

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

PART A: EXPLANTORY NOTES PURSUANT TO FRS 134: INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with FRS 134 Interim Financial Reporting and Para 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited financial statements should be read in conjunction with the audited annual financial statements for the Group for the financial year ended 31 December 2009.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the financial year ended 31 December 2009, except the adoption of the following new/revised Financial Reporting Standards (%FRSs+), amendments to FRSs, IC Interpretations:

Effective for financial periods beginning on or after 1 July 2009

- FRS 8 Operating Segments

Effective for financial periods beginning on or after 1 January 2010

- FRS 3 Business Combination (revised)
- FRS 4 Insurance Contract
- FRS 7 Financial Instruments: Disclosures
- FRS 101 Presentation of Financial Statements (revised)
- FRS 123 Borrowing Costs
- FRS 127 Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 132 Financial Instruments : Presentation
- Amendments to FRS 139 Financial Instruments : Recognition and Measurement
- Amendments to FRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 107 Statement of Cash Flows
- Amendments to FRS 110 Events After the Balance Sheet Date
- Amendments to FRS 116 Property, Plant and Equipment
- Amendments to FRS 117 Leases
- Amendments to FRS 118 Revenue
- Amendments to FRS 119 Employee Benefits
- Amendments to FRS 127 Consolidated and Separate Financial Statements
- Amendments to FRS 128 Investments in Associates
- Amendments to FRS 131 Interest in Joint Ventures
- Amendments to FRS 134 Interim Financial Reporting
- Amendments to FRS 136 Impairment of Assets
- Amendments to FRS 138 Intangible Assets
- Amendments to FRS 140 Investment Property
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 17 Distribution of Non-Cash Assets to Owners

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

A2. Preceding Year's Audit Report

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

A3. Seasonal or Cyclical Factors

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

A4. Extraordinary Items

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

A5. Change in Accounting Estimates

There was no material changes in basis used for accounting estimates for the current financial period under review.

A6. Debt and Equity Securities

On 8 January 2010, the Company made a principal repayment amounted to RM30 million for its first tranche of RM200 million nominal amount of Medium Term Notes up to a tenure of 5 years.

On 29 June 2010, the Company repaid and fully settled term loan of RM10 million as scheduled.

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

A7. Dividend Payment

There was no dividend payment by the Company during the current financial period under review.

A8. Segment Information

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 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

All other segments comprise investment holding, hire purchase, leasing and other credit activities, property management and investment advising, security and consultancy services.

MAA HOLDINGS BERHAD (471403-A)

(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010**A8. Segment Information** (continued)

6 months ended 30 June 2009

	<----- Insurance ----->				<----- Takaful ----->			Unit trust fund management	All other segments	Total
	Life insurance	General insurance	General insurance	Shareholdersq fund	General Takaful	Family Takaful	Shareholdersq fund			
	RM000	(Continuing operations) RM000	(Discontinued operation) RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000
Operating revenue										
External revenue	656,711	33,838	202,856	1,421	20,333	31,131	1,712	11,041	15,730	974,773
Inter-segment revenue	1,540	0	241	0	0	0	0	0	9,338	11,119
Total operating revenue	658,251	33,838	203,097	1,421	20,333	31,131	1,712	11,041	25,068	985,892
Results										
Segment results	(234,897)	(7,025)	17,409	585	0	0	792	675	35,576	(186,885)
Transfer to life reserves	234,897	0	0	0	0	0	0	0	0	234,897
Profit/(loss) from operations	0	(7,025)	17,409	585	0	0	792	675	35,576	48,012
										(421)
										(7,338)
										1,265
										<u>41,518 *</u>

No profit or loss was transferred from/to the Life Insurance Fund and Family Takaful Fund to the ShareholdersqFund as such the transfer is only done at the financial year.

* consist of profit/(loss) before taxation from:

	RM000
- continuing operations	22,063
- discontinued operations	19,455
	<u>41,518</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

A9. 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 2009. These revalued amounts have been carried forward to the current financial period.

A10. Material Subsequent Events

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

A11. Changes in Composition of the Group

On 24 August 2009, MAA Corporation Sdn Bhd (~~MAA Corp~~) disposed its 100% equity interest in a subsidiary company, Valiant Properties Sdn Bhd (~~VPSB~~) for a cash consideration of RM182,292 (based on value of net assets of VPSB as at 31 March 2009), arrived at on a willing buyer willing seller basis to K.K. Point Sdn Bhd (~~KKSB~~) via a Sale of Share Agreement entered into on event date, including an amount of RM1,228,805 to be paid by KKSB to MAA Corp as agreed settlement for the inter-company debt as at 31 March 2009 due by VPSB to MAA Corp. The sale was completed on 6 April 2010.

A12. 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:-

	<u>As at</u> <u>30.06.2010</u>	<u>As at</u> <u>31.12.2009</u>
	RM000	RM000
Performance bonds and guarantees	<u>226,195</u>	<u>243,940</u>

- (b) During the financial year ended 31 December 2005 (~~FY 2005~~), Meridian Asset Management Sdn Bhd (~~MAM~~) a subsidiary company of MAA Corp had commenced legal proceeding against one of its custodian of its fund under management to recover, inter alia, the loss of investment moneys of its clients, MAA and Kumpulan Wang Amanah Pencen (~~WAP~~) of RM19.6 million and RM7.3 million respectively placed with the custodian (~~Custodian~~). The Custodian had filed an Application under Order 14A of the Rules of High Court (~~Order 14A Application~~) to dismiss the case but the Order 14A Application was dismissed by the Court. The Custodian has filed an appeal against the decision. On 26 June 2008, the Custodian's Application for Stay of Proceedings was dismissed with cost and the Court had fixed 16 September 2008 for Pre Trial Case Management. On 16 September 2008, the Court directed the matter to be tried together with MAA's case. On 23 January 2009, the Court had allowed MAM's application to amend the Statement of Claim to include the damages suffered by MAM but disallowed the amendment to include an associate company of the Custodian as the Second Defendant. The matter is now fixed for Pre Trial Case Management on 24 September 2010.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

A12. Contingencies (continued)

MAM has also during FY 2005 commenced legal proceedings against its former employee and other related parties to the former employee (Defendants) to recover, inter alia, the loss of investment moneys of its clients, MAA and KWAP together with interest and general damages. The matter was fixed for trial on 28 June 2010 to 1 July 2010. On 28 June 2010, the Defendants decided not to defend their case and Judgment was obtained against the Defendants.

MAA has during the financial year ended 31 December 2006 commenced legal proceeding against the Custodian for negligence to recover, inter alia, its loss of investment moneys amounting to RM19.6 million. The Custodian has served a Third Party Notice to bring MAM as a third party to the legal proceedings. The case is now fixed for Pre Trial Case Management on 24 September 2010.

In November 2007, KWAP had commenced a legal proceeding against MAM to recover, inter alia, its loss of investment moneys amounting to RM7.3 million together with interest. KWAP had filed an Application under Order 14 of the Rules of the High Court (Order 14 Application). The Order 14 Application was dismissed by court on 23 September 2008. On 20 July 2009, MAM obtained leave from the Court to file and serve the Third Party Notice to the Custodian. On 4 June 2010, the Custodian filed an application to strike off the Third Party application. The application to strike off the Third Party application is now fixed for hearing on 27 September 2010.

The directors of MAA Holdings Berhad, supported by legal advice to MAM, are of the opinion that MAM has a good chance in both their cases against the Custodian and the former employee and other parties related to the former employee. Its solicitors are also of the opinion that MAM has a good defence to the case taken by KWAP against MAM and even if MAM 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 the former employee. However, for prudence purposes, MAA has made full allowance of RM19.6 million relating to its investments in the financial year ended 31 December 2005. This allowance remains in the current financial year.

A13. Capital Commitments

Capital commitments not provided for in the interim financial report as at 30 June 2010 is as follows:

	RM000
Approved and contracted for	<u>16,448</u>
Analysed as follows: -	
- property, plant and equipment	2,903
- investment properties	<u>13,545</u>

MAA HOLDINGS BERHAD (471403-A)
(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

**A14. Condensed Consolidated Statement of Financial Position by Funds
As at 30 June 2010**

	Shareholders Fund		General Fund		Life Fund		General Takaful Fund		Family Takaful Fund		Total	
	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00
ASSETS												
Property, Plant and equipments	75,498	12,271	661	64,287	214,368	232,475	0	0	0	0	290,527	309,033
Intangible assets	8,129	8,696	1	1	3,603	3,822	0	0	0	0	11,733	12,519
Investment properties	7,202	4,031	26,660	30,779	523,123	535,355	0	0	0	0	556,985	570,165
Investments	296,888	339,799	78,665	111,949	5,625,818	5,516,626	38,417	9,973	160,919	101,149	6,200,707	6,079,496
Malaysian Government Securities/Government Investment Issue	65,948	60,631	0	0	113,331	122,802	0	0	0	0	179,279	183,433
Malaysian Government Guaranteed Financing	0	0	0	0	0	0	5,161	4,973	5,206	5,018	10,367	9,991
Corporate debt securities	76,639	77,794	59,098	63,458	3,266,407	3,285,739	0	0	0	0	3,402,144	3,426,991
Islamic debt securities	0	0	0	0	0	0	13,734	0	37,022	13,332	50,756	13,332
Equity securities	26,696	26,718	23	969	810,344	760,425	0	0	44,771	24,192	881,834	812,304
Unit trusts	1,864	5,704	0	0	44,793	19,932	0	0	0	0	46,657	25,636
Investment-linked units	18,239	5,000	7,014	7,407	5,919	6,423	0	0	0	0	31,172	18,830
Loans	18,979	975	0	20,500	684,811	704,674	0	0	0	0	703,790	726,149
Fixed and call deposits	88,523	162,977	12,530	19,615	700,213	616,631	19,522	5,000	73,920	58,607	894,708	862,830
Associated companies	60,504	56,862	0	0	0	0	0	0	0	0	60,504	56,862
Reinsurance assets	0	0	47,887	53,569	27,247	24,886	85,049	71,480	4,214	872	164,397	150,807
Insurance receivables	0	0	46,186	40,672	35,600	39,124	47,761	36,405	0	0	129,547	116,201
Trade and other receivables	99,600	85,902	5,814	9,331	90,278	121,255	11,389	5,185	17,896	14,832	224,977	236,505
Tax recoverable	22,217	21,976	2,763	2,763	12,297	13,421	0	0	0	64	37,277	38,224
Deferred tax assets	2,667	8,535	1,157	1,511	13,606	13,616	0	7	0	39	17,430	23,708
Cash and bank balances	10,873	5,663	2,729	1,718	23,891	14,724	484	1,071	2,189	10,510	40,166	33,686
Assets classified as held for sale	0	1,455	858,695	784,990	0	0	0	0	0	0	858,695	784,445
TOTAL ASSETS	583,578	545,190	1,071,218	1,101,570	6,569,831	6,515,304	183,100	124,121	185,218	127,466	8,592,945	8,413,651

MAA HOLDINGS BERHAD (471403-A)

(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010
**A14. Unaudited Condensed Consolidated Statement of Financial Position by Funds (continued)
As at 30 June 2010**

	Shareholders Fund		General Fund		Life Fund		General Takaful Fund		Family Takaful Fund		Total	
	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES												
LIABILITIES												
Insurance contract liabilities	0	0	114,860	116,205	5,624,907	5,634,637	123,317	92,790	159,829	110,201	6,022,913	5,953,833
Investment contract liabilities	0	0	0	0	42,606	53,639	0	0	0	0	42,606	53,639
Financial liabilities												
Borrowings - unsecured												
- Medium Term Notes	170,000	200,000	0	0	0	0	0	0	0	0	170,000	200,000
- Term loan	0	10,000	0	0	0	0	0	0	0	0	0	10,000
- Bank overdrafts	11,407	11,419	0	0	0	0	0	0	0	0	11,407	11,419
Insurance payables	0	0	19,350	21,373	835,552	686,694	46,935	28,184	6,387	2,785	908,224	739,036
Trade and other payables	81,344	1,500	21,609	109,929	35,547	122,525	12,808	3,147	18,660	14,424	169,968	251,525
Provision for life agents' retirement benefits	0	0	0	0	2,807	2,780	0	0	0	0	2,807	2,780
Current tax liabilities	11,778	10,827	1,283	1,222	18,963	11,760	0	0	273	51	32,297	23,860
Deferred tax liabilities	428	6,773	0	0	9,449	3,269	40	0	69	5	9,986	10,047
Liabilities classified as held for sale	0	3	905,980	846,998	0	0	0	0	0	0	905,980	847,001
TOTAL LIABILITIES	274,957	240,522	1,063,082	1,095,727	6,569,831	6,515,304	183,100	124,121	185,218	127,466	8,276,188	8,103,140
EQUITY												
Share capital	304,354	304,354	0	0	0	0	0	0	0	0	304,354	304,354
Retained earnings	(28,831)	(28,855)	0	0	0	0	0	0	0	0	(28,831)	(28,855)
Reserves	(959)	(4,778)	8,136	5,843	0	0	0	0	0	0	7,177	1,065
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	274,564	270,721	8,136	5,843	0	0	0	0	0	0	282,700	276,564
Minority interest	34,057	33,947	0	0	0	0	0	0	0	0	34,057	33,947
TOTAL EQUITY	308,621	304,668	8,136	5,843	0	0	0	0	0	0	316,757	310,511
TOTAL EQUITY, POLICYHOLDERS FUNDS AND LIABILITIES	583,578	545,190	1,071,218	1,101,570	6,569,831	6,515,304	183,100	124,121	185,218	127,466	8,592,945	8,413,651

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

A15. Discontinued Operations and Disposal Group Classified As Held for Sale

	Shareholders Fund		General Fund		Total	
	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00	30 June 2010 RMφ00	31 December 2009 RMφ00
(1) Assets classified as held for sale comprise:						
Property, plant and equipment	0	0	3,424	3,959	3,424	3,959
Intangible assets	0	0	1,482	1,522	1,482	1,522
Investments	0	1,400	572,262	483,795	572,262	485,195
Malaysian Government Securities/Government Investment Issues	0	0	89,089	77,939	89,089	77,939
Corporate debt securities	0	0	243,441	234,404	243,441	234,404
Equity securities	0	0	45,544	28,692	45,544	28,692
Loans	0	0	862	1,065	862	1,065
Fixed and call deposits	0	1,400	193,326	141,695	193,326	143,095
Reinsurance assets	0	0	231,267	229,069	231,267	229,069
Insurance receivables	0	0	38,021	48,083	38,021	48,083
Trade and other receivables	0	2	9,529	7,991	9,529	7,993
Cash and bank balances	0	53	2,710	10,571	2,710	10,624
TOTAL ASSETS	0	1,455	858,695	784,990	858,695	786,445

(2) Liabilities classified as held for sale comprise:

Insurance contract liabilities	0	0	751,905	698,819	751,905	698,819
Insurance payables	0	0	82,325	77,453	82,325	77,453
Trade and other payables	0	3	71,750	70,726	71,750	70,729
Current tax liabilities	0	0	0	0	0	0
TOTAL LIABILITIES	0	3	905,980	846,998	905,980	847,001

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

**A16. Unaudited Condensed Consolidated Income Statements by Funds
For the Second Quarter Ended 30 June 2010**

Continuing Operations

	Shareholders Fund		General Fund		Life Fund		General Takaful Fund		Family Takaful Fund		Total	
	6 months ended		6 months ended		6 months ended		6 months ended		6 months ended		6 months ended	
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	RMφ00	RMφ00	RMφ00	RMφ00	RMφ00	RMφ00	RMφ00	RMφ00	RMφ00	RMφ00	RMφ00	RMφ00
Operating revenue	34,377	29,904	31,088	33,838	612,187	656,711	44,353	20,333	85,510	31,131	807,515	771,917
Gross earned premium	0	0	30,739	33,370	478,534	536,610	43,970	20,288	84,103	30,597	637,346	620,865
Premium ceded to reinsurers	0	0	(22,922)	(28,608)	(5,557)	(4,534)	(27,373)	(17,481)	(1,707)	0	(57,559)	(50,623)
Net earned premiums	0	0	7,817	4,762	472,977	532,076	16,597	2,807	82,396	30,597	579,787	570,242
Investment income	4,631	2,885	349	468	133,653	120,101	383	45	1,407	534	140,423	124,033
Realised gains and losses	1,496	(220)	0	0	13,356	5,285	0	0	1,337	208	16,189	5,273
Fair value gains and losses	1,143	1,297	(46)	278	35,330	77,362	0	0	710	1,105	37,137	80,042
Fee and commission income	0	0	2,987	5,685	7,544	6,891	6,845	4,876	212	0	17,588	17,452
Other operating revenue from non-insurance businesses	29,746	27,019	0	0	0	0	0	0	0	0	29,746	27,019
Wakalah fee from takaful business	41,204	21,157	0	0	0	0	0	0	0	0	41,204	21,157
Other operating income/(expenses) - net	(3,284)	35,200	39	98	(994)	(622)	(526)	(649)	(2,491)	(1,037)	(7,256)	32,990
Other revenue	74,936	87,338	3,329	6,529	188,889	209,017	6,702	4,272	1,175	810	275,031	307,966
Gross benefits and claims paid	0	0	(47,689)	(22,983)	(601,356)	(621,590)	(4,563)	(2,089)	(14,856)	(3,396)	(668,464)	(650,058)
Claims ceded to reinsurers	0	0	40,209	21,782	4,155	8,378	2,509	1,110	1,714	0	48,587	31,270
Gross change to contract liabilities	0	0	(3,783)	(19,927)	35,501	(25,795)	(16,635)	(2,408)	(45,271)	(13,783)	(30,188)	(61,913)
Change in contract liabilities ceded to reinsurers	0	0	2,041	14,237	2,358	(2,685)	11,436	3,237	0	0	15,835	14,789
Net claims	0	0	(9,222)	(6,891)	(559,342)	(641,692)	(7,253)	(150)	(58,413)	(17,179)	(634,230)	(665,912)
Fee and commission expense	0	0	(6,760)	(7,366)	(54,793)	(55,690)	0	0	0	0	(61,553)	(63,056)
Management expenses	(71,932)	(52,444)	(4,640)	(3,801)	(47,722)	(43,702)	0	0	0	0	(124,294)	(99,947)
Wakalah fee payable to Shareholders' fund	0	0	0	0	0	0	(16,046)	(6,929)	(25,158)	(14,228)	(41,204)	(21,157)
Finance cost	(5,643)	(7,329)	0	0	(9)	(9)	0	0	0	0	(5,652)	(7,338)
Other expenses	(77,575)	(59,773)	(11,400)	(11,167)	(102,524)	(99,401)	(16,046)	(6,929)	(25,158)	(14,228)	(232,703)	(191,498)
Share of profit/(loss) of associate companies, net of tax	(61)	1,265	0	0	0	0	0	0	0	0	(61)	1,265
Profit/(loss) before taxation	(2,700)	28,830	(9,476)	(6,767)	0	0	0	0	0	0	(12,176)	22,063
Taxation	(1,149)	(723)	0	0	0	0	0	0	0	0	(1,149)	(723)
Profit/(loss) for the financial period	(3,849)	28,107	(9,476)	(6,767)	0	0	0	0	0	0	(13,325)	21,340

MAA HOLDINGS BERHAD (471403-A)

(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010**A16. Unaudited Condensed Consolidated Income Statements by Funds (continued)
For the Second Quarter Ended 30 June 2010****Discontinued Operations**

	Shareholders' Fund		General Fund		Total	
	6 months ended		6 months ended		6 months ended	
	30 June 2010 RMφ00	30 June 2009 RMφ00	30 June 2010 RMφ00	30 June 2009 RMφ00	30 June 2010 RMφ00	30 June 2009 RMφ00
Operating revenue	0	0	271,244	202,856	271,244	202,856
Gross earned premium	0	0	258,930	193,351	258,930	193,351
Premium ceded to reinsurers	0	0	(48,894)	(47,998)	(48,894)	(47,998)
Net earned premiums	0	0	210,036	145,353	210,036	145,353
Investment income	0	0	12,314	9,505	12,314	9,505
Realised gains and losses	0	0	553	(80)	553	(80)
Fair value gains and losses	0	0	1,259	10,933	1,259	10,933
Fee and commission income	0	0	16,671	13,648	16,671	13,648
Other operating revenue from non-insurance businesses	0	0	0	0	0	0
Wakalah fee from takaful business	0	0	0	0	0	0
Other operating income/(expenses) - net	0	0	(1,248)	313	(1,248)	313
Other revenue	0	0	29,549	34,319	29,549	34,319
Gross benefits and claims paid	0	0	(127,630)	(135,428)	(127,630)	(135,428)
Claims ceded to reinsurers	0	0	22,930	38,136	22,930	38,136
Gross change to contract liabilities	0	0	(36,932)	(19,365)	(36,932)	(19,365)
Change in contract liabilities ceded to reinsurers	0	0	4,163	19,014	4,163	19,014
Net claims	0	0	(137,469)	(97,643)	(137,469)	(97,643)
Fee and commission expense	0	0	(46,135)	(29,436)	(46,135)	(29,436)
Management expenses	0	0	(41,562)	(33,138)	(41,562)	(33,138)
Wakalah fee payable to Shareholders' fund	0	0	0	0	0	0
Finance cost	0	0	0	0	0	0
Other expenses	0	0	(87,697)	(62,574)	(87,697)	(62,574)
Share of profit/(loss) of associate companies, net of tax	0	0	0	0	0	0
Profit/(loss) before taxation	0	0	14,419	19,455	14,419	19,455
Taxation	0	0	(960)	(3,900)	(960)	(3,900)
Profit/(loss) for the financial period	0	0	13,459	15,555	13,459	15,555

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group Performance

Operating revenue

For the six (6) months ended 30 June 2010, the Group's total operating revenue increased by 10.7% to RM1,078.8 million (2009: RM974.8 million).

The gross earned premium of General Insurance Division increased by 27.7% to RM289.6 million (2009: RM226.8 million), of which the continuing operations recorded a decrease of 8.1% to RM30.7 million (2009: RM33.4 million) and the discontinued operations recorded an increase of 33.9% to RM258.9 million (2009: RM193.4 million). The Life Insurance Division's gross earned premium decreased by 10.8% to RM478.5 million (2009: RM536.6 million).

Under the takaful business, the General Takaful Division and Family Takaful Division registered gross earned contribution of RM44.0 million (2009: RM20.3 million) and RM84.1 million (2009: RM30.6 million) respectively.

Profit before taxation

The Group recorded a profit before taxation of RM2.2 million compared to a profit before taxation of RM41.5 million in the previous financial year's corresponding period.

The Shareholders' Fund recorded a loss before taxation of RM2.7 million (2009: profit before taxation of RM28.8 million). The General Insurance Division recorded a profit before taxation of RM4.9 million (2009: profit before taxation of RM12.7 million), of which the continuing operations registered a loss before taxation of RM9.5 million (2009: loss before taxation of RM6.8 million) whereas the discontinued operations registered a profit before taxation of RM14.4 million (2009: profit before taxation of RM19.5 million). The discontinued operations of the General Insurance Division represent the General Insurance Business of MAA classified as such to comply with FRS 5: Non-Current Assets Held For Sales and Discontinued Operations following announcement by the Company as disclosed in note B8(a) of the report.

The profit in Shareholders' Fund in the previous financial year's corresponding period arose mainly from reversal of fair value loss of RM40.5 million arising from an interest rate swap transaction resulted from improvement in the market condition of the US municipal bond. To mitigate the exposure to any further volatility in the interest rate swap, the transaction was terminated by the Company in December 2009.

Despite the improvement in local General Insurance Division's gross earned premium, the lower profit before taxation in the current financial period under review was mainly due to lower investment fair value gain of RM1.3 million (2009: RM10.9 million) and slight increase in net claim ratio to 68.1% (2009: 67.2%).

The Life Insurance Division has recorded a lower investment fair value gain of RM35.3 million (2009: RM77.4 million) during the current financial period under review. However, consistent with the prior years' practice, no profit/loss was transferred from/to the Life Insurance Fund to the Shareholders' Fund as such the transfer is only done at the financial year-end.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

B2. Comparison with the Preceding Quarter's Results

During the current financial quarter under review, the Group registered a loss before taxation of RM6.2 million as compared to a profit before taxation of RM8.4 million in the preceding financial quarter, of which the continuing operations registered a loss before tax of RM6.1 million (preceding quarter 2010: loss before tax of RM6.1 million) and the discontinued operations registered a loss before tax of RM0.1 million (preceding quarter 2010: profit before tax of RM14.5 million).

The loss before taxation in the current financial quarter was mainly due to loss recorded by the General Insurance Division of the Group arising from increase in net claim ratio.

For the current financial period under review, consistent with the prior years practice, no profit/loss was transferred from/to the Life Insurance Fund to the Shareholders Fund as such the transfer is only done at the financial year end.

B3. Prospects

The Group expects more competition in the insurance industry in terms of product innovation and distribution methods. Notwithstanding this, the Group will continue its efforts to implement management action plans to re-strategise its business model and improve asset quality.

Barring unforeseen circumstances, the Group expects its performance for the current financial year ending to perform in tandem with the insurance industry and the Malaysian economy.

B4. Profit Forecast

This note is not applicable.

B5. Taxation

	<u>3 months ended</u>		<u>6 months ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM000	RM000	RM000	RM000
<u>CONTINUING OPERATIONS</u>				
<u>Current tax</u>				
Current financial period	615	177	1,722	923
Over provision in prior years	(445)	-	(562)	-
	170	177	1,160	923
<u>Deferred tax</u>				
Current financial period	54	(509)	57	(200)
Over provision in prior years	(29)	-	(68)	-
	25	(509)	(11)	(200)
Tax expense/(income)	195	(332)	1,149	723

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

B5. Taxation (continued)

	<u>3 months ended</u>		<u>6 months ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM ϕ 00	RM ϕ 00	RM ϕ 00	RM ϕ 00
<u>DISCONTINUED OPERATIONS</u>				
<u>Current tax</u>				
Current financial period	(1)	(638)	-	-
<u>Deferred tax</u>				
Current financial period	(800)	3,791	1,471	3,900
Over provision in prior years	(511)	-	(511)	-
	(1,311)	3,791	960	3,900
Tax expense/(income)	(1,312)	3,153	960	3,900

For the current financial period under review, the Group's effective tax rate was lower than the statutory tax rate due to the effects of certain income not subject to tax and over provision of tax in prior financial year for some of its subsidiary companies.

B6. Unquoted Investments and Properties

The profit from sale of unquoted investments and investment properties by the insurance subsidiaries for the current financial quarter and period amounted to RM8.5 million and RM12.7 million respectively.

B7. Quoted Securities

There was no purchase or disposal of quoted securities for the current financial period under review by the Group other than by the insurance subsidiaries, which are exempted from disclosure of this information.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

B8. Status of Corporate Proposals

- (a) On 10 November 2008, the Company announced the entering into a non-binding memorandum of understanding (%MOU+) between MAA and AMG Insurance Berhad (%AMG+) to formalise discussions on the proposed acquisition by AMG of the General Insurance Business of MAA at a headline price of RM274.8 million (subject to adjustments), and the acquisition of a 4.9% stake in MAA Takaful Berhad (%MAA Takaful+) for a total consideration of RM16.2 million, equivalent to RM3.30 per share (collectively %Proposed Transactions+).

The Proposed Transactions is subject to the approvals being obtained from the followings:

- (i) Bank Negara Malaysia (%BNM+) for the scheme of transfer under the business transfer agreement;
- (ii) Minister of Finance, based on the recommendation of BNM, pursuant to the Insurance Act, 1996;
- (iii) Foreign Investment Committee (if required);
- (iv) Securities Commission (%SC+) (if required);
- (v) Malaysian High Court for the confirmation of scheme of transfer;
- (vi) Shareholders of the Company

On 26 February 2009, the Company announced that both MAA and AMG were working towards finalising a business transfer agreement (%BTA+) in relation to the proposed disposal of the General Insurance Business of MAA prior to the submission of the said agreement to BNM for approval.

On 24 April 2009, the Company announced that the headline price was revised to RM254.83 million (subject to adjustments) and an application to BNM seeking its approval for the proposed disposal of General Insurance Business of MAA to AMG (%the Proposed Disposal+) was submitted. The execution of the BTA was subject to BNM's approval which is currently pending. The Company and MAA had also granted AMG an extension of 120 days to the exclusivity period under the MOU.

On 27 April 2009, the Company had submitted an application to the SC on the Proposed Disposal.

On 21 July 2009, the Company announced that the SC approved the Proposed Disposal via its letter dated 20 July 2009 (which was received on 21 July 2009). However, the Proposed Disposal was still subject to the approval from BNM and Shareholders of the Company.

On 17 November 2009, the Company announced that after further negotiations the headline price was revised to RM180 million (subject to adjustments). The revised headline price was arrived at after taking into consideration the standalone value of the General Insurance Business without a strategic cooperation arrangement on the takaful business with MAA Takaful. The profit for the financial year ended 31 December 2009 and prior to the completion date of the General Insurance Business will be accrued to MAA.

An application in respect of the revised terms on the Proposed Disposal was submitted to BNM for approval. On 6 January 2010, the Company announced that BNM had via its letter dated 5 January 2010 granted its approval on the Proposed Disposal pursuant to Section 130 of the Insurance Act, 1996. On 12 February 2010, the Company further announced that the SC has approved the revised indicative headline price of RM180 million (subject to adjustments) for the Proposed Disposal via its letter date 10 February 2010.

On 30 July 2010, the Company announced that SC had via its letter dated 27 July 2010, granted the Company an extension of time of eight (8) months from 20 July 2010 till 19 March 2011 to complete the Proposed Disposal.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

B8. Status of Corporate Proposals (continued)

- (b) On 29 April 2010, the Company announced that its wholly-owned subsidiary, MAA, had received approval from BNM via BNM's letter dated 11 March 2010 for MAA to undertake the necessary measures to meet the minimum supervisory target level of capital adequacy ratio that is required to be maintained by all insurers under the Risk-Based Capital Framework.

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 18 August 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B9. Group Borrowings (unsecured)

The Group borrowings include:

	<u>As at 30.06.2010</u> RM ϕ 00	<u>As at 31.12.2009</u> RM ϕ 00 (Audited)
<u>Short term</u>		
Term loan	-	10,000
Medium term notes	30,000	30,000
Bank overdrafts	11,407	11,419
	<u>41,407</u>	<u>51,419</u>
<u>Long term</u>		
Medium term notes	140,000	170,000
	<u>140,000</u>	<u>170,000</u>
Total Group Borrowings	<u>181,407</u>	<u>221,419</u>

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off-balance sheet risk as at 18 August 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B11. Material Litigation

There were no material litigations as at 18 August 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B12. Dividends

The Board of Directors does not recommend the payment of any dividend for the financial period ended 30 June 2010.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

B13. Earnings Per Ordinary Share

	<u>3 months ended</u> <u>30 June</u>		<u>6 months ended</u> <u>30 June</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Attributable to the Owners of the Company:</u>				
Net profit/(loss) for the financial period (RM'000)				
- Continuing operations	(6,020)	4,337	(13,435)	22,031
- Discontinued operations	1,263	9,273	13,459	15,555
	<u>(4,757)</u>	<u>13,610</u>	<u>24</u>	<u>37,586</u>
Weighted average number of ordinary shares in issue (₹000)	304,354	304,354	304,354	304,354
Basic earnings/(loss) per share (sen)				
- Continuing operations	(1.98)	1.43	(4.41)	7.24
- Discontinued operations	0.41	3.05	4.42	5.11
	<u>(1.57)</u>	<u>4.48</u>	<u>0.01</u>	<u>12.35</u>

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

KUALA LUMPUR
DATE: 24 August 2010
File: MAAH . 2QtrNotes-300610