash consideration of RM1.6 million. The purchase consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the aggregate profit after taxation of PTKSB and KMSB amounting to RM658,000 based on the audited financial statements for the financial year ended 31 December 2013.

The Proposed Acquisition was completed on 21 April 2014 and consequently, PTKSB and KMSB become wholly-owned subsidiaries of MAA Corp.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 April 2014.

MUHAMAD UMAR SWIFT **DIRECTOR**	**YEO TOOK KEAT** **DIRECTOR**

Kuala Lumpur
28 April 2014

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Muhamad Umar Swift and Yeo Took Keat, two of the Directors of MAA Group Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 70 to 200 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2013 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965, in Malaysia.

The supplementary information set out in Note 51 have been prepared in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 April 2014.

MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Muhamad Umar Swift, being the Director primarily responsible for the financial management of MAA Group Berhad do solemnly and sincerely declare that the financial statements set out on pages 70 to 200 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MUHAMAD UMAR SWIFT

Subscribed and solemnly declared by the abovenamed Muhamad Umar Swift at Kuala Lumpur in Malaysia on 28 April 2014, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAA GROUP BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MAA Group Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements, as set out on pages 70 to 199.

Directors' Responsibility for the Financial Statements

The Directors of the Group and Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's and Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company, and its subsidiaries of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 51 to the financial statements on page 200 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAA GROUP BERHAD
(continued)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MANJIT SINGH
(No. 2954/03/15 (J))
Chartered Accountant

Kuala Lumpur
28 April 2014

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	GROUP		COMPANY	
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property, plant and equipment	4	21,843	23,886	2,179	2,316
Investment properties	5	12,500	11,632	-	-
Intangible assets	6	3,007	7,859	174	181
Investments	7	658,995	480,212	135,317	1,760
Financial assets at fair value through profit or loss		294,722	248,336	-	-
Available-for-sale financial assets		214,361	184,604	34,714	1,664
Held-to-maturity financial assets		40,881	35,834	-	-
Loans and receivables	8	109,031	11,438	100,603	96
Subsidiaries	9	-	-	98,779	126,972
Associates	10	61,497	56,314	-	100
Reinsurance/retakaful assets	11	257,824	212,743	-	-
Insurance/takaful receivables	12	50,922	51,695	-	-
Trade and other receivables	13	107,621	255,426	143,776	251,029
Tax recoverable		2,773	3,617	1,932	1,933
Deferred tax assets	14	47	558	-	-
Cash and cash equivalents	15	181,840	138,294	32,609	6,141
Assets classified as held for sale	16	178	1,015	-	-
TOTAL ASSETS		1,359,047	1,243,251	414,766	390,432
EQUITY, POLICYHOLDERS' FUND AND LIABILITIES					
LIABILITIES					
Insurance/takaful contract liabilities	17	677,952	600,929	-	-
Investment contract liabilities	18	4,082	11,289	-	-
Borrowings					
- Bank overdrafts (unsecured)	19	4,715	4,335	-	-
Insurance/takaful payables	20	111,070	79,390	-	-
Trade and other payables	21	104,981	80,707	46,971	4,527
Current tax liabilities		1,660	6,373	-	-
Deferred tax liabilities	14	3,971	6,110	129	131
TOTAL LIABILITIES		908,431	789,133	47,100	4,658
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	22	304,354	304,354	304,354	304,354
Retained earnings	23	116,594	118,734	63,271	79,756
Reserves	23	10,448	4,316	41	1,664
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		431,396	427,404	367,666	385,774
Non-controlling interests	9	19,220	26,714	-	-
TOTAL EQUITY		450,616	454,118	367,66	385,774
TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES		1,359,047	1,243,251	414,766	390,432

The accompanying notes are an integral part of these financial statements.

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	GROUP 2013 RM'000	GROUP Restated 2012 RM'000	COMPANY 2013 RM'000	COMPANY 2012 RM'000
CONTINUING OPERATIONS					
Gross earned premiums/contributions	24	502,070	431,418	-	-
Premiums/contributions ceded to reinsurers/retakaful operators	24	(205,248)	(188,697)	-	-
Net earned premiums/contributions		296,822	242,721	-	-
Investment income	25	27,527	21,433	7,866	5,249
Realised gains and losses - net	26	23,677	15,157	3,229	1
Fair value gains and losses - net	27	12,273	5,669	-	-
Fee and commission income	28	47,008	37,365	-	-
Other operating revenue from non-insurance businesses	29	9,461	5,877	735	1,866
Other operating income - net	30	18,124	6,308	32,439	93
Other revenue		138,070	91,809	44,269	7,209
Total revenue		434,892	334,530	44,269	7,209
Gross benefits and claims paid	31	(262,861)	(184,744)	-	-
Claims ceded to reinsurers/retakaful operators	31	75,926	81,893	-	-
Gross change to contract liabilities	31	(60,154)	(122,848)	-	-
Change in contract liabilities ceded to reinsurers/retakaful operators	31	17,592	66,590	-	-
Net insurance/takaful benefits and claims		(229,497)	(159,109)	-	-
Fee and commission expense		(98,330)	(95,662)	-	-
Management expenses	32	(112,807)	(103,199)	(17,203)	(19,599)
Expense liabilities		(794)	(818)	-	-
Finance costs	33	(404)	(420)	-	(2)
Other expenses		(212,335)	(200,099)	(17,203)	(19,601)
Share of profit/(loss) of associates, net of tax		1,525	(665)	-	-
Profit/(loss) before taxation		(5,415)	(25,343)	27,066	(12,392)
Tax expenses attributable to participants		(4,089)	(5,804)	-	-
Profit/(loss) before taxation		(9,504)	(31,147)	27,066	(12,392)
Taxation	34	(7,998)	(9,003)	2	(120)
Tax expenses attributable to participants		4,089	5,804	-	-
Tax expenses attributable to Shareholders' fund		(3,909)	(3,199)	2	(120)
Zakat		(295)	(226)	-	-
(Loss)/profit for the financial year from continuing operations		(13,708)	(34,572)	27,068	(12,512)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013
(continued)

		GROUP		COMPANY	
	Note	**2013**	**Restated 2012**	**2013**	**2012**
		RM'000	**RM'000**	**RM'000**	**RM'000**
DISCONTINUED OPERATIONS					
Profit/(loss) before taxation	35	18,706	70,315	(36,705)	55,776
Taxation	34	(1,180)	(618)	-	-
Profit/(loss) for the financial year from discontinued operations	35	17,526	69,697	(36,705)	55,776
Profit/(loss) for the financial year		3,818	35,125	(9,637)	43,264
Profit/(loss) for the financial year attributable to:					
- Owners of the Company		4,708	42,477	(9,637)	43,264
- Non-controlling interests		(890)	(7,352)	-	-
		3,818	35,125	(9,637)	43,264
Gross dividends per share (sen)	36	3	-	3	-
Basic earnings/(loss) per ordinary share attributable to Owners of the Company:					
- Continuing operations	37	(3.78)	(8.58)		
- Discontinued operations	37	5.33	22.54		
		1.55	13.96		

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	GROUP 2013 RM'000	GROUP 2012 RM'000	COMPANY 2013 RM'000	COMPANY 2012 RM'000
Profit/(loss) for the financial year		3,818	35,125	(9,637)	43,264
Other comprehensive income/(loss):					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences	23	10,853	3,950	-	-
Fair value changes of available-for-sale financial assets					
- Gross fair value changes	7	(1,777)	4,778	1,589	1,664
- Transferred to Income Statement upon disposal of available-for-sale financial assets	26	(7,884)	(5,929)	(3,212)	-
- Deferred tax	14	2,219	341	-	-
		(7,442)	(810)	(1,623)	1,664
Changes in insurance/takaful contract liabilities arising from unrealised net fair value changes	17	5,196	1,577	-	-
		(2,246)	767	(1,623)	1,664
Share of fair value changes of available-for-sale financial assets of associate		(2,475)	-	-	-
Items that will not be reclassified to profit or loss:					
Fair value gain on revaluation of leasehold lands	23	-	215	-	-
Other comprehensive income/(loss) for the financial year, net of tax		6,132	4,932	(1,623)	1,664
Total comprehensive income/(loss) for the financial year		9,950	40,057	(11,260)	44,928
Total comprehensive income/(loss) for the financial year attributable to:					
- Owners of the Company		10,840	47,409	(11,260)	44,928
- Non-controlling interests		(890)	(7,352)	-	-
		9,950	40,057	(11,260)	44,928
Total comprehensive income/(loss) for the financial year attributable to owners of the Company:					
- Continuing operations		(6,686)	(22,289)	(11,260)	44,928
- Discontinued operations		17,526	69,698	-	-
		10,840	47,409	(11,260)	44,928

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Attributable to owners of the Company					
	Note	Share capital	Retained earnings	Reserves	Total	Non-controlling interests	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012		304,354	76,257	(616)	379,995	27,972	407,967
Profit for the financial year		-	42,477	-	42,477	(7,352)	35,125
Other comprehensive income for the financial year	23	-	-	4,932	4,932	-	4,932
Total comprehensive income for the financial year		-	42,477	4,932	47,409	(7,352)	40,057
Transactions with non-controlling interests		-	-	-	-	6,094	6,094
At 31 December 2012		304,354	118,734	4,316	427,404	26,714	454,118
At 1 January 2013		304,354	118,734	4,316	427,404	26,714	454,118
Profit for the financial year		-	4,708	-	4,708	(890)	3,818
Other comprehensive income for the financial year	23	-	-	6,132	6,132	-	6,132
Total comprehensive income for the financial year		-	4,708	6,132	10,840	(890)	9,950
Interim dividend paid	36	-	(6,848)	-	(6,848)	-	(6,848)
Transactions with non-controlling interests		-	-	-	-	(6,604)	(6,604)
At 31 December 2013		304,354	116,594	10,448	431,396	19,220	450,616

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

			Non-distributable	Distributable	
	Note	**Share capital**	**Reserves**	**Retained earnings**	**Total equity**
		RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January 2012		304,354	-	36,492	340,846
Profit for the financial year		-	-	43,264	43,264
Other comprehensive income for the financial year	23	-	1,664	-	1,664
Total comprehensive income for the financial year		-	1,664	43,264	44,928
At 31 December 2012		304,354	1,664	79,756	385,774
At 1 January 2013		304,354	1,664	79,756	385,774
Loss for the financial year		-	-	(9,637)	(9,637)
Other comprehensive loss for the financial year	23	-	(1,623)	-	(1,623)
Total comprehensive income for the financial year		-	(1,623)	(9,637)	(11,260)
Interim dividend paid	36	-	-	(6,848)	(6,848)
At 31 December 2013		304,354	41	63,271	367,666

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		RM'000	RM'000
Loss for the financial year from continuing operations		(13,708)	(34,572)
Investment income		(27,527)	(21,433)
Realised gains and losses		(23,677)	(15,157)
Fair value gains and losses		(12,273)	(5,669)
Fair value gain from acquisition of bonds via Settlement Agreement		(23,770)	-
Allowance for/(write-back of) impairment loss on available-for-sale financial assets		12,048	(857)
Allowance for of impairment loss on assets classified as held for sale		-	489
Write-back of impairment loss on investment in associates		(3,666)	-
Write-back of impairment loss on loans and receivables		(1,027)	(5,509)
Allowance for impairment loss on goodwill from acquisition of subsidiary		-	6,838
Negative goodwill from acquisition of subsidiaries		-	(80)
Waiver of debt from commutation of general insurance treaties of a subsidiary		-	(14,791)
Provision for contingent liabilities of an associate		-	14,435
Finance costs		404	420
Purchases of financial assets		(272,695)	(191,034)
Proceeds from disposal of financial assets		251,796	156,316
Non-cash items:			
Depreciation of property, plant and equipment		3,438	2,794
Amortisation of leases		30	2
Amortisation of intangible assets		1,232	1,495
Property, plant and equipment written off		20	255
Write-back of impairment loss on property, plant and equipment		-	(283)
Allowance for impairment loss on insurance/takaful receivables		7,401	1,546
Allowance for impairment loss on trade and other receivables		776	41
Bad debts written off		32	166
Unrealised foreign exchange loss		265	968
Share of (profit)/loss of associates		(1,525)	665
Tax expense		7,998	9,003
Changes in working capital:			
Increase in loans and receivables		(96,566)	(108)
Increase in reinsurance/retakaful assets		(45,081)	(64,815)
(Increase)/decrease in insurance/takaful receivables		(6,628)	27,549
Decrease/(increase) in trade and other receivables		151,922	(83,971)
Increase in insurance/takaful contract liabilities		77,023	117,699
Decrease in investment contract liabilities		(7,207)	(6,467)
Increase/(decrease) in insurance/takaful payables		31,680	(16,553)
Increase in trade and other payables		41,948	14,548
Cash generated from/(utilised in) operating activities		52,663	(106,070)
Investment income received		24,110	16,146
Finance cost paid		(404)	(420)
Income tax paid		(11,234)	(3,302)
Income tax refund		114	-
Dividend paid		(6,848)	-
Net cash inflow/(outflow) from operating activities (continuing operations)		58,401	(93,646)
Net cash (outflow)/inflow from operating activities (discontinued operations)		(41,491)	68,668

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013
(continued)

	Note	2013	2012
		RM'000	RM'000
Investing activities:			
Proceeds from disposal of property, plant and equipment		129	154
Purchase of property, plant and equipment		(3,208)	(16,028)
Purchase of intangible assets		(890)	(1,307)
Net cash inflow from disposal of discontinued operations, net of transaction costs, deferred consideration and cash disposed	38	33,585	10,984
Increase in investment in an associate		(2,830)	-
Net cash inflow/(outflow) from investing activities (continuing operations)		26,786	(6,197)
Net cash outflow from investing activities (discontinued operations)		(530)	(2,886)
Net increase/(decrease) in cash and cash equivalents (continuing operations)		85,187	(99,843)
Net increase in cash and cash equivalents (discontinued operations)		(42,021)	65,782
Cash and cash equivalents at beginning of financial year		133,959	168,020
Cash and cash equivalents at end of financial year	15	177,125	133,959

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		RM'000	RM'000
(Loss)/profit for the financial year		(9,637)	43,264
Investment income		(7,866)	(5,249)
Realised gains and losses		(3,229)	(1)
Gain from disposal of subsidiaries		(8,295)	(55,776)
Fair value gain from acquisition of bonds via Settlement Agreement		(23,770)	-
Impairment loss on available-for-sale financial assets		11,110	-
Write-back of impairment loss on property, plant and equipment		-	(176)
(Write-back of)/allowance for impairment loss on investments in subsidiaries		(1,607)	2,350
Write-back of impairment loss on amounts due from subsidiaries		(18,126)	(2,245)
Allowance for impairment loss on investments in associates		100	-
Finance costs		-	2
Non-cash items:			
Depreciation of property, plant and equipment		421	410
Property, plant and equipment written off		7	179
Amortisation of intangible assets		68	64
Tax (income)/expenses		(2)	120
Changes in working capital:			
(Increase)/decrease in loans and receivables		(100,507)	1,072
Decrease in trade and other receivables		142,796	11,628
Decrease in amounts due from subsidiary and associates		3,941	5,414
Increase/(decrease) in trade and other payables		42,444	(556)
Cash generated from operating activities		27,848	500
Investment income received		2,590	319
Finance cost paid		-	(2)
Income tax refund/(paid)		1	(1)
Dividend paid		(6,848)	-
Net cash inflow from operating activities		23,591	816
Investing activities:			
Proceeds from disposal of property, plant and equipment		64	126
Proceeds from disposal of intangible assets		-	1
Proceeds from disposal of an associate		-	14
Proceeds from disposal of equities securities		3,212	-
Purchase of property, plant and equipment		(338)	(1,692)
Purchase of intangible assets		(61)	(70)
Net cash inflow/(outflow) from investing activities		2,877	(1,621)
Net increase/(decrease) in cash and cash equivalents		26,468	(805)
Cash and cash equivalents at beginning of financial year		6,141	6,946
Cash and cash equivalents at end of financial year	15	32,609	6,141

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in investment holding and providing management services, whilst the principal activities of the subsidiaries are as stated in Note 9 to the financial statements.

There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year, other than the significant events disclosed in Note 50 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are as follows:

Registered office

12th Floor, No.566
Jalan Ipoh
51200 Kuala Lumpur

Principal place of business

13th Floor, No.566
Jalan Ipoh
51200 Kuala Lumpur

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 April 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and comply with the requirements of the Companies Act,1965 in Malaysia.

The financial statements of the Group and the Company have been prepared under the historical cost convention, as modified by the valuation of investment properties at fair value, remeasurement at fair value of available-for-sale financial assets, and financial assets held at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 to the financial statements.

Going concern of a subsidiary

In preparing the financial statements of the Group for the financial year ended 31 December 2013, the Directors of the Company have taken into consideration the financial position of PT MAA General Assurance ("PT MAAG"), a 83% owned subsidiary in Indonesia.

Premised on the financial conditions of PT MAAG as of 31 December 2013, with business run-off, operations downsizing, claims hair-cut negotiations, deficit shareholders' fund of Indonesia Ruppiah 299.8 billion (equivalent to RM80.8 million), non-compliance with the minimum share capital of Indonesia Ruppiah 70 billion (equivalent to RM18.9 million) as well as the solvency requirements by Financial Services Authority (OJK), these factors indicate the existence of a material uncertainty that has cast significant doubt on the ability of PT MAAG to continue as a going concern.

Further, on 26 February 2014, the Board of Directors of the Company has approved in principle for the proposed liquidation of PT MAAG in due course upon the earlier of after the completion of the liabilities settlement plan of the company or the cessation of the Group's funding when the liabilities settlement plan is deemed no longer viable.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Going concern of a subsidiary (continued)

As a result of these, the financial statements of PT MAAG for the financial year ended 31 December 2013 have been prepared on a basis other than a going concern. Accordingly, the carrying values of the assets of PT MAAG have been stated at the estimated realisable values and liabilities are recorded to reflect the estimated remaining obligations.

(i) Standards, amendments to published standards and interpretations to existing standards that are effective and applicable to the Group and the Company

The following standards have been adopted by the Group and the Company for the financial year beginning on or after 1 January 2013:

- Amendment to MFRS 101, 'Presentation of items of other comprehensive income' requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future.

- MFRS 10, 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor to determine whether an entity should be included within the consolidated financial statements of the parent company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

- MFRS 11, 'Joint arrangements' requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- MFRS 12, 'Disclosures of Interests in Other Entities' sets out the required disclosures for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. It requires entities to disclose information that helps financial statements readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

- Amendment to MFRS 7, 'Financial Instruments: Disclosures' requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The initial application of the aforesaid applicable standards, amendments to published and interpretations does not have any material impact to the current and prior periods' financial statements upon adoption other than enhanced disclosures to the financial statements.

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

The Group and the Company will apply the standards, amendments to published standards and interpretations in the following periods:

Effective from financial year beginning on/after 1 January 2014

- Amendment to MFRS 132, 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy MFRS 132 offsetting criteria.

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective from 1 January 2014) introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued)

Effective from financial year beginning on/after 1 January 2014 (continued)

- IC Interpretation 21, 'Levies' (effective from 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

Effective date yet to be determined by Malaysian Accounting Standards Board ("MASB")

- MFRS 9, 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities' replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group and the Company have yet to assess MFRS 9's full impact. The Group will also consider the impact of the remaining phases of MFRS 9 when it is completed by the MASB.

The Group and the Company are currently assessing the application of adopting the above standards, amendments to standards and interpretations to existing standards onto the prevailing accounting policies.

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 January 2014 are not relevant to the Group and the Company.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date at each stage, any gains or losses arising from such remeasurement are recognised in income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired at the acquisition date is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in income statement. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statement.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see accounting policy in Note 2.9 to the financial statements on impairment of non-financial assets).

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investment in associates are recognised in income statement.

2.3 Investments in subsidiaries and associates

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see accounting policy in Note 2.9 to the financial statements on impairment of non-financial assets). Impairment loss is charged to income statement.

On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments is recognised in the income statement.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee that makes strategic decisions.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

For translation differences on financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets, refer to Note 2.11(c) to the financial statements.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(d) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

For translation differences on financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets, refer to Note 2.11(c) to the financial statements.

(e) Group companies

The results and financial positions of the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income or separate income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investments in foreign entities are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to the income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in income statement. For all other partial disposals (that is, reductions in the Group's ownership interests in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment ("PPE")

(a) Cost

PPE are initially stated at cost. Land is subsequently shown at fair value, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other PPE are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of PPE initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.19 to the financial statements on borrowings).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expenses in the income statement during the financial period in which they are incurred.

(b) Depreciation and residual value

Freehold land is not depreciated as it has an infinite life. Assets under construction are not depreciated until they are ready for their intended use. Other PPE are depreciated on a straight line basis to allocate the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives.

Leasehold land is amortised in equal instalments over the period of their respective leases or earlier if the expected useful life is lower than the leasehold period.

The annual depreciation rates are as follows:

Leasehold land	Over the remaining leasehold period
Plant and machinery	10% - 20%
Furniture, fittings and equipment	10% - 20%
Motor vehicles	10% - 20%
Renovation	10% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

(c) Impairment

At the end of each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount (see accounting policy in Note 2.9 to the financial statements on impairment of non-financial assets).

(d) Gains and losses on disposals

Gains and losses on disposals are determined by comparing sale proceeds with carrying amounts and are credited or charged to the income statement.

(e) Revaluation reserves

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as a revaluation surplus reserve. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in income statement. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statements, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

The revaluation surplus included in equity is transferred directly to retained earnings when the asset is retired or disposed of.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Investment properties

Investment properties, comprising principally of land and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are initially stated at cost including related and incidental expenditure incurred and are subsequently carried at fair values. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially different from the fair values.

Gains or losses arising from changes in fair values of investment properties are recognised in the income statement in the year in which they arise.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term yields and is not occupied by the Group. The initial cost of the property is the lower of the fair value of the property and the present value of the maximum lease payments. The property is carried at fair value after initial recognition.

On disposal of an investment property or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it is derecognised (eliminated from the statement of financial position). The difference between net sales proceed and the carrying amount is recognised in the income statement in the financial year of the retirement or disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in asset revaluation reserve as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon the disposal of such investment property, any surplus previously recorded in asset revaluation reserve is transferred to the statement of comprehensive income.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Management rights

This represents the purchase consideration to acquire the rights to manage unit trust funds. The purchase consideration on the acquired right is capitalised and amortised over a period of 20 years, the period over which the Group expects to recognise the related revenue.

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as expenses when incurred. Costs that are directly associated with identifiable software systems controlled by the Group and the Company, which do not form an integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, ranging between 5 to 10 years.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.10 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amounts are to be recoverable principally through a sale transaction and the sale is considered highly probable. They are stated at the lower of carrying amounts and fair values less costs to sell.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single coordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

<u>Financial assets at FVTPL</u>

The Group classifies financial assets acquired for the purpose of selling in the short-term as held for trading. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

In addition, certain financial assets are designated at initial recognition at fair value through profit or loss when one of the following designation criteria is met:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- The item is a hybrid contract that contains one or more embedded derivatives

Assets in this category are classified as current assets.

Investments held by investment-linked funds are designated at fair value through profit or loss at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

<u>HTM financial assets</u>

HTM financial assets are debt instruments with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold the investments until maturity.

HTM financial assets are classified as non-current assets, except for those having maturity within 12 months of the end of the reporting period.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market but do not include insurance receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, they are classified as non-current assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

(a) Classification (continued)

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair values plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at FVTPL are initially recognised at fair values, and the transaction costs are expensed in the income statement.

(c) Subsequent measurement – Gains and losses

AFS financial assets and financial assets at FVTPL are subsequently carried at fair values. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair values of financial assets at FVTPL, including the effects of currency translation, interest and dividend income are recognised in the income statement in the period in which the changes arise.

HTM financial assets are subsequently measured at amortised cost using the effective interest method.

Changes in the fair values of AFS financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.11(d) to the financial statements) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the income statement, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change. However, for General takaful business and Family takaful business, such fair value gains or losses are reported as a separate component of takaful contract liabilities until the investment is derecognised.

Interest and dividend income on AFS financial assets are recognised separately in the income statement. Interest on AFS debt securities calculated using the effective interest method is recognised in the income statement. Dividend income on AFS equity instruments are recognised in the income statement when the Group's/Company's right to receive payment is established.

(d) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group/Company first assesses at each reporting date whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group/Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

To determine whether there is objective evidence that an impairment loss on financial assets has occurred, the Group/Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The asset's carrying amount is reduced through the use of an allowance account and the loss is recorded in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

(d) Subsequent measurement – Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures for recovery have been completed and the amount of the loss has been determined.

AFS financial assets

The Group/Company assesses at the end of the reporting date whether there is objective evidence that an AFS financial asset is impaired, including in the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the financial assets are impaired.

If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised in equity is transferred from equity through the statement of comprehensive income or from insurance contract liabilities to the income statement. The amount of cumulative loss that is reclassified to the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as AFS are not subsequently reversed through the income statement.

The impairment loss is reversed through the income statement, if in a subsequent period the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(e) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When AFS financial assets are sold, the accumulated fair value adjustments recognised in equity are reclassified to the income statement.

2.12 Financial instruments

Description

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Recognition method

The particular recognition method adopted for financial instruments recognised in the statement of financial position is disclosed in the individual accounting policy note associated with each item.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published bid prices on reporting date. If quoted prices are not available over the counter, broker or dealer price quotations are used.

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

2.14 Loans

Loans are recognised initially at fair values and subsequently measured at amortised costs using the effective interest method, less allowance for impairment. An allowance for impairment of loans is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the assets' carrying amounts and the present value of estimated future cash flows discounted at the effective interest rates. This includes interest that is suspended and/or recognised to the extent of the recoverable amount.

The amount of specific allowance also takes into account the collateral value and recoverable amount of interest due, which may be discounted to reflect the impact of recovery process. The recovery process is estimated to be between one to five years, depending on default condition of the loan, type of collateral and whether under litigations. The amount of the allowance is recognised in the income statement.

Where the collateral is property, the net realisable value for the property is determined by using its fair value which is based on open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset, while the net realisable value for share is based on last transacted price. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, adjusted if necessary, for any difference in the nature, location or condition of the specific asset or discounted cash flow projections.

Consistent with previous years, loans are classified as non-performing when repayments or interests are in arrears for more than six (6) months from the first day of default or after maturity date.

2.15 Insurance receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.11(d) to the financial statements on subsequent measurement for impairment of financial assets.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.11(e) to the financial statements on derecognition of financial assets have been met.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Trade and other receivables (continued)

Trade receivables are recognised initially at fair values and subsequently measured at amortised costs using the effective interest method, less provision for impairment.

2.17 Operating leases

Leases of assets where a significant portion of the risks and rewards of ownerships are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the lease period.

2.18 Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the sum of digits method.

2.19 Borrowings

Borrowings are recognised initially at fair values, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.20 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

2.21 Assets acquired under hire purchase agreements

Assets financed by hire purchase agreements which transfer substantially all the risks and rewards of ownership to the Group/Company are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets. Finance charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase liabilities.

2.22 Contingent liabilities and contingent assets

The Group/Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group/Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group/Company. The Group/Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

2.23 Provisions

Provisions are recognised when the Group/Company has a present obligation, either legal or constructive, as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

2.24 Employee benefits

<u>Short-term employee benefits</u>

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Employee benefits (continued)

Post employment benefits

The Group and the Company have post-employment benefit schemes for eligible employees, which are defined contribution plans.

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions or variable contributions as determined yearly, into a separate entity (“a fund”), and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial years.

The Group’s and the Company’s contributions to defined contribution plans, including the Employees’ Provident Fund, are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

2.25 Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability and an insurance payable are derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially modified terms, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.26 Share capital

(a) Classification

The Company has issued ordinary shares that are classified as equity.

(b) Share issue expenses

Incremental external costs that are directly attributed to the issue of these shares are recognised in equity, net of tax.

(c) Dividend distribution

Dividends on ordinary shares are recognised as liabilities and deducted from equity when they are approved by the Company’s shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the financial year that are approved after end of the reporting date are dealt with as an event after the date of the statement of financial position.

2.27 Product classification

The Group issues contracts that transfer insurance/takaful risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance/takaful risk is the risk other than financial risk.

Insurance/takaful contracts are those contracts that transfer significant insurance/takaful risk. An insurance/takaful contract is a contract under which the Group (the insurer) has accepted significant insurance/takaful risk from another party (the policyholders/participants) by agreeing to compensate the policyholders/participants if a specified uncertain future event (the insured event) adversely affects the policyholders/participants. As a general guideline, the Group determines whether it has significant insurance/takaful risk, by comparing benefits paid with benefits payable if the insured/takaful event did not occur. Investment contracts are those contracts that do not transfer significant insurance/takaful risk.

Once a contract has been classified as an insurance/takaful contract, it remains an insurance/takaful contract for the remainder of its life-time, even if the insurance/takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance/takaful contracts after inception if the insurance/takaful risk becomes significant.

Family takaful contract liabilities are calculated based on the Gross Premium Valuation (“GPV”) method which takes into consideration not only the guaranteed but also the discretionary benefits in the case of participating products and the underlying assumptions are based on the respective subsidiary’s actual experience.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Product classification (continued)

When insurance/takaful contracts contain both a financial risk component and a significant insurance/takaful risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums/contributions relating to the insurance/takaful risk component are accounted for on the same bases as insurance/takaful contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

The Group defines insurance/takaful risk to be significant when the ratio of the insurance/takaful risk over the deposit component is not less than 110% of the deposit component at any point of the in force insurance/takaful contract. Based on this definition, all insurance/takaful contracts issued by the Group met the definition of insurance/takaful contracts as at the date of the statement of financial position.

2.28 Reinsurance/Retakaful

The Group cedes insurance/takaful risk in the normal course of business for most of its businesses. Reinsurance/retakaful assets represent balances due from reinsurance/retakaful companies. Amounts recoverable from reinsurers/retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers'/retakaful operators' policies and are in accordance with the related reinsurance/retakaful contracts.

Ceded reinsurance/retakaful arrangements do not relieve the Group from its obligations to policyholders/participants. Premiums/contributions and claims are presented on a gross basis for both ceded and assumed reinsurance/retakaful.

Reinsurance/retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance/retakaful asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurers/retakaful operators. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance/retakaful are recognised in the income statement immediately at the date of purchase and are not amortised.

The Group also assumes reinsurance/retakaful risk in the normal course of business for Life/Family takaful and General (non-life) insurance/General takaful contracts when applicable. Premiums/contributions and claims on assumed reinsurance/retakaful are recognised as revenue or expenses in the same manner as they would be if the reinsurance/retakaful were considered direct business, taking into account the product classification of the reinsured/retakaful business. Reinsurance/retakaful liabilities represent balances due to reinsurance/retakaful companies. Amounts payable are estimated in a manner consistent with the related reinsurance/retakaful contracts. Reinsurance/retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance/retakaful contracts that do not transfer significant insurance/takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicitly identified premium/contribution or fees to be retained by the reinsurer/retakaful operator. Investment income on these contracts is accounted for using the effective yield method when accrued.

2.29 Insurance contracts - General insurance business

The General insurance underwriting results are determined for each class of business after taking into account reinsurance premiums, commissions, premium liabilities and claims incurred.

Gross premiums

Gross premiums are recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of insurance policies. Premiums in respect of risks incepted for which insurance policies have not been raised as of the reporting date are accrued at that date.

Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inceptions dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Insurance contracts - General insurance business (continued)

Premium liabilities

Premium liabilities refers to the higher of:

(i) the aggregate of the unearned premium reserves ("UPR"), or

(ii) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the provision of risk margin for adverse deviation ("PRAD") calculated at the overall company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

UPR represent the portion of the net premiums of general insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at the reporting date, the method that most accurately reflects the actual unearned premium is used, as follows:

i) 25% method for marine and aviation cargo, and transit business;

(ii) 1/24th method for all other classes of general business except for non-annual policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium; and

(iii) time apportionment method for non-annual policies (including long-term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium.

Claims and expenses

A liability for outstanding claim is recognised in respect of both direct insurance and inward reinsurance.

The amounts of outstanding claims are the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at the reporting date based on an actuarial valuation with a PRAD at a 75% confidence level Group-wide.

Acquisition costs

The gross costs of acquiring and renewing insurance policies, net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

2.30 Takaful contracts - General takaful business

The General takaful business is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 ("IFSA") which came into effect on 30 June 2013 and consists of unearned contribution reserves and accumulated surpluses attributable to participants which represents the participants' share in the net surplus of the General takaful business, distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the subsidiary engaged in the takaful business. The General takaful underwriting results are determined for each class of General takaful business after taking into account retakaful contributions, wakalah fee, unearned contributions reserves and claims incurred.

Any deficit in the General takaful business will be made good via a benevolent loan or Qardhul Hassan from the Shareholders' fund of the takaful subsidiary.

Gross contributions

Gross contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of takaful certificates. Contributions in respect of risks incepted for which takaful certificates have not been raised as of the reporting date are accrued at that date.

Retakaful contributions

Outward retakaful contributions are recognised in the same accounting period as the original certificate to which the retakaful relates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.30 Takaful contracts - General takaful business (continued)

Unearned contribution reserves

Unearned contribution reserves ("UCR") represent the portion of the net contributions of takaful certificate written that relate to the unexpired periods of the certificates at the end of the financial year.

In determining the UCR at the reporting date, the method that most accurately reflects the actual unearned contribution is used, as follows:

- 1/365th method for all classes of General takaful business within Malaysia; and

- time apportionment method for non-annual certificates and first year annual certificates with a cover period of more than one year.

with a further reduction for wakalah fee expenses to reflect the wakalah business principle.

Provision for outstanding claims

A liability for outstanding claim is recognised in respect of both direct takaful and inward retakaful. The amounts of outstanding claims are the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the date of the statement of financial position.

Provision is also made for the cost of claims, together with related expenses and incurred but not reported ("IBNR") at the date of the statement of financial position, based on an actuarial valuation by an independent qualified actuary.

Commission and agency expenses

Commission and agency expenses which are costs directly incurred in securing contributions on takaful certificates, net of commission income derived from retakaful in the course of ceding of contributions, are charged to the income statement of the General takaful business as part of Wakalah fees payable to the Shareholders' fund in the financial year in which they are incurred.

Deficit/accumulated deficits

Deficits reported by the General takaful business during the financial year are reported as a loss in the income statement of the General takaful business to the extent that there are no allocated surplus balances residing with the General takaful contract liabilities. Accordingly, accumulated deficits and available-for-sale reserve attributable to the Shareholders' fund of the takaful subsidiary are treated as an equity in the financial statements of the Group.

2.31 Takaful contracts - Family takaful business

The Family takaful business is maintained in accordance with the requirements of the IFSA and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surpluses attributable to the participants as determined by an annual actuarial valuation of the Family takaful business and is attributable in accordance with the terms and conditions prescribed by the Shariah Committee of the subsidiary engaged in the takaful business.

Any actuarial deficit in the Family takaful business will be made good via a benevolent loan or Qardhul Hassan from the Shareholders' fund of the takaful subsidiary.

Gross contributions

Contribution income represents contribution recognised in the Family takaful and investment-linked fund.

Gross contributions from the Family takaful business are recognised as soon as the amount can be reliably measured. First contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of the financial year, all the contributions are accounted for to the extent that they can be reliably measured.

Gross contributions of the investment-linked business include net creation of units and represent contributions paid by participants as payment for a new contract or subsequent payments to increase the amount of those contracts. Net creation of units is recognised on a receipt basis.

Retakaful contributions

Outward retakaful contributions are recognised in the same accounting periods as the original certificates to which the retakaful relates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.31 Takaful contracts - Family takaful business (continued)

Provision for outstanding claims

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognised.

Claims and provisions for claims arising on Family takaful certificates including settlement costs, less retakaful recoveries, are accounted for using the case basis method and for this purpose the benefits payable under a family takaful policy are recognised as follows:

(i) maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

Deficit/accumulated deficits

Deficits recorded by the Family takaful business during the financial year are reported as a loss in then income statement of the Family takaful business to the extent that there are no unallocated surplus balances residing within the Family takaful contract liabilities. Accordingly, accumulated deficits and available-for-sale reserve attributable to the Shareholders' fund of the takaful subsidiary are treated as an equity in the statement of financial position of the Group.

2.32 Insurance/takaful contract liabilities

Family takaful contract liabilities

Family takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

A liability adequacy test is performed at 75th percentile sufficiency level, in line with Bank Negara Malaysia ("BNM")'s new valuation guidelines on Family takaful business and the requirements of MFRS 4 Insurance Contracts. Hence, claim rates, surrender assumptions and other valuation parameters are determined at a 75th percentile confidence level.

For investment-linked products, the non-unit liabilities are valued on a cash flow basis by projecting tabarru' (risk charges) stream on a certificate basis, taking into account expected death and surrenders as decrements. The tabarru' streams are then compared against the corresponding projected mortality and other risk benefits. Future deficits are reserved on a present value basis, using the risk free spot rates of return. The higher of the UCR and total present value of deficits is taken as the actuarial liability. The value of Participant Investment Account ("PIA") is taken as the unit reserves.

In the case of yearly renewable term products with no savings elements, the liability for such Family takaful certificate comprises the provision for unearned contributions and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the operator. Where the portfolio demonstrates deteriorating experience, a deficiency reserve is set up as an additional reserve.

For long-term term products with implicit guarantees, the liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of present value of future benefits less the present value of future contributions, discounted at the appropriate risk discount rate. The liability is then compared against reserves derived from statutory method, and the larger of the two reserves is held as the liability. In the event that the surrender value is higher than the reserve in aggregate, the excess is held as an additional reserve.

Expense reserve in the Shareholder's fund is determined by taking the present value of future deficits, discounted at appropriate spot rates. Future deficits are defined as the excess of future expense stream over future income cash flows, in aggregate basis.

The liability is derecognised when the contract expires, is discharged or is cancelled.

General insurance and General takaful contract liabilities

General insurance and General takaful contract liabilities are recognised when contracts are entered into and premiums/contributions are charged.

These liabilities comprise outstanding claims provision and premium liabilities/unearned contribution reserves.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Insurance/takaful contract liabilities (continued)

General insurance and General takaful contract liabilities (continued)

Outstanding claims provision which includes a margin for adverse deviation is based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claim handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the statement of financial position date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques on empirical data. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, are discharged or are cancelled.

Premium liabilities/unearned contribution reserves represent premiums/contributions received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium/contribution income.

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account of the investment return expected to arise on assets relating to the relevant general technical provisions. If these estimates show that the carrying amount of the unearned contributions is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy.

2.33 Shareholders' fund's expense liabilities

The expense liabilities of the Shareholders' fund of the takaful subsidiary consist of expense liabilities of the General and Family takaful businesses which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificate and recognised in the income statement.

2.34 Measurement and impairment of Qardhul Hassan

Any deficit in the takaful risk fund will be made good via a benevolent loan, or Qardhul Hassan, granted by the Shareholders' fund of the takaful subsidiary to the takaful businesses. Qardhul Hassan shall be repaid from future surplus of the takaful businesses.

Qardhul Hassan is accounted for a receivable and payable in the financial statements of the Shareholders' fund of the takaful subsidiary and takaful businesses respectively, and is stated at cost. At each date of the statement of financial position, the Shareholders' fund assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.9 to the financial statements.

Qardhul Hassan payable in the respective the takaful businesses are stated at cost.

2.35 Management expenses, commission expenses and wakalah fees

Acquisition costs, commissions and management expenses (collectively known as "wakalah fees") are borne by the Family takaful and General takaful businesses respectively in the income statement at an agreed percentage of the gross contribution, in accordance with the principles of wakalah as approved by the Shariah Committee of the subsidiary engaged in the takaful business and agreed between the participants and the subsidiary, and are allocated to the shareholders' fund and recognised as income upon issuance of certificates.

2.36 Investment contracts

The Group issues investment contracts without fixed terms, i.e. investment-linked plans.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of the underlying financial and/or non-financial assets and are designated at inception at fair value through profit or loss because it eliminates or significantly reduces the measurement or recognition inconsistency (i.e. an accounting mismatch) that would otherwise arise from measuring assets and liabilities or recognising the gains or losses or others on different bases. (see accounting policy in Note 2.11 to the financial statements for the financial assets backing these liabilities).

The Group's main valuation technique incorporates all factors that market participants would consider. The fair value of financial liabilities for investment contracts without fixed terms is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair value of the financial assets contained within the Group's unitised investment-fund linked to the financial liability. The fair value of the financial liabilities are obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date.

The Group re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by calculating the present value of estimated future cashflow using the financial liability's original effective interest rate. Any adjustment is immediately recognised as income or expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

2 **SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.37 Other revenue recognition

Interest and profit income

Interest income for financial assets that are not classified as FVTPL is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

Other interest income including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the asset.

Profit income including the amount of amortisation of premium and accretion of discount of the subsidiary engaged in the takaful business is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income

Rental income on investment property is recognised on receipt basis.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Other fee income

Management, consultancy and advisory service and educational fees are recognised when the services are provided.

Realised gains and losses on investments

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sale proceeds and the carrying value at date of disposal and are recorded on occurrence of the sale transaction.

Fees and commission income

Insurance/takaful contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then they are deferred and recognised over those future periods.

2.38 Current and deferred income tax

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the reporting date in the countries where the Group's subsidiary and associates operate and generate taxable income, and any adjustments to tax payable in respects of prior financial years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations and makes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities using an expected value (weighted average probability) approach.

Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates (tax laws) that have been enacted or substantively enacted at the end of the reporting date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax loses or unused tax credit can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.38 Current and deferred income tax (continued)

Deferred tax (continued)

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

2.39 Zakat

Zakat represents tithes payable by the takaful subsidiary to comply with Shariah principles and as approved by the Shariah Committee. Zakat provision is calculated at 2.5% of the profit before zakat and taxation of the takaful subsidiary for the financial year.

2.40 Earnings per share

The Group presents basic earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Valuation of General insurance and General takaful contract liabilities

The estimation of claims liabilities or equivalently, the ultimate claims liabilities arising from claims made under an insurance/takaful contract, is the Group’s most critical accounting estimate.

Provision is made for the estimated cost of claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with a risk margin for adverse deviation (“PRAD”). PRAD is an additional component to the liability value aimed at ensuring that the value of the insurance/takaful liabilities is established at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. This provision consists of estimates at the date of the statement of financial position of both the expected ultimate cost of claims reported to the Group and the expected ultimate cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes both direct and indirect expenses that are expected to be incurred in settling those claims.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, incurred but not reported claims form the majority of the liabilities at the date of the statement of financial position.

The Group engages independent external actuaries to perform the claims liabilities estimation. A number of methods are employed initially in the estimation of ultimate claims reserves using the Group’s own historical experience and other relevant market quantitative and qualitative information. The final estimates are selected after due consideration was given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin is also incorporated into the ultimate claims estimates.

Due to the fact that the ultimate claims liabilities are dependent upon the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation, there is an inherent uncertainty in any estimate of ultimate claims liabilities. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Critical accounting estimates and assumptions (continued)

(ii) Actuarial liabilities for Family takaful fund

The Group engages independent external actuary to perform the actuarial liabilities for Family takaful plans. All the products are valued in such a manner that the overall liabilities secured 75% confidence level, as prescribed by BNM's valuation guidelines on Family takaful business. The liabilities were set up based on product type as follows:

- Investment-Linked Personal Risk Investment Account ("PRIA Investment-Linked")

  This is the risk fund that involves investment-linked certificates including unit deducting riders. The Tabarru' rates are dripped from Participant Investment Account ("PIA") to this risk fund on a monthly basis. The UCR is calculated by taking half of the total monthly drip at the valuation date. The liabilities in this fund are calculated as the larger of UCR or total present value of future deficits. Future deficits are reserved on a present value basis using the risk free spot rates of return and claims assumptions are determined at 75% confidence level.

  In addition to this liability, IBNR is also included for Critical Illness and Medical unit deducting riders. From the experience study, 2 months and 1 month average claims were assumed in calculating the IBNR for Critical Illness and Medical riders respectively.

  The Group has also included a provision for certificates under waiver of contributions. This is taken as the present value of future gross contributions to be waived throughout the term, discounted using risk free spot rates of returns.

- Ordinary Personal Risk Investment Account ("PRIA Ordinary Life")

  This fund consists of four products, Cancer Care, SmartMedic, Term 80 and Takafulife Series.

  Cancer Care is a guaranteed renewable medical takaful product with an additional death benefit. The contribution reserve is calculated at 100% of unearned gross cancer tabarru' using 1/24th method. For the death benefit, the valuation reserve is calculated using M9903 mortality table discounted at spot rates. In addition, 2 months of average claims are set aside for IBNR.

  SmartMedic is an individual Hospital and Surgical product with guaranteed renewability up to age 80. It also provides an additional benefit for funeral expense, which is payable upon death due to all causes. The contribution reserve is calculated at 100% of unearned gross medical tabarru'. Reserve for funeral expense benefit is calculated at 100% of unearned gross funeral expense tabarru' using 1/24th method. An additional provision for 1 months of average claims is set aside as IBNR for SmartMedic. An additional provision for 70% of contribution reserve is set aside as deficiency reserve, to reflect the portfolio experience. Reserves for SmartMedic100 and SmartMedic200 are adjusted to reflect 50% and 75% retained portion respectively after retakaful arrangement.

  The Takafullife series and Term 80 are ordinary whole life and term plan respectively. The Tabarru' rates are dripped from the Participant Investment Account ("PIA") to the risk fund on a monthly basis. The UCR is calculated by taking half of the monthly drip at the valuation date. The liabilities in this fund are calculated as the larger of UCR or total present value of future deficits. Future deficits were reserved on a present value basis using the risk free spot rates of return and claims assumptions were determined at a 75% confidence level. In addition, 2 months of average claims are set aside for IBNR of Critical Illness riders.

- Group Fund Risk Investment Account ("GFRIA")

  Currently there are 3 products in this fund, which are Group Term Takaful, Comprehensive Group Takaful Scheme and Group Mortgage Protection Plan.

  The net liability for Group Term Takaful is calculated on Unexpired Risk Reserve ("URR") basis using 1/24th method.

  For Comprehensive Group Takaful Scheme, the reserve is calculated at 100% of unearned contribution using 1/24th method.

  IBNR is set aside for the Critical Illness riders attachable to Group Term Takaful and Comprehensive Group Takaful Scheme based on 5 months of average claims.

  The reserving method used for Group Mortgage Protection Plan is based on Gross Premium Valuation ("GPV"). The present value of future benefits is discounted at spot rates using M9903 mortality table on the retained portion of the risk.

  At subsequent reporting dates, these estimates will be reassessed for adequacy and reasonableness and changes will be made accordingly.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) Provision for Zurich's Counterclaims

During the financial year ended 31 December 2013, the Group and the Company each made a provision of RM45.0 million for Zurich's Counterclaims that was related to alleged breach of warranties and indemnities in the SPA with Zurich on the Disposed Subsidiaries as disclosed in Note 50(a) to the financial statements. The said provision amount was based on the parties' ongoing and latest settlement negotiations, which to date has not been reached or mutually agreed.

(iv) Gain on disposal of the Disposed Subsidiaries

During the financial year ended 31 December 2013, the Group and the Company recognised additional gain (net of selling expenses) of RM14.3 million and RM8.3 million respectively on the sale of the Disposed Subsidiaries under the Settlement Agreement signed with Zurich. These gains have excluded an amount of RM3.0 million being PAK Hold Back Amount until the delivery of the individual strata title for Block A of PAK within 3 years period as disclosed in Note 50(a) to the financial statements.

The PAK Hold Back Amount will be recognised by the Group and the Company in subsequent years upon fulfilment of the strata title condition.

(b) Critical judgment in applying the entity's accounting policies

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group and the Company.

Significant judgment is required in determining the income and deferred tax applicable to the takaful subsidiary and the Company. There are transactions and calculations for which the ultimate tax determination is subject to agreement with the tax authorities. The takaful subsidiary recognised tax liabilities on anticipated issues based on the best estimate of the amount of taxes expected to be paid. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold and leasehold land	Furniture, fittings and equipment	Motor vehicles	Renovation	Yacht	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
At 1 January 2012	-	13,677	9,898	3,553	-	27,128
Additions	-	11,737	1,471	4,452	-	17,660
Arising from the acquired subsidiaries (Note 39(a),(b))	2,187	10,494	135	217	-	13,033
Arising from the disposed subsidiaries (Note 38(b),(c))	-	(3,591)	(5,647)	(1,379)	-	(10,617)
Revaluation surplus	215	-	-	-	-	215
Disposal	-	(75)	(537)	-	-	(612)
Write-off	-	(1,688)	-	(1,272)	-	(2,960)
Currency translation differences	-	-	(15)	-	-	(15)
At 31 December 2012 / 1 January 2013	2,402	30,554	5,305	5,571	-	43,832
Additions	-	2,693	514	538	-	3,745
Transferred from assets classified as held for sale (Note 16)	-	-	-	-	5,625	5,625
Arising from the disposed subsidiary (Note 38(e))	-	(2,115)	(570)	(1,149)	-	(3,834)
Disposals	-	(184)	(413)	(7)	-	(604)
Write-off	-	(406)	(12)	(145)	-	(563)
Currency translation differences	-	-	37	-	-	37
At 31 December 2013	2,402	30,542	4,861	4,808	5,625	48,238
Accumulated depreciation						
At 1 January 2012	-	7,754	6,126	2,136	-	16,016
Depreciation for the financial year	-	2,289	750	615	-	3,654
Arising from the acquired subsidiaries (Note 39(a),(b))	-	10,299	135	209	-	10,643
Arising from the disposed subsidiaries (Note 38(b),(c))	-	(3,117)	(3,455)	(1,190)	-	(7,762)
Disposals	-	(12)	(392)	-	-	(404)
Write-off	-	(1,487)	-	(847)	-	(2,334)
Currency translation differences	-	50	18	-	-	68
At 31 December 2012 / 1 January 2013	-	15,776	3,182	923	-	19,881
Depreciation for the financial year	30	2,825	494	576	-	3,925
Transferred from assets classified as held for sale (Note 16)	-	-	-	-	4,610	4,610
Arising from the disposed subsidiary (Note 38(e))	-	(717)	(140)	(310)	-	(1,167)
Disposals	-	(143)	(257)	(7)	-	(407)
Write-off	-	(391)	(2)	(109)	-	(502)
Currency translation differences	-	(1)	56	-	-	55
At 31 December 2013	30	17,349	3,333	1,073	4,610	26,395

4 PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

	Freehold and leasehold land	Furniture, fittings and equipment	Motor vehicles	Renovation	Yacht	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated impairment loss						
At 1 January 2012	-	292	-	447	-	739
Write-back during the financial year	-	(227)	-	(447)	-	(674)
At 31 December 2012 / 1 January 2013	-	65	-	-	-	65
Arising from the disposed subsidiary (Note 38(e))	-	(65)	-	-	-	(65)
At 31 December 2013	-	-	-	-	-	-
Net book value						
At 31 December 2012	2,402	14,713	2,123	4,648	-	23,886
At 31 December 2013	2,372	13,193	1,528	3,735	1,015	21,843

4 PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

	Furniture, fittings and equipment	Motor vehicles	Renovation	Total
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January 2012	871	2,206	177	3,254
Additions	868	54	770	1,692
Disposals	-	(197)	-	(197)
Write-off	(543)	-	(177)	(720)
At 31 December 2012 / 1 January 2013	1,196	2,063	770	4,029
Additions	97	192	49	338
Disposals	-	(155)	-	(155)
Write-off	(2)	(8)	-	(10)
At 31 December 2013	1,291	2,092	819	4,202
Accumulated depreciation				
At 1 January 2012	678	1,129	95	1,902
Deprecation for the financial year	127	206	77	410
Disposals	-	(58)	-	(58)
Write-off	(446)	-	(95)	(541)
At 31 December 2012 / 1 January 2013	359	1,277	77	1,713
Deprecation for the financial year	130	209	82	421
Disposals	-	(108)	-	(108)
Write-off	(2)	(1)	-	(3)
At 31 December 2013	487	1,377	159	2,023
Accumulated impairment loss				
At 1 January 2012	94	-	82	176
Write-back during the financial year	(94)	-	(82)	(176)
At 31 December 2012 / 1 January 2013 / 31 December 2013	-	-	-	-
Net book value				
At 31 December 2012	837	786	693	2,316
At 31 December 2013	804	715	660	2,179

5 INVESTMENT PROPERTIES

	GROUP	
	31.12.2013	31.12.2012
	RM'000	RM'000
At 1 January	11,632	11,175
Fair value gains – net (Note 27)	1,551	1,261
Currency translation differences	(683)	(804)
At 31 December	12,500	11,632
Comprising:		
Leasehold land and buildings	12,500	11,632

Investment properties are stated at fair value, which have been determined based on valuations performed by external independent professional valuers at the statement of financial position date. Valuations are performed annually based on the properties' fair market values using the direct sale comparison and income approach. The fair value changes (gains/losses) are recorded in the income statement.

Fair value hierarchy

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – fair value is derived from unadjusted quoted price in active markets for identical properties that the entity can access at the measurement date.

Level 2 – Fair value is estimated using inputs that are observable for the properties, either directly or indirectly.

Level 3 – fair value is estimated using unobservable inputs for properties.

The fair value of investment properties are categorised as follows:

	GROUP			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2013	-	12,500	-	12,500
31 December 2012	-	11,632	-	11,632

The investment properties, which is under Level 2 of the fair value hierarchy is measured in whole by reference to inputs other than quoted prices included within Level 1 that are observable for the investment property either directly or indirectly. The investment properties are valued using the comparison method – recent transactions and asking prices of similar properties in the locality are analysed for comparison purpose with adjustments made for difference in location, size, age and the condition of the unit and building, tenure, title restriction if any, and other relevant characteristics to arrive at the market value.

There were no transfers between Level 1 and 2 in both the financial years ended 31 December 2013 and 2012. The Group's policy is to recognise transfer into and transfer out of fair value hierarchy levels as at the end of the reporting period (or at the date of the event or change in circumstances that caused the transfers or the beginning of the reporting period).

The following are amounts arising from investment properties (all rental income generating) that have been recognised in the income statement during the financial year:

	GROUP	
	31.12.2013	31.12.2012
	RM'000	RM'000
Rental income (Note 25)	106	77
Direct operating expenses arising from investment properties	(286)	(459)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

6 INTANGIBLE ASSETS

GROUP

	Management rights	Computer software	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2012	7,000	9,718	16,718
Additions	-	1,395	1,395
Disposals	-	(6)	(6)
At 31 December 2012 / 1 January 2013	7,000	11,107	18,107
Additions	-	959	959
Arising from the disposed subsidiary (Note 38(e))	(7,000)	(1,719)	(8,719)
At 31 December 2013	-	10,347	10,347
Accumulated amortisation			
At 1 January 2012	2,893	5,364	8,257
Amortisation for the financial year	347	1,649	1,996
Disposals	-	(5)	(5)
At 31 December 2012 / 1 January 2013	3,240	7,008	10,248
Amortisation for the financial year	347	1,368	1,715
Arising from the disposed subsidiary (Note 38(e))	(3,587)	(1,036)	(4,623)
At 31 December 2013	-	7,340	7,340
Net carrying amount			
At 31 December 2012	3,760	4,099	7,859
At 31 December 2013	-	3,007	3,007

COMPANY

	Computer software	
	31.12.2013	31.12.2012
	RM'000	RM'000
Cost		
At 1 January	502	438
Additions	61	70
Disposal	-	(6)
At 31 December	563	502
Accumulated amortisation		
At 1 January	321	262
Amortisation for the financial year	68	64
Disposals	-	(5)
At 31 December	389	321
Net carrying amount	174	181

The intangible assets of the Group consist of computer software and management rights.

6 INTANGIBLE ASSETS (continued)

Computer software

Computer software consists mainly of development costs and costs that are directly associated with identifiable software systems controlled by the Group, that do not form the integral part of the hardware, and that will generate economic benefits exceeding costs beyond one year.

Management rights

Management rights represent the acquired rights to manage unit trust funds ("the Rights"). Pursuant to the Sale of Business Agreement dated 5 August 2003 between MAAKL Mutual Bhd ("MAAKL Mutual"), a then 70% owned subsidiary of MAA Corporation Sdn Bhd which is in turn a wholly owned subsidiary of the Company, and MBf Unit Trust Management Berhad ("MUTMB"), MAAKL Mutual acquired the Rights from MUTMB to manage four unit trust funds ("the Funds") managed by MUTMB. The Funds are MAAKL Equity Index Fund, MAAKL Value Fund, MAAKL Balanced Fund and MAAKL Syariah Index Fund. The effective date of the transfer of the management of the Funds was on 1 December 2003.

The Rights are amortised over a straight line basis, over a period of 20 years (2012: 20 years), the period over which the Group expects to recognise the related revenue. The remaining expected unamortised period at the date of the statement of financial position is 10 (2012: 11) years.

On 31 December 2013, the Group completed the disposal of MAAKL Mutual as disclosed in Note 38(e) to the financial statements.

7 INVESTMENTS

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Guaranteed Financing	48,634	55,031	-	-
Corporate debt securities	39,183	4,454	34,714	-
Government debt securities	1,406	2,080	-	-
Islamic debt securities	190,054	178,597	-	-
Syariah-approved equities	209,059	134,905	-	-
Equity securities	43,304	38,981	-	1,664
Other investments	5,861	45,678	-	-
Investment-linked units	10,430	-	-	-
Unit trusts	2,033	9,048	-	-
Loans	5,834	9,385	38	96
Fixed and call deposits with licensed banks	103,197	2,053	100,565	-
	658,995	480,212	135,317	1,760

The Group's and the Company's investments are summarised by categories as follows:

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through profit or loss ("FVTPL")	294,722	248,336	-	-
Available-for-sale ("AFS") financial assets	214,361	184,604	34,714	1,664
Held-to-maturity ("HTM") financial assets	40,881	35,834	-	-
Loans and receivables ("LAR") (Note 8)	109,031	11,438	100,603	96
	658,995	480,212	135,317	1,760

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

7 INVESTMENTS (continued)

The following investments mature after 12 months:

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL	3,961	49,628	-	-
AFS financial assets	150,973	156,771	-	-
HTM financial assets	40,881	35,834	-	-
LAR (Note 8)	57	1,008	-	59
	195,872	243,241	-	59

(a) <u>Financial assets at FVTPL</u>

Held-for-trading:				
Quoted:				
Unit trusts	2,033	1,965	-	-
Unquoted:				
Investment-linked units	10,430	-	-	-
	12,463	1,965	-	-
Designated at FVTPL:				
Quoted:				
Equity securities	15,120	13,258	-	-
Shariah-approved equities	209,059	134,905	-	-
Corporate debt securities	3,961	3,950	-	-
Other investments	5,861	45,678	-	-
Unquoted:				
Unit trusts	-	7,083	-	-
Unquoted:				
Islamic debt securities	48,258	41,497	-	-
	282,259	246,371	-	-
	294,722	248,336	-	-

7 **INVESTMENTS** (continued)

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(b) AFS financial assets				
Fair value:				
Quoted:				
Equity securities	-	1,664	-	1,664
Unquoted:				
Equity securities	28,184	24,059	-	-
Corporate debt securities	35,222	504	34,714	-
Government debt securities	1,406	2,080	-	-
Unquoted:				
Islamic debt securities	141,796	137,100	-	-
Malaysian Government Guaranteed Financing	7,753	19,197	-	-
	214,361	184,604	34,714	1,664
(c) HTM financial assets				
Amortised cost:				
Malaysian Government Guaranteed Financing	40,881	35,834	-	-
Fair value:				
Malaysian Government Guaranteed Financing	38,977	36,638	-	-

Carrying values of financial assets

The movements in the Group and the Company's financial assets (excluding loans and receivables) are summarised in the table below by measurement category:

GROUP

	FVTPL	**AFS**	**HTM**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'00**
At 1 January 2012	214,383	182,003	20,308	416,694
Purchases	107,814	68,176	15,044	191,034
Disposals including maturities and redemptions	(78,745)	(63,468)	-	(142,213)
Fair value gain/(loss) recorded in:				
Income statement (Note 27)	4,408	-	-	4,408
Other comprehensive income				
- Gross fair value changes	-	4,089	-	4,089
- Transferred to Income Statement upon disposal of AFS financial assets	-	(4,012)	-	(4,012)
Insurance/takaful contract liabilities				
- Gross fair value changes (Note 17)	-	689	-	689
- Transferred to Income Statement upon disposal of AFS financial assets (Note 26)	-	(1,917)	-	(1,917)
Movement in accrued interest/profit	477	(1,102)	483	(142)
Movement in impairment allowance (Note 30)	-	857	-	857
Accretion of discount/(amortisation of premium)	-	106	(1)	105
Arising from disposed subsidiary	(2)	-	-	(2)
Currency translation differences	1	(817)	-	(816)
At 31 December 2012	248,336	184,604	35,834	468,774

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

7 INVESTMENTS (continued)

Carrying values of financial assets (continued)

The movements in the Group and the Company's financial assets (excluding loans and receivables) are summarised in the table below by measurement category: (continued)

GROUP

	FVTPL	AFS	HTM	Total
	RM'000	**RM'000**	**RM'000**	**RM'00**
At 1 January 2013	248,336	184,604	35,834	468,774
Bonds acquired from Settlement Agreement	-	21,603	-	21,60
Fair value gain from acquisition of bonds via Settlement Agreement (Note 30)	-	23,770	-	23,770
Purchases	197,832	69,863	5,000	272,695
Disposals including maturities and redemptions	(162,435)	(65,725)	-	(228,160)
Dividend income capitalised	60	-	-	60
Fair value gain/(loss) recorded in:				
Income statement (Note 27)	10,722	-	-	10,722
Other comprehensive income				
- Gross fair value changes	-	2,507	-	2,507
- Transferred to Income Statement upon disposal of AFS financial assets	-	(6,038)	-	(6,038)
Insurance/takaful contract liabilities				
- Gross fair value changes (Note 17)	-	(4,284)	-	(4,284)
- Transferred to Income Statement upon disposal of AFS financial assets (Note 26)	-	(1,846)	-	(1,846)
Movement in accrued interest/profit	250	627	48	925
Movement in impairment allowance (Note 30)	-	(12,048)	-	(12,048)
Accretion of discount/(amortisation of premium)	-	173	(1)	172
Currency translation differences	(43)	1,155	-	1,112
At 31 December 2013	294,722	214,361	40,881	549,964

COMPANY

	AFS	Total
	RM'000	**RM'000**
At 1 January 2012	-	-
Fair value gain recorded in other comprehensive income	1,664	1,664
At 31 December 2012/ 1 January 2013	1,664	1,664
Bonds acquired from Settlement Agreement	21,603	21,603
Fair value gain from acquisition of bonds via Settlement Agreement (Note 30)	23,770	23,770
Fair value gain recorded in other comprehensive income		
- Gross fair value changes	1,589	1,589
- Transferred to Income Statement upon disposal of AFS financial assets (Note 26)	(3,212)	(3,212)
Movement in impairment allowance (Note 30)	(11,110)	(11,110)
Accretion of discounts	233	233
Movement in accrued interest	177	177
At 31 December 2013	34,714	34,714

7 INVESTMENTS (continued)

Recurring fair values of investments

The following tables show the analysis of the different hierarchy of fair values for investments recorded at fair values and investments not measured at fair value but the fair values are disclosed:

GROUP

	FVTPL	**AFS**	**HTM**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'00**
31 December 2012				
Quoted market price (Level 1)	153,825	1,716	-	155,541
Valuation techniques – market observable inputs (Level 2)	94,511	159,550	36,638	290,699
Valuation techniques – non-market observable inputs (Level 3)	-	23,338	-	23,338
	248,336	184,604	36,638	469,578
31 December 2013				
Quoted market price (Level 1)	246,245	18	-	246,263
Valuation techniques – market observable inputs (Level 2)	48,477	186,798	38,977	274,252
Valuation techniques – non-market observable inputs (Level 3)	-	27,545	-	27,545
	294,722	214,361	38,977	548,060

Valuation techniques – non-market observable inputs (Level 3)

	AFS	**Total**
	RM'000	**RM'000**
At 1 January 2013	23,338	23,338
Fair value gain recorded in other comprehensive income	3,697	3,697
Movement in impairment loss	(858)	(858)
Currency translation difference	1,368	1,368
At 31 December 2013	27,545	27,545

The investment above is classified within Level 3 investment for valuation techniques as non-market observable inputs. It is investment in equity securities of corporation, unquoted outside Malaysia. The valuation techniques uses the Net Asset Value ("NAV") as a practical expedient to derive the fair value of the investments.

There were no transfer among Level 1, 2, and 3 during the financial year ended 31 December 2013.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Executive Committee. The finance team regularly reviews significant unobservable inputs and valuation adjustments.

The significant unobservable input for the investment above is NAV per share. The higher the NAV per share, the higher the estimated fair value.

7 INVESTMENTS (continued)

Recurring fair values of investments (continued)

COMPANY

	AFS	Total
	RM'000	**RM'000**
31 December 2012		
Quoted market price (Level 1)	1,664	1,664
31 December 2013		
Valuation techniques – market observable inputs (Level 2)	34,714	34,714

Included in the quoted market price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices 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. These are considered as Level 1 investments.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, fair values are based on broker quotes and discounted cash flow and the fair values of investments in structured products are obtained via investment bankers and/or fund managers are considered as Level 2 investments.

Non-market observable inputs means that fair values are determined in whole or in part 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. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, there is an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. These are considered as Level 3 investments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

8 LOANS AND RECEIVABLES

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans arising from:				
Mortgage loans	33	96	33	96
Secured loans	4,887	4,486	-	-
Unsecured loans	152	3,477	5	-
	5,072	8,059	38	96
Loans from leasing, hire purchase and others	41,006	56,791	-	-
Less: Allowance for impairment loss	(40,244)	(55,465)	-	-
	762	1,326	-	-
Fixed and call deposits with licensed banks	103,197	2,053	100,565	-
	109,031	11,438	100,603	96

The fair values of the loans and receivables have been established by comparing current market interest rates for similar financial instruments to the rates offered when the loans and receivables were first recognised together with appropriate market credit adjustments.

The maturity structure of the loans and receivables is as follows:

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Receivables within 12 months:				
Net loans	5,777	9,032	38	37
Fixed and call deposits with licensed banks	103,197	2,053	100,565	-
	108,974	11,085	100,603	37
Receivables after 12 months:				
Net loans	57	353	-	59
	109,031	11,438	100,603	9 6

The total loans portfolio net of allowance for impairment from leasing, hire purchase and others as at 31 December 2013 included non-performing loans ("NPL") amounting to approximately RM422,000 (2012: RM1,110,000). The borrowers of these NPL have committed repayments on agreed fixed repayment schedules and certain NPL are collateralised by properties and/or shares. The Group has assessed the values of the collaterals and/or committed cashflows stream based on the methods prescribed in Note 2.14 to the financial statements and made additional allowance for impairment where appropriate.

The fair values of the collaterals held as at the date of the statement of financial position was RM3,762,000 (2012: RM4,367,000).

9 SUBSIDIARIES

	COMPANY	
	31.12.2013	31.12.2012
	RM'000	RM'000
Investments in subsidiaries, at cost	225,628	255,428
Less: Accumulated impairment loss	(126,849)	(128,456)
	98,779	126,972
Amounts due from subsidiaries	-	18,696
Less: Accumulated impairment loss	-	(18,696)
	-	-
	98,779	126,972

On 6 June 2013, a subsidiary issued 102,000 new 1997 redeemable preference shares of RM1 each ("1997 RPS") at a premium of RM99 per share totalling RM10,200,000 as part settlement of the amount due the Company.

Subsequently the said subsidiary had on 31 December 2013 redeemed 400,000 1997 RPS at a premium of RM99 per share totalling RM40,000,000, using part of the sale proceed from the disposal of MAAKL Mutual.

During the financial year ended 31 December 2013, the Company recognised a write-back of impairment loss of RM1,607,000 (2012: allowance for impairment loss on investment in subsidiaries of RM2,350,000). The write-back of/(allowance for) impairment loss on investment in subsidiaries was credited/(charged) to the income statement as disclosed in Note 30 "Other Operating Income/(Expenses) - Net" to the financial statements.

The impairment loss charged to income statement in the previous financial year ended 31 December 2012 was determined based on the Company's assessment of the fair value less cost to sell of those subsidiaries under the Group's business rationalisation plans and the unexpected adverse cashflows from the subsidiary engaged in investment holding, business of charge cards and other related cards and services. The fair value less cost to sell of those effected subsidiaries was based on the proposed offer price and/or comparable market values of similar entities and operations and discounted cash flow.

The amounts due from subsidiaries of RM18,696,000 as at 31 December 2012 were akin to investments in subsidiaries. During the financial year ended 31 December 2013, these amounts due were fully settled via the following:

(a) cash repayment of RM8,496,000, and
(b) capitalisation of the remaining amount due via issuance of 100,200 1997 RPS of RM1 each at a premium of RM99 per share.

Arising from (a) and (b) above, the Company recognised a write-back of impairment loss of RM18,696,000 (2012: write-back of impairment loss of RM355,000). The write-back of impairment loss was credited to the income statement as disclosed in Note 30 "Other Operating Income/(Expenses) - Net" to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

9 **SUBSIDIARIES** (continued)

Details of the subsidiaries are as follows:

Name of company	Country incorporation	31.12.2013 Group's effective interest	31.12.2013 Non-controlling interest	31.12.2012 Group's effective interest	31.12.2012 Non-controlling interest	Principal activities
		%	%	%	%	
MAA Corporation Sdn Bhd ("MAA Corp")	Malaysia	100	-	100	-	Investment holding and property management
MAA Takaful Berhad	Malaysia	75	25	75	25	General takaful and Family takaful businesses
Subsidiaries of MAA Corp						
MAA-Medicare Sdn Bhd	Malaysia	100	-	100	-	Operation of charitable dialysis centres
MAA Credit Berhad	Malaysia	100	-	100	-	Hire purchase, leasing and other credit activities
MAA International Assurance Ltd	Labuan, Malaysia	100	-	100	-	Offshore insurance and reinsurance business
MAAKL Mutual Bhd[(1)]	Malaysia	-	-	55	45	Unit trust funds management
MAA Holdings (BVI) Ltd	British Virgin Islands	100	-	100	-	Providing insurance technical and financial consultancy services
MAA Corporate Advisory Sdn Bhd	Malaysia	100	-	100	-	Providing corporate advisory and consultancy services
MAA International Corporation Ltd	Malaysia	100	-	100	-	Investment holding
Chelsea Parking Services Sdn Bhd[(2)]	Malaysia	100	-	100	-	Dormant
MAA International Investments Ltd	Malaysia	100	-	100	-	Investment holding
Menang Bernas Sdn Bhd	Malaysia	100	-	100	-	Dormant
MAA Cards Sdn Bhd	Malaysia	100	-	100	-	Business of charge cards and other related cards and services
MAAXSITE Sdn Bhd[(3)]	Malaysia	100	-	-	-	Dormant
MAAXClub Sdn Bhd[(3)]	Malaysia	100	-	-	-	Dormant

9 **SUBSIDIARIES** (continued)

		31.12.2013		31.12.2012		
Name of company	**Country incorporation**	**Group's effective interest**	**Non-controlling interest**	**Group's effective interest**	**Non-controlling interest**	**Principal activities**
		%	%	%	%	
Subsidiaries of MAA Corporate Advisory Sdn Bhd						
* MAACA Labuan Ltd ("MAACAL")	Labuan, Malaysia	51	49	51	49	Providing offshore corporate advisory and consultancy services
MAACA Corporate Services Sdn Bhd	Malaysia	100	-	100	-	Providing corporate advisory and consultancy services
Subsidiary of MAA International Assurance Ltd						
# P.T. MAA General Assurance	Indonesia	83	17	83	17	General insurance business
Subsidiaries of MAA International Investments Ltd						
# MAA Mutualife Philippines, Inc	Philippines	100	-	100	-	Unit trust funds management
#Columbus Capital Singapore Pte Ltd	Singapore	100	-	100	-	Investment holding
Subsidiaries of MAA International Corporation Ltd						
#MAA Corporate & Compliance Phils. Inc.	Philippines	100	-	100	-	Investment holding and providing management services
Subsidiaries of MAA Credit Berhad						
#Pusat Tiusyen Kasturi Sdn Bhd(4)	Malaysia	70	30	70	30	Provision of education services and operations education tuition centres
#Keris Murni Sdn Bhd(4)	Malaysia	70	30	70	30	Provision of education services and operations education tuition centres
#Nilam Timur Sdn Bhd(4)	Malaysia	100	-	100	-	Dormant

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

9 SUBSIDIARIES (continued)

Name of company	Country incorporation	31.12.2013 Group's effective interest	31.12.2013 Non-controlling interest	31.12.2012 Group's effective interest	31.12.2012 Non-controlling interest	Principal activities
		%	%	%	%	
Subsidiary of Pusat Tiusyen Kasturi Sdn Bhd						
#Pelangi Tegas Sdn Bhd(4)	Malaysia	70	30	70	30	Providing of education services and operations education tuition centres
Subsidiaries of Keris Murni Sdn Bhd						
#Genting Mutiara Sdn Bhd(4)	Malaysia	70	30	70	30	Provision of education services and operations education tuition centres
#Jaguh Suria Sdn Bhd(4)	Malaysia	70	30	70	30	Provision of education services and operations education tuition centres
#Indopelangi Sdn Bhd(4)	Malaysia	70	30	70	30	Provision of education services and operations education tuition centres

* MAACAL is 51% owned by the Company, 49% owned by a company controlled by a Director of the Company and a director of MAACAL and the immediate holding company, MAA Corporate Advisory Sdn Bhd.

\# Subsidiaries not audited by PricewaterhouseCoopers.

(1) Subsidiary that was disposed during the financial year.

(2) Subsidiary that ceased operations in the previous financial year.

(3) Subsidiaries that were incorporated during the financial year.

(4) Subsidiaries that were acquired in the previous financial year.

9 SUBSIDIARIES (continued)

The Groups' subsidiaries that have material non-controlling interests ("NCI") are as follows:

	MAA Takaful Berhad	PT MAA General Assurance	Other individually immaterial subsidiaries	Total
	RM'000	RM'000	RM'000	RM'00
31.12.2013				
NCI percentage of ownership interest and voting interest	25%	17%		
Carrying amount of NCI	30,675	(12,246)	791	19,220
31.12.2012				
NCI percentage of ownership interest and voting interest	25%	17%		
Carrying amount of NCI	28,174	(7,389)	5,929	26,714

Set out below are the summarised financial information for subsidiaries that have material NCI:

Summarised statement of financial position

	MAA Takaful Berhad		PT MAA General Assurance	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Non-current assets	206,874	207,308	171	361
Current assets	619,391	479,747	52,114	94,491
Non-current liabilities	(2,127)	(4,174)	-	-
Current liabilities	(701,869)	(566,764)	(132,264)	(163,411)
Net assets/(liabilities)	122,269	116,117	(79,979)	(68,559)

Summarised income statement and other comprehensive income

	MAA Takaful Berhad		PT MAA General Assurance	
	Financial year ended 31 December		Financial year ended 31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Operating revenue	503,164	377,910	28,360	69,797
Profit/(loss) before taxation	13,342	16,257	(28,093)	(27,076)
Taxation	(3,044)	(3,033)	(478)	181
Zakat	(295)	(226)	-	-
Profit/(loss) for the financial year	10,003	12,998	(28,571)	(26,895)
Other comprehensive income/(loss) for the financial year	(3,851)	(1,252)	(473)	81
Total comprehensive income/(loss) for the financial year	6,152	11,746	(29,044)	(26,814)
Total comprehensive income/(loss) allocated to NCI	2,501	3,250	(4,857)	(4,572)
Dividends paid to NCI	-	-	-	-

9 **SUBSIDIARIES** (continued)

Summarised statement of cash flows

	MAA Takaful Berhad		PT MAA General Assurance	
	Financial year ended 31 December		Financial year ended 31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash flows from:				
Operating activities	10,207	12,897	(9,699)	(13,457)
Investing activities	(3,203)	(11,391)	397	2,003
Financing activities	-	-	9,786	-
Net increase/(decrease) in cash and cash equivalents	7,004	1,506	484	(11,454)
Cash and cash equivalents at beginning of financial year	3,679	2,173	853	12,307
Cash and cash equivalents at end of financial year	10,683	3,679	1,337	853

The financial information above is the amount before inter-company elimination.

10 **ASSOCIATES**

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	72,054	69,224	100	100
Less: Accumulated impairment loss	(7,650)	(11,031)	(100)	-
	64,404	58,193	-	100
Dividend received	(264)	(186)	-	-
Share of post acquisition loss	(168)	(1,693)	-	-
Share of other comprehensive loss	(2,475)	-	-	-
	61,497	56,314	-	100

10 ASSOCIATES (continued)

The details of the associates are as follows:

Name of company	Country of incorporation	Group's effective interest 31.12.2013	Group's effective interest 31.12.2012	Principal activities
		%	%	
*Nishio Rent All (M) Sdn Bhd	Malaysia	30	30	Renting of construction and industrial equipment
MAA Bancwell Trustee Berhad	Malaysia	49	49	Trust fund management and trust services
Meridian Asset Management Holdings Sdn Bhd	Malaysia	40	40	Investment holding
Associate of MAA International Assurance Ltd				
MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business
Associate of Columbus Capital Singapore Pte Ltd				
Columbus Capital Pty Limited	Australia	48	48	Retail mortgage lending and loan securitisation
Subsidiaries of Meridian Asset Management Holdings Sdn Bhd				
Meridian Asset Management Sdn Bhd	Malaysia	40	40	Fund management and investment and advisory services
Meridian Asset Management (Asia) Ltd	Malaysia	40	40	Fund management and investment and advisory services

* The financial year-ends of these associates are not co-terminus with the Group. However, for purposes of consolidation, these associates had prepared financial statements as at the same statement of financial position date as the financial statements of the Group.

10 ASSOCIATES (continued)

Set out below are the summarised financial information for material associates of the Group:

Summarised statement of financial position

	Columbus Capital Pty Limited		MAA General Assurance Philippines, Inc	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Non-current assets	4,663,306	6,609,142	1,487	1,576
Current assets	224,867	362,278	175,827	127,306
Non-current liabilities	(4,826,750)	(6,715,650)	-	-
Current liabilities	(20,756)	(221,999)	(145,721)	(92,530)
Net assets	40,667	33,771	31,593	36,352

Summarised income statement and other comprehensive income

	Columbus Capital Pty Limited		MAA General Assurance Philippines, Inc	
	Financial year ended 31 December		Financial year ended 31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Operating revenue	348,866	148,869	56,022	44,488
Profit/(loss) before taxation	3,400	(10,465)	1,938	2,988
Taxation	(995)	2,674	(567)	(644)
Profit/(loss) for the financial year	2,405	(7,791)	1,371	2,344
Other comprehensive loss for the financial year	-	-	(6,161)	(965)
Total comprehensive income/(loss)	2,405	(7,791)	(4,790)	1,379
Dividends received from associates	-	-	-	-

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in associates.

	Columbus Capital Pty Limited	MAA General Assurance Philippines, Inc	Other individually immaterial associates	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	32,759	16,079	1,684	50,522
Share of (loss)/profit	(3,649)	2,248	736	(665)
Subscription of RPS	6,478	-	-	6,478
Elimination of dividend received	-	-	(21)	(21)
At 31 December 2012	35,588	18,327	2,399	56,314
Carrying value as at 31 December 2012	35,588	18,327	2,399	56,314
At 1 January 2013	35,588	18,327	2,399	56,314
Share of profit/(loss)	1,153	548	(176)	1,525
Share of other comprehensive loss	-	(2,475)	-	(2,475)
Subscription of RPS	2,830	-	-	2,830
Write-back of/(allowance for) impairment loss	3,662	-	(281)	3,381
Elimination of dividend received	-	-	(78)	(78)
At 31 December 2013	43,233	16,400	1,864	61,497
Carrying value as at 31 December 2013	43,233	16,400	1,864	61,497

10 ASSOCIATES (continued)

<u>Unrecognised share of losses of associate</u>

	Meridian Assets Management Holdings Sdn Bhd	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Profit/(loss) after taxation	349	(28)
Interest in associate	40%	40%
Unrecognised share of profit/(loss) of associate	140	(11)

11 REINSURANCE/RETAKAFUL ASSETS

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Reinsurance/retakaful of insurance/takaful contracts (Note 17)	257,824	212,743

The carrying amounts disclosed above in respect of the reinsurance of insurance/takaful contracts approximate the fair values at the date of the statement of financial position.

12 INSURANCE/TAKAFUL RECEIVABLES

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Due premiums/contributions including agents, brokers and co-insurers/co-takaful balances	33,100	27,411
Due from reinsurers/retakaful operators and cedants	29,913	28,974
	63,01	56,385
Less: Allowance for impairment loss	(12,091)	(4,690)
	50,922	51,695
Receivable within 12 months	50,922	51,695
<u>Offsetting financial assets and financial liabilities</u>		
Gross amounts of recognised financial assets (net of impairment)	67,379	61,465
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(16,457)	(9,770)
Net amounts of recognised financial assets presented in the statement of financial position	50,922	51,695

There are no financial assets subject to enforceable netting arrangements or similar agreements, and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2013 (2012: Nil).

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

13 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables of non-insurance subsidiaries	7	2,346	-	-
Amounts due from subsidiaries	-	-	68,273	23,323
Amounts due from associates	2,676	2,508	20	-
Investment income due and accrued	-	16	-	-
Manager's stocks	-	3,250	-	-
Outstanding proceeds from disposal of subsidiaries	-	94,395	-	90,489
Proceeds from disposal of subsidiaries deposited in escrow accounts	74,406	129,754	55,111	129,754
Other receivables, deposits and prepayments	30,532	23,157	20,372	7,463
	107,621	255,426	143,776	251,029
Receivables within 12 months	68,924	253,426	124,376	249,029
Receivables after 12 months	38,697	2,000	19,400	2,000

The fair value of receivables after 12 months approximates the carrying value as at the date of the statement of financial position.

As at 31 December 2013, the amounts due from subsidiaries included interest-bearing advances to subsidiaries amounting to RM28,273,000 (net of impairment loss of RM26,021,000) (2012: RM23,323,000 (net of impairment loss of RM25,451,000)) and an amount of RM40,000,000 from redemption of 1997 RPS that was subsequently received on 10 January 2014. The interest-bearing advances bear interest rates ranging from 4.35% to 8.0% (2012: 4.35% to 8.0%) per annum and are repayable on demand.

As at 31 December 2012, the outstanding proceeds from disposal of subsidiaries of the Group and the Company comprised of:

(a) an upward adjustment of RM91,383,000 and RM90,489,000 respectively to the sale consideration of RM344,000,000 as disclosed in Note 3 (a)(iii) to the financial statements; and

(b) an outstanding proceeds of RM3,012,000 from disposal of a subsidiary as disclosed in Note 38(c) to the financial statements.

Proceeds from the disposal of subsidiaries deposited in escrow accounts of the Group and the Company as at 31 December 2013 comprised of:

(a) a balance of RM55,111,000 ("Retained Proceeds") being the amount of Zurich's remaining outstanding claims are resolved. Zurich's remaining outstanding claims relating to alleged breach of warranties and indemnities ("Zurich's Counterclaims") in the SPA as disclosed in Note 50(a) to the financial statements; and

(b) an amount of RM19,295,000 million from the sale consideration of the disposal of MAAKL Mutual to Manulife as disclosed in Note 50(c) to the financial statements.

Included in other receivables, deposits and prepayments of the Group and Company were:

(a) interest receivable of RM389,000 (2012: RM3,775,000) on the proceeds from the sale of Disposed Subsidiaries deposited in the escrow account. The deposit in the escrow account bears an interest rate at 2.75% (2012: 2.75%) per annum; and

(b) an amount of RM19,400,000 ("Extended Sum") extended by the Company to PIMA Pembanguanan Sdn Bhd ("PIMA") relating to the Company's obligations to obtain and deliver the individual strata title for Block A of Prima Avenue Klang ("PAK") to Zurich under the conditions precedent in the Settlement Agreement signed with Zurich as disclosed in Note 50(a) to the financial statements. The Extended Sum is secured by identified unsold office units in Block B and car park parcels of PAK ("Securities"). Based on the valuations performed by independent professional valuers at the date of the statement of financial position, the aggregate fair market values of the Securities are RM19,500,000.

14 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

GROUP

					31.12.2013
	Share-holders' fund	**General fund**	**General takaful fund**	**Family takaful fund**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	-	-	47	-	47
Deferred tax liabilities	(2,282)	-	-	(1,689)	(3,971)
	(2,282)	-	47	(1,689)	(3,924)
Current	-	-	-	(1,668)	(1,668
Non-current	(2,282)	-	47	(21)	(2,256)
	(2,282)	-	47	(1,689)	(3,924)
At 1 January 2013	(3,978)	558	(627)	(1,505)	(5,552)
Charged to income statement (Note 34):					
- property, plant and equipment	61	(16)	-	-	45
- financial assets at FVTPL	-	-	-	(444)	(444)
- receivables, deposits and prepayments	-	(203)	-	-	(203)
- others	-	(259)	-	-	(259)
	61	(478)	-	(444)	(861)
Credited to other comprehensive income:					
- AFS financial assets	1,285	-	-	-	1,285
Charged to takaful contract liabilities:					
- AFS financial assets	-	-	674	260	934
Arising from disposed subsidiaries	350	-	-	-	350
Currency translation differences	-	(80)	-	-	(80)
At 31 December 2013	(2,282)	-	47	(1,689)	(3,924)
Subject to income tax:					
Deferred tax assets (before offsetting)					
AFS financial assets	-	-	47	-	47
Financial assets at FVTPL	-	-	-	19	19
	-	-	47	19	66
Offsetting	-	-	-	(19)	(19)
Deferred tax assets (after offsetting)	-	-	47	-	47
Deferred tax liabilities (before offsetting)					
Property, plant and equipment	(2,182)	-	-	-	(2,182)
AFS financial assets	(100)	-	-	(21)	(121)
Financial assets at FVTPL	-	-	-	(1,687)	(1,687)
	(2,282)	-	-	(1,708)	(3,990)
Offsetting	-	-	-	19	1
Deferred tax liabilities (after offsetting)	(2,282)	-	-	(1,689)	(3,971)

14 DEFERRED TAX (continued)

GROUP

						31.12.2012
	Share-holders' fund	**General fund**	**Life fund**	**General takaful fund**	**Family takaful fund**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	-	558	-	-	-	558
Deferred tax liabilities	(3,978)	-	-	(627)	(1,505)	(6,110)
	(3,978)	558	-	(627)	(1,505)	(5,552)
Current	-	-	-	-	(1,224)	(1,224
Non-current	(3,978)	558	-	(627)	(281)	(4,328)
	(3,978)	558	-	(627)	(1,505)	(5,552)
At 1 January 2012	(3,404)	419	195	(568)	(1,013)	(4,371)
Charged to income statement (Note 34):						
- property, plant and equipment	(832)	5	-	-	-	(827)
- financial assets at FVTPL	-	-	-	-	(475)	(475)
- receivables, deposits and prepayments	-	109	-	-	-	109
- Qardhul Hassan	(107)	-	-	-	-	(107)
- others	-	67	-	-	-	67
	(939)	181	-	-	(475)	(1,233)
Credited to other comprehensive income:						
- AFS financial assets	417	-	-	-	-	417
Charged to takaful contract liabilities:						
- AFS financial assets	-	-	-	(59)	(17)	(76)
Arising from acquired subsidiaries	(39)	-	-	-	-	(39)
Arising from disposed subsidiaries	(14)	-	(195)	-	-	(209)
Currency translation differences	1	(42)	-	-	-	(41)
At 31 December 2012	(3,978)	558	-	(627)	(1,505)	(5,552)
Subject to income tax:						
<u>Deferred tax assets (before offsetting)</u>						
Property, plant and equipment	-	18	-	-	-	18
AFS financial assets	-	20	-	-	-	20
Receivable, deposits and prepayments	-	217	-	-	-	217
Others	-	303	-	-	-	303
	-	558	-	-	-	558
Offsetting	-	-	-	-	-	-
Deferred tax assets (after offsetting)	-	558	-	-	-	558
<u>Deferred tax liabilities (before offsetting)</u>						
Property, plant and equipment	(2,593)	-	-	-	-	(2,593)
AFS financial assets	(1,385)	-	-	(627)	(281)	(2,293)
Financial assets at FVTPL	-	-	-	-	(1,224)	(1,224)
	(3,978)	-	-	(627)	(1,505)	(6,110
Offsetting	-	-	-	-	-	-
Deferred tax liabilities (after offsetting)	(3,978)	-	-	(627)	(1,505)	(6,110)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

14 DEFERRED TAX (continued)

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Non-current		
Deferred tax liabilities	(129)	(131)
At 1 January	(131)	(11)
Credited/(charged) to income statement (Note 34):		
- property, plant and equipment	2	(120)
At 31 December	(129)	(131)
Subject to income tax:		
<u>Deferred tax liabilities (before and after offsetting)</u>		
Property, plant and equipment	(129)	(131)

The amounts of deductible temporary differences, unabsorbed tax losses and unabsorbed capital allowances (all of which have no expiry date) for which no deferred tax assets are recognised in the statement of financial position as it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised, are as follows:

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Deductible temporary differences	11,754	12,718
Unabsorbed tax losses	129,553	92,031
Unabsorbed capital allowances	8,338	8,369
	149,645	113,118

15 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed and call deposits with licences banks	165,744	126,405	32,469	4,334
Cash and bank balances	16,096	11,889	140	1,807
	181,840	138,294	32,609	6,141
Bank overdrafts (Note 19)	(4,715)	(4,335)	-	-
	177,125	133,959	32,609	6,141

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

16 ASSETS CLASSIFIED AS HELD FOR SALE

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
<u>Net carrying amount</u>		
At 1 January	1,015	1,589
Transferred to property, plant and equipments (Note 4)	(1,015)	-
Transferred from other receivables	178	-
Impairment loss for the financial year (Note 30)	-	(489)
Currency translation differences	-	(85)
At 31 December	178	1,015

In the previous financial year ended 31 December 2012, the asset classified as held for sale consisted of a yacht owned by an insurance subsidiary of the Group. The carrying amount of the yacht represents the fair value as at the statement of financial position date. During the current financial year, the Group reclassified the yacht from asset classified as held for sale to property, plant and equipment as it no longer met the criteria of MFRS to be classified as held for sale.

During the financial year ended 31 December 2013, the Group classified a piece of leasehold land previously recorded under other receivable to asset classified as held for sale. The leasehold land was acquired via a debt recovery action taken by a subsidiary for a loan due by a borrower. The subsidiary intends to sell the leasehold land to recover the loan. The carrying amount of the leasehold land represents the fair value as at the date of the statement of financial position.

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES

		GROUP					
	Note	31.12.2013			31.12.2012		
		Gross	Re-insurance/ retakaful	Net	Gross	Re-insurance/ retakaful	Net
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Life insurance	(a)	-	-	-	-	-	-
General insurance	(b)	71,691	(41,972)	29,719	116,990	(66,812)	50,178
Family takaful	(c)	352,196	(15,490)	336,706	310,882	(13,792)	297,090
General takaful	(d)	254,065	(200,362)	53,703	173,057	(132,139)	40,918
		677,952	(257,824)	420,128	600,929	(212,743)	388,186

(a) Life insurance

The summary of movement below on life insurance contract liabilities relates to the disposed life insurance subsidiary and the commuted life insurance business of a subsidiary in the previous financial year ended 31 December 2012. The Group does not have any life insurance business during the financial year ended 31 December 2013.

	GROUP						
	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities							
At 1 January 2012	-	29,251	29,251	-	-	-	29,251
Benefits and claims experience variation	-	(8,682)	(8,682)	-	-	-	(8,682)
Arising from disposed subsidiary	-	(20,569)	(20,569)	-	-	-	(20,569)
At 31 December 2012	-	-	-	-	-	-	-
Claim liabilities							
At 1 January 2012	70	687	757	-	-	-	757
Movement in claim liabilities	(15)	(90)	(105)	-	-	-	(105)
Claims commuted during the financial year	(55)	(597)	(652)	-	-	-	(652)
At 31 December 2012	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (continued)

(a) Life insurance (continued)

	GROUP		
	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000
Unallocated surplus			
At 1 January 2012	-	-	-
Premiums received	-	3,195	3,195
Payments due to death, surrenders, benefits and claims	-	(3,749)	(3,749)
Net investment income	(2,568)	(434)	(3,002)
Management expenses and commissions	(843)	(3,769)	(4,612)
Change in life fund actuarial liabilities	128	3,170	3,298
Change in claims liabilities	3,283	1,587	4,870
Net surplus for the financial year	-	-	-
At 31 December 2012	-	-	-

	GROUP		
	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000
AFS reserves			
At 1 January 2012	-	1,961	1,961
Fair value changes arising from AFS financial assets	-	(1,688)	(1,688)
Arising from disposed subsidiary	-	(273)	(273)
At 31 December 2012	-	-	-

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (continued)

(b) General insurance

The General insurance contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2013			31.12.2012		
	Gross	Re-insurance	Net	Gross	Re-imsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	65,544	(41,282)	24,262	67,077	(44,007)	23,070
Provision for incurred but not reported claims ("IBNR")	6,032	(687)	5,345	28,997	(11,075)	17,922
Claim liabilities (i)	71,576	(41,969)	29,607	96,074	(55,082)	40,992
Premium liabilities (ii)	115	(3)	112	20,916	(11,730)	9,186
	71,691	(41,972)	29,719	116,990	(66,812)	50,178

(i) Claim liabilities

	Gross	Re-insurance	Net	Gross	Re-imsurance	Net
At 1 January	96,074	(55,082)	40,992	53,341	(17,179)	36,162
Claims incurred in the current accident year	33,266	(1,607)	31,659	100,812	(72,246)	28,566
Claims paid during the financial year (Note 31(a))	(44,076)	17,430	(26,646)	(51,055)	28,451	(22,604)
Movement in IBNR	(22,965)	10,388	(12,577)	(459)	292	(167)
	(33,775)	26,211	(7,564)	49,298	(43,503)	5,795
Currency translation differences	9,277	(13,098)	(3,821)	(6,565)	5,600	(965)
At 31 December	71,576	(41,969)	29,607	96,074	(55,082)	40,992

(ii) Premium liabilities

	Gross	Re-insurance	Net	Gross	Re-imsurance	Net
At 1 January	20,916	(11,730)	9,186	28,493	(13,008)	15,485
Premiums written during the financial year (Note 24(a))	4,777	(10,349)	(5,572)	64,141	(48,572)	15,569
Premiums earned during the financial year	(28,151)	24,667	(3,484)	(69,412)	48,466	(20,946)
	(23,374)	14,318	(9,056)	(5,271)	(106)	(5,377)
Currency translation differences	2,573	(2,591)	(18)	(2,306)	1,384	(922)
At 31 December	115	(3)	112	20,916	(11,730)	9,186

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (continued)

(c) Family takaful

The Family takaful contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2013			31.12.2012		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Certificateholders' liabilities	64,571	(13,648)	50,923	54,621	(13,202)	41,419
Net asset value attributable to unitholders	278,067	-	278,067	246,482	-	246,482
Actuarial liabilities	342,638	(13,648)	328,990	301,103	(13,202)	287,901
Unallocated surplus	4,823	-	4,823	4,015	-	4,015
Claim liabilities	4,671	(1,842)	2,829	2,526	(590)	1,936
AFS reserves	64	-	64	3,238	-	3,238
	352,196	(15,490)	336,706	310,882	(13,792)	297,090

	GROUP					
	31.12.2013			31.12.2012		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	310,882	(13,792)	297,090	246,979	(10,049)	236,930
Contributions received (Note 24(c))	258,162	(9,455)	248,707	209,099	(18,709)	190,390
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 31(d))	(151,393)	10,286	(141,107)	(84,879)	20,634	(64,245)
Movement in claim liabilities	(2,145)	1,252	(893)	2,755	(743)	2,012
Experience variance on inforce Takaful certificate	11,811	(8,854)	2,957	6,589	(4,486)	2,103
Reserve on new policies	8,779	(2,108)	6,671	13,461	(6,365)	7,096
Miscellaneous	5,000	7,181	12,181	4,187	5,926	10,113
Fees deducted	(78,476)	-	(78,476)	(77,685)	-	(77,685)
Repayment of Qardhul Hassan to Shareholders' fund	-	-	-	(430)	-	(430)
Surplus distributed to Shareholders' fund	(7,250)	-	(7,250)	(9,400)	-	(9,400)
Movement in AFS fair value adjustments						
- Gross fair value changes	(2,462)	-	(2,462)	1,575	-	1,575
- Transferred to Income Statement upon disposal of AFS financial assets	(972)	-	(972)	(1,352)	-	(1,352)
- Deferred tax	260	-	260	(17)	-	(17)
	(3,174)	-	(3,174)	206	-	206
At 31 December	352,196	(15,490)	336,706	310,882	(13,792)	297,090

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (continued)

(d) General takaful

The General takaful contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2013			31.12.2012		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	100,097	(80,349)	19,748	72,521	(55,958)	16,563
Provision for incurred but not reported claims ("IBNR")	43,678	(33,778)	9,900	24,359	(18,672)	5,687
Provision for risk of adverse deviation ("PRAD")	16,261	(13,370)	2,891	11,721	(9,508)	2,213
Claim liabilities (i)	160,036	(127,497)	32,539	108,601	(84,138)	24,463
Unearned contribution reserves (ii)	94,104	(72,865)	21,239	62,574	(48,001)	14,573
General takaful fund (iii)	(140)	-	(140)	1,882	-	1,882
Unallocated surplus	65	-	65	-	-	-
	254,065	(200,362)	53,703	173,057	(132,139)	40,918

(i) Claim liabilities

	Gross	Retakaful	Net	Gross	Retakaful	Net
At 1 January	108,601	(84,138)	24,463	93,253	(65,537)	27,716
Claims incurred in the current accident year	122,509	(94,355)	28,154	75,800	(58,139)	17,661
Other movements in claims incurred in prior accident years	(8,474)	6,648	(1,826)	(10,618)	7,201	(3,417)
Claims paid during the financial year (Note 31(c))	(67,140)	48,210	(18,930)	(48,810)	32,808	(16,002)
Movement in PRAD	4,540	(3,862)	678	(1,024)	(471)	(1,495)
	51,435	(43,359)	8,076	15,348	(18,601)	(3,253)
At 31 December	160,036	(127,497)	32,539	108,601	(84,138)	24,463

(ii) Unearned contribution reserves

	Gross	Retakaful	Net	Gross	Retakaful	Net
At 1 January	62,574	(48,001)	14,573	53,508	(42,155)	11,353
Contributions written during the financial year (Note 24(b))	247,287	(195,990)	51,297	161,973	(127,368)	34,605
Contributions earned during the financial year	(215,757)	171,126	(44,631)	(152,907)	121,522	(31,385)
	31,530	(24,864)	6,666	9,066	(5,846)	3,220
At 31 December	94,104	(72,865)	21,239	62,574	(48,001)	14,573

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (continued)

(d) General takaful (continued)

(iii) General takaful fund

AFS reserves

	Gross	**Deferred tax**	**Net**
	RM'000	**RM'000**	**RM'000**
At 1 January 2012	2,272	(568)	1,704
Fair value changes arising from AFS financial assets	802	(200)	602
Transferred to Income Statement upon disposal of AFS financial assets	(565)	141	(424)
	237	(59)	178
At 31 December 2012 / 1 January 2013	2,509	(627)	1,882
Fair value changes arising from AFS financial assets	(1,822)	456	(1,366)
Transferred to Income Statement upon disposal of AFS financial assets	(874)	218	(656)
	(2,696)	674	(2,022)
At 31 December 2013	(187)	47	(140)

18 INVESTMENT CONTRACT LIABILITIES

	GROUP	
	31.12.2013	**31.12.2012**
	Gross/Net	**Gross/Net**
	RM'000	**RM'000**
Without DPF	4,082	11,289
At 1 January	11,289	17,756
Withdrawals	(7,614)	(2,449)
Fees deducted	(435)	(713)
Net investment income	149	177
Other operating income – net	112	83
Fair value adjustment – Investments	261	(2,828)
Changes in insurance liabilities and actuarial assumptions	1	1
Arising from disposal of subsidiary	-	(620)
Currency translation differences	319	(118)
At 31 December	4,082	11,289

Investment contract liabilities without DPF are stated at fair value.

Investment contract liabilities without DPF are further analysed as follows:

	GROUP	
	31.12.2013	**31.12.2012**
	Gross/Net	**Gross/Net**
	RM'000	**RM'000**
Unit-linked liabilities valued using valuation techniques with market observable inputs	4,082	11,289

The fair value of unit-linked liabilities is based upon the fair value of the underlying assets of the funds.

19 BANK OVERDRAFTS (UNSECURED)

The unsecured bank overdraft facility of a subsidiary has a limit of RM7.5 million (2012: RM8.5 million) and bears an interest rate of 2.5% (2012: 2.5%) per annum above the prevailing base lending rate. During the financial year, the interest rates charged ranged from 9.10% (2012: 9.10%) per annum.

Under the terms of the bank overdraft facility, the subsidiary shall make progressive repayment over a period of five (5) years by a scheduled reduction of RM500,000 every half-yearly commencing end January 2012 until it is reduced to RM5 million as at end January 2016.

20 INSURANCE/TAKAFUL PAYABLES

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Due to agents, brokers and co-insurers/co-takaful	12,031	6,699
Due to reinsurers/retakaful operators and cedants	97,992	72,235
	110,023	78,934
Reinsurers'/retakaful operators' deposits withheld	1,047	456
	111,070	79,390
Payable within 12 months	111,070	79,390
Offsetting financial assets and financial liabilities		
Gross amounts of recognised financial liabilities	27,527	89,160
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(16,457)	(9,770)
Net amounts of recognised financial liabilities presented in the statement of financial position	111,070	79,390

There are no financial liabilities subject to enforceable netting arrangements or similar agreements, and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2013 (2012: Nil).

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

21 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Trade payables from non-insurance subsidiaries	-	6,902	-	-
Amounts due to associates	-	500	-	500
Amounts due to a Director	2,022	1,909	-	-
Amounts due to related companies	242	140	-	-
Defined contribution retirement plan payable	687	1,381	38	64
Accrual for unutilised staff leave	432	1,118	390	298
Commissions payable	8,127	9,225	-	-
Accrual for sale incentive	-	781	-	-
Accrual for EPF services fee	-	1,295	-	-
Accrual for agency golden service awards	-	4,899	-	-
Service tax payable	50	13	-	-
Provision for Perbadanan Insurance Deposit Malaysia ("PIDM") levy	908	811	-	-
Provision for staff costs	690	2,288	306	293
Provision for zakat	294	226	-	-
Provision for staff retrenchment expenses	1,172	-	-	-
Accrual for office renovation	22	2,054	-	430
Provision for Zurich's Counterclaims	45,000	-	45,000	-
Deposits contribution	4,879	6,048	-	-
Other payables and accruals	40,456	41,117	1,237	2,942
	104,981	80,707	46,971	4,527
Payable within 12 months	104,981	80,707	46,971	4,527

Amounts due to a Director from a subsidiary are unsecured, interest free and have no fixed terms of repayment.

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

22 SHARE CAPITAL

	GROUP/COMPANY	
	31.12.2013	31.12.2012
	RM'000	RM'000
Authorised ordinary shares of RM1 each:		
At beginning and end of financial year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:		
At beginning and end of financial year	304,354	304,354

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

23 RETAINED EARNINGS AND RESERVES

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Retained earnings	116,594	118,734	63,721	79,756
Reserves				
- Foreign exchange reserves	8,389	(2,464)	-	-
- Available-for-sale ("AFS") reserves	1,844	6,565	41	1,664
- Revaluation reserves	215	215	-	-
	10,448	4,316	41	1,664
	127,042	123,050	63,762	81,420
Movement in retained earnings				
At 1 January	118,734	76,257	79,756	36,492
Profit/(loss) for the financial year	4,708	42,477	(9,637)	43,264
Interim dividend paid (Note 36)	(6,848)	-	(6,848)	-
At 31 December	116,594	118,734	63,271	79,756
Movement in foreign exchange reserves				
At 1 January	(2,464)	(6,414)	-	-
Currency translation differences arising during the financial year	10,853	3,950	-	-
At 31 December	8,389	(2,464)	-	-
Movement in AFS reserves				
At 1 January	6,565	5,798	1,664	-
Movement in fair value of AFS financial assets, net of tax	5,638	6,696	1,589	1,664
Transferred to Income Statement upon disposal of AFS financial assets (Note 26)	(7,884)	(5,929)	(3,212)	-
Share of fair value changes of AFS financial assets of associates	(2,475)	-	-	-
At 31 December	1,844	6,565	41	1,664
Movement in revaluation reserves				
At 1 January	215	-	-	-
Movement in fair value of leasehold lands	-	215	-	-
At 31 December	215	215	-	-

The AFS reserves represent the cumulative fair value gains or losses from AFS financial assets of the Group and the Company.

The revaluation reserves represent the surplus arising from the revaluation of leasehold land of a subsidiary.

The retained earnings represent the amount available for dividend distribution to the equity shareholders of the Company.

Section 108 tax credits available to pay franked dividends has expired on 31 December 2013. With effect from 1 January 2014, the Company will distribute single-tier dividends under the single-tier system to its shareholders out of its retained earnings if dividends declared by the Company.

24 NET EARNED PREMIUMS/CONTRIBUTIONS

	Note	GROUP 2013 RM'000	GROUP 2012 RM'000
CONTINUING OPERATIONS			
(a) General fund			
(i) Gross earned premiums			
Insurance contracts		4,777	64,141
Change in unearned premium reserve		23,374	5,271
	17(b)(ii)	28,151	69,412
(ii) Premiums ceded to reinsurers			
Insurance contracts		(10,349)	(48,572)
Change in unearned premium reserve		(14,318)	106
	17(b)(ii)	(24,667)	(48,466)
Net earned premiums		3,484	20,946
(b) General takaful			
(i) Gross earned contributions			
Takaful contracts		247,287	161,973
Change in unearned contribution reserve		(31,530)	(9,06)
	17(d)(ii)	215,757	152,907
(ii) Contributions ceded to retakaful operators			
Takaful contracts		(195,990)	(127,368)
Change in unearned contribution reserve		24,864	5,846
	17(d)(ii)	(171,126)	(121,522)
Net earned contributions		44,631	31,385
(c) Family takaful			
(i) Gross earned contributions			
Takaful contracts	17(c)	258,162	209,099
(ii) Contributions ceded to retakaful operators			
Takaful contracts	17(c)	(9,455)	(18,709)
Net earned contributions		248,707	190,390

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

24 NET EARNED PREMIUMS/CONTRIBUTIONS (continued)

	GROUP	
	2013	2012
	RM'000	RM'000
CONTINUING OPERATIONS		
(d) Total		
(i) Gross earned premiums/contributions		
Insurance/takaful contracts	510,226	435,213
Change in unearned premium/contribution reserve	(8,156)	(3,795)
	502,070	431,418
(ii) Premiums ceded to reinsurers/retakaful operators		
Insurance/takaful contracts	(215,794)	(194,649)
Change in unearned premium/contribution reserve	10,546	5,952
	(205,248)	(188,697)
Net earned premiums/contributions	296,822	242,721
DISCONTINUED OPERATIONS (Note 35)		
(e) Life fund		
(i) Gross earned premiums		
Insurance contract	-	3,453
(ii) Premiums ceded to reinsurers		
Insurance contract	-	(258)
Net earned premiums	-	3,195

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

25 INVESTMENT INCOME

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Rental income from investment properties	106	77	-	-
Financial assets at FVTPL				
Interest/profit income				
- Islamic debt securities quoted in Malaysia	2,084	1,854	-	-
Dividend income				
- Equity securities quoted in Malaysia	617	514	-	-
- Syariah-approved quoted equities	5,806	3,747	-	-
	8,507	6,115	-	-
AFS financial assets				
Interest/profit income				
- Malaysian Government Guaranteed Financing	3,684	3,728	-	-
- Corporate debt securities unquoted in Malaysia	1,497	-	1,497	-
- Corporate debt securities quoted outside Malaysia	278	147	-	-
- Islamic debt securities unquoted in Malaysia	3,532	3,408	-	-
- Equity securities unquoted outside Malaysia	3	-	-	-
Dividend income				
- Equity securities quoted in Malaysia	67	-	67	-
- Equity securities unquoted in Malaysia	50	50	-	-
Accretion of discounts/(amortisation of premiums)				
- Corporate debt securities unquoted in Malaysia	233	-	233	-
- Islamic debt securities unquoted in Malaysia	(60)	106	-	-
	9,284	7,439	1,797	-
HTM financial assets				
Interest/profit income				
- Malaysian Government Guaranteed Financing	1,644	1,262	-	-
Amortisation of premiums				
- Malaysian Government Guaranteed Financing	(1)	(1)	-	-
	1,643	1,261	-	-
Loans and receivables				
Interest/profit income				
- mortgage loans	4	7	4	7
- other secured and unsecured loans	422	232	-	-
- other receivables	-	-	1,859	2,047
	426	239	1,863	2,054
Fixed and call deposits interest/profit income	7,561	6,302	4,206	3,195
	27,527	21,433	7,866	5,249

25 INVESTMENT INCOME (continued)

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	**2012**
	RM'000	**RM'000**
Financial assets at FVTPL		
Interest/profit income		
- Corporate debt securities quoted in Malaysia	-	144
Dividend income		
- Equity securities quoted in Malaysia	50	236
- Equity securities quoted outside Malaysia	-	11
	50	391
Loans and receivables		
Interest income		
- policy loans	-	19
Fixed and call deposits interest income	807	1,136
	857	1,546

26 REALISED GAINS AND LOSSES – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains	47	5	17	5
Realised losses	(6)	(25)	-	(18)
	41	(20)	17	(13)
Financial assets at FVTPL				
Realised gains:				
- Equity securities quoted in Malaysia	252	137	-	-
- Syariah-approved quoted equities	19,334	8,037	-	-
Realised losses:				
Other investments	(3,834)	-	-	-
	15,752	8,174	-	-
AFS financial assets				
Realised gains:				
- Equity securities quoted in Malaysia	3,212	-	3,212	-
- Islamic debt securities unquoted in Malaysia	4,672	5,929	-	-
	7,884	5,929	3,212	-
Realised gain from disposal of a associate	-	14	-	14
Realised gain from partial disposal of shares in a former subsidiary (Note 38(d))	-	1,060	-	-
	23,677	15,157	3,229	1

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	2012
	RM'000	RM'000
Property, plant and equipment		
Realised gains	-	74
Realised losses	(33)	-
	(33)	74
Financial assets at FVTPL		
Realised gains:		
- Unit trust	-	1
- Corporate debt securities quoted outside Malaysia	-	5
Realised losses:		
- Equity securities quoted outside Malaysia	-	(224)
	-	(218)
Realised gains from disposal of subsidiaries (Note 38(a),(b),(c),(e))	59,378	67,273
	59,345	67,129

27 FAIR VALUE GAINS AND LOSSES – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fair value gain on investment properties	1,551	1,261	-	-
Financial assets at FVTPL				
Net fair value gains/(losses):				
- Equity securities quoted in Malaysia	1,370	(1,752)	-	-
- Corporate debt securities quoted outside Malaysia	76	71		
- Islamic debt securities unquoted in Malaysia	(1,724)	394	-	-
- Unit trusts	51	79	-	-
- Other investments	-	2,770	-	-
- Syariah-approved quoted equities	10,949	2,846		
	10,722	4,408	-	-
	12,273	5,669	-	-

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	2012
	RM'000	RM'000
Financial assets at FVTPL		
Net fair value losses:		
- Equity securities quoted outside Malaysia	-	(85)
- Unit trusts	-	(857)
	-	(942)

28 FEE AND COMMISSION INCOME

	GROUP	
	2013	2012
	RM'000	RM'000
CONTINUING OPERATIONS		
Reinsurance/retakaful commission income	47,008	37,365
DISCONTINUED OPERATIONS (Note 35)		
Administration and investment charges to policyholders	-	135

29 OTHER OPERATING REVENUE FROM NON-INSURANCE BUSINESSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revenue from non-insurance businesses:				
- management fee income	(638)	370	735	1,866
- interest income from hire purchase, leasing and other credit activities	400	3,116	-	-
- fee income from education services	8,344	1,173	-	-
- others	1,355	1,218	-	-
	9,461	5,877	735	1,866

DISCOUNTED OPERATIONS (Note 35)

	GROUP	
	2013	2012
	RM'000	RM'000
Revenue from non-insurance businesses:		
- security service charges	-	11,286
- unit trust fund management fee income	30,124	26,074
- unit trust fund initial service fee	16,174	11,957
	46,298	49,317

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

30 OTHER OPERATING INCOME/(EXPENSES) – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment				
- written off	(20)	(255)	(7)	(179)
- write-back of impairment loss	-	283	-	176
Bad debts recovered	157	160	-	-
Write-back of/(allowance for) impairment loss on:				
- investments in subsidiaries	-	-	1,607	(2,350)
- investments in associates	3,666	-	(100)	-
- amounts due from subsidiaries	-	-	18,126	2,245
- AFS financial assets	(12,048)	857	(11,110)	-
- assets classified as held for sale	-	(489)	-	-
- loans from leasing, hire purchase and others - net	1,027	5,509	-	-
Fair value gain from acquisition of bonds via Settlement Agreement	23,770	-	23,770	-
Allowance for impairment loss on goodwill from acquisition of subsidiary (Note 39(b))	-	(6,838)	-	-
Negative goodwill from acquisition of subsidiaries (Note 39(a))	-	80	-	-
Waiver of debt from commutation of general insurance reinsurance treaties of a subsidiary	-	14,791	-	-
Provision for contingent liabilities of an associate	-	(14,435)	-	-
Realised foreign exchange (loss)/gain	(5,528)	(494)	1	5
Unrealised foreign exchange loss	(265)	(968)	-	-
Others	7,365	8,107	152	196
	18,124	6,308	32,439	93

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	**2012**
	RM'000	**RM'000**
Property, plant and equipment		
- written off	(41)	(371)
- write-back of impairment loss	-	391
Commission paid and payable to unit trust agents	(19,783)	(16,027)
Provision for Zurich's Counterclaims	(45,000)	-
Others	492	123
	(64,332)	(15,884)

31 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS

	Note	GROUP 2013 RM'000	GROUP 2012 RM'000
CONTINUING OPERATIONS			
(a) General fund			
(i) Gross benefits and claims paid	17(b)(i)	(44,076)	(51,055)
(ii) Claims ceded to reinsurers	17(b)(i)	17,430	28,451
(iii) Gross change to contract liabilities		33,775	(49,298)
(iv) Change in contract liabilities to reinsurers		(26,211)	43,503
Net insurance benefits and claims		(19,082)	(28,399)
(b) Life fund			
(i) Gross benefits and claims paid		(252)	-
(ii) Claims ceded to reinsurers		-	-
(iii) Gross change to contract liabilities		(86)	3,283
(iv) Change in contract liabilities to reinsurers		-	-
Net insurance benefits and claims		(338)	3,283
(c) General takaful			
(i) Gross benefits and claims paid	17(d)(i)	(67,140)	(48,810)
(ii) Claims ceded to retakaful operators	17(d)(i)	48,210	32,808
(iii) Gross change to contract liabilities		(51,500)	(15,348)
(iv) Change in contract liabilities to retakaful operators		43,357	18,601
Net takaful benefits and claims		(27,073)	(12,749)
(d) Family takaful			
(i) Gross benefits and claims paid	17(c)	(151,393)	(84,879)
(ii) Claims ceded to retakaful operators	17(c)	10,286	20,634
(iii) Gross change to contract liabilities		(42,343)	(61,485)
(iv) Change in contract liabilities to retakaful operators		446	4,486
Net takaful benefits and claims		(183,004)	(121,244)
(e) Total			
(i) Gross benefits and claims paid		(262,861)	(184,744)
(ii) Claims ceded to reinsurers/retakaful operators		75,926	81,893
(iii) Gross change to contract liabilities		(60,154)	(122,848)
(iv) Change in contract liabilities to reinsurers/retakaful operators		17,592	66,590
Net insurance/takaful benefits and claims		(229,497)	(159,109)
DISCONTINUED OPERATIONS (Note 35)			
Life fund			
(i) Gross benefits and claims paid		-	(3,749)
(ii) Claims ceded to reinsurers		-	-
(iii) Gross change to contract liabilities		-	1,587
(iv) Change in contract liabilities to reinsurers		-	-
Net insurance benefits and claims		-	(2,162)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

32 MANAGEMENT EXPENSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Staff costs (including Executive Directors):				
- salaries and bonus	43,058	40,000	8,848	10,441
- defined contribution retirement benefits	4,994	4,370	583	616
	48,052	44,370	9,431	11,057
Depreciation of property, plant and equipment	3,438	2,794	421	410
Amortisation of intangible assets	1,232	1,495	68	64
Amortisation of leases	30	2	-	-
Auditors' remuneration				
- statutory audit	443	518	99	99
- (over)/under provision in prior financial year	(20)	17	-	-
- other non-audit fees	223	200	223	200
Auditors' remuneration payable/paid to other audit firms	86	40	-	-
Fees paid to a company in which certain Directors have an interest	346	279	185	171
Allowance for impairment loss on trade and other receivables	776	41	90	-
Allowance for impairment loss on insurance/takaful receivables	7,401	1,546	-	-
Bad debts written off	32	166	-	-
Office rental	4,163	3,954	412	555
Rental of office equipment	42	95	37	52
Agency and staff training expenses	4,080	2,627	48	31
Repairs and maintenance	2,653	1,190	88	90
EDP expenses	1,842	2,193	67	75
Advertising, promotional and entertainment expenses	6,219	5,035	659	622
Motor vehicle, accommodation and travelling expenses	3,522	3,220	1,413	1,142
Printing and stationery	2,298	2,425	79	57
Postage, telephone and fax	1,235	1,633	46	39
Professional fees	4,434	8,123	1,169	912
Staff amenities	737	752	255	257
Office expenses	88	222	62	114
Electricity and water	338	173	46	50
Visa fees, outsourcing fees and other direct costs payable for debit cards operations	1,568	1,084	-	-
Credit card charges	1,302	1,133	-	-
Manage care organisation fees	1,144	1,703	-	-
Retirement benefit fund contributed to MAAKER	-	856	-	828
Motorclub expenses	811	555	-	-
Policy stamping	707	627	-	-
Others	13,585	14,131	2,305	2,774
	112,807	103,199	17,203	19,599

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

32 MANAGEMENT EXPENSES (continued)

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	**2012**
	RM'000	**RM'000**
Staff costs (including Executive Directors):		
- salaries and bonus	8,979	16,265
- defined contribution retirement benefits	770	1,307
	9,749	17,572
Depreciation of property, plant and equipment	457	860
Amortisation of intangible assets	483	501
Auditors' remuneration		
- statutory audit	30	33
- under provision in prior financial year	-	3
Auditors' remuneration payable/paid to other audit firms	-	30
Fees paid to a company in which certain Directors have an interest	24	18
Bad debts written off	-	1
Office rental	728	430
Rental of office equipment	52	44
Training expenses	320	420
Repairs and maintenance	265	217
EDP expenses	510	830
Advertising, promotional and entertainment expenses	939	1,629
Motor vehicle and travelling expenses	263	835
Printing and stationery	134	197
Postage, telephone and fax	290	434
Professional fees	104	495
Electricity and water	83	72
Fund account expenses	439	346
Management fee paid and payable to investment manager	5,537	4,331
Others	3,055	2,251
	23,462	31,549

Remuneration and emoluments received by Directors and Chief Executive Officer of the Group and the Company during the financial year were as follows:

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors:				
- salaries	4,100	4,374	3,311	3,480
- bonus	1,195	2,004	1,117	1,970
- defined contribution retirement benefits	797	956	686	817
- fees	72	75	-	-
- other emoluments	16	15	-	-
- estimated monetary value of benefits-in-kind	132	147	87	93
	6,312	7,571	5,201	6,360
Non-executive Directors:				
- fees	803	778	225	241
- other emoluments	182	221	72	98
	985	999	297	339
	7,297	8,570	5,498	6,699
Chief Executive Officers:				
- salaries	2,258	2,305	1,129	1,200
- bonus	413	721	413	710
- defined contribution retirement benefits	375	413	238	285
- estimated monetary value of benefits-in-kind	64	66	33	35
	3,110	3,505	1,813	2,230

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

32 MANAGEMENT EXPENSES (continued)

DISCONTINUED OPERATIONS

	GROUP	
	2013	2012
	RM'000	RM'000
Executive Director:		
- salaries	649	655
- bonus	322	478
- defined contribution retirement benefits	145	161
- fees	-	6
- other emoluments	-	1
- estimated monetary value of benefits-in-kind	31	31
	1,147	1,332
Non-executive Directors:		
- fees	45	90
- other emoluments	10	15
	55	105
	1,202	1,437
Chief Executive Officer :		
- salaries	649	611
- bonus	322	464
- defined contribution retirement benefits	145	155
- estimated monetary value of benefits-in-kind	31	31
	1,147	1,261

33 FINANCE COSTS

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest on bank overdrafts	404	418	-	
Others	-	2	-	2
	404	420	-	2

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	2012
	RM'000	RM'000
Interest on bank overdrafts	-	2
Hire purchase interest	-	18
	-	20

The interest rates charged for bank overdrafts are disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

34 TAXATION

CONTINUING OPERATIONS

	GROUP				
	Share-holders' fund	General fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2013					
Current tax	3,492	-	1,252	2,393	7,137
Deferred tax (Note 14)	(61)	478	-	444	861
Tax expenses	3,431	478	1,252	2,837	7,998
Current tax					
Current financial year	3,542	-	1,354	3,073	7,969
Over provision in prior financial years	(50)	-	(102)	(680)	(832)
	3,492	-	1,252	2,393	7,137
Deferred tax					
Origination and reversal of temporary differences	(61)	478	-	444	861
	3,431	478	1,252	2,837	7,998
2012					
Current tax	2,529	-	3,327	2,002	7,858
Deferred tax (Note 14)	851	(181)	-	475	1,145
Tax expenses/(income)	3,380	(181)	3,327	2,477	9,003
Current tax					
Current financial year	2,292	-	2,388	2,002	6,682
Under provision in prior financial years	237	-	939	-	1,176
	2,529	-	3,327	2,002	7,858
Deferred tax					
Origination and reversal of temporary differences	861	(181)	-	475	1,155
Over provision in prior financial years	(10)	-	-	-	(10)
	851	(181)	-	475	1,145
	3,380	(181)	3,327	2,477	9,003

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

34 TAXATION (continued)

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	Shareholders' fund	**Total**
	RM'000	**RM'000**
2013		
Current tax	1,208	1,208
Deferred tax	(28)	(28)
Tax expenses	1,180	1,180
Current tax		
Current financial year	1,243	1,243
Over provision in prior financial years	(35)	(35)
	1,208	1,208
Deferred tax		
Origination and reversal of temporary differences	(28)	(28)
	1,180	1,180
2012		
Current tax	545	545
Deferred tax	73	73
Tax expenses	618	618
Current tax		
Current financial year	794	794
Over provision in prior financial years	(249)	(249)
	545	545
Deferred tax		
Origination and reversal of temporary differences	73	73
	618	618

	COMPANY	
	2013	**2012**
	RM'000	**RM'000**
Deferred tax (Note 14)	(2)	120
Deferred tax		
Origination and reversal of temporary differences	(2)	120
	(2)	120

34 TAXATION (continued)

Numerical reconciliation between the average effective tax rate and the statutory tax rate:

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	%	**%**	**%**	**%**
Malaysian tax rate	25	25	(25)	25
Tax effects of:				
- expenses not deductible for tax purposes	169	59	155	9
- income not taxable for tax purposes	(267)	(94)	(145)	(33)
- tax losses not recognised	129	21	15	1
- benefits from previously unrecognised deductible temporary differences	-	(1)	-	-
- benefits from current financial year deductible temporary differences	5	1	-	-
- effects of different tax rates in foreign jurisdictions	(3)	-	-	-
- origination/(reversal) of temporary differences	2	(1)		
- over provision in prior financial year	(1)	-	-	-
Average effective tax rate	59	10	-	2

The taxation charge in the income statement of the Group relates to income attributable to the Company and the Group's General and Shareholders' funds.

The taxation charge on the Group's Life fund, General takaful fund and Family takaful fund is based on the method prescribed under the Income Tax Act, 1967.

35 DISCONTINUED OPERATIONS

	Note	GROUP 2013 RM'000	GROUP Restated 2012 RM'000
Gross earned premiums	24	-	3,453
Premiums ceded to reinsurers	24	-	(258)
Net earned premiums		-	3,195
Investment income	25	857	1,546
Realised gains and losses – net	26	59,345	67,129
Fair value gains and losses – net	27	-	(942)
Fee and commission income	28	-	135
Other operating revenue from non-insurance businesses	29	46,298	49,317
Other revenue		106,500	117,185
Total revenue		106,500	120,380
Gross benefits and claims paid	31	-	(3,749)
Gross change to contract liabilities	31	-	1,587
Net insurance benefits and claims		-	(2,162)
Fee and commission expense		-	(450)
Management expenses	32	(23,462)	(31,549)
Other operating expenses – net	30	(64,332)	(15,884)
Finance costs	33	-	(20)
Other expenses		(87,794)	(47,903)
Profit before taxation		18,706	70,315
Taxation	34	(1,180)	(618)
Profit for the financial year		17,526	69,697
COMPANY			
Realised (loss)/gain from disposal of subsidiaries	38(a)	(36,705)	55,776

The financial results of Discontinued Operations relate to subsidiaries that were disposed during the financial year ended 31 December 2013 as disclosed in Note 38 to the financial statements. The comparatives have been restated to include the financial results of those disposed subsidiaries.

36 DIVIDENDS

The Company paid an interim gross dividend of 3 sen per share in respect of the financial year ended 31 December 2013, less income tax totalling RM6,847,956 on 5 July 2013.

The Company paid an interim gross dividend of 3 sen per share under the single-tier dividend system, in respect of the financial year ending 31 December 2014 totalling RM9,131,000 on 18 April 2014.

37 BASIC EARNINGS PER SHARE – GROUP

The basic earnings per ordinary share have been calculated by dividing the Group's total net profit from continuing and discontinued operations after non-controlling interests as stated below over the weighted average number of ordinary shares of the Company in issue during the financial year of 304,354,000 shares (2012: 304,354,000 shares).

	2013	2012
	RM'000	RM'000
Loss for the financial year from continuing operations after non-controlling interests	(11,501)	(26,133)
Profit for the financial year from discontinued operations after non-controlling interests	16,209	68,610
	4,708	42,477

38 DISPOSAL OF SUBSIDIARIES

(a) On 30 September 2011, the Company and its wholly-owned subsidiary, MAA Corporation Sdn Bhd ("MAA Corp"), completed the disposal of MAA Assurance, Multioto Services Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd, Maagnet Systems Sdn Bhd and Maagnet-SSMS Sdn Bhd (hereinafter collectively known as the ("Disposed Subsidiaries") to Zurich, for a total cash consideration of RM344.0 million ("the Disposal") as further disclosed in Note 50(a) to the financial statements. Following the completion of the Disposal, these companies ceased to be subsidiaries of the Group.

In the financial year ended 31 December 2011, the Group and the Company recognised a gain on disposal of RM83.2 million and RM236.6 million respectively on disposal of the Disposed Subsidiaries as estimated after taking into consideration the following:

- Sale consideration of RM344.0 million;
- The exclusion of an amount of RM69.7 million held back to address certain issues relating to the satisfaction and fulfilment of certain conditions precedent in the SPA with Zurich; and
- Upward adjustment of RM86.0 million for the Group and RM85.1 million for the Company to the sale consideration of RM344.0 million, being the difference between the aggregate net assets value of the Disposed Subsidiaries as at 30 September 2010 and the final aggregate net assets value as at 30 September 2011, prepared by Zurich as provided under the terms of the SPA.

In the previous financial year ended 31 December 2012, the Group and the Company recognised an additional gain of RM50.7 million from the receipt of held back sums from the sale consideration of MAA Assurance after satisfaction of certain conditions precedent as stipulated in the SPA and a further gain of RM5.3 million arising from a subsequent upward adjustment to the sale consideration of MAA Assurance due to an overstatement of Life fund liabilities in the draft completion accounts prepared by Zurich, as disclosed in Note 50(a) to the financial statements.

During the financial year ended 31 December 2013, the Group and the Company recorded further additional gain (net of selling expenses) of RM14.3 million and RM8.3 million respectively under the Settlement Agreement signed with Zurich as disclosed in Note 50(a) to the financial statements.

(b) On 28 June 2012, MAA Corp completed the disposal of its 100% equity interest in Wira Security Services Sdn Bhd ("Wira") for a total cash consideration of RM7.0 million. Following the completion of the disposal, Wira ceased to be subsidiary of the Group.

Details of the disposal were as follows:

<u>GROUP</u>	At date of disposal
	RM'000
Property, plant and equipment	936
Investments	2
Trade and other receivables	4,762
Tax recoverable	1
Cash and cash equivalents	3,227
Trade and other payables	(2,605)
Deferred tax liabilities	(103)
Net assets	6,220
Net disposal proceeds	(7,000)
Related selling expenses	87
Gain on disposal to the Group (Note 26)	(693)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	6,913
Cash and cash equivalents of disposed subsidiary	(3,227)
Cash inflow to the Group on disposal	3,686

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

38 DISPOSAL OF SUBSIDIARIES (continued)

(c) On 16 August 2012, MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary of MAA Corp, completed the disposal of its 99.5% equity interest in PT MAA Life Assurance ("PT MAAL") for a final sale consideration of IDR23.56 billion (equivalent to approximately RM7.79 million) to Tokio Marine Holdings. Following the completion of the disposal, PT MAAL ceased to be subsidiary of the Group.

Details of the disposal were as follows:

GROUP	**At date of disposal**
	RM'000
Property, plant and equipment	1,706
Investments	15,381
Insurance receivables	190
Trade and other receivables	2,780
Deferred tax assets	186
Cash and cash equivalents	489
Insurance contract liabilities	(20,630)
Insurance payables	(407)
Trade and other payables	(2,713)
Net liabilities	(3,018)
Net disposal proceeds	(7,786)
Gain on disposal to the Group (Note 26)	(10,804)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	7,787
Cash and cash equivalents of disposed subsidiary	(489)
Cash inflow to the Group on disposal	7,298

(d) On 5 December 2012, MAA Corp disposed 385,000 ordinary shares representing 11% of the issued and fully paid up ordinary shares and the 153 redeemable preference shares representing 100% of the issued and fully paid up redeemable preference shares in Meridian Asset Management Holdings Sdn Bhd ("MAM") respectively to NTY Enterprise Sdn Bhd, for a total cash consideration of Ringgit Malaysia Ten (RM10) only.

Upon completion of the disposal, MAM ceased to be a subsidiary and became an associate of the Group.

The loss of control was deemed a partial disposal of subsidiary and the investment retained in MAM was recognised at fair value in accordance with MFRS 127 'Consolidated and Separate Financial Statements', this had resulted a gain of RM1.1 million in the income statement of the Group as disclosed in Note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

38 DISPOSAL OF SUBSIDIARIES (continued)

(e) On 31 December 2013, MAA Corp completed the disposal of its 55% equity interest in MAAKL Mutual for a total cash consideration of RM53.1 million, as disclosed in Note 50(c) to the financial statements.

Following the completion of the disposal, MAAKL Mutual ceased to be subsidiary of the Group.

Details of the disposal are as follows:

GROUP	**At date of disposal**
	RM'000
Property, plant and equipment	2,602
Intangible assets	4,096
Trade and other receivables	14,765
Tax recoverable	1
Cash and cash equivalents	19,473
Trade and other payables	(25,644)
Current tax liabilities	(391)
Deferred tax liabilities	(322)
Net assets	14,580
Non-controlling interest	(6,561)
	8,019
Net disposal proceeds	(53,061)
Related selling expenses	2
Gain on disposal to the Group (Note 26)	(45,040)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	53,058
Cash and cash equivalents of disposed subsidiary	(19,473)
Cash inflow to the Group on disposal	33,585

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

39 ACQUISTION OF SUBSIDIARIES

(a) On 2 October 2012, MAA Credit Berhad ("MAA Credit"), a wholly owned subsidiary of MAA Corp, had exercised its power of attorney pursuant to memorandum of deposit of shares in Keris Murni Sdn Bhd ("KMSB") and Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") ("the Security Shares") dated 1 October 2009 signed with Famous Vertex Sdn Bhd ("FVSB"), and transferred all the Security Shares to itself.

The acquisition formed part of debt recovery action taken to enforce the Security Shares after FVSB had defaulted the loan (both principal and interest) due to MAA Credit.

Consequently, KMSB and PTKSB became 70% owned subsidiaries of MAA Credit on 2 October 2012.

The following table summarised the consideration paid for KMSB and PTKSB, the fair value of assets acquired, liabilities consumed, cash flows and the non-controlling interest at the acquisition date.

	RM'000
Consideration transferred	
Fair value of Security Shares	662
Details of the share of net assets/(liabilities) acquired were as follows:	
Property, plant and equipment	203
Trade and other receivables	1,824
Tax recoverable	261
Cash and cash equivalents	1,229
Trade and other payables	(2,108)
Current tax liabilities	(310)
Deferred tax liabilities	(39)
Total net assets	1,060
Non-controlling interests	(318)
Total net assets acquired	742
Negative goodwill from acquisition of subsidiaries (Note 30)	(80)
Purchase consideration	662
Cash and cash equivalents acquired	(1,229)
Net cash inflow on acquisition	(567)

During the previous financial year ended 31 December 2012, KMSB contributed an operating revenue of RM605,000 with a loss after taxation of RM628,000 to the Group for the period from 2 October 2012 to 31 December 2012, while PTKSB contributed an operating revenue of RM568,000 with a loss after taxation of RM519,000 to the Group for the period from 2 October 2012 to 31 December 2012.

Had the business combination taken place on 1 January 2012 , the Group's operating revenue would have shown a pro-forma operating revenue of RM523,009,000 and profit after taxation of RM36,675,000 for the financial year ended 31 December 2012.

39 ACQUISTION OF SUBSIDIARIES (continued)

(b) On 26 November 2012, MAA Credit acquired 290,002 ordinary shares of RM1.00 each representing 100% equity interest in Nilam Timur Sdn Bhd ("Nilam Timur") from Ahmad Nor Shaffuddin bin Ahmad Baharuddin and Rozeeta Binti Ahmad Baharuddin for a total cash consideration of RM10.00.

The acquisition formed part of debt recovery action taken by MAA Credit for a loan due by Nilam Timur. MAA Credit intends to sell Nilam Timur which has the sub-leases on lands located in Langkawi to any interested party to recover the loan.

The following table summarised the consideration paid for Nilam Timur, the fair value of assets acquired, liabilities consumed and cash flows at the acquisition date.

	RM'000
Consideration transferred	
Cash	-(*)
Details of the share of net assets/(liabilities) acquired were as follows:	
Property, plant and equipment	2,187
Investments	700
Trade and other payables	(9,725)
Total net liabilities assumed	(6,838)
Goodwill on acquisition of subsidiary that had been impaired (Note 30)	6,838
Purchase consideration	-(*)
Cash and cash equivalent acquired	-
Net cash inflow on acquisition	-

(*) Denotes RM10.

In previous financial year ended 31 December 2012, there was no operating revenue contributed by Nilam Timur and the Group incurred a loss after taxation of RM69,000 for the period from 26 November 2012 to 31 December 2012.

There were no effects to the Group's revenue and profit after taxation had the business combination taken place on 1 January 2012 as Nilam Timur is a dormant company.

40 CAPITAL AND OTHER COMMITMENTS

Capital expenditure and other commitments not provided for in the financial statements are as follows:

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- office renovation	637	1,948	-	-
- office rental	1,822	4,042	-	-
	2,459	5,990	-	-

41 SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties and relationships

The subsidiaries and associates of the Company are disclosed in Notes 9 and 10 to the financial statements respectively. The other related parties of, and their relationships with the Group and the Company are as follows:

Related party	Relationship
Melewar Equities Sdn Bhd	Substantial shareholder of the Company
Melewar Khyra Sdn Bhd	Substantial shareholder of the Company
Trace Management Services Sdn Bhd	Company controlled by certain Directors of the Company
Melewar Group Berhad	Company controlled by certain Directors of the Company
Melewar Industrial Group Berhad ("MIG")	Company controlled by certain Directors of the Company
Melewar Apex Sdn Bhd	A subsidiary of MIG
Melewar Integrated Engineering Sdn Bhd	A subsidiary of MIG
MAA Bancwell Trustee Berhad ("MAA Bancwell")	An associate of the Group
MAA Key Executive Retirement Scheme ("MAAKER")(1)	Retirement fund for the benefits of employees of the Group

(1) Ceased to be a related party when it was dissolved on 16 July 2012.

Significant related party transactions

During the financial year, the Group and the Company undertook various transactions based on agreed terms and conditions with its subsidiaries, associates and other companies deemed related parties as disclosed above.

The significant related party transactions during the financial year are as follows:

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Transactions with subsidiaries:				
Interest income from advances to subsidiaries	-	-	1,859	2,047
Management fee income from subsidiaries	-	-	1,411	1,530
Transactions with related parties:				
Rental income receivable from:				
Melewar Industrial Group Berhad	67	73	-	-
Melewar Equities Sdn Bhd	43	47	-	-
Trace Management Services Sdn Bhd	86	36	-	-
Office service fee income receivable from:				
Melewar Industrial Group Berhad	15	11	-	-
Melewar Equities Sdn Bhd	10	7	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Significant related party transactions (continued)

The significant related party transactions during the financial year are as follows: (continued)

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Transactions with related parties: (continued)				
Rental charge payable to:				
Melewar Integrated Engineering Sdn Bhd	(61)	-	(61)	-
Retirement benefit fund contributed to MAAKER	-	(856)	-	(828)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(370)	(297)	(185)	(171)
Transactions with associates:				
Trustee fee paid by MAAKER to MAA Bancwell	-	(30)	-	-
Management fee income (payable to)/receivable from MAA Bancwell	(676)	336	(676)	336

Related party receivables/payables

The balances with related parties at the financial year end are disclosed in Notes 13 and 21 to the financial statements. Other significant balances with other related parties at the financial year end are as disclosed below.

The financial year end balances with key management personnel were as follows:

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amounts receivable from mortgage loans	33	96	33	96
Amounts due to a Director	2,022	1,909	-	-

The amounts receivable from mortgage loans are secured against the properties pledged, with fixed repayment terms and bearing interest at the rates ranging from 5% to 8.5% per annum (2012: 5% to 8.5% per annum).

The amounts due to a Director are unsecured, interest free and with no fixed terms of repayment.

42 SEGMENTAL INFORMATION

The following segment information has been prepared in accordance with MFRS 8 'Operating Segments', which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group has six (6) operating segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they employ different technology and marketing strategies. The operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee of the Company (the chief operating decision maker). The following summary describes the operations in each of the Group's operating segments:

- Life insurance – underwriting life insurance business, including investment-linked business
- General insurance – underwriting all classes of general insurance business
- Family takaful business – underwriting family takaful business
- General takaful business – underwriting general takaful business
- Unit trust fund management – management of unit trust funds
- Shareholders' fund of the insurance and takaful businesses

Other segments comprise investment holding, hire purchase, leasing and other credit activities, property management and investment advising and consultancy services.

There are no changes in the operating segments during the financial year.

Measurement and Evaluation of Segment Performance

The Executive Committee evaluates operating segments' performance on the basis of revenue and profit. Expenses directly associated with each operating segment are included in determining their respective profits. Transactions between operating segments are based on mutually agreed allocation bases. In addition to the operating segments, the segment information also discloses non inter-segment eliminations.

42 SEGMENTAL INFORMATION (continued)

Financial year ended 31 December 2013

	Insurance						Takaful	Unit trust fund management	Other segments		Total	Inter-segment elimination	Group
	Life insurance		General insurance	Share-holders' fund	General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	Conti-nuing				Disconti-nued	Conti-nuing	Disconti-nued			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	150	-	28,360	1,334	218,803	280,476	3,884	47,155	16,051	-	596,213	(10,000)	586,213
Revenue from other segments	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	150	-	28,360	1,334	218,803	280,476	3,884	47,155	16,051	-	596,213	(10,000)	586,213
Net earned premiums/ contributions	-	-	3,484	-	44,631	258,707	-	-	-	-	306,822	(10,000)	296,822
Interest income	150	-	209	671	3,025	6,588	3,886	807	6,180	-	21,516	-	21,516
Other revenue	4,79	-	(693)	3,539	47,411	18,535	144,987	46,315	52,554	59,378	372,505	(149,451)	223,054
Net insurance/takaful benefits and claims	(338)	-	(19,082)	-	(27,073)	(193,400)	-	-	-	-	(239,893)	10,396	(229,497)
Other expenses	(1,320)	-	(11,870)	(11,325)	(65,117)	(87,559)	(140,879)	(42,076)	(38,002)	(45,000)	(443,148)	149,033	(294,115)
Depreciation	-	-	(141)	(95)	-	-	(2,391)	(457)	(811)	-	(3,895)	-	(3,895)
Amortisation	-	-	-	-	-	-	(1,136)	(483)	(96)	-	(1,715)	-	(1,715)
Finance costs	-	-	-	-	-	-	-	-	(404)	-	(404)	-	(404)
(Loss)/profit by segments	(1,029)	-	(28,093)	(7,210)	2,877	2,871	4,467	4,106	19,421	14,378	11,788	(22)	11,766
Tax expenses attributable to participants	-	-	-	-	(1,252)	(2,871)	-	-	-	-	(4,123)	34	(4,089)
	(1,029)	-	(28,093)	(7,210)	1,625	-	4,467	4,106	19,421	14,378	7,665	12	7,677
Share of profit of associates not included in reportable segments											1,525	-	1,525
Profit before taxation											9,190	12	9,202

42 SEGMENTAL INFORMATION (continued)

Financial year ended 31 December 2012

	Insurance				Takaful			Unit trust fund management	Other segments		Total	Inter-segment elimination	Group
	Life insurance		General insurance	Share-holders' fund	General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	Conti-nuing				Disconti-nued	Conti-nuing	Disconti-nued			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	177	4,008	69,814	1,190	155,800	218,362	3,748	39,015	9,637	11,293	513,044	-	513,044
Revenue from other segments	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	177	4,008	69,814	1,190	155,800	218,362	3,748	39,015	9,637	11,293	513,044	-	513,044
Net earned premiums/ contributions	-	3,195	20,946	-	31,385	190,390	-	-	-	-	245,916	-	245,916
Interest income	147	544	402	629	2,856	5,538	3,658	747	5,950	8	20,479	(2,240)	18,239
Other revenue	(2,572)	(978)	21,224	(716)	31,932	7,658	118,623	38,276	19,661	78,692	311,800	(121,045)	190,755
Net insurance/takaful benefits and claims	3,283	(2,162)	(28,399)	-	(12,749)	(121,244)	-	-	-	-	(161,271)	-	(161,271)
Other expenses	(986)	(3,637)	(26,294)	(4,348)	(43,319)	(79,865)	(119,488)	(32,057)	(53,155)	(11,014)	(374,163)	132,251	(241,912)
Depreciation	-	(132)	(147)	(81)	-	-	(1,739)	(463)	(827)	(265)	(3,654)	-	(3,654)
Amortisation	-	-	-	-	-	-	(1,405)	(501)	(90)	-	(1,996)	-	(1,996)
Finance costs	-	-	-	-	-	-	-	-	(420)	(20)	(440)	-	(440)
(Loss)/profit by segments	(128)	(3,170)	(12,268)	(4,516)	10,105	2,477	(351)	6,002	(28,881)	67,401	36,671	8,966	45,637
Tax expenses attributable to participants	-	-	-	-	(3,327)	(2,477)	-	-	-	-	(5,804)	-	(5,804)
	(128)	(3,170)	(12,268)	(4,516)	6,778	-	(351)	6,002	(28,881)	67,401	30,867	8,966	39,833
Share of loss of associates not included in reportable segments											(665)	-	(665)
Profit before taxation											30,202	8,966	39,168

42 SEGMENTAL INFORMATION (continued)

	Insurance				Takaful			Unit trust fund management	Other segments		Total	Inter-segment elimination	Group
	Life insurance		General insurance	Share-holders' fund	General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	Conti-nuing				Disconti-nued	Conti-nuing	Disconti-nued			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013													
Segment assets	5,891	-	52,285	56,492	320,575	386,290	122,043	-	353,974	-	1,297,550	-	1,297,550
Associates													61,497
Total assets													1,359,047
31 December 2012													
Segment assets	12,876	-	94,852	64,810	227,118	352,628	110,911	35,697	288,045	-	1,186,937	-	1,186,937
Associates													56,314
Total assets													1,243,251

42 SEGMENTAL INFORMATION (continued)

Geographical segments

The Group operates mainly in Malaysia, Indonesia, Philippines and Australia. In determining the geographical segments of the Group, revenues and non-current assets are based on the geographical location of customers.

	External revenue		Non-current assets	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia				
- Continuing operations	510,604	388,833	57,712	178,281
- Discontinued operations	47,155	54,316	-	-
	557,759	443,149	57,712	178,281
Indonesia	28,360	69,797	136	341
Others	94	98	-	-
	586,213	513,044	57,848	178,622

43 CAPITAL MANAGEMENT

The Group's capital management underlying objective is to manage capital and to allocate capital efficiently for business growth taking into account the associated business risks to meet regulatory requirements, obligations to policyholders and the expectation of stakeholders.

The Company manages the capital of the Group to ensure that source of capital and the related costs meet the overall objectives of the capital plan. Excess capital generated from profits at the subsidiary level exceeding planned requirements is returned to the Company in the form of dividends under the Group's capital management plan.

For the core insurance/takaful subsidiaries, the performance of internal capital levels against the regulatory requirements are reviewed at least quarterly by their respective management and reported to their respective Risk Management Committees and the Boards as part of capital budgeting, planning and monitoring process. This measure is also implemented ahead at the takaful subsidiary to ensure the takaful subsidiary is Risk Based Capital ("RBC") ready when Bank Negara Malaysia implements the RBC Framework for takaful operators with effect from 1 January 2014.

44 RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Group's risk governance structure and risk reporting requirement is incorporated in the Group Risk Management Framework. The Framework explains the underlying approach and defined an ongoing and consistent process for identifying, analysing, evaluating, monitoring, reporting and managing significant risks faced by the business units in the Group. It also outlines the key aspects of the risks management process and identifies the main reporting procedures.

The Board through the Group Risk Management Committee is ultimately responsible for effective risk oversight and framework within the Group. The Group Risk Management Committee determines the remit, roles, resources and structure for risk management functions to operate effectively and efficiently. The core insurance and takaful subsidiaries in the Group have their respective dedicated Risk Management teams to manage the risk management functions to comply with the applicable regulatory requirements. The Heads of Risk Management of the insurance/takaful subsidiaries report directly to their respective Risk Management Committees, and indirectly to the Group Risk Management Committee.

The Group Risk Management Framework is premised with three lines of defence that serves as the guiding principles within the Group:

1. The Business Units acting as the "first line of defence" is primarily responsible for identifying, evaluating and managing risks within their Units. The Head of Business Units are responsible to implement and execute appropriate risk mitigation action plan on a timely manner. The Business Units are responsible to ensure the execution of appropriate risk reduction action plans on a timely manner. The priority should be accorded to mitigate high and significant risks in order to ensure that their day-to-day business activities are carried out within acceptable risk level.

2. The Risk Management teams acting as the "second line of defence" conducts risk oversight and supports the risk policies and framework that is approved by the Group Risk Management Committee. The Risk Management teams facilitates in assessing the adequacy of the internal control systems.

44 RISK MANAGEMENT FRAMEWORK (continued)

Risk Governance Structure (continued)

3. The Audit Committee's key role, supported by the Internal Audit Department, as the "third line of defence" provides an independent assessment of the adequacy and reliability of the risk management processes and compliance among the Business Units with the risk policies, regulatory guidelines and Group's procedures.

The Group has established within its risk management framework a structured approach to enterprise-wide risk management with risk management process which encompasses risk identification, risk evaluation, risk treatment and risk monitoring.

The Group has also established management committees in the subsidiaries where applicable to act as platform for two-way communication between the Management and the Board. The management committees are Executive Committee, Business Committee, Family Takaful Management Committee, General Takaful Management Committee, Information Technology Committee and Investment Committee. These committees are responsible for overseeing the development and assessing the effectiveness of risk management policies, reviewing risk exposure and portfolio composition and ensuring that infrastructure, resources and systems are put in place for effective risk management activities.

45 INSURANCE/TAKAFUL RISK

The risk underlying any insurance/takaful contract is the likelihood of the insured event occurring and the uncertainty in the amount of the resulting claims. This risk is random and therefore unpredictable.

For a portfolio of insurance/takaful contracts, the principal risk that the Group faces is that claims and benefit payments exceed the amount of insurance/takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits will vary from year to year from the level established using statistical estimation techniques.

(i) Family takaful contracts

Family takaful contracts offered by the Group include health, group family, mortgage and investment-linked. The Group currently does not offer any takaful contracts with DPF.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks. Medical selection is part of the Group's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval. Products are reviewed by the Management Committee of the takaful subsidiary on periodic basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

The table below shows the concentration of Family takaful contract liabilities, excluding AFS reserve, by type of contract:

	31.12.2013			31.12.2012		
	Gross	**Retakaful**	**Net**	**Gross**	**Retakaful**	**Net**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Whole life	894	-	894	501	-	501
Endowment	319,346	(2,585)	316,761	259,535	(4)	259,531
Term	31,892	(12,905)	18,987	47,608	(13,788)	33,820
	352,132	(15,490)	336,642	307,644	(13,792)	293,852

As all of the business is derived from Malaysia, the entire Family takaful contract liabilities are in Malaysia.

<u>Key assumptions</u>

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

45 INSURANCE/TAKAFUL RISK (continued)

(i) Family takaful contracts (continued)

Key assumptions (continued)

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

a) Mortality Rates
Assumption is based on industry standard table – M9903

b) Morbidity Rates
Assumption is mainly based on reinsurer rates

c) Investment Return
Assumptions are 5.5% per annum for Participant Investment Account ("PIA") on Investment-linked, 4.7% per annum for PIA on Non-Investment linked and 4.0% per annum for Participant Risk Investment Account ("PRIA").

d) Expenses

Assumption varies by product type as follow:

Product Type	RM per certificate
Investment-linked	5
Ordinary Family	36
Group Family	3

e) Lapse and Surrender Rates

2% per annum is assumed for single contribution certificates

For regular contribution certificates, lapse rate varies by certificate year as follows:

	Certificate Year (%)					
Plan	1	2	3	4	5	6+
Takafulink	25	15	13	12	10	4.5
Takafulink Education	15	10	10	8	5	4.5
Takafulife Series	25	20	10	3.5	3.5	3.5
CancerCare	30	45	20	3.5	3.5	3.5
SmartMedic	15	40	30	25	25	25
Term80	25	20	10	3.5	3.5	3.5

f) Contribution holiday for Investment-linked products

	Certificate Year (%)					
Plan	1	2	3	4	5	6+
Takafulink	4	15	10	8	5	5

g) Discount Rate

Discount rate used is the Government Investment issue ("GII") spot rate as at date of statement of financial position.

45 INSURANCE/TAKAFUL RISK (continued)

(i) Family takaful contracts (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Impact on Family takaful contract liabilities			
	Change in assumptions	**Gross**	**Net**	**Profit before tax**
	%	**RM'000**	**RM'000**	**RM'000**
31 December 2013				
Mortality/morbidity	+10	2,598	809	809
Expenses	+10	52	52	52
Lapse and surrender rates	+10	16	193	193
Discount rate	+1	(2,775)	(1,950)	(1,950)
31 December 2012				
Mortality/morbidity	+10	2,594	686	686
Lapse and surrender rates	+10	(17)	165	165
Discount rate	+1	(1,905)	(2,572)	(2,572)

There is minimal impact on the Family takaful contract liabilities in relation to changes made to longevity, expenses and investment return assumptions.

(ii) General insurance and General takaful contracts

Risks under General insurance and General takaful contracts usually cover a twelve-month duration. The risks inherent in General insurance and General takaful contracts are reflected in the insurance and takaful contract liabilities which include the premiums/contributions and claims liabilities, as set out under Notes 17(b) and 17(d) to the financial statements. Premiums/contributions liabilities comprise of reserves for unexpired risks, while the claims liabilities comprise of loss reserves which include provision for both outstanding claims notified and outstanding claims incurred but not reported.

The Group manages its insurance risks for General insurance and General takaful contracts by having a clearly defined framework as follows:

- Writing a balanced mix and spread of business, geographically and between classes of business;
- Underwriting strategies focused on profitable lines of business are clearly articulated to stakeholders;
- Underwriting authority limits for capacity are in place according to individual's capacity in the underwriting process;
- Mitigating insurance risks through purchase of both proportional and non-proportional reinsurance and retakaful treaties; and
- Regular monitoring of claim experience and comparing actual experience against that implied in pricing.

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Insurance Contracts

The concentration of the General insurance contracts in relation to the type of insurance contracts accepted by the Group is as summarised below:

	31.12.2013			31.12.2012		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Fire	46,708	(23,128)	23,580	58,201	(37,848)	20,353
Motor vehicle	383	(14)	369	1,904	(11)	1,893
Marine Cargo, Aviation Cargo & Transit	5,377	(2,244)	3,133	17,075	(8,584)	8,491
Miscellaneous	9,831	(3,485)	6,346	25,459	(14,239)	11,220
	62,299	(28,871)	33,428	102,639	(60,682)	41,957
Currency translation differences	9,277	(13,098)	(3,821)	(6,565)	5,600	(965)
	71,576	(41,969)	29,607	96,074	(55,082)	40,992

Key assumptions

The risk inherent in General insurance contracts are reflected in the insurance contract liabilities which include the premium and claims liabilities, as set out under Note 17(b) of the financial statements. Premium liabilities comprise of reserves for unexpired risks, whilst claims liabilities comprise of loss reserves which include provisions for both outstanding claims notified and outstanding claims incurred but not reported.

Outstanding claims provisions are usually established by skilled claims personnel based upon their experience and knowledge, and known facts of individual claims at hand. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson (BF) methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses based upon past development patterns including the implicit underlying trends. The BF methods which tend to be more stable and the more preferred methods also require the input of initial expected loss ratios ("IELRs") which usually are based upon past claims experience.

Thus, General insurance contract liabilities are normally determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislation changes, judicial decisions, economic conditions and claims handling procedure.

However, additional qualitative judgments are also used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates. The estimates of the General insurance contract liabilities are therefore sensitive to various factors and uncertainties and the actual future premium and claims liabilities may not develop exactly as projected and could vary significantly from initial estimates. To increase the probability that the estimates would ultimately be adequate, provisions for adverse deviations are also included in the estimates.

The Group further reduced its risk exposure through strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims. In addition, the Group enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

Sensitivities

The General insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

For the Group's continuing operations, the initial expected loss ratio is an important assumption in the BF estimation techniques.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Insurance Contracts (continued)

Sensitivities (continued)

Increasing the IELRs by 10% yields the following impact:

			Impact on		
	Change in assumptions	**Gross liabilities**	**Net liabilities**	**Profit before tax**	**Equity**
	%	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2013					
Initial expected loss ratios	+10	2,815	348	(348)	(261)
31 December 2012					
Initial expected loss ratios	+10	6,941	2,095	(2,095)	(1,571)

The method used in deriving sensitivity information and significant assumptions did not change from the previous period.

Claims Development Table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each statement of financial position date, together with cumulative payments to-date.

In setting provisions for claims, the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Gross claims development for 2013

	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Accident year							
At end of accident year	(6,280)	(18,090)	(11,277)	(8,875)	(7,049)	(5,331)	
One year later	(11,605)	(29,896)	(21,362)	(30,379)	(27,754)	-	
Two years later	(11,350)	(6,514)	(7,090)	(12,160)	-	-	
Three years later	(157)	(7,580)	(1,485)	-	-	-	
Four years later	(540)	(1,066)	-	-	-	-	
Five years later	-	-	-	-	-	-	
Current payments to date	-	(1,066)	(1,485)	(12,160)	(27,754)	(5,331)	(47,796)
Currency translation differences							3,720
Gross benefits and claims paid							(44,076)

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net claims development for 2013

	2008	2009	2010	2011	2012	2013	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year							
At end of accident year	(5,085)	(11,845)	(6,765)	(5,326)	(6,056)	(3,405)	
One year later	(3,787)	(12,073)	(5,078)	(10,717)	(17,430)	-	
Two years later	(5,813)	(1,207)	(2,175)	(7,396)	-	-	
Three years later	(37)	(2,814)	(593)	-	-	-	
Four years later	(398)	-	-	-	-	-	
Five years later	-	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Current payments to date	-	-	(593)	(7,396)	(17,430)	(3,405)	(28,824)
Currency translation differences							2,178
Net benefits and claims paid							(26,646)

The Group used an annual average exchange rate to translate the foreign currency Indonesia Rupiah to Ringgit Malaysia.

Gross claims development for 2012

	Before 2006	2006	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year									
At end of accident year	(6,929)	(5,644)	(8,811)	(6,280)	(18,090)	(11,277)	(8,875)	(7,049)	
One year later	(13,769)	(12,234)	(12,218)	(11,605)	(29,896)	(21,362)	(30,379)	-	
Two years later	(1,679)	(2,055)	(6,128)	(11,350)	(6,514)	(7,090)	-	-	
Three years later	(2,534)	(1,455)	(1,958)	(157)	(7,580)	-	-	-	
Four years later	(4)	(162)	291	(540)	-	-	-	-	
Five years later	1	(113)	(1,982)	-	-	-	-	-	
Six years later	(775)	(27)	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	-	
Current payments to date	-	(27)	(1,982)	(540)	(7,580)	(7,090)	(30,379)	(7,049)	(54,647
Currency translation differences									3,592
Gross benefits and claims paid									(51,055)

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net claims development for 2012

	Before 2006	2006	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year									
At end of accident year	(5,413)	(3,913)	(6,960)	(5,085)	(11,845)	(6,765)	(5,326)	(6,056)	
One year later	(4,261)	(3,377)	(3,741)	(3,787)	(12,073)	(5,078)	(10,717)	-	
Two years later	(1,405)	(1,514)	(2,784)	(5,813)	(1,207)	(2,175)	-	-	
Three years later	(6)	(1,369)	(1,740)	(37)	(2,814)	-	-	-	
Four years later	(5)	(162)	55	(398)	-	-	-	-	
Five years later	(1)	(91)	(1,911)	-	-	-	-	-	
Six years later	(1)	(6)	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	-	
Current payments to date	-	(6)	(1,911)	(398)	(2,814)	(2,175)	(10,717)	(6,056)	(24,077)
Currency translation differences									1,473
Net benefits and claims paid									(22,604)

The Group used an annual average exchange rate to translate the foreign currency Indonesia Rupiah to Ringgit Malaysia.

General Takaful Contracts

The concentration of the General takaful contracts in relation to claims liabilities by the type of takaful contracts accepted is as summarised below:

	31.12.2013			31.12.2012		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fire	25,861	(24,523)	1,338	14,930	(12,903)	2,027
Motor vehicle	63,232	(46,637)	16,595	41,192	(30,130)	11,062
Marine Cargo, Aviation Cargo & Transit	12,191	(11,625)	566	8,637	(7,959)	678
Miscellaneous	58,752	(44,712)	14,040	43,842	(33,146)	10,696
	160,036	(127,497)	32,539	108,601	(84,138)	24,463

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of development of claims paid and development of claims reported amounts. The methods employed also require assumptions on a seed prior estimate (for Bornhuetter-Ferguson based methods) for each accident year. For Frequency/Severity analysis, this method uses the fact that the number of claims reported is unlikely to have been affected by any changes in the claims handling process, and thus, the link ratio techniques are appropriate in determining the ultimate number of claims. Any changes in reporting, reserving or settlement process can affect the reliability of assumptions.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Takaful Contracts (continued)

Sensitivities

The General takaful claims liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Impact on General takaful contract liabilities				
	Change in assumptions	**Gross**	**Net**	**Surplus before tax**	**Surplus after tax**
	%	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2013					
Average open claims	+10	16,004	3,254	3,254	2,441
Loss ratio	+10	22,577	4,510	4,510	3,383
Provision for risk of adverse deviation	+1	163	29	29	22
31 December 2012					
Average open claims	+10	10,860	2,446	2,446	1,835
Loss ratio	+10	15,291	3,138	3,138	2,354
Provision for risk of adverse deviation	+1	117	22	22	17

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each statement of financial position date, together with cumulative payments to-date.

In setting provisions for claims, the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest.

As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Takaful Contracts (continued)

Claims Development Table (continued)

Gross General Takaful Contract Liabilities for 2013

	2007	2008	2009	2010	2011	2012	2013	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year								
At end of accident year	96	6,816	24,168	54,138	57,359	75,801	122,510	
One year later	78	4,592	20,219	58,203	55,297	73,172	-	
Two years later	50	3,714	16,567	52,314	52,335	-		
Three years later	42	3,214	13,865	49,989	-	-	-	
Four years later	39	3,249	13,352	-	-	-	-	
Five years later	39	3,203	-	-	-	-	-	
Six years later	39	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	39	3,203	13,352	49,989	52,335	73,172	122,510	
At end of accident year	-	(1,100)	(4,021)	(10,114)	(12,429)	(18,204)	(33,270)	
One year later	(39)	(2,807)	(9,177)	(29,052)	(34,709)	(45,537)	-	
Two years later	(39)	(3,035)	(10,273)	(35,595)	(39,689)	-	-	
Three years later	(39)	(3,076)	(12,049)	(37,091)	-	-	-	
Four years later	(39)	(3,089)	(12,107)	-	-	-	-	
Five years later	(39)	(3,092)	-	-	-	-	-	
Six years later	(39)	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	
Cumulative payments to date	(39)	(3,092)	(12,107)	(37,091)	(39,689)	(45,537)	(33,270)	
Gross General takaful contract liabilities	-	111	1,245	12,898	12,646	27,635	89,240	143,775
Provision for risk of adverse deviation								16,261
Gross General takaful contract liabilities								160,036

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Takaful Contracts (continued)

Claims Development Table (continued)

Net General Takaful Contract Liabilities for 2013

	2007	2008	2009	2010	2011	2012	2013	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year								
At end of accident year	39	1,640	5,655	25,190	17,488	17,661	28,156	
One year later	48	1,642	6,165	24,835	15,510	17,635	-	
Two years later	32	1,370	5,340	23,500	14,818	-		
Three years later	26	1,198	5,206	22,573	-	-	-	
Four years later	24	1,230	5,040	-	-	-	-	
Five years later	24	1,213	-	-	-	-	-	
Six years later	23	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	23	1,213	5,040	22,573	14,818	17,635	28,156	
At end of accident year	-	(339)	(1,548)	(5,284)	(4,927)	(5,573)	(9,537)	
One year later	(23)	(1,032)	(3,831)	(14,461)	(11,260)	(12,654)	-	
Two years later	(23)	(1,169)	(4,285)	(18,328)	(12,480)	-	-	
Three years later	(23)	(1,182)	(4,511)	(19,342)	-	-	-	
Four years later	(23)	(1,186)	(4,587)	-	-	-	-	
Five years later	(23)	(1,187)	-	-	-	-	-	
Six years later	(23)	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	
Cumulative payments to date	(23)	(1,187)	(4,587)	(19,342)	(12,480)	(12,654)	(9,537)	
Net General takaful contract liabilities	-	26	453	3,231	2,338	4,981	18,619	29,648
Provision for risk of adverse deviation								2,891
Net General takaful contract liabilities								32,539

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Takaful Contracts (continued)

Claims Development Table (continued)

Gross General Takaful Contract Liabilities for 2012

	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year							
At end of accident year	96	6,816	24,168	54,138	57,359	75,801	
One year later	78	4,592	20,219	58,203	55,297	-	
Two years later	50	3,714	16,567	52,314	-	-	
Three years later	42	3,214	13,865	-	-	-	
Four years later	39	3,249	-	-	-	-	
Five years later	39	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	39	3,249	13,865	52,314	55,297	75,801	
At end of accident year	-	(1,100)	(4,021)	(10,114)	(12,429)	(18,204)	
One year later	(39)	(2,807)	(9,177)	(29,052)	(34,709)	-	
Two years later	(39)	(3,035)	(10,273)	(35,595)	-	-	
Three years later	(39)	(3,076)	(12,049)	-	-	-	
Four years later	(39)	(3,089)	-	-	-	-	
Five years later	(39)	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Cumulative payments todate	(39)	(3,089)	(12,049)	(35,595)	(34,709)	(18,204)	
Gross General takaful contract liabilities	-	160	1,816	16,719	20,588	57,597	96,880
Provision for risk of adverse deviation							11,721
Gross General takaful contract liabilities							108,601

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Takaful Contracts (continued)

Claims Development Table (continued)

Net General Takaful Contract Liabilities for 2012

	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year							
At end of accident year	39	1,640	5,655	25,190	17,488	17,661	
One year later	48	1,642	6,165	24,835	15,510	-	
Two years later	32	1,370	5,340	23,500	-	-	
Three years later	26	1,198	5,206	-	-	-	
Four years later	24	1,230	-	-	-	-	
Five years later	24	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	24	1,230	5,206	23,500	15,510	17,661	
At end of accident year	-	(339)	(1,548)	(5,284)	(4,927)	(5,573)	
One year later	(23)	(1,032)	(3,831)	(14,461)	(11,260)	-	
Two years later	(23)	(1,169)	(4,285)	(18,328)	-	-	
Three years later	(23)	(1,182)	(4,511)	-	-	-	
Four years later	(23)	(1,186)	-	-	-	-	
Five years later	(23)	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Cumulative payments todate	(23)	(1,186)	(4,511)	(18,328)	(11,260)	(5,573)	
Net General takaful contract liabilities	1	44	695	5,172	4,250	12,088	22,250
Provision for risk of adverse deviation							2,213
Net General takaful contract liabilities							24,463

46 FINANCIAL RISK

The Group is exposed to a range of financial risks through its assets, financial liabilities and insurance/takaful liabilities. In particular, the key financial risk is that in the long-term the operating profits and investment returns are not sufficient to fund the obligations arising from the insurance/takaful contracts. The most important components of this financial risk are credit risk, liquidity risk, market risk which comprise of currency risk, interest rate/profit yield risk and price risk.

The Group manages these positions within an Asset Liability Management ("ALM") framework that has been developed for the insurance/takaful subsidiaries to achieve long-term investment returns in excess its obligations under insurance/takaful contracts. The key principle of the framework is to match assets to the liabilities by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained and monitored. The Group has not changed the processes used to manage its risks from previous periods.

The Group's ALM is integrated with the management of the financial risks associated with the Group's other classes of financial assets and liabilities not directly associated with insurance/takaful liabilities. The note below explain show financial risks are managed using the categories in the Group's ALM framework. In particular, the ALM framework requires the management of interest rate risk, equity price risk and liquidity risk at the portfolio level. Credit risk is managed on a group-wide basis. The following notes are in relation to the Group's management disclosure with respect to credit risk, liquidity risk, interest rate risk, and price risk.

Credit Risk

The Group has exposure in credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risk through (i) investment in cash and receivables, (ii) corporate and islamic debt securities and (iii) exposure to counterparty's reinsurance contracts. For investments in corporate and Islamic debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss. Qardhul Hassan is not a financial instrument and hence is not exposed to credit risk.

Minimum credit quality only applies to investments in corporate and islamic debt securities with a minimum rating of BBB-/BBB3 (at date of investment) provided by Malaysian Credit Rating Corporation ("MARC") and Rating Agency of Malaysia ("RAM"), respectively. The Group however intends to maintain a minimum rating of A/A2 in the overall bond portfolio under current returns objectives. The Group does not solely depend on the rating report provided but as in all credit assessments/reviews are based on publicly available issuer information together with in-house analysis based on information provided by the borrower/issuer, peer group comparisons, industry comparisons and other quantitative tools.

Reinsurance/retakaful is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a participant reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholders/participants. The creditworthiness of reinsurers/retakaful operators is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group issues investment-linked investment contracts. In the investment-linked business, the holders of these contract bear the investment risks on the assets held in the investment-linked funds as the contract benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation. Allowance of doubtful debts/specific provision in made on those securities/loans (or part of remaining amount) where the level of security has been impaired.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

46 FINANCIAL RISK (continued)

Credit Risk (continued)

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the Statement of Financial Position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

GROUP

	Insurance/ takaful and Shareholders' Funds	Investment -linked fund	Total
	RM'000	RM'000	RM'000
31 December 2013			
Financial assets at FVTPL:			
Corporate debt securities	-	3,961	3,961
Equities securities*	15,120	-	15,120
Unit trust*	2,033	-	2,033
Syariah-approved quoted equities*	5,828	203,231	209,059
Islamic debt securities, unquoted	-	48,258	48,258
Other investments*	1,511	4,350	5,861
Investment-linked units*	10,430	-	10,430
AFS financial assets:			
Corporate debt securities	35,222	-	35,222
Equities securities*	28,184	-	28,184
Islamic debt securities, unquoted	141,796	-	141,796
Government debt securities	1,406	-	1,406
Malaysian Government Guarantee Financing	7,753	-	7,753
HTM financial assets:			
Malaysian Government Guarantee Financing	40,881	-	40,881
Loans and receivables:			
Loans	5,834	-	5,834
Fixed and call deposits	103,197	-	103,197
Reinsurance/retakaful assets	184,956	-	184,956
Insurance/takaful receivables	50,922	-	50,922
Trade and other receivables	106,215	1,406	107,621
Cash and cash equivalents	153,024	28,816	181,840
	894,312	290,022	1,184,334

* Not subject to credit risk.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

46 FINANCIAL RISK (continued)

Credit Risk (continued)

Credit Exposure (continued)

GROUP

	Insurance/ takaful and Shareholders' Funds	Investment -linked fund	Total
	RM'000	RM'000	RM'000
31 December 2012			
Financial assets at FVTPL:			
Corporate debt securities	-	3,950	3,950
Equities securities*	13,258	-	13,258
Unit trust*	9,048	-	9,048
Syariah-approved quoted equities*	4,230	130,675	134,905
Islamic debt securities, unquoted	-	41,497	41,497
Other investments	-	45,678	45,678
AFS financial assets:			
Corporate debt securities	504	-	504
Equities securities*	25,723	-	25,723
Islamic debt securities, unquoted	137,100	-	137,100
Government debt securities	2,080	-	2,080
Malaysian Government Guarantee Financing	19,197	-	19,197
HTM financial assets:			
Malaysian Government Guarantee Financing	35,834	-	35,834
Loans and receivables:			
Loans	9,385	-	9,385
Fixed and call deposits	2,053	-	2,053
Reinsurance/retakaful assets	153,012	-	153,012
Insurance/takaful receivables	51,695	-	51,695
Trade and other receivables	255,305	121	255,426
Cash and cash equivalents	102,941	35,353	138,294
	821,365	257,274	1,078,639

* Not subject to credit risk.

COMPANY

	31.12.2013	31.12.2012
	RM'000	RM'000
AFS financial assets:		
Corporate debt securities	34,714	-
Equities securities*	-	1,664
Loans and receivables:		
Loans	38	96
Fixed and call deposits	100,565	-
Trade and other receivables	143,776	251,029
Cash and cash equivalents	32,609	6,141
	311,702	258,930

* Not subject to credit risk.

46 **FINANCIAL RISK** (continued)

Credit Risk (continued)

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties. AAA is the highest possible rating. Assets that all outside the range of AAA to BBB are classified as speculative grade.

GROUP

	Neither past-due nor impaired									
	AAA	**AA**	**A**	**BBB**	**Not rated**	**Not subject to credit risk**	**Investment-linked fund**	**Past due but not impaired**	**Past due and impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2013										
Financial assets at FVTPL:										
Corporate debt securities	-	-	-	-	-	-	3,961	-	-	3,961
Equities securities	-	-	-	-	-	15,120	-	-	-	15,120
Unit trust	-	-	-	-	-	2,033	-	-	-	2,033
Syariah-approved quoted equities	-	-	-	-	-	5,828	203,231	-	-	209,059
Islamic debt securities, unquoted	-	-	-	-	-	-	48,258	-	-	48,258
Other investments	-	-	-	-	-	1,511	4,350	-	-	5,861
Investment-linked units	-	-	-	-	-	10,430	-	-	-	10,430
AFS financial assets:										
Corporate debt securities	-	-	34,714	-	508	-	-	-	-	35,222
Equities securities	-	-	-	-	-	28,184	-	-	-	28,184
Islamic debt securities, unquoted	55,392	86,404	-	-	-	-	-	-	-	141,796
Government debt securities	-	-	-	-	1,406	-	-	-	-	1,406
Malaysian Government Guarantee Financing	-	-	-	-	7,753	-	-	-	-	7,753
HTM financial assets:										
Malaysian Government Guarantee Financing	-	-	-	-	40,881	-	-	-	-	40,881
Loans and receivables:										
Loans	-	-	-	-	5,834	-	-	-	-	5,834
Fixed and call deposits	1,046	100,579	472	-	1,100	-	-	-	-	103,197
Reinsurance/retakaful assets	-	7,685	84,622	37,005	55,644	-	-	-	-	184,956
Insurance/takaful receivables	-	-	-	431	13,854	-	-	36,637	12,091	63,013
Trade and other receivables	55,498	-	-	-	50,717	-	1,406	-	-	107,621
Cash and cash equivalents	67,708	82,181	392	-	2,743	-	28,816	-	-	181,840
Allowance for impairment loss	-	-	-	-	-	-	-	-	(12,091)	(12,091)
	179,644	276,849	120,200	37,436	180,440	63,106	290,022	36,637	-	1,184,334

46 **FINANCIAL RISK** (continued)

Credit Risk (continued)

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties. AAA is the highest possible rating. Assets that all outside the range of AAA to BBB are classified as speculative grade.

GROUP

	Neither past-due nor impaired									
	AAA	AA	A	BBB	Not rated	Not subject to credit risk	Investment-linked fund	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012										
Financial assets at FVTPL:										
Corporate debt securities	-	-	-	-	-	-	3,950	-	-	3,950
Equities securities	-	-	-	-	-	13,258	-	-	-	13,258
Unit trust	-	-	-	-	-	9,048	-	-	-	9,048
Syariah-approved quoted equities	-	-	-	-	-	4,230	130,675	-	-	134,905
Islamic debt securities, unquoted	-	-	-	-	-	-	41,497	-	-	41,497
Other investments	-	-	-	-	-	-	45,678	-	-	45,678
Investment-linked units	-	-	-	-	-	-	-	-	-	-
AFS financial assets:										
Corporate debt securities	-	-	-	-	504	-	-	-	-	504
Equities securities	-	-	-	-	-	25,723	-	-	-	25,723
Islamic debt securities	58,140	78,960	-	-	-	-	-	-	-	137,100
Government debt securities, unquoted	-	-	-	-	2,080	-	-	-	-	2,080
Malaysian Government Guarantee Financing	-	-	-	-	19,197	-	-	-	-	19,197
HTM financial assets:										
Malaysian Government Guarantee Financing	-	-	-	-	35,834	-	-	-	-	35,834
Loans and receivables:										
Loans	-	-	-	-	8,275	-	-	-	1,110	9,385
Fixed and call deposits	672	-	1,333	-	48	-	-	-	-	2,053
Reinsurance/retakaful assets	-	3,178	58,936	30,629	60,269	-	-	-	-	153,012
Insurance/takaful receivables	-	1,318	370	706	26,008	-	-	23,293	4,690	56,385
Trade and other receivables	224,018	-	-	-	31,287	-	121	-	-	255,426
Cash and cash equivalents	39,338	58,055	3,155	-	2,393	-	35,353	-	-	138,294
Allowance for impairment loss	-	-	-	-	-	-	-	-	(4,690)	(4,690)
	322,168	141,511	63,794	31,335	185,895	52,259	257,274	23,293	1,110	1,078,639

46 FINANCIAL RISK (continued)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

Aged analysis of financial assets past due but not impaired

GROUP

	> 60 days	> 120 days	Total
	RM'000	RM'000	RM'000
31 December 2013			
Insurance/takaful receivables	11,430	25,207	36,637
31 December 2012			
Insurance/takaful receivables	19,181	4,112	23,293

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

COMPANY

	Neither past-due nor impaired				
	AAA to AA	A	Not rated	Not subject to credit risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013					
AFS financial assets:					
Corporate debt securities	-	34,714	-	-	34,714
Loan and receivables:					
Loans	-	-	38	-	38
Fixed and call deposits	100,565	-	-	-	100,565
Trade and other receivables	55,498	-	88,278	-	143,776
Cash and cash equivalents	32,606	-	3	-	32,609
	188,669	34,714	88,319	-	311,702
31 December 2012					
AFS financial assets:					
Equities securities	-	-	-	1,664	1,664
Loan and receivables:					
Loans	-	-	96	-	96
Fixed and call deposits	-	-	-	-	-
Trade and other receivables	224,018	-	27,011	-	251,029
Cash and cash equivalents	6,138	-	3	-	6,141
	230,156	-	27,110	1,664	258,930

46 FINANCIAL RISK (continued)

Credit Risk (continued)

Impaired Financial Assets

At 31 December 2013, based on an individual assessment of receivables, there are impaired insurance/takaful receivables of RM12,091,000 (2012: RM4,690,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than six (6) months for loans, and more than 90 days for insurance receivables. In addition, full impairment was made on outstanding debts exceeding twelve months, outstanding debts with terminated status, closed accounts, commuted, winding-up under legal action, accounts written off or those served with letters of demand. This applies similarly to reinsurance assets, particularly reinsurance recoverable on outstanding claims. No collateral is held as security for any past due or impaired assets. The Group records impairment allowance for loans and receivables and insurance/takaful receivables in a separate allowance for impairment accounts.

A reconciliation of the allowance for impairment losses for insurance/takaful receivables and loans is as follows:

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Insurance/takaful receivables		
At 1 January	4,690	3,144
Allowance for impairment loss	7,401	1,546
At 31 December	12,091	4,690
Loans		
At 1 January	55,465	61,189
Allowance made/(written back) during the financial year	722	(4,985)
Amounts written back in respect of recoveries	(1,749)	(524)
Bad debts written off	(14,194)	(215)
At 31 December	40,244	55,465

The outstanding loans before allowance for impairment loss analysed by economic purpose are as follows:

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Constructions	11,452	11,452
Purchase of landed properties/securities	4,971	5,032
Purchase of property, plant and equipment other than land and buildings	1,552	1,552
Personal use	8,211	11,056
Working capital	7,930	21,214
Others	11,961	14,358
	46,077	64,664

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

46 FINANCIAL RISK (continued)

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. This situation arises when the Group is unable to convert its financial assets into cash when needed. Demands for funds can usually be met through ongoing normal operations, premiums/contributions received, sale of assets or borrowings through committed credit facilities from bankers. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and an adequate cushion in the form of cash and very liquid investments are maintained at all times. The projected cash flow from the in-force insurance/takaful contract liabilities consist of renewal premiums/contributions, commissions, claims, maturities and surrenders. Renewal premiums/contributions, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existing of surrender penalty in Life insurance/Family takaful contracts also protects the Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

In addition, for General insurance/takaful contracts, the Group's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate drawdown of funds to meet claims payments should claims events exceed a certain amount.

Maturity Profile

The following table summarises the maturity profile of the Group's financial liabilities based on outstanding terms to maturity still remaining.

The insurance/takaful contract liabilities below are gross of reinsurance (no reinsurance credit is taken into account). Unit-linked liabilities are repayable or transferrable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately. Products which have no maturity benefits such as term assurance and yearly renewable plans are excluded as there carry no maturity values. Products with no maturity dates are annuity and whole life plans.

Unearned premiums/contributions and the reinsurers'/retakaful operators' share of unearned premiums/contributions have been excluded from the analysis as they are not contractual obligations.

46 FINANCIAL RISK (continued)

Liquidity Risk (continued)

Maturity Profile (continued)

GROUP

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013									
Financial assets at FVTPL:									
Corporate debt securities	3,961	-	-	-	-	-	-	3,961	3,961
Equities securities	15,120	-	-	-	-	-	15,120	-	15,120
Unit trust	2,033	-	-	-	-	-	2,033	-	2,033
Syariah-approved quoted equities	209,059	-	-	-	-	-	5,828	203,231	209,059
Islamic debt securities, unquoted	48,258	-	-	-	-	-	-	48,258	48,258
Other investments	5,861	-	-	-	-	-	1,511	4,350	5,861
Investment-linked units	10,430	-	-	-	-	-	10,430	-	10,430
AFS financial assets:									
Corporate debt securities	35,222	3,590	42,465	-	-	-	-	-	46,055
Equities securities	28,184	-	-	-	-	-	28,184	-	28,184
Islamic debt securities, unquoted	141,796	-	-	9,888	126,984	89,289	-	-	226,161
Government debt securities	1,406	-	-	-	531	875	-	-	1,406
Malaysian Government Guarantee Financing	7,753	-	-	-	10,000	-	-	-	10,000
HTM financial assets:									
Malaysian Government Guarantee Financing	40,881	-	-	-	39,586	29,273	-	-	68,859
Loans and receivables:									
Loans	5,834	5,783	46	13	-	-	-	-	5,842
Fixed and call deposits	103,197	104,333	-	-	-	-	-	-	104,333
Reinsurance/retakaful assets	184,956	165,889	10,021	140	493	8,413	-	-	184,956
Insurance/takaful receivables	50,922	50,922	-	-	-	-	-	-	50,922
Trade and other receivables	107,621	67,518	38,697	-	-	-	-	1,406	107,621
Cash and cash equivalents	181,840	156,758	-	-	-	-	-	28,816	185,574
	1,184,334	554,793	91,229	10,041	177,594	127,850	63,106	290,022	1,314,635
Insurance contract liabilities	71,691	71,691	-	-	-	-	-	-	71,691
Takaful contract liabilities	512,233	449,349	12,402	215	1,540	48,727	-	-	512,233
Financial liabilities	4,715	4,715	-	-	-	-	-	-	4,715
Insurance/takaful payables	111,070	111,070	-	-	-	-	-	-	111,070
Trade and other payables	104,981	101,350	-	-	-	-	-	3,631	104,981
	804,690	738,175	12,402	215	1,540	48,727	-	3,631	804,690

46 FINANCIAL RISK (continued)

Liquidity Risk (continued)

Maturity Profile (continued)

GROUP

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012									
Financial assets at FVTPL:									
Corporate debt securities	3,950	-	-	-	-	-	-	3,950	3,950
Equities securities	13,258	-	-	-	-	-	13,258	-	13,258
Unit trust	9,048	-	-	-	-	-	9,048	-	9,048
Syariah-approved quoted equities	134,905	-	-	-	-	-	4,230	130,675	134,905
Islamic debt securities, unquoted	41,497	-	-	-	-	-	-	41,497	41,497
Other investments	45,678	-	-	-	-	-	-	45,678	45,678
Investment-linked units	-	-	-	-	-	-	-	-	-
AFS financial assets:									
Corporate debt securities	504	504	-	-	-	-	-	-	504
Equities securities	25,723	-	-	-	-	-	25,723	-	25,723
Islamic debt securities, unquoted	137,100	-	5,786	12,188	117,455	70,332	-	-	205,761
Government debt securities	2,080	-	-	-	769	1,311	-	-	2,080
Malaysian Government Guarantee Financing	19,197	5,000	-	-	10,000	9,360	-	-	24,360
HTM financial assets:									
Malaysian Government Guarantee Financing	35,834	-	-	-	32,030	29,988	-	-	62,018
Loans and receivables:									
Loans	9,385	9,046	343	16	2	-	-	-	9,407
Fixed and call deposits	2,053	2,075	-	-	-	-	-	-	2,075
Reinsurance/retakaful assets	153,012	125,539	18,043	2,269	536	6,625	-	-	153,012
Insurance/takaful receivables	51,695	51,695	-	-	-	-	-	-	51,695
Trade and other receivables	255,426	253,305	2,000	-	-	-	-	121	255,426
Cash and cash equivalents	138,294	104,989	-	-	-	-	-	35,353	140,342
	1,078,369	552,153	26,172	14,473	160,792	117,616	52,259	257,274	1,180,739
Insurance contract liabilities	116,990	116,990	-	-	-	-	-	-	116,990
Takaful contract liabilities	416,244	347,456	23,022	2,946	1,202	41,618	-	-	416,244
Financial liabilities	4,335	4,335	-	-	-	-	-	-	4,335
Insurance/takaful payables	79,390	79,390	-	-	-	-	-	-	79,390
Trade and other payables	80,707	79,164	-	-	-	-	-	1,543	80,707
	697,666	627,335	23,022	2,946	1,202	41,618	-	1,543	697,666

46 FINANCIAL RISK (continued)

Liquidity Risk (continued)

Maturity Profile (continued)

COMPANY

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013								
AFS financial assets:								
Corporate debt securities	34,714	3,082	42,465	-	-	-	-	45,547
Loans and receivables:								
Loans	38	38	-	-	-	-	-	38
Fixed and call deposits	100,565	101,636	-	-	-	-	-	101,636
Trade and other receivables	143,776	124,376	19,400	-	-	-	-	143,776
Cash and cash equivalents	32,609	32,613	-	-	-	-	-	32,613
	311,702	261,745	61,865	-	-	-	-	323,610
Trade and other payables	46,971	46,971	-	-	-	-	-	46,971
31 December 2012								
AFS financial assets:								
Equities securities	1,664	-	-	-	-	-	1,664	1,664
Loans and receivables:								
Loans	96	37	59	-	-	-	-	96
Fixed and call deposits	-	-	-	-	-	-	-	-
Trade and other receivables	251,029	249,029	2,000	-	-	-	-	251,029
Cash and cash equivalents	6,141	6,141	-	-	-	-	-	6,141
	258,930	255,207	2,059	-	-	-	1,664	258,930
Trade and other payables	4,527	4,527	-	-	-	-	-	4,527

46 FINANCIAL RISK (continued)

Market Risk

Market risk is the risk of loss in the valuation of the Group's investments due to adverse changes or volatility of prices in economic and financial markets. Market risk comprises three (3) types of risk i.e. currency risk, market interest rates/profit yields and price risk.

The Group manages market risks through setting of investment policy and asset allocation, approving portfolio limit structure and risk management methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

The Group also issues investment-linked investment policies in a number of its products. In the investment-linked business, the holders of these contracts bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Group's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has overseas subsidiary and associates that operate in Indonesia, Philippines and Australia whose revenue and expenses are denominated in Indonesian Rupiah, United States Dollar, Peso and Australia Dollar respectively. It also has subsidiaries that operate in Labuan whose revenue and expenses are denominated mainly in United States Dollar. In order to protect the Group's exposure to the exchange rate movements of the foreign currencies against Ringgit Malaysia, the Group finances its net investments in the foreign subsidiary and associates by means of composition of Ringgit Malaysia and United States Dollar denominated funds based on assessment of the exchange rate exposure.

The Group's exposure to transactional foreign exchange risk is monitored on an ongoing basis through regular stress testing. The Group does not hedge its foreign currency risk.

The Group's financial assets are also primarily denominated in the same currency as its insurance/takaful contract liabilities as required under the applicable regulatory requirements. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance/takaful contract liabilities are expected to be settled.

The Group's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. The impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group has no significant concentration of foreign currency risk.

Interest/Profit Rate Risk

Interest/profit rate risk is part of market risk as any adverse movements in interest/profit rates may affect the Group's investment fair valuation and reinvestment issues. The Group's Investment Committees of the insurance subsidiaries actively monitor such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch given the long duration of policy liabilities and the uncertainty of cash flows, it is not possible to hold assets that will perfectly match the policy liabilities.

The Group has no significant concentration of interest/profit rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Equity (that reflects adjustments to Profit before Tax and revaluing fixed rate/yield AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest/profit rate risk but to demonstrate the impact due to changes in variables, variables had to be changed in an individual basis. It should be noted that movements in these variables are non-linear.

46 FINANCIAL RISK (continued)

Market Risk (continued)

Interest/Profit Rate Risk (continued)

GROUP	**Impact on profit before taxation**		**Impact on equity***	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest/Profit Rate				
+ 100 basis points	834	190	(4,632)	(5,439)
- 100 basis points	(834)	(190)	5,356	6,189

* Impact on equity reflects adjustments for tax, when applicable.

The above excluded the potential impacts from overseas subsidiaries which are deemed insignificant as the said subsidiaries' AFS financial assets are not material.

The method used for deriving sensitivity information and significant variables did not change from previous year.

Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The equity investment portfolio of the Group is exposed to movements in equity markets. The Group monitors its equity price risk through regular stress testing. In addition, the Group monitors and manages the equity exposure against policies set and agreed by the Investment Committees of the insurance subsidiaries. These policies include monitoring the equity exposure against benchmark set and also single security exposure of the portfolio against the limits set. The Group uses historical stock betas, index levels and equity prices and estimates the volatility and correlation of each of these share prices and index levels to calculate the gains and losses that could occur over a period of time, given a certain index level.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit before Tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in Income Statement) and Equity (that reflects adjustments to Profit before Tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

GROUP	**Impact on profit before taxation**		**Impact on equity***	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Change in variables				
FTSE Bursa Malaysia				
- FBM KLCI +15% - gain	5,027	2,977	3,770	2,233
- FBM KLCI -15% - loss	(5,027)	(2,977)	(3,770)	(2,233)

The potential impacts arising from other market indices and overseas subsidiaries are deemed insignificant as the Group's holdings in equity securities listed in other bourses are not material.

* Impact on equity reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from previous year.

47 OPERATIONS RISK

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdowns in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, landslide or flood.

The Group has developed comprehensive operating policies and procedures manuals to enable all business units to implement, measure, monitor and control the risks in order to avoid or reduce future losses. Further the Group has established Risk Management Department and Internal Audit Department which are assigned to facilitate business units to review and check the current procedures adhere to all rules and regulations and the procedures manuals.

48 COMPLIANCE RISK

Compliance risk is the risk arising from violations of, or non conformance with business principles, internal policies and procedures, related laws, rules and regulations governing the Group's products and activities.

Consequently, the exposure to this risk can damage the Group's reputation, lead to legal or regulatory sanctions and/or financial loss.

The Group has established a Compliance and Governance Department to look into all compliance aspects in observing the regulatory requirements. In this respect, it has developed internal policies and procedures to ensure compliance with all applicable law and guidelines issued by the regulatory authorities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

49 INSURANCE FUNDS

Statement of Financial Position by Funds as at 31 December 2013

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property, plant and equipment	21,714	129	-	-	-	21,843
Investment properties	12,500	-	-	-	-	12,500
Intangible assets	3,007	-	-	-	-	3,007
Investments	267,717	1,907	3,961	62,397	323,013	658,995
Financial assets at FVTPL	34,922	-	3,961	-	255,839	294,722
AFS financial assets	125,525	1,424	-	45,778	41,634	214,361
HTM financial assets	-	-	-	15,365	25,516	40,881
Loans and receivables	107,270	483	-	1,254	24	109,031
Associates	61,497	-	-	-	-	61,497
Reinsurance/retakaful assets	-	41,972	-	200,362	15,490	257,824
Insurance/takaful receivables	-	6,706	-	37,940	6,276	50,922
Trade and other receivables	105,181	201	63	407	1,769	107,621
Tax recoverable	2,740	33	-	-	-	2,773
Deferred tax assets	-	-	-	47	-	47
Cash and cash equivalents	119,472	1,337	1,867	19,422	39,742	181,840
Assets classified as held for sale	178	-	-	-	-	178
Total assets	594,006	52,285	5,891	320,575	386,290	1,359,047
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	71,691	-	254,065	352,196	677,952
Investment contract liabilities	-	-	4,082	-	-	4,082
Borrowings						
- Bank overdrafts (unsecured)	4,715	-	-	-	-	4,715
Insurance/takaful payables	-	57,778	-	50,848	2,444	111,070
Trade and other payables	83,280	2,655	285	9,805	8,956	104,981
Current tax liabilities	366	40	-	173	1,081	1,660
Deferred tax liabilities	2,282	-	-	-	1,689	3,971
Total liabilities	90,643	132,164	4,367	314,891	366,366	908,431
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	116,594	-	-	-	-	116,594
Reserves	10,448	-	-	-	-	10,448
Total equity attributable to the owners of the Company	431,396	-	-	-	-	431,396
Non-controlling interests	19,220	-	-	-	-	19,220
Total equity	450,616	-	-	-	-	450,616
Total equity, policyholders' funds and liabilities	541,259	132,164	4,367	314,891	366,366	1,359,047
Inter-fund balances	52,747	(79,879)	1,524	5,684	19,924	-

49 INSURANCE FUNDS (continued)

Statement of Financial Position by Funds as at 31 December 2012

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property, plant and equipment	23,545	341	-	-	-	23,886
Investment properties	11,632	-	-	-	-	11,632
Intangible assets	7,859	-	-	-	-	7,859
Investments	125,712	3,433	11,033	62,577	277,457	480,212
Financial assets at FVTPL	19,453	-	11,033	-	217,850	248,336
AFS financial assets	96,195	2,100	-	47,200	39,109	184,604
HTM financial assets	-	-	-	15,366	20,468	35,834
Loans and receivables	10,064	1,333	-	11	30	11,438
Associates	56,314	-	-	-	-	56,314
Reinsurance/retakaful assets	-	66,812	-	132,139	13,792	212,743
Insurance/takaful receivables	-	21,944	-	20,938	8,813	51,695
Trade and other receivables	252,895	676	70	1,387	398	255,426
Tax recoverable	3,382	235	-	-	-	3,617
Deferred tax assets	-	558	-	-	-	558
Cash and cash equivalents	73,423	853	1,773	10,077	52,168	138,294
Assets classified as held for sale	1,015	-	-	-	-	1,015
Total assets	555,777	94,852	12,876	227,118	352,628	1,243,251
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	116,990	-	173,057	310,882	600,929
Investment contract liabilities	-	-	11,289	-	-	11,289
Borrowings						
- Bank overdrafts (unsecured)	4,335	-	-	-	-	4,335
Insurance/takaful payables	-	40,309	-	36,388	2,693	79,390
Trade and other payables	52,270	5,999	151	12,783	9,504	80,707
Current tax liabilities	2,418	113	-	2,388	1,454	6,373
Deferred tax liabilities	3,978	-	-	627	1,505	6,110
Total liabilities	63,001	163,411	11,440	225,243	326,038	789,133
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	119,952	-	-	(1,218)	-	118,734
Reserves	4,316	-	-	-	-	4,316
Total equity attributable to the owners of the Company	428,622	-	-	(1,218)	-	427,404
Non-controlling interests	27,121	-	-	(407)	-	26,714
Total equity	455,743	-	-	(1,625)	-	454,118
Total equity, policyholders' funds and liabilities	518,744	163,411	11,440	223,618	326,038	1,243,251
Inter-fund balances	37,033	(68,559)	1,436	3,500	26,590	-

49 INSURANCE FUNDS (continued)

Income Statement by Funds for the financial year ended 31 December 2013

Continuing operation

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums/ contributions	-	28,151	-	215,757	268,162	(10,000)	502,070
Premiums/contributions ceded to reinsurers/ retakaful operators	-	(24,667)	-	(171,126)	(9,455)	-	(205,248)
Net earned premiums/ contributions	-	3,484	-	44,631	258,707	(10,000)	296,822
Investment income	11,808	209	150	3,046	12,314	-	27,527
Realised gains and losses – net	6,896	30	112	874	15,765	-	23,677
Fair value gains and losses – net	2,697	-	261	-	9,745	(430)	12,273
Fee and commission income	-	492	-	46,516	-	-	47,008
Other operating revenue from non-insurance businesses	9,461	-	-	-	-	-	9,461
Other operating income/ (expenses) – net	31,934	(1,215)	106	-	(12,701)	-	18,124
Surplus sharing from Family takaful	7,250	-	-	-	-	(7,250)	-
Wakalah fee from takaful business	141,546	-	-	-	-	(141,546)	-
Other revenue	211,592	(484)	629	50,436	25,123	(149,226)	138,070
Total revenue	211,592	3,000	629	95,067	283,830	(159,226)	434,892
Gross benefits and claims paid	-	(44,076)	(252)	(67,140)	(151,393)	-	(262,861)
Claims ceded to reinsurers/ retakaful operators	-	17,430	-	48,210	10,286	-	75,926
Gross change to contract liabilities	-	33,775	(86)	(51,500)	(52,739)	10,396	(60,154)
Change in contract liabilities ceded to reinsurers/ retakaful operators	-	(26,211)	-	43,357	446	-	17,592
Net insurance/takaful benefits and claims	-	(19,082)	(338)	(27,073)	(193,400)	10,396	(229,497)
Fee and commission expense	(97,168)	(1,162)	-	-	-	-	(98,330)
Management expenses	(96,758)	(10,849)	(1,320)	(2,047)	(1,833)	-	(112,807)
Expense liabilities	(794)	-	-	-	-	-	(794)
Surplus sharing with Shareholders' fund	-	-	-	-	(7,250)	7,250	-
Wakalah fee payable to Shareholders' fund	-	-	-	(63,070)	(78,476)	141,546	-
Finance costs	(404)	-	-	-	-	-	(404)
Other expenses	(195,124)	(12,011)	(1,320)	(65,117)	(87,559)	148,796	(212,335)

49 INSURANCE FUNDS (continued)

Income Statement by Funds for the financial year ended 31 December 2013 (continued)

Continuing operation (continued)

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share of profit of associates, net of tax	1,525	-	-	-	-	-	1,525
Profit/(loss) before taxation	17,993	(28,093)	(1,029)	2,877	2,871	(34)	(5,415)
Tax expenses attributable to participants	-	-	-	(1,252)	(2,871)	34	(4,089)
Profit/(loss) before taxation	17,993	(28,093)	(1,029)	1,625	-	-	(9,504)
Taxation	(3,431)	(478)	-	(1,252)	(2,871)	34	(7,998)
Tax expenses attributable to participants	-	-	-	1,252	2,871	(34)	4,089
Tax expenses attributable to Shareholders' fund	(3,431)	(478)	-	-	-	-	(3,909)
Zakat	(295)	-	-	-	-	-	(295)
Profit/(loss) for the financial year	14,267	(28,571)	(1,029)	1,625	-	-	(13,708)

49 INSURANCE FUNDS (continued)

Income Statement by Funds for the financial year ended 31 December 2012

Continuing operation

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Gross earned premiums/ contributions	-	69,412	-	152,907	209,099	-	431,418
Premiums/contributions ceded to reinsurers/ retakaful operators	-	(48,466)	-	(121,522)	(18,709)	-	(188,697)
Net earned premiums/ contributions	-	20,946	-	31,385	190,390	-	242,721
Investment income	8,698	402	177	2,893	9,263	-	21,433
Realised gains and losses – net	6,170	(6)	83	565	8,345	-	15,157
Fair value gains and losses – net	2,613	-	(2,828)	-	5,884	-	5,669
Fee and commission income	-	6,035	-	31,330	-	-	37,365
Other operating revenue from non-insurance businesses	5,877	-	-	-	-	-	5,877
Other operating income/ (expenses) – net	1,266	15,195	143	-	(10,296)	-	6,308
Surplus sharing from Family takaful	9,830	-	-	-	-	(9,830)	-
Wakalah fee from takaful business	113,351	-	-	-	-	(113,351)	-
Other revenue	147,805	21,626	(2,425)	34,788	13,196	(123,181)	91,809
Total revenue	147,805	42,572	(2,425)	66,173	203,586	(123,181)	334,530
Gross benefits and claims paid	-	(51,055)	-	(48,810)	(84,879)	-	(184,744)
Claims ceded to reinsurers/ retakaful operators	-	28,451	-	32,808	20,634	-	81,893
Gross change to contract liabilities	-	(49,298)	3,283	(15,348)	(61,485)	-	(122,848)
Change in contract liabilities ceded to reinsurers/ retakaful operators	-	43,503	-	18,601	4,486	-	66,590
Net insurance/takaful benefits and claims	-	(28,399)	3,283	(12,749)	(121,244)	-	(159,109)
Fee and commission expense	(80,292)	(15,330)	(40)	-	-	-	(95,662)
Management expenses	(91,139)	(11,111)	(946)	(3)	-		(103,199)
Expense liabilities	(818)	-	-	-	-	-	(818)
Surplus sharing to Shareholders' fund	-	-	-	-	(9,830)	9,830	-
Wakalah fee payable to Shareholders' fund	-	-	-	(43,316)	(70,035)	113,351	-
Finance costs	(420)	-	-	-	-	-	(420)
Other expenses	(172,669)	(26,441)	(986)	(43,319)	(79,865)	123,181	(200,099)
Share of loss of associates, net of tax	(665)	-	-	-	-	-	(665)
Profit/(loss) before taxation	(25,529)	(12,268)	(128)	10,105	2,477	-	(25,343)
Tax expenses attributable to participants	-	-	-	(3,327)	(2,477)	-	(5,804)
Profit/(loss) before taxation	(25,529)	(12,268)	(128)	6,778	-	-	(31,147)
Taxation	(3,380)	181	-	(3,327)	(2,477)	-	(9,003)
Tax expenses attributable to participants	-	-	-	3,327	2,477	-	5,804
Tax expenses attributable to Shareholders' fund	(3,380)	181	-	-	-	-	(3,199)
Zakat	(226)	-	-	-	-	-	(226)
Profit/(loss) for the financial year	(29,135)	(12,087)	(128)	6,778	-	-	(34,572)

49 INSURANCE FUNDS (continued)

Income Statement by Funds for the financial year ended 31 December 2013

Discontinued operations

	Shareholders' fund	Total
	RM'000	RM'000
Investment income	857	857
Realised gains and losses	59,345	59,345
Other operating revenue from non-insurance businesses	46,298	46,298
Other revenue	106,500	106,500
Total revenue	106,500	106,500
Management expenses	(23,462)	(23,462)
Other operating expenses – net	(64,332)	(64,332)
Other expenses	(87,794)	(87,794)
Profit before taxation	18,706	18,706
Taxation	(1,180)	(1,180)
Profit for the financial year	17,526	17,526

Income Statement by Funds for the financial year ended 31 December 2012

Discontinued operations

	Shareholders' fund	Life fund	Total
	RM'000	RM'000	RM'000
Gross earned premiums	-	3,453	3,453
Premiums ceded to reinsurers	-	(258)	(258)
Net earned premiums	-	3,195	3,195
Investment income	991	555	1,546
Realised gains and losses – net	67,311	(182)	67,129
Fair value gains and losses – net	-	(942)	(942)
Fee and commission income	-	135	135
Other operating revenue from non-insurance businesses	49,317	-	49,317
Other revenue	117,619	(434)	117,185
Total revenue	117,619	2,761	120,380
Gross benefits and claims paid	-	(3,749)	(3,749)
Gross change to contract liabilities	-	1,587	1,587
Net insurance benefits and claims	-	(2,162)	(2,162)
Fee and commission expense	-	(450)	(450)
Management expenses	(28,176)	(3,373)	(31,549)
Other operating (expenses)/income – net	(15,938)	54	(15,884)
Finance costs	(20)	-	(20)
Other expenses	(44,134)	(3,769)	(47,903)
Profit/(loss) before taxation	73,485	(3,170)	70,315
Taxation	(618)	-	(618)
Profit/(loss) for the financial year	72,867	(3,170)	69,697

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

49 INSURANCE FUNDS (continued)

Information on cash flow by Funds

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013						
Cash flows from:						
Operating activities	19,413	484	94	9,345	(12,426)	16,910
Investing activities	26,256	-	-	-	-	26,256
Net increase/(decrease) in cash and cash equivalents	45,669	484	94	9,345	(12,426)	43,166
Cash and cash equivalents at beginning of financial year	69,088	853	1,773	10,077	52,168	133,959
Cash and cash equivalents at end of financial year	114,757	1,337	1,867	19,422	39,742	177,125
31 December 2012						
Cash flows from:						
Operating activities	(15,393)	(14,722)	(6,939)	3,168	8,908	(24,978)
Investing activities	(7,787)	(78)	(1,218)	-	-	(9,083)
Net (decrease)/increase in cash and cash equivalents	(23,180)	(14,800)	(8,157)	3,168	8,908	(34,061)
Cash and cash equivalents at beginning of financial year	92,268	15,653	9,930	6,909	43,260	168,020
Cash and cash equivalents at end of financial year	69,088	853	1,773	10,077	52,168	133,959

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END

(a) On 30 September 2011, the Group completed the disposal of its entire 100% equity interest in Malaysian Assurance Alliance Berhad ("MAA Assurance") (now known as Zurich Insurance Malaysia Berhad) and other identified subsidiaries, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd (hereinafter collectively known as the ("Disposed Subsidiaries") to Zurich Insurance Company Ltd ("Zurich") for a total cash consideration of RM344.0 million ("the Disposal").

Under the terms of the Conditional Sale and Purchase Agreement ("SPA") with Zurich in relation to the Disposal, there is an adjustment to the sale consideration of RM344.0 million equal to the difference between the aggregate net asset value of the Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 ("Adjustment to Consideration"). The Adjustment to Consideration shall be finalised within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless dispute arises which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA.

On 30 December 2011, based on the Draft Completion Accounts and Statement of Aggregate Net Assets Value of the Disposed Subsidiaries prepared by and received from Zurich, there was an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equaled to the difference between the aggregate net asset value of the Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011.

On 17 February 2012 and 12 April 2012, the Company submitted notifications of disputes to Zurich to disagree certain downward adjustments ("Disputed Matters") made to the Draft Completion Accounts and Statement of Aggregate Net Assets Value of the Disposed Subsidiaries.

On 28 June 2012, the Company received RM30.1 million in the escrow account from Zurich being the net held back sum upon satisfaction of certain conditions precedent in the SPA in relation to Prima Avenue Klang property ("PAK"), one of the real properties owned by MAA Assurance.

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich that confirmed an overstatement of RM5.3 million in the life fund liabilities of MAA Assurance in the Draft Completion Accounts.

On 27 July 2012, the Company received RM20.6 million in the escrow account from Zurich being the held back sum upon satisfaction of certain conditions precedent in the SPA in relation to Mithril's 3% 8-year redeemable convertible secured loan stocks ("RCSLS").

On 2 November 2012, the Company filed and served a notice of arbitration against Zurich with the Singapore International Arbitration Centre seeking, inter alia, declarations to refer the disputes on the calculation of general insurance reserves and other disputed matters in the Draft Completion Accounts to an Expert Accountant in accordance with terms of the SPA in order to determine the final selling price of the Disposed Subsidiaries, as well as further declarations to be entitled to receive payment of escrow monies in accordance with the Escrow Agreement dated 28 September 2011 having satisfied the requirements under the SPA and the Side Letter dated 17 August 2011 in respect of the PAK, together with damages, interests and costs.

On 24 July 2013, the Company entered into a settlement agreement ("Settlement Agreement") with Zurich for settlement of the Disputed Matters in relation to the Draft Completion Accounts and PAK ("Proposed Settlement").

Subject to fulfilment of the conditions precedent set out in the Settlement Agreement, the salient terms of the Proposed Settlement, inter alia, include the following:

(i) The parties agree and acknowledge that the final agreed additional consideration payable by Zurich shall be RM103,428,081 incorporating all adjustments on the general insurance reserves, general receivables and life liabilities reserve as specified in the Settlement Agreement.

(ii) With respect to settlement of impairment dispute on Senai Desaru and Domayne bonds ("Bonds"), the Company agrees to accept transfer of the Bonds at the impaired carrying values and the deduction of the Bonds transfer price from the additional consideration payable by Zurich.

(iii) The parties acknowledge that the amount of RM103,428,081 is subject to the deduction of the Bonds transfer price and PAK Hold Back Amount (as defined in (iv) below), such that the net amount of additional consideration payable by Zurich into the escrow account is RM78,825,822.

(iv) Zurich shall instruct and withhold an amount of RM3.0 million ("PAK Hold Back Amount") until delivery of the individual strata titles for Block A of PAK within 3 years period.

In furtherance of the Company's obligations in relation to (iv) as disclosed above, and to recover the Company's initial investment of RM20.0 million in the development (hereafter defined) arising from the original sale of MAA Assurance to Zurich on 30 September 2011, the Company had on 30 July 2013 entered into a joint venture agreement ("JVA") with PIMA Pembangunan Sdn Bhd ("PIMA") in respect of a commercial development known as Prima Avenue Klang or Pusat Perniagaan Prima Klang ("Development") which currently comprise of Block A and Block B office space and/or shop lots and a building platform for Block C (to be built). The Development is currently charged to Malayan Banking Berhad by way of first legal charge. As disclosed in Note 13(b) to the financial statements, an amount of RM19.4 million has been extended by the Company to PIMA under the JVA as at 31 December 2013.

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (continued)

(a) On 11 September 2013, the Company announced that the Disputed Matters in relation to the Draft Completion Accounts between the Company and Zurich had been settled on that day and the Company had duly received Bonds from Zurich on 6 September 2013 and the net amount additional consideration of RM78,825,822 had been duly deposited by Zurich in the escrow account.

On 30 September 2013, the Company announced that an amount of RM136.5 million (including interest earned) had been released from the escrow account to the Company on the same day after the expiry of 2 years from the completion of the Disposal and a balance of RM55.1 million is still being retained in the escrow account until Zurich's remaining outstanding claims are resolved.

Zurich's remaining outstanding claims relate to alleged breach of warranties and indemnities ("Zurich's Counterclaims"), of which a provision of RM45.0 million has been made in the financial year ended 31 December 2013. The said provision amount was based on the parties' ongoing settlement negotiations, which to date has not been reached or mutually agreed.

(b) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Listing Requirements whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of MAA Assurance.

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

As an affected listed issuer, the Company is required pursuant to paragraph 4.1 of the PN17 of the Listing Requirements to announce details of the regularisation plan.

On 28 September 2012, the Company submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for a waiver from having to comply with Paragraph 8.04(2) of the Listing Requirements and a waiver from submitting a regularisation plan to Bursa Securities pursuant to Paragraph 8.04(3) of the Listing Requirements ("First Application for Waiver").

On 30 November 2012, the Company submitted an application to Bursa Securities for extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("First Application for Extension of time").

On 20 December 2012, Bursa Securities had vide its letter rejected the Company's First Application for Waiver from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements and had granted an extension of time of up to 18 June 2013 ("First Granted Extension of Time") for the Company to submit a regularisation plan.

On 7 June 2013, the Company submitted an application to Bursa Securities for extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("Second Application for Extension of time").

On 1 August 2013, Bursa Securities had vide its letter granted a further extension of time of up to 30 November 2013 ("Second Granted Extension of Time") for the Company to submit a regularisation plan taking into consideration amongst others the following:

(i) The latest consolidated financial position of the Group including its consolidated shareholders' equity, net assets and gearing ratio position;

(ii) The future receipts of the balance of cash proceeds from the disposal of Disposed Subsidiaries following the proposed settlement on the amount receivable by the Company as announced on 24 July 2013; and

(iii) The latest regulatory development vis-à-vis the Islamic Financial Services Act, 2013 which came into effect on 1 July 2013, which governs the Company's core business activities.

The Second Granted Extension of Time was without prejudice to Bursa Securities' right to proceed to suspend the trading of the securities of the Company and to delist the Company in the event:

(i) The Company fails to submit the regularisation plans on or before 30 November 2013;

(ii) The Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan, or

(iii) The Company fails to implement its regularisation plan within the time frame or extended time frames stipulated by Bursa Securities.

Upon the 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 upon the expiry of five (5) market days from the date the Company is notified by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting. Based on the decision by Bursa Securities, the Board will formularise a regularisation plan and will submit it to Bursa Securities for approval.

On 2 September 2013, 1 October 2013 and 1 November 2013, the Company announced that it was still in the midst of formulating a regularisation plan for submission to Bursa Securities for approval.

On 29 November 2013, the Company submitted an application to Bursa Securities for extension of time to comply with Paragraph 8.04(2), 8.04(3) and PN17 of the Listing Requirements ("Third Application for Extension of Time").

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (continued)

(b) On 9 December 2013, Bursa Securities had vide its letter informed that the suspension of trading of the Company's securities and the delisting of the Company in accordance with Paragraph 8.04(5) of the Listing Requirements shall be deferred pending the decision of the Third Application for Extension of Time.

On 11 March 2014, Bursa Securities has granted an extension of time of up to 31 July 2014 for the Company to submit a regularisation plan ("Third Granted Extension of Time").

The Third Granted Extension of Time was given by Bursa Securities after taking into consideration, on amongst others, the following:

(i) The material developments in relation to the Group's internal restructuring in particular the internal restructuring relating to its subsidiaries, namely PT MAA General Assurance ("PT MAAG") and MAA Takaful Berhad ("MAAT"); and associated company, Columbus Capital Pty Ltd ("CCAU"); and

(ii) The latest consolidated financial position of the Group including its consolidated shareholders' equity and net assets, cash and cash equivalents as well as its gearing position.

The Company is also required to provide detailed updates on the status of the Group's internal restructuring and status of the submission of its regularisation plan to the regulatory authorities via its monthly announcements.

The Third Granted Extension of Time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to delist the Company in the event:

(i) The Company fails to submit the regularisation plan to the regulatory authorities on or before 31 July 2014;

(ii) The Company fails to obtain the 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 MAAG on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting.

On 1 April 2014, the Company announced the following status update of the Group's internal restructuring:

(i) PT MAAG is currently implementing the plan to settle its obligation and liabilities. From December 2012 to March 2014, PT MAAG has signed settlement agreements and paid settlements for approximately RP128.3 billion gross claims;

(ii) The proposed increase of the Group's equity interest in CCAU from 47.95% to 55% is pending approval from the Foreign Investment Review Board of Australia; and

(iii) The Company is in the midst of re-evaluating its group structure including the Group's business plans and operational requirements, and splitting of the existing composite license of MAAT into two (2) capitalised legal entities that is Family takaful and General takaful to ensure compliance with the Islamic Financial Services Act, 2013.

(c) On 13 November 2013, the Company's wholly-owned subsidiary, MAA Corporation Sdn Bhd ("MAA Corp") together with the other shareholders of MAAKL Mutual Bhd ("MAAKL Mutual") namely, Khyra Liberty Sdn Bhd, Edmond Cheah Swee Leng, Wong Boon Choy and Nge Koh Nguong (collectively referred to as the "Vendors"), had on the same day entered into a conditional sale and purchase agreement ("SPA") with Manulife Holdings Berhad ("Manulife") for the disposal of the entire issued and paid up ordinary share capital of MAAKL Mutual for a total cash consideration of RM96.5 million ("Sale Consideration"), arrived at on a 'willing buyer-willing seller' basis, and after taking into account the audited net assets and profit after tax of MAAKL Mutual based on its audited financial statements as at 31 December 2012. MAA Corp's share of the Sale Consideration in proportionate to its 55% equity interest in MAAKL Mutual is RM53.1 million.

The SPA is subject to fulfilment of the conditions precedent as set out including the transfer of RM19.3 million from the Sale Consideration to an escrow account ("Escrow Amount"). The Escrow Amount together with accrued interest but less any amount paid by the escrow agent in connection with any claims for a breach of any of the warranties or indemnities stated in the SPA shall be paid to the Vendors on the date failing after 24 months from the sale completion date.

On 31 December 2013, MAA Corp has completed the disposal of its 55% equity interest in MAAKL Mutual to Manulife.

(d) On 14 April 2014, MAA Corp entered into a share sale agreement ("SSA") with AEC College Pte Ltd ("AEC") to acquire 30% interest in Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") and Keris Murni Sdn Bhd ("KMSB") ("Proposed Acquisition") for a total cash consideration of RM1.6 million. The purchase consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the aggregate profit after taxation of PTKSB and KMSB amounting to RM658,000 based on the audited financial statements for the financial year ended 31 December 2013.

The Proposed Acquisition was completed on 21 April 2014 and consequently, PTKSB and KMSB become wholly-owned subsidiaries of MAA Corp.

51 DISCLOSURE OF REALISED AND UNREALISED PROFITS

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad ("Bursa Securities").

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings:				
Realised	150,217	131,741	95,740	79,887
Unrealised	(23,647)	1,415	(32,469)	(131)
	126,570	133,156	63,271	79,756
Total share of accumulated losses from associates:				
- Realised	(5,175)	(5,606)	-	-
- Unrealised	5,007	3,913	-	-
	(168)	(1,693)	-	-
	126,402	131,463	63,271	79,756
Less: Consolidation adjustments	(9,808)	(12,729)	-	-
Total retained earnings	116,594	118,734	63,271	79,756

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by Bursa Securities and should not be used for any other purpose.

LIST OF SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2014

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Held	% of Issued Capital
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY") *Indirect Interest*	105,777,084	34.75#
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY") *Indirect Interest*	105,777,084	34.75*
Khyra Legacy Berhad ("Khyra") *Indirect Interest*	105,777,084	34.75#
Internum Melewar Sdn Bhd ("IMSB") *Indirect Interest*	105,777,084	34.75+
Melewar Equities Sdn Bhd ("MESB") *Direct Interest*	38,513,030	12.65#
Melewar Khyra Sdn Bhd ("MKSB") *Direct Interest*	40,326,110	13.25#
Melewar Equities (BVI) Ltd *Direct Interest*	26,937,944	8.85#

DIRECTORS' SHAREHOLDINGS

	Number of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
TY	-	-	105,777,084	34.75#
TYY	-	-	105,777,084	34.75*
Tan Sri Ahmad bin Mohd Don	2,055,000**	0.67	-	-
Datuk Seri Razman Md Hashim	150,000	0.05	-	-
Yeo Took Keat	80,000	0.02	-	-

Notes:

Deemed interested by virtue of TY being the founder and ultimate beneficial owner of Khyra, a public company limited by guarantee and being the holding company of MESB, Melewar Equities (BVI) Ltd and MKSB.

\+ *IMSB is deemed interested in MAAG by virtue of it being the holding company of MESB who in turn is the holding company of MKSB. MESB and MKSB are substantial shareholders of MAAG.*

* *Under Section 6A(4) of the Companies Act 1965, TYY is deemed interested in Khyra's deemed interest in MAAG by virtue of his family relationship with TY.*

** *1,575,000 shares are registered in the name of CIMSEC Nominees (Tempatan) Sdn Bhd and the balance of 480,000 shares are registered in the name of Tan Sri Ahmad bin Mohd Don.*

STATISTICS OF SHAREHOLDINGS AS AT 30 APRIL 2014

Authorised Capital	RM500,000,000.00
Issued and Paid-up Capital	RM304,353,752.00
Class of Shares	Ordinary Shares of RM1.00 each
Total Number of Shares Issued	304,353,752
Number of Shareholders	7,418

Breakdown of shareholdings

Size Of Holdings	No. Of Holders	% Of Holders	No. Of Shares	% Of Shares
1 - 99	233	3.14	9,008	0.00
100 - 1000	837	11.28	643,695	0.21
1001 - 10000	4,143	55.85	21,477,725	7.06
10001 - 100000	1,924	25.94	63,715,511	20.94
100001 and below 5%	278	3.75	112,730,729	37.04
5% and above	3	0.04	105,777,084	34.75
TOTAL	**7,418**	**100.00**	**304,353,752**	**100.00**

List of Top Thirty Shareholders

No.	Name	No. Of Shares Held	% Of Issued Capital
1	Melewar Khyra Sdn Bhd	40,326,110	13.25
2	Melewar Equities Sdn Bhd	38,513,030	12.65
3	Melewar Equities (BVI) Ltd	26,937,944	8.85
4	HDM Nominees (Asing) Sdn Bhd *Beneficiary : UOB Kay Hian Pte Ltd For Bradford Securities Ltd*	5,406,900	1.78
5	UOB Kay Hian Nominees (Asing) Sdn Bhd *Beneficiary : Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)*	4,965,231	1.63
6	Ong Wan Chin	3,280,000	1.08
7	Ng Long Tiang	3,000,000	0.98
8	Maybank Securities Nominees (Asing) Sdn Bhd *Beneficiary : Maybank Kim Eng Securities Pte Ltd For Kegani Pacific LTC Fund L.P.*	2,608,400	0.86
9	Siva Kumar A/L M Jeyapalan	2,519,800	0.83
10	Lin Thean Fatt	2,455,000	0.81
11	Public Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Lim Chou Bu (E-KPG)*	2,265,700	0.74

STATISTICS OF SHAREHOLDINGS AS AT 30 APRIL 2014
(continued)

List of Top Thirty Shareholders (continued)

No.	Name	No. Of Shares Held	% Of Issued Capital
12	Lee Kek Ming	2,000,000	0.66
13	Michael Ooi Chung Ghee	1,853,000	0.61
14	Maybank Nominees (Asing) Sdn Bhd *Beneficiary : Exempt An For DBS Bank Limited (Client A/C)*	1,600,000	0.53
15	CIMSEC Nominees (Tempatan) Sdn Bhd *Beneficiary : CIMB For Ahmad Bin Mohd Don (PB)*	1,575,000	0.52
16	Public Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Law Yoke Kuan (E-KPG)*	1,525,400	0.50
17	Lye Kok Loong	1,474,800	0.48
18	Kenanga Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Goh Tai Siang*	1,264,200	0.42
19	Chuah Sze Ming	1,200,000	0.39
20	Sally Ong Siew Ha	1,173,700	0.39
21	CIMSEC Nominees (Asing) Sdn Bhd *Beneficiary : Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)*	1,162,884	0.38
22	Nirmala Navinchandra Shah	1,154,600	0.38
23	Soh Guan Chai	1,070,000	0.35
24	Lim Mok Leng	1,045,000	0.34
25	CIMSEC Nominees (Tempatan) Sdn Bhd *Beneficiary : Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)*	1,021,032	0.34
26	G.T.Y. Holdings Sdn Bhd	1,000,000	0.33
27	Chin Yun Fen	955,000	0.31
28	Ong Seng Lee	922,600	0.30
29	Public Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Wong Sui Yuing (E-BTL)*	899,200	0.30
30	Goh Teck Yiew	887,800	0.29
	TOTAL	**156,062,331**	**51.28**

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NOTICE
There will be no distribution of door gifts

FORM OF PROXY

(please refer to the notes below)

No. of ordinary shares held	CDS Account No.

MAA GROUP BERHAD

(471403-A)
Incorporated in Malaysia

I/We ______________________________ NRIC No./Co. No./CDS No. : ______________________________
(Full Name in Block Letters)

of ____
(Full address)

being a member/members of **MAA GROUP BERHAD** hereby appoint * Chairman of the meeting or

______________________ of ______________________________ or failing him/her
(Name of Proxy, NRIC No.) (Full Address)

______________________ of ______________________________ as *my/our proxy
(Name of Proxy, NRIC No.) (Full Address)

to vote for *me/us and on *my/our behalf at the **16th Annual General Meeting ("AGM")** of the Company to be held at the **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Friday, 20 June 2014 at 10.00 a.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of 16th AGM. My/our proxy is to vote as indicated below:-

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
Resolution 1	To approve the payment of Directors' fees amounting to RM225,000.00 for the period from 1 July 2014 to 30 June 2015 to be payable quarterly in arrears.				
	To re-elect the following Directors of the Company who are retiring pursuant to Article 73 of the Company's Articles of Association:-				
Resolution 2	(i) Tan Sri Ahmad bin Mohd Don				
Resolution 3	(ii) Encik Muhamad Umar Swift				
Resolution 4	To re-elect Datuk Seri Razman Md Hashim who is retiring pursuant to Section 129(6) of the Companies Act, 1965.				
Resolution 5	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.				
Resolution 6	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.				
Resolution 7	To approve the Proposed Renewal of Share Buy-Back Authority.				
Resolution 8	Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965.				

(Please indicate with a "✓" or "✗" in the spaces provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

The proportion of my holdings to be represented by my *proxy/proxies are as follows:

	Number of shares	Percentage
First proxy		%
Second proxy		%
Total		**100%**

*Strike out whichever is not desired.

Dated this ____________ day of ____________ 2014

____
Signature of Shareholder(s)/Common Seal

NOTES : -

1. *Applicable to shares held through a nominee account.*
2. *A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company, and the provision of the Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.*
4. *Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Any alteration in the form of proxy must be initialled.*
8. *Form of Proxy sent through facsimile transmission shall not be accepted.*
9. *For the purpose of determining a member who shall be entitled to attend this 16th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 51(b), 51(c) and 51(d) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 16 June 2014. Only a depositor whose name appears on the Record of Depositors as at 16 June 2014 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.*
10. *Explanatory notes to Special Business of the Agenda 6 : -*

(a) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

The Proposed Resolution 6, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time-to-time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

(b) Proposed Renewal of Share Buy-Back Authority

The Proposed Resolution 7, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(c) Authority to Issue and Allot Shares Pursuant to Section 132D of the Act

This mandate for issue and allot of shares was not sought for in the preceding year and the Board is now desirous of seeking a new mandate at this forthcoming AGM. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.

The Proposed Resolution 8, if passed, will empower the Board to issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company, subject to compliance with regulatory requirements. The approval is sought to avoid any delay and cost in convening a general meeting for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The detailed information on Special Business of Agenda 6 except for Ordinary Resolution 8 as mentioned above is set out in the Circular to Shareholders of the Company dated 29 May 2014 which is despatched together with the Company's 2013 Annual Report.

****Please strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit)***

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STAMP

The Secretary
MAA GROUP BERHAD
Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur

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NOTICE
There will be no distribution of door gifts

MAA GROUP BERHAD
(471403-A)

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