MAA HOLDINGS BERHAD

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2007

1. Basis of Preparation

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the annual financial statements for the financial year ended 31 December 2006, except those related to Family Takaful and General Takaful businesses, which only commenced on 1 July 2007.

2. Preceding Year's Audit Report

The preceding financial year's annual financial statements were not qualified.

3. Seasonal or Cyclical Factors

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

4. Extraordinary Items

There were no extraordinary items for the current financial year under review.

5. Change in Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on the management's historical experience and best knowledge of current events and other factors, including expectations of future events that are believed to be reasonable under the current circumstances, actual results may differ from those estimates. The critical accounting estimates and assumptions applied in the current financial year under review that are significant to the financial statements, and areas involving higher degree of judgment and complexity, are as follows:

i) Allowance for Bad and Doubtful Debts

The Group reviews the doubtful loans at each reporting date to assess whether allowances for impairment should be recorded in the financial statements.

In particular, judgment is required in the estimation of realization amounts from the doubtful loans when determining the level of allowance required. The judgment takes into consideration the present value of values assigned to the collaterals and/or the present values of estimated future cash flows discounted at the original effective interest rate.

Management continuously re-assesses the underlying value of collateral held as security, taking into account recent market transactions and possible delays in realising the same.

ii) Derivative Financial Instruments

Derivatives are initially recognized at fair values at inception and are subsequently remeasured at their fair values. Fair values are obtained from valuation techniques, including discounting cash flow models, as appropriate. All derivatives are carried as asset when fair values are positive and as liabilities when fair values are negative.

During the year, the Group has entered into an interest swap transaction with the objective to achieve interest savings for its RM200 million Medium Term Notes Programme ("MTN"). The interest swap is subject to half yearly swap receipt/payment which is in line with the interest payment date of the MTN. The interest swap does not qualify for hedge accounting and accordingly changes in the fair value of this swap transaction are recognized immediately in the income statement.

The Group has relied on the fair value statements provided by the professional valuation team of a bank to record the fair value changes of the interest swap transaction during the year.

6. Debt and Equity Securities

On 8 January 2007, the Company issued RM200 million nominal amount of Medium Terms Notes up to a tenure of 5 years.

On 21 August 2007, the Company made a principal repayment amounted to RM30 million for its last tranche of 6-year RM120 million structured serial bonds issued in August 2001. With this, the RM120 million structured-serial bonds have been fully redeemed.

Other than as stated, there is no other issuance, cancellation, replacement, resale and repayment of debt and equity securities during the current financial year under review.

7. Dividend Payment

On 10 August 2007, the Company paid a first and final tax exempt dividend of 2 sen per share, totaling RM6.087 million in respect of the financial year ended 31 December 2006.

8. Segmental Reporting

The Group operates in three main business segments: -

- Life insurance - underwriting life insurance business, including investment-linked business
- General insurance – underwriting all classes of general insurance business
- Unit trust fund management – management of unit trust funds

Other operations of the Group mainly comprise investment holding, Takaful business, hire purchase, leasing and other credit activities, property management and investment advising, security and consultancy services, none of which are of a significant size to be reported separately for the current financial period under review.

Intersegment sales comprise property management, fund management, security and consultancy services provided to the insurance business segments on an arms-length basis.

	Life insurance						
	Investment-linked fund RM'000	Non-investment-linked fund RM'000	General insurance fund RM'000	Unit trust fund management RM'000	Shareholders' fund and other operations RM'000	Eliminations RM'000	Group RM'000
12 months ended 31.12.2007							
Operating Revenue							
External revenue	324,538	1,377,925	479,468	44,432	75,671	-	2,302,034
Intersegment sales	-	3,074	411	-	20,084	(23,569)	-
Total operating revenue	324,538	1,380,999	479,879	44,432	95,755	(23,569)	2,302,034
Results							
Segment results	94,805	(131,699)	20,209	5,324	(38,300)	(2,541)	(52,202)
Transfer from Life reserve		6,825	-	-	-	-	6,825
Profit/(loss) from operations	94,805	(124,874)	20,209	5,324	(38,300)	(2,541)	(45,377)
12 months ended 31.12.2006 (Audited)							
Operating Revenue							
External revenue	237,658	1,506,506	476,557	22,865	40,299	-	2,283,885
Intersegment sales	-	2,967	125	-	18,670	(21,762)	-
Total operating revenue	237,658	1,509,473	476,682	22,865	58,969	(21,762)	2,283,885
Results							
Segment results	54,366	8,810	(1,520)	2,792	(11,855)	2,896	54,859
Transfer to Life reserve	-	(37,524)	-	-	-	-	(37,524)
Profit/(loss) from operations	54,366	(29,344)	(1,520)	2,792	(11,855)	2,896	17,335

9. Carrying Amount of Revalued Assets

Investment properties and land and buildings of the Group have been carried at revalued amount at the financial year ended 31 December 2006. These revalued amounts have been carried forward from the previous financial year with changes to the revalued amounts of certain investment properties in the current financial year based on latest valuations obtained from professional valuers, the effects of which have been recorded in the income statement.

10. Material Subsequent Events

There were no material subsequent events from the end of the current financial year under review to the date of this interim report.

11. Changes in Composition of the Group

(a) MAA Takaful Berhad ("MAA Takaful"), a subsidiary of the Company, had on 12 June 2007 allotted 99,999,998 ordinary shares of RM1.00 each comprising 74,999,998 and 25,000,000 ordinary shares to the Company and Solidarity Company BSC (Closed) ("Solidarity") respectively. Subsequent to the allotment, the total issued and paid up capital of MAA Takaful increased to RM100,000,000 and the equity participation of the Company and Solidarity in MAA Takaful is 75% and 25% respectively.

Bank Negara Malaysia had via its letter dated 15 June 2007 and received by MAA Takaful on 19 June 2007 registered MAA Takaful as a takaful operator under Section 8 of Takaful Act 1984 to undertake family takaful and general takaful businesses. The registration will be effective from 1 July 2007.

(b) Subsequent to the Shareholders' Deed dated 22 September 2006 entered into between Consortia Group Holdings Pty Limited ("CGH") and Columbus Capital Singapore Pte Ltd ("CCS"), a wholly-owned subsidiary company of MAA International Investments Ltd ("MAAII") which in turn a wholly-owned subsidiary of the Company, pertaining to the subscription of Preference Shares in Columbus Capital Pty Limited ("CCAU"), where both parties have agreed to use their respective best endeavors to identify third party investors who are willing to invest a further 5 million Preference Shares at an issue price of AUD1.00 per share, representing 12.5% of the enlarged equity interest in CCAU, whereby the total cash consideration shall be paid on or before 300 calendar days after the Closing Date as stipulated by the Shareholders' Deed, on 12 September 2007, the Company announced that CCS and CGH have mutually agreed to vary the said period of "300 calendar days after the Closing Date" to "on or before 28 April 2008, subject to monthly review by the Board".

On 13 December 2007, CCS subscribed for 3,500,000 Preference Shares at an issue price of AUD1.00 per share, being 9.1% of the enlarged equity interest in CCAU for a total cash consideration of AUD3.5 million ("the Subscription"). The cash consideration of AUD3.5 million was satisfied by way of internal generated funds of the MAAH Group.

Upon completion of the Subscription, CCS held a total of 18.5 million Preference Shares representing 48.1% equity interest in CCAU.

The rational for the Subscription is to enable CCAU to meet the working capital requirement for its business of retail mortgage lending and loan securization.

12.Contingencies

(a) In the normal course of business, the insurance subsidiaries of the Company incur certain liabilities in the form of performance bonds and guarantees on behalf of customers. No material losses are anticipated as a result of these transactions.

Details of the Group's contingent liabilities are as follows:-

	As at 31.12.2007	As at 31.12.2006
	RM'000	RM'000
Performance bonds and guarantees	150,494	169,375

(b) During the financial year ended 31 December 2005 ("FY 2005"), Meridian Asset Management Sdn Bhd ("MAMS") had commenced a legal proceeding against one of its custodian of its fund under management to recover, inter alia, the loss of investment moneys of its clients amounting to RM27.6 million placed with the custodian, namely Malaysian Assurance Alliance Berhad ("MAA") and Kumpulan Wang Amanah Pencen ("KWAP"). The custodian had entered its defence to the case. The parties have further filed various applications to the Court to dispose of the case, including but not limited to, the application for further and better particulars and the application for interrogatories filed by MAMS; and the application under Order 14A and the application for stay of proceedings filed by the custodian. The Court has fixed 17 January 2008 for decision of the application under Order 14A filed by the custodian. On 17 January 2008, the Order 14A was dismissed with cost and the matter is to proceed to trial. The Court has fixed 28 February 2008 for a Pre Trial Case Management.

MAMS had also during the FY 2005 commenced legal proceedings against its former employee and other parties related to the former employee to recover, inter alia, the loss of investment moneys of its clients amounting to RM27.6 million together with interest and general damages. The former employee and other parties related to the former employee have entered their defence to the case and the Court has fixed 11 December 2007 for case management. Meanwhile, MAMS has obtained an injunction against its former employee but its former employee has obtained a stay of execution of the injunction on paragraph (f) that required the former employee and the parties related to the former employee to provide a detailed account of, to whom and where the sum of RM27.6 million had been subsequently disbursed to. MAMS had appealing against the stay of execution of the injunction on paragraph (f) and the Court has fixed 15 January 2008 for hearing of the appeal. On 15 February 2008, the Court dismissed the appeal of the ex-parte application whilst adjourned the inter-parte application of para (f) to a later date to be fixed by the Court.

MAA has also commenced legal proceedings against the custodian for negligence to recover, inter alia, its loss during the financial year ended 31 December 2006. In the legal proceedings taken by MAA against the custodian, a Third Party Notice was filed and served on MAA to bring MAMS as a party to the legal proceedings. The Court has allowed the terms of the summons for directions of the third party proceedings and MAMS has filed its defence and counter claim against the custodian. The case has been fixed on 17 January 2008 for mention of case management. On 17 January 2008, the case management has been adjourned to 28 February 2008.

In November 2007, MAMS has received a Writ of Summons and Statement of Claim from KWAP to recover, inter alia, its loss of investment moneys of RM7,254,050.42 together with interest. MAMS has entered appearance to the case and has filed a Statement of Defence on 31 December 2007. On 16 January 2008, KWAP filed an application under Order 14 of the Rules of High Court 1980 for Summary Judgment against MAMS. MAMS has on 4 February 2008 filed an Affidavit in Reply to the Order 14 application. The application under Order 14 has been fixed for mention on 22 February 2008. A further mention was fixed on 24 March 2008 to enable KWAP to file a reply to MAMS's Affidavit.

The directors of MAMS, supported by legal advice, are of the opinion that MAMS has a strong case against the custodian and the case against its former employee and other parties related to the former employee. Its solicitors are also of the opinion that MAMS has a good defence to the case taken by KWAP against MAMS and even if MAMS is found to be liable for the loss, it would be able to recover the same from the custodian and/or its former employee and other parties related to its former employee. However, for prudence purposes, MAA had made a full allowance of RM19.6 million in the financial statements for the year ended 31 December 2005. This allowance remains in the current financial year.

13. Capital Commitments

Capital commitments not provided for in the interim financial report as at 31 December 2007 is as follows:

	RM'000
Approved and contracted for	37,431
Analysed as follows: -	
- property, plant and equipment	3,690
- investment properties	33,741

14. Taxation

	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006 (Audited)
	RM'000	RM'000	RM'000	RM'000
Current tax				
Current financial period/year	2,118	4,755	5,327	5,254
Under/(over) accrual in prior financial period/year	(1,506)	(843)	(1,506)	(575)
	612	3,912	3,821	4,679
Deferred tax				
Current financial period/year	(8,931)	(1,720)	(11,021)	(298)
Under/(over) accrual in prior financial period/year	1,704	391	1,179	391
	(7,227)	(1,329)	(9,842)	93
	(6,615)	2,583	(6,021)	4,772

The tax credit for the current financial year under review was due mainly to recognition of deferred tax effect of tax losses from certain subsidiaries.

15. Profit on Sale of Unquoted Investments and / or Properties

The profit from sale of unquoted investments and investment properties by the insurance subsidiary for the current financial quarter and year amounted to RM2.3 million and RM5.4 million respectively.

16. Quoted Securities

There were no purchases or disposals of quoted securities by the Group other than by the insurance subsidiaries, which are exempted from disclosure of this information.

17. Status of Corporate Proposals

The Company announced on 21 September 2007 that Bank Negara Malaysia ("BNM") had via its letter dated 21 September 2007 stated that it has no objection for the Company to commence preliminary negotiations with four (4) short-listed potential partners to explore the possibility of any one or more of the potential partners acquiring a stake in its wholly owned subsidiary, Malaysian Assurance Alliance Berhad ("MAA"):

(i) Alliance Insurance Management Asia Pacific Pte.Ltd
(ii) AXA Asia Pacific Holdings Limited and AFFIN Holdings Berhad
(iii) Kurnia Asia Berhad
(iv) Nippon Life Insurance Company

On 24 October 2007, the Company announced that BNM has granted its approval to the Company to commence preliminary negotiation with another potential partner namely AmAssurance Berhad, a subsidiary of AMMB Holdings Berhad to acquiring a stake in MAA.

The Company has subsequently on 5 November 2007 announced that Kurnia Asia Berhad has withdrawn from pursuing further discussions relating to the possible acquisition of MAA's general insurance business.

Further announcement has been made on 14 November 2007 that Nippon Life Insurance Company has via its letter dated 13 November 2007 informed the Company of its decision to withdraw from pursuing further discussions relating to their potential equity participation in MAA.

Other than as stated above, as at the date of this report, there is no corporate proposal that has been announced but not completed as at 23 February 2008 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

18. Group Borrowings

The Group borrowings include:

	As at 31.12.2007 RM'000	As at 31.12.2006 RM'000 (Audited)
Short term		
Bonds – unsecured	-	30,000
Term loan – secured	30,000	39,935
Bank overdraft – unsecured	11,159	26,002
	41,159	95,937
Long term		
Term loan – unsecured	-	30,000
Medium terms notes – secured	200,000	-
	200,000	30,000
Total Group Borrowings	241,159	125,937

19. Off Balance Sheet Financial Instruments

There were no financial instruments with off-balance sheet risk as at 23 February 2008 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

20. Changes in Material Litigation

There were no material litigations as at 23 February 2008 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

21. Comparison with the Preceding Quarter's Results

For the current financial quarter under review, the Group registered a loss after taxation of RM55.85 million as compared to a loss after taxation of RM6.70 million in the preceding financial quarter. The loss in the current financial quarter was mainly due to additional allowance made for non-performing loans, coupled with fair value loss arising from an interest swap transaction following the early adoption of FRS 139: Financial Instruments – Recognition and Measurement.

Consistent with prior years, surplus from the Life Insurance Division is transferred to the Shareholders' Fund at financial year end. For the current financial quarter/year under review, the deficit transferred from the Life Insurance Division to the Shareholders' Fund amounted to RM23.36 million (2006: surplus of RM34.32 million).

22. Review of Performance

For the twelve (12) months ended 31 December 2007, the Group's total operating revenue increased marginally by 0.8 % to RM2,302.03 million (2006: RM2,283.89 million). The Life Insurance Division's gross premium increased marginally by 0.9% to RM1,460.31 million (2006:RM1,447.96 million) whereas the General Insurance Division registered an increase of 1.5% in term of total gross premium to RM459.65 million (2005: RM452.64 million)

The Group recorded a loss after taxation of RM55.39 million for the current financial year under review (2006: RM1.66 million). The General Insurance Division contributed a profit before tax of RM27.05 million (2006: RM5.58 million), however the Life Insurance Division recorded a loss before taxation of RM23.36 million (2006: profit before tax of RM34.32 million).

The loss in Shareholders' Fund was due mainly to a fair value loss of RM24.17 million arising from an interest swap transaction following early adoption of FRS 139: Financial Instruments – Recognition and Measurement. However, on cash flow, the Group has realized interest saving from the swap transaction during the year. As at December 2007, the Group is also on an unrealized cash flow interest saving position.

Concurrently, the Shareholders' Fund also experienced an increase in management expenses. The increase is due mainly to management expenses of Takaful business which commenced operations during the year, coupled with higher sales and marketing expenses of the unit trust business which commensurate to the corresponding increase in the sales of unit trust products.

The General Insurance Division recorded a lower underwriting contribution of RM53.06 million (2006: RM65.11 million) due to increase in claims ratio to 74.2% from 70.9% in 2006. The increase was mainly due to the management's decision to further increase the confidence level of incurred but not reported claim reserve (IBNR) from 65% to 75% for the local insurance subsidiary, a gradual step-up increase in anticipation of Bank Negara Malaysia's proposal to implement Risk Based Capital Framework in 2009. The higher claims was also due from motor business which was affected by increased theft rates and third party bodily injury claims. Despite the higher registered claims, the General Insurance Division has reduced its management expenses by 16.6% to RM69.05 million from RM82.75 million in the previous financial year, from the aggressive cost control exercise undertaken. At the same time, the General Insurance Division has also recorded a higher gain from disposal of quoted investments of RM18.73 million (2006: RM9.48 million loss) arising from the better performance of the stock market.

The Life Insurance Division registered a lower underwriting contribution of RM38.72 million (2006: RM197.74 million) due to increase in claim ratio to 81.5% from 69.6% in the previous financial year. The higher claim ratio was mainly due to increase in the surrender of investment-linked plans recorded by the local insurance company, with the policyholders realizing investment gains to take advantage of the higher unit pricing. Concurrently, the Life Insurance Division also has recorded a higher gain from disposal of quoted investments of RM107.09 million (2006: RM10.17 million loss) during the current financial year. However, this gain was offset by additional provision made for non-performing loans during the current financial year.

As at 31 December 2007, the Group's total assets stood at RM7.75 billion, an increase of 8.1% over 2006 of RM7.17 billion.

23.Prospects

Although the local economic fundamentals remain positive, the Group expects its operating environment to be significantly more challenging in view of the increasing market competition. The Group, nevertheless, is cautiously confident of achieving better results in the coming year.

24.Profit Forecast

This note is not applicable.

25. Dividends

The Board of Directors does not recommend the payment of dividend (2006: 2%) for the financial year ended 31 December 2007.

26. Earnings Per Share

	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006 (Audited)
Attributable to the Equity Holders of the Company:				
Loss for the financial period/year (RM'000)	(56,262)	(3,793)	(55,810)	(2,176)
Number of ordinary shares in issue ('000)	304,354	304,354	304,354	304,354
Basic loss per share (sen)	(18.49)	(1.25)	(18.34)	(0.71)

By Order of the Board
Lily Yin Kam May
Yeo Took Keat
Company Secretaries

KUALA LUMPUR
DATE: 29 February 2008
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