

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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 ("Bursa Securities"). 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:

- (i) 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 31 DECEMBER 2010

A1. Basis of Preparation (continued)

- (ii) The change in the basis of estimating unearned contribution reserves (“UCR”) from previous basis of 1/365th method used for estimation of UCR for classes of general takaful business within Malaysia and reduced by the corresponding percentage of accounted gross direct business commission and agency-related expenses not exceeding the limit specified by Bank Negara Malaysia (“BNM”), to the new basis where the 1/365th method is maintained but full wakalah fee is deducted against the estimated UCR instead of direct business commission incurred.

The change in the basis of estimating UCR will be taken in the restatement of the opening balances of General Takaful Fund and Qardhul Hassan as at 1 January 2010, with no effect to the current financial year’s income statement.

- (iii) The adoption of FRS 4 has resulted in a change to the accounting policy relating to recognition and measurement of insurance contract liabilities for the overseas insurance subsidiary company. A summary of the adjustments arising from this for the financial year ended 31 December 2009 is set out below:

	<u>As previously stated</u> RM’000	<u>Effects of adopting FRS 4</u> RM’000	<u>As restated</u> RM’000
Condensed Consolidated Income Statements			
<u>Continuing operations</u>			
Gross change to contract liabilities	(288,835)	(436)	(289,271)
Profit from continuing operations	23,810	(436)	23,374
Profit for the financial year	<u>52,812</u>	<u>(436)</u>	<u>52,376</u>
Profit for the financial period attributable to:			
Owners of the Company	52,618	(362)	52,256
Minority interest	194	(74)	120
	<u>52,812</u>	<u>(436)</u>	<u>52,376</u>
Basic earnings/(loss) per ordinary share (sen):			
- Continuing operations	7.76	(0.12)	7.64
- Discontinued operations	9.53	-	9.53
	<u>17.29</u>	<u>(0.12)</u>	<u>17.17</u>

Condensed Consolidated Statement of Financial Position

Liabilities

Insurance contract liabilities	5,956,110	18,479	5,974,589
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Equity

Accumulated losses	(28,855)	(15,338)	(44,193)
Minority interest	33,947	(3,141)	30,806

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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 year under review.

A5. Change in Accounting Estimates

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

A7. Dividend Payment

There was no dividend payment by the Company during the current financial year 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 31 DECEMBER 2010

A8. Segment Information (continued)

Operating revenue

	12 months ended 31 December 2010			12 months ended 31 December 2009 (Restated)		
	External revenue RM'000	Inter- segment revenue RM'000	Total operating revenue RM'000	External revenue RM'000	Inter- segment revenue RM'000	Total operating revenue RM'000
Insurance						
Life insurance						
<i>Continuing</i>	29,188	-	29,188	1,356,662	3,670	1,360,332
<i>Discontinued</i>	1,265,240	3,882	1,269,122	-	-	-
General insurance						
<i>Continuing</i>	86,803	-	86,803	71,180	-	71,180
<i>Discontinued</i>	547,634	268	547,902	438,941	200	439,141
Shareholders' fund						
<i>Continuing</i>	128	-	128	2,674	-	2,674
<i>Discontinued</i>	8,053	-	8,053	-	-	-
Takaful						
General Takaful	89,107	-	89,107	57,456	-	57,456
Family Takaful	161,244	-	161,244	86,053	-	86,053
Shareholders' fund	4,372	-	4,372	3,579	-	3,579
Unit trust fund management	33,719	-	33,719	26,452	-	26,452
All other segments						
<i>Continuing</i>	27,423	20,302	47,725	36,658	16,572	53,230
<i>Discontinued</i>	-	-	-	48	500	548
Total	2,252,911	24,452	2,277,363	2,079,703	20,942	2,100,645

Note: the discontinued operations in 2010 represent wholly owned subsidiary, Malaysian Assurance Alliance Berhad ("MAA"). The discontinued operation in 2009 represents the General Insurance Business of MAA.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

A8. Segment Information (continued)

Results

	12 months ended 31 December 2010	12 months ended 31 December 2009 (Restated)
	RM'000	RM'000
Insurance		
Life insurance		
<i>Continuing</i>	(7,909)	550
<i>Discontinued</i>	(337)	-
General insurance		
<i>Continuing</i>	14,921	(4,523)
<i>Discontinued</i>	48,580	33,512
Shareholders' fund		
<i>Continuing</i>	(434)	851
<i>Discontinued</i>	6,588	-
Takaful		
General Takaful	-	-
Family Takaful	3,334	1,650
Shareholders' fund	1,152	359
Unit trust fund management	5,344	3,703
All other segments		
<i>Continuing</i>	(18,772)	34,470
<i>Discontinued</i>	-	264
Profits from operations	52,467	70,836
Elimination of inter-segment profits	(3,479)	(542)
Finance costs	(11,860)	(13,989)
Share of (loss)/profit of associated companies not included in reportable segments	(380)	3,788
Consolidated profit before taxation ^(*)	36,748	60,093
* consist of profit before taxation from:		
- Continuing operations	(24,199)	22,760
- Discontinued operations	60,947	37,333
	36,748	60,093

Note: the discontinued operations in 2010 represent wholly owned subsidiary, Malaysian Assurance Alliance Berhad ("MAA"). The discontinued operation in 2009 represents the General Insurance Business of MAA.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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 were revalued in the previous financial year by independent professional valuers and were assessed during the current financial year for purposes of impairment. The effects of that assessment, if any, have been recorded in the income statement.

A10. 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.

A11. Changes in Composition of the Group

(a) On 24 August 2009, MAA Corporation Sdn Bhd ("MAA Corp"), a wholly owned subsidiary company of the Company 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.

(b) On 7 September 2010, Mithril Berhad ("Mithril") ceased to be an associated company of the Group with the reduction in the Group's interest from 20.08% to 16.71% arose from the disposal of 3,335,435 Mithril shares in the open market. The Group recorded a total loss on disposal of RM 253,078. Subsequent to 7 September 2010, the Group's interest in Mithril has been reclassified as available-for-sale financial assets.

(c) On 15 October 2010, MAA Corp disposed 100% and 55% equity interests in subsidiary companies that had ceased operations, namely MAA Universal Sdn Bhd and MAA Fire-X Sdn Bhd respectively, for a cash consideration of RM1 each.

MAA Corporate Advisory Sdn Bhd ("MAACA"), a wholly owned subsidiary company of MAA Corp had also on 15 October 2010 disposed 100% equity interest in a dormant subsidiary company, MPE Private-Equity Sdn Bhd for a cash consideration of RM1 each.

(d) On 23 December 2010, MAA Corp disposed 100% equity interest in a subsidiary company, High Sphere Sdn Bhd for a cash consideration of RM1 arrived at on a willing buyer willing seller basis.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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>31.12.2010</u>	<u>As at</u> <u>31.12.2009</u>
	RM'000	RM'000
Performance bonds and guarantees	<u>350,295</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 Pecen ("KWAP") 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. On 10 November 2010, the Custodian filed for an order for stay pending full and final disposal of the criminal proceedings against an employee of MAM. On 1 December 2010, the Custodian's application was dismissed and the Custodian filed an appeal ('Appeal') against the decision on 14 December 2010. On 17 December 2010, the Custodian filed a stay of proceedings pending the hearing of the appeal. On 27 December 2010, the Judge granted the stay of proceedings pending the Custodian's Appeal. The matter is now fixed for mention on 28 February 2011 pending the Appeal.

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. On 10 November 2010, the Custodian filed for an order for stay pending full and final disposal of the criminal proceedings against an employee of MAM. On 1 December 2010, the Custodian's application was dismissed and the Custodian filed an appeal ('Appeal') against the decision on 14 December 2010. On 17 December 2010, the Custodian filed a stay of proceedings pending the hearing of the appeal. On 27 December 2010, the Judge granted the stay of proceedings pending the Custodian's Appeal. The matter is now fixed for mention on 28 February 2011 pending the Appeal.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

A12. Contingencies (continued)

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 was allowed by the Court. On 30 November 2010, MAM filed an appeal against the decision to strike off the Third Party application. A date for the appeal has yet to be fixed by the Court.

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 defense 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 31 December 2010 is as follows:

	RM'000
Approved and contracted for	<u>15,975</u>
Analysed as follows:	
- property, plant and equipment	2,444
- investment properties	<u>13,531</u>

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

**A14. Condensed Consolidated Statement of Financial Position by Funds
As at 31 December 2010**

	Shareholders' Fund		General Fund		Life Fund		General Takaful Fund		Family Takaful Fund		Total	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS												
Property, Plant and equipments	11,359	12,271	489	64,287	481	232,475	-	-	-	-	12,329	309,033
Intangible assets	8,271	8,696	-	1	-	3,822	-	-	-	-	8,271	12,519
Investment properties	6,496	4,031	5,105	30,779	-	535,355	-	-	-	-	11,601	570,165
Investments	197,058	339,799	19,088	111,949	142,893	5,516,626	43,665	9,973	177,351	101,149	580,055	6,079,496
Malaysian Government Securities/Government Investment Issue	-	60,631	-	-	-	122,802	-	-	-	-	-	183,433
Malaysian Government Guaranteed Financing	91,341	77,794	-	63,458	43,720	3,285,739	5,240	4,973	5,391	5,018	10,631	9,991
Corporate debt securities	0	0	1,553	-	-	-	-	-	-	-	136,614	3,426,991
Islamic debt securities	26,708	26,718	22	969	30,242	760,425	28,029	-	45,755	13,332	73,784	13,332
Equity securities	1,813	5,704	-	-	30,232	19,932	-	-	60,193	24,192	117,165	812,304
Unit trusts	5,240	5,000	2,477	7,407	-	6,423	-	-	-	-	32,045	25,636
Investment-linked units	658	975	-	20,500	879	704,674	-	-	-	-	7,717	18,830
Loans	71,298	162,977	15,036	19,615	37,820	616,631	10,396	5,000	66,012	58,607	200,562	862,830
Fixed and call deposits	49,405	56,862	-	-	-	-	-	-	-	-	49,405	56,862
Associated companies	-	-	20,652	53,569	-	24,886	97,357	71,480	9,631	3,149	127,640	153,084
Reinsurance assets	-	-	31,176	40,672	790	39,124	36,925	36,405	600	0	69,491	116,201
Insurance receivables	77,049	67,423	23,902	27,810	11,728	121,255	18,835	5,185	16,750	14,832	148,264	236,505
Trade and other receivables	4,287	21,976	-	2,763	-	13,421	-	-	-	64	4,287	38,224
Tax recoverable	775	8,535	627	1,511	-	13,616	-	7	-	39	1,402	23,708
Deferred tax assets	45,038	5,663	1,684	1,718	7,570	14,724	1,049	1,071	5,474	10,510	60,815	33,686
Cash and bank balances	241,106	1,455	934,714	784,990	6,442,244	-	-	-	-	-	7,618,064	786,445
Assets classified as held for sale	640,844	526,711	1,037,437	1,120,049	6,605,706	6,515,304	197,831	124,121	209,806	129,743	8,691,624	8,415,928
TOTAL ASSETS												

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

**A14. Unaudited Condensed Consolidated Statement of Financial Position by Funds (continued)
As at 31 December 2010**

	Shareholders' Fund		General Fund		Life Fund		General Takaful Fund		Family Takaful Fund		Total	
	31 Dec 2010 RM'000	31 Dec 2009 RM'000	31 Dec 2010 RM'000	31 Dec 2009 RM'000	31 Dec 2010 RM'000	31 Dec 2009 RM'000	31 Dec 2010 RM'000	31 Dec 2009 RM'000	31 Dec 2010 RM'000	31 Dec 2009 RM'000	31 Dec 2010 RM'000	31 Dec 2009 RM'000
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES												
LIABILITIES												
Insurance contract liabilities	-	-	-	-	116,736	5,634,637	140,927	92,790	185,552	112,478	529,783	5,974,589
Investment contract liabilities	-	-	-	-	40,664	53,639	-	-	-	-	40,664	53,639
Financial liabilities												
Borrowings												
- Medium Term Notes (unsecured)	170,000	200,000	-	-	-	-	-	-	-	-	170,000	200,000
- Term loan (unsecured)	-	10,000	-	-	-	-	-	-	-	-	-	10,000
- Revolving credit (secured)	36,300	-	-	-	-	-	-	-	-	-	36,300	0
- Bank overdrafts (unsecured)	9,905	11,419	-	-	-	-	-	-	-	-	9,905	11,419
Insurance payables	-	-	12,949	21,373	145	686,694	41,402	28,184	7,070	2,785	61,566	739,036
Trade and other payables	91,150	1,500	3,206	109,929	5,917	122,525	15,250	3,147	15,721	14,424	131,244	251,525
Provision for life agents' retirement benefits	-	-	-	-	-	2,780	-	-	-	-	-	2,780
Current tax liabilities	305	10,827	-	1,222	-	11,760	-	-	719	51	1,024	23,860
Deferred tax liabilities	2,025	6,773	-	-	-	3,269	252	-	744	5	3,021	10,047
Liabilities classified as held for sale	10,856	3	934,714	846,998	6,442,244	-	-	-	-	-	7,387,814	847,001
TOTAL LIABILITIES	320,541	240,522	1,037,437	1,114,206	6,605,706	6,515,304	197,831	124,121	209,806	129,743	8,371,321	8,123,896
EQUITY												
Share capital	304,354	304,354	-	-	-	-	-	-	-	-	304,354	304,354
Accumulated losses	(16,758)	(44,193)	-	-	-	-	-	-	-	-	(16,758)	(44,193)
Reserves	(629)	(4,778)	-	5,843	-	-	-	-	-	-	(629)	1,065
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	286,967	255,383	-	5,843	-	-	-	-	-	-	286,967	261,226
Minority interest	33,336	30,806	-	-	-	-	-	-	-	-	33,336	30,806
TOTAL EQUITY	320,303	286,189	-	5,843	-	-	-	-	-	-	320,303	292,032
TOTAL EQUITY, POLICYHOLDERS FUNDS AND LIABILITIES	640,844	526,711	1,037,437	1,120,049	6,605,706	6,515,304	197,831	124,121	209,806	129,743	8,691,624	8,415,928

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

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

	Shareholders' Fund		General Fund		Life Fund		Total	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(1) Assets classified as held for sale comprise:								
Property, plant and equipment	61,638	-	3,048	3,959	210,587	-	275,273	3,959
Intangible assets	-	-	1,312	1,522	3,282	-	4,594	1,522
Investment properties	2,935	-	16,943	-	482,408	-	512,286	-
Investments	139,193	1,400	652,491	483,795	5,584,313	-	6,355,997	485,195
Malaysian Government Securities/Government								
Investment Issues	65,907	-	86,945	77,939	92,715	-	245,567	77,939
Corporate debt securities	20,626	-	379,852	234,404	3,287,225	-	3,687,703	234,404
Equity securities	1,276	-	56,180	28,692	818,848	-	876,304	28,692
Unit trusts	-	-	-	-	37,956	-	37,956	-
Investment-linked units	-	-	4,725	-	6,232	-	10,957	-
Loans	15,872	-	928	1,065	626,990	-	643,790	1,065
Fixed and call deposits	35,512	1,400	123,861	141,695	694,347	-	853,720	143,095
Reinsurance assets	-	-	193,424	229,069	26,446	-	219,870	229,069
Insurance receivables	-	-	43,178	48,083	32,635	-	75,813	48,083
Trade and other receivables	14,498	2	15,720	7,991	82,679	-	112,897	7,993
Tax recoverable	11,857	-	2,999	-	12,081	-	26,937	-
Deferred tax assets	10,647	-	-	-	10,830	-	21,477	-
Cash and bank balances	338	53	5,599	10,571	6,983	-	12,920	10,624
TOTAL ASSETS	241,106	1,455	934,714	784,990	6,442,244	-	7,618,064	786,445
(2) Liabilities classified as held for sale comprise:								
Insurance contract liabilities	-	-	739,577	698,819	5,499,206	-	6,238,783	698,819
Insurance payables	-	-	55,027	77,453	830,757	-	885,784	77,453
Trade and other payables	668	3	127,122	70,726	79,674	-	207,464	70,729
Current tax liabilities	10,129	-	4,925	-	13,069	-	28,123	-
Deferred tax liabilities	-	-	8,063	-	19,538	-	27,601	-
Available-for-sale reserves	59	-	-	-	-	-	59	-
TOTAL LIABILITIES	10,856	3	934,714	846,998	6,442,244	-	7,387,814	847,001

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

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

A16. Unaudited Condensed Consolidated Income Statements by Funds
For the Fourth Quarter Ended 31 December 2010

Continuing Operations

	Shareholders' Fund		General Fund		Life Fund		General Takaful Fund		Family Takaful Fund		Total	
	12 months ended 31 Dec 2010 RM'000	31 Dec 2009 RM'000	12 months ended 31 Dec 2010 RM'000	31 Dec 2009 RM'000	12 months ended 30 June 2010	30 June 2009	12 months ended 31 Dec 2010 RM'000	31 Dec 2009 RM'000	12 months ended 31 Dec 2010 RM'000	31 Dec 2009 RM'000	12 months ended 31 Dec 2010 RM'000	31 Dec 2009 RM'000
Operating revenue	65,642	69,363	86,803	71,180	29,188	1,356,662	89,107	57,456	161,244	86,053	431,984	1,640,714
Gross earned premium	-	-	86,212	70,198	21,061	1,080,024	87,866	57,261	157,435	84,714	352,574	1,292,197
Premium ceded to reinsurers	-	-	(53,094)	(58,073)	(1,195)	(14,978)	(53,784)	(49,275)	(5,332)	(2,277)	(113,405)	(124,603)
Net earned premiums	-	-	33,118	12,125	19,866	1,065,046	34,082	7,986	152,103	82,437	239,169	1,167,594
Investment income	6,089	8,464	591	982	8,127	276,638	1,241	195	3,809	1,339	19,857	287,618
Realised gains and losses	2,536	1,207	-	77	350	11,915	-	-	3,178	(273)	6,064	12,926
Fair value gains and losses	1,605	1,358	544	906	1,508	133,034	-	-	8,262	6,369	11,919	141,667
Fee and commission income	-	-	8,281	12,109	6,079	15,969	15,186	12,406	775	274	30,321	40,758
Other operating revenue from non-insurance businesses	59,553	60,899	-	-	-	-	-	-	-	-	59,553	60,899
Wakalah fee from takatuli business	79,810	53,703	-	-	-	-	-	-	-	-	79,810	53,703
Other operating income/(expenses) - net	(15,456)	36,133	579	996	866	(4,651)	(108)	361	(5,504)	(2,964)	(19,623)	29,875
Other revenue	134,137	161,764	9,995	15,070	16,930	432,905	16,319	12,962	10,520	4,745	187,901	627,446
Gross benefits and claims paid	-	-	(63,874)	(64,450)	(27,493)	(1,094,645)	(15,498)	(5,728)	(48,026)	(21,545)	(174,891)	(1,186,368)
Claims ceded to reinsurers	-	-	74,722	58,032	12,138	14,903	7,794	3,486	5,056	1,920	99,710	78,341
Gross change to contract liabilities	-	-	20,156	(19,955)	(8,673)	(223,677)	(15,981)	(15,612)	(65,329)	(30,027)	(69,827)	(289,271)
Change in contract liabilities ceded to reinsurers	-	-	(16,482)	17,503	-	5,107	2,104	14,729	-	-	(14,378)	37,339
Net claims	-	-	(5,478)	(8,870)	(24,028)	(1,298,312)	(21,581)	(3,125)	(108,299)	(49,652)	(159,386)	(1,359,959)
Fee and commission expense	-	-	(13,262)	(14,464)	(10,101)	(107,077)	-	-	-	-	(23,363)	(121,541)
Management expenses	(157,729)	(128,652)	(8,979)	(7,822)	(9,762)	(90,402)	-	-	-	-	(176,470)	(226,876)
Wakalah fee payable to Shareholders' fund	-	-	-	-	-	-	(28,820)	(17,823)	(50,990)	(35,880)	(79,810)	(63,703)
Finance cost	(11,860)	(13,970)	-	(19)	-	(19)	-	-	-	-	(11,860)	(13,989)
Other expenses	(169,589)	(142,622)	(22,241)	(22,286)	(19,863)	(197,498)	(28,820)	(17,823)	(50,990)	(35,880)	(291,503)	(416,109)
Share of (loss)/profit of associate companies, net of tax	(380)	3,788	-	-	-	-	-	-	-	-	(380)	3,788
Profit/(loss) before taxation	(35,832)	22,930	15,394	(3,961)	(7,095)	2,141	-	-	3,334	1,650	(24,199)	22,760
Taxation	7,710	691	-	-	-	-	-	-	-	-	7,710	691
Zakat	(179)	(77)	-	-	-	-	-	-	-	-	(179)	(77)
Profit/(loss) for the financial year	(28,301)	23,544	15,394	(3,961)	(7,095)	2,141	-	-	3,334	1,650	(16,668)	23,374

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

A16. Unaudited Condensed Consolidated Income Statements by Funds (continued)
For the Fourth Quarter Ended 31 December 2010

Discontinued Operations

	Shareholders' Fund		General Fund		Life Fund		Total	
	12 months ended	31 Dec	12 months ended	31 Dec	12 months ended	31 Dec	12 months ended	31 Dec
	2010	2009	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	8,053	48	547,634	438,941	1,265,240	-	1,820,927	438,989
Gross earned premium	-	-	521,733	416,554	995,852	-	1,517,585	416,554
Premium ceded to reinsurers	-	-	(108,319)	(102,441)	(18,974)	-	(127,293)	(102,441)
Net earned premiums	-	-	413,414	314,113	976,878	-	1,390,292	314,113
Investment income	8,053	48	25,901	22,387	269,388	-	303,342	22,435
Realised gains and losses	717	-	1,895	4,539	39,787	-	42,399	4,539
Fair value gains and losses	928	-	8,747	18,220	163,482	-	173,157	18,220
Fee and commission income	-	-	26,365	32,206	19,085	-	45,450	32,206
Other operating revenue from non-insurance businesses	-	-	-	-	-	-	-	-
Wakalah fee from takaful business	-	-	4,790	67	(3,126)	-	525	88
Other operating income/(expenses) - net	(1,139)	21	-	-	-	-	-	-
Other revenue	8,559	69	67,698	77,419	488,616	-	564,873	77,488
Gross benefits and claims paid	-	-	(268,504)	(273,385)	(1,360,486)	-	(1,628,990)	(273,385)
Claims ceded to reinsurers	-	-	52,974	65,763	(2,269)	-	50,705	65,763
Gross change to contract liabilities	-	-	(39,272)	(14,808)	79,607	-	40,335	(14,808)
Change in contract liabilities ceded to reinsurers	-	-	(14,978)	7,989	4,035	-	(10,943)	7,989
Net claims	-	-	(269,780)	(214,441)	(1,279,113)	-	(1,548,893)	(214,441)
Fee and commission expense	-	-	(79,318)	(72,880)	(102,047)	-	(181,365)	(72,880)
Management expenses	(1,970)	(272)	(77,636)	(66,675)	(84,314)	-	(163,920)	(66,947)
Wakalah fee payable to Shareholders' fund	-	-	-	-	-	-	-	-
Finance cost	(20)	-	-	-	(20)	-	(40)	-
Other expenses	(1,990)	(272)	(156,954)	(139,555)	(186,381)	-	(345,325)	(139,827)
Share of profit of associate companies, net of tax	-	-	-	-	-	-	-	-
Profit/(loss) before taxation	6,569	(203)	54,378	37,536	-	-	60,947	37,333
Taxation	(990)	-	(13,305)	(8,331)	-	-	(14,295)	(8,331)
Zakat	-	-	-	-	-	-	-	-
Profit/(loss) for the financial year	5,579	(203)	41,073	29,205	-	-	46,652	29,002

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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 twelve (12) months ended 31 December 2010, the Group's total operating revenue increased by 8.3% to RM2,252.9 million (2009: RM2,079.7 million).

The gross earned premium of General Insurance Division increased by 24.9% to RM607.9 million (2009: RM486.8 million). The Life Insurance Division's gross earned premium decreased by 5.8% to RM1,017.0 million (2009: RM1,080.0 million). Under the takaful business, the General Takaful Division and Family Takaful Division registered gross earned contribution of RM89.1 million (2009: RM57.3 million) and RM157.4 million (2009: RM84.7 million) respectively.

Profit before taxation

The Group recorded a lower profit before taxation of RM36.7 million (2009: profit before taxation of RM60.1 million) in the current financial year.

The Shareholders' Fund recorded a loss before taxation of RM29.3 million (2009: profit before taxation of RM22.7 million). The profit in Shareholders' Fund in the previous financial year arose mainly from reversal of fair value loss of RM46.7 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.

The General Insurance Division recorded a profit before taxation of RM69.8 million (2009: profit before taxation of RM33.6 million), mainly from the local General Insurance Division. The higher profit before taxation of the local General Insurance Division in the current financial year under review was mainly due to increase in net earned premium mainly from motor vehicles, personal accident, medical and health class of businesses and decrease in overall net claim ratio to 65.3% (2009: 68.3%).

The Life Insurance Division recorded a loss before taxation of RM7.1 million (2009: profit before taxation of RM2.1 million), mainly from the overseas insurance subsidiary company. No transfer is made from the local Life Insurance Fund

For the current financial year under review, Shareholders' Fund under the Takaful business recorded a profit before taxation of RM7.1 million (2009: RM3.1 million) which included a surplus transferred from the Family Takaful Fund of RM3.3 million (2009: RM1.6 million).

As at 31 December 2010, the Group's total assets stood at RM8.7 billion, an increase of 3.6% over 2009 of RM8.4 billion.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

B2. Comparison with the Preceding Quarter's Results

During the current financial quarter under review, the Group registered a lower profit before taxation of RM7.2 million (preceding quarter 2010: profit before taxation of RM27.4 million). The lower profit before taxation in the current financial quarter was mainly due to impairment allowance made for certain assets of the Group totaling RM10.5 million in the Shareholders' Fund.

Consistent with prior years, surplus or deficit from the Life Insurance Fund is transferred to the Shareholders' Fund at financial year end. For the current financial quarter/year under review, the Life Insurance Fund's deficit transferred to the Shareholders' Fund amounted to RM7.1 million (2009: surplus of RM2.1 million), mainly from the overseas insurance subsidiary company. No transfer is made from the local Life Insurance Fund.

For the current financial quarter/year under review, there was a surplus of RM3.3 million (2009: RM1.6 million) transferred from the Family Takaful Fund to the Shareholders' Fund.

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 next financial year to be 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>12 months ended</u>	
	<u>31 December</u>		<u>31 December</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM'000	RM'000	RM'000	(Audited) RM'000
<u>CONTINUING OPERATIONS</u>				
<u>Current tax</u>				
Current financial year	(59)	92	1,271	1,895
Under/(over) accrual in prior financial years	(37)	0	(460)	(2,513)
	(96)	92	811	(618)
<u>Deferred tax</u>				
Current financial year	(8,344)	(133)	(8,446)	(68)
Under/(over) accrual in prior financial years	(1)	3	(75)	(5)
	(8,345)	(130)	(8,521)	(73)
Tax expense/(income)	(8,441)	(38)	(7,710)	(691)

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

B5. Taxation (continued)

	<u>3 months ended</u> <u>31 December</u>		<u>3 months ended</u> <u>31 December</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u> <u>(Audited)</u>
	RM'000	RM'000	RM'000	RM'000
<u>DISCONTINUED OPERATIONS</u>				
<u>Current tax</u>				
Current financial year	5,434	1,579	6,765	2,101
Under/(over) accrual in prior financial years	(107)	347	(486)	347
	5,327	1,926	6,279	2,448
<u>Deferred tax</u>				
Current financial year	(259)	236	8,031	5,883
Under/(over) accrual in prior financial years	490	-	(15)	-
	231	236	8,016	5,883
Tax expense/(income)	5,558	2,162	14,295	8,331

For the current financial year under review, the Group's effective tax rate was lower than the statutory tax rate due mainly to utilisation of tax losses by the oversea insurance subsidiary company.

Note: the discontinued operations in 2010 represent wholly owned subsidiary, Malaysian Assurance Alliance Berhad ("MAA"). The discontinued operation in 2009 represents the General Insurance Business of MAA.

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 year amounted to RM22.5 million and RM37.2 million respectively.

B7. Quoted Securities

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

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.

On 16 December 2010, the Company announced the discontinued discussion with AMG as mutually agreed on the Proposed Disposal.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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. The Company also announced it will carry out the necessary merger and acquisition activities which include the potential sale of MAA within 12 months of BNM's approval to strengthen MAA's capital base.

On 16 December 2010, the Company announced the entering into an agreement with Zurich Insurance Company Ltd ("Zurich") pursuant to which, the parties will evaluate and negotiate a possible transaction involving the acquisition of an interest in MAA.

On 10 February 2011, an application was submitted to BNM to seek extension of time of 12 months till March 2012 to complete the negotiations with Zurich to meet the capital plan.

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 19 February 2011 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B9. Group Borrowings

The Group borrowings include:

	<u>As at</u> <u>31.12.2010</u> RM'000	<u>As at</u> <u>31.12.2009</u> RM'000 (Audited)
<u>Short term</u>		
Term loan (unsecured)	-	10,000
Medium term notes (unsecured)	30,000	30,000
Bank overdrafts (unsecured)	9,905	11,419
Revolving credit (secured)	36,300	-
	<u>76,205</u>	<u>51,419</u>
<u>Long term</u>		
Medium term notes (unsecured)	140,000	170,000
	<u>140,000</u>	<u>170,000</u>
Total Group Borrowings	<u>216,205</u>	<u>221,419</u>

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off-balance sheet risk as at 19 February 2011 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

B11. Material Litigation

There were no material litigations as at 19 February 2011 (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 year ended 31 December 2010.

B13. Earnings Per Ordinary Share

	<u>3 months ended</u> <u>31 December</u>		<u>12 months ended</u> <u>31 December</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u> <u>(Restated)</u>
<u>Attributable to the Owners of the Company:</u>				
Net profit/(loss) for the financial period /year (RM'000)				
- Continuing operations	(4,022)	10,115	(19,217)	23,254
- Discontinued operations	11,774	5,305	46,652	29,002
	<u>7,752</u>	<u>15,420</u>	<u>27,435</u>	<u>52,256</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	(1.32)	3.32	(6.31)	7.64
- Discontinued operations	3.87	1.74	15.33	9.53
	<u>2.55</u>	<u>5.06</u>	<u>9.02</u>	<u>17.17</u>

Note: the discontinued operations in 2010 represent wholly owned subsidiary, Malaysian Assurance Alliance Berhad ("MAA"). The discontinued operation in 2009 represents the General Insurance Business of MAA.

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

B14. Disclosure of Realised and Unrealised Profits/Losses

Bursa Securities has, on 25 March 2010 and 20 December 2010, issued directives to all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

The determination of realised and unrealised profits/losses is based on the 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 on 20 December 2010.

Disclosure of realised and unrealised profits/losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

Breakdown of the retained earnings/(accumulated losses) of the Groups as at 31 December 2010 and 30 September 2010, into realised and unrealised profits or losses are as follows:

	<u>As at</u> <u>31.12.2010</u> RM'000	<u>As at</u> <u>30.09.2010</u> RM'000
Total retained earnings/(accumulated losses) of the Group:		
- Realised	(19,343)	(22,672)
- Unrealised	13,463	8,072
	<u>(5,880)</u>	<u>(14,600)</u>
Total accumulated losses from associated companies		
- Realised	(3,692)	(2,881)
- Unrealised	3,014	1,930
	<u>(678)</u>	<u>(951)</u>
	<u>(6,558)</u>	<u>(15,551)</u>
Less: Consolidation adjustments	(10,200)	(6,871)
Total Group accumulated losses as per statement of financial position	<u>(16,758)</u>	<u>(22,422)</u>

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

KUALA LUMPUR
DATE: 25 February 2011

File: MAAH – 4QtrNotes-311210