

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

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**PART A: EXPLANATORY 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 2010.

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 2010 except for the adoption of the following standards, amendments and interpretations which are applicable to the Group:

***FRSs, interpretations and amendments effective from annual periods beginning on or after 1 January 2011***

- Amendments to FRS 2 "Share-based payment Group cash-settled share-based payment transactions"
- Amendment to FRS 7 "Financial instruments: Disclosures" and FRS 1 " First time adoption of financial reporting standards"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- IC interpretation 18 " Transfers of assets from customers"
- Improvement to FRS 3 " Business Combinations"
- Improvements to FRS 101 " Presentation of financial statements"

The adoption of the above standards, amendments and interpretations has no material impact to these financial statements.

The following FRS and IC Interpretations have been issued by the Malaysian Accounting Standards Board but are not yet effective and have not been applied by the Group.

***FRSs, interpretations and amendments effective from annual periods beginning on or after 1 July 2011***

- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments"
- Amendments to IC Interpretation 14 " FRS 119 – The limit on a defined benefit assets, minimum funding requirements and their interaction"

***FRSs, interpretations and amendments effective from annual periods beginning on or after 1 January 2012***

- FRS 124 (revised) "Related Party Disclosures"

IC Interpretation 15 "Agreement for Construction of real estates" will also be effective from annual periods beginning on or after 1 January 2012. This IC Interpretation, is however, not applicable to the Group.

**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.

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

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**A4. EXTRAORDINARY ITEMS**

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

**A5. CHANGE IN ACCOUNTING ESTIMATES**

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

**A6. DEBT AND EQUITY SECURITIES**

On 6 January 2011, the Company made a principal repayment of RM30 million for the second tranche of RM200 million nominal amount Medium Term Notes.

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

**A7. DIVIDEND PAYMENT**

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

**A8. SEGMENTAL 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 Executive Committee of the Company (the chief operating decision maker). The following summary describes the operations in each of the Group's operating segments:

- Life insurance - underwriting life insurance business, including investment-linked business
- General insurance – underwriting all classes of general insurance business
- Family takaful business – underwriting family takaful business
- General takaful business - underwriting general takaful business
- Unit trust fund management – management of unit trust funds
- Shareholders' fund of the insurance and takaful businesses

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

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011

A8. SEGMENTAL INFORMATION

3 months period ended 31 March 2011

	Life insurance				General insurance				Shareholders' fund				Insurance		Takaful			Unit trust fund management	All other segments			Inter-segment elimination	Group total			
	Continuing		Discontinued		Continuing		Discontinued		Continuing		Discontinued		General takaful fund	Family takaful fund	Shareholders' fund	RM'000	RM'000		RM'000	RM'000	RM'000			RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000														
External revenue	5,034	274,424	22,810	101,651	53	2,036	23,557	40,945	1,213	11,233	11,233	5,519	110	488,585	-	488,585	5,829	-	-	5,829	-	488,585				
Revenue from other segments	-	888	-	43	-	-	-	-	-	-	-	1,670	3,228	-	-	-	5,829	(5,829)	-	(5,829)	-	-				
Total operating revenue	5,034	275,312	22,810	101,694	53	2,036	23,557	40,945	1,213	11,233	11,233	7,189	3,338	494,414	-	494,414	-	-	(5,829)	-	488,585					
Profit/(loss) by segments	1,011	62,858	3,577	24,030	393	1,127	(856)	17,846	1,293	1,646	1,646	(9,190)	567	104,302	2,330	106,632	-	-	2,330	-	106,632					
(Surplus)/deficit retained in life insurance/family takaful funds	(1,011)	(62,858)	-	-	-	-	856	(17,846)	-	-	-	-	-	(80,859)	(895)	(81,754)	-	-	(895)	-	(81,754)					
Share of loss of associated companies not included in reportable segments	-	-	3,577	24,030	393	1,127	-	-	1,293	1,646	1,646	(9,190)	567	23,443	1,435	24,878	-	-	1,435	-	24,878					
Profit before taxation (*)	-	-	-	-	-	-	(97)	-	-	(97)	-	-	-	23,346	-	23,346	1,435	-	1,435	-	24,781					

(\*) consist of profit before taxation from:

- continuing	RM'000
- discontinued	1,316
	23,465
	<u>24,781</u>

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011

A8. SEGMENTAL INFORMATION (continued)

3 months period ended 31 March 2010

	Life insurance				General insurance				Shareholders' fund				Insurance				Takaful				Unit trust fund management	All other segments		Total	Inter-segment elimination	Group total	
	Continuing		Discontinued		Continuing		Discontinued		Continuing		Discontinued		Continuing		Discontinued		Continuing		Discontinued								
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000				RM'000
External revenue	4,200	309,958	13,414	132,395	23	1,936	20,309	42,219	1,047	7,726	6,526	317	540,070	-	540,070	-	540,070	-	540,070	-	540,070	-	540,070	-	540,070	-	540,070
Revenue from other Segments	-	902	-	48	-	-	-	-	-	-	1,567	3,002	-	-	5,519	-	5,519	-	5,519	-	5,519	-	5,519	-	5,519	-	5,519
Total operating revenue	4,200	310,860	13,414	132,443	23	1,936	20,309	42,219	1,047	7,726	8,093	3,319	545,589	-	545,589	-	545,589	-	545,589	-	545,589	-	545,589	-	545,589	-	540,070
Profit/(loss) by segments	(2,314)	24,473	(4,450)	13,508	725	1,197	218	26,548	1,316	1,208	(3,391)	1,221	60,259	-	60,259	-	60,259	-	60,259	-	60,259	-	60,259	-	60,259	-	57,757
(Surplus)/deficit retained in life insurance/family takaful funds	2,314	(24,473)	-	-	-	-	(218)	(26,548)	-	-	-	-	(48,925)	-	(48,925)	-	(48,925)	-	(48,925)	-	(48,925)	-	(48,925)	-	(48,925)	-	(49,342)
Share of loss of associated companies not included in reportable segments	-	-	(4,450)	13,508	725	1,197	-	-	1,316	1,208	(3,391)	1,221	11,334	-	11,334	-	11,334	-	11,334	-	11,334	-	11,334	-	11,334	-	8,415
Profit before taxation (*)													(55)		(55)		(55)		(55)		(55)		(55)		(55)		(55)
													11,279		11,279		11,279		11,279		11,279		11,279		11,279		8,360

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

- continuing	RM'000	(4,768)
- discontinued		13,128
		<u>8,360</u>

**MAA HOLDINGS BERHAD (471403-A)**

(Incorporated in Malaysia)

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

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**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 2010. 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 quarter under review to the date of this interim report.

**A11. CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in composition of the Group during the current financial quarter under review.

**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>31.03.2011</u>	<u>As at</u> <u>31.12.2010</u>
	RM'000	RM'000
Performance bonds and guarantees	<u>345,576</u>	<u>350,295</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 proceedings against a custodian of its fund under management to recover, inter alia, the loss of investment moneys of its clients, MAA and Kumpulan Wang Amanah Pencen ("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 costs 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 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 Pre Trial Case Management on 25 May 2011 and tentative trial dates on 29 June 2011, 30 June 2011 and 1 July 2011 pending the disposal of the Appeal.

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**A12. CONTINGENCIES (continued)**

MAM had also during FY 2005 commenced legal proceedings against its former employee and other related parties to the former employee to recover, inter alia, the loss of investment moneys of its clients, MAA and KWAP together with interest and general damages. The matter is now 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 had during the financial year ended 31 December 2006 commenced legal proceedings 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 Pre Trial Case Management on 25 May 2011 and tentative trial dates on 29 June 2011, 30 June 2011 and 1 July 2011 pending the disposal of the Appeal.

In November 2007, KWAP had commenced legal proceedings 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 ('Appeal'). A date for the appeal has yet to be fixed by the Court. The matter is now fixed for Pre Trial Case Management on 16 June 2011 pending the Appeal.

The Directors of the Company, 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 31 March 2011 is as follows:

	RM'000
Approved and contracted for :	
- investment properties	<u>13,531</u>

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**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

**A14. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY INSURANCE FUNDS AS AT 31 MARCH 2011**

	Shareholders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>						
Property, plant and equipment	6,459	516	778	-	-	7,753
Investment properties	6,496	5,105	-	-	-	11,601
Intangible assets	7,664	-	-	-	-	7,664
Investments	163,559	6,176	115,394	33,287	122,719	441,135
Financial assets held at fair value through profit of loss	12,307	2,427	64,864	-	88,431	168,029
Available-for-sale financial assets	115,415	2,651	49,669	33,287	34,288	235,310
Loans and receivables	35,837	1,098	861	-	-	37,796
Associated companies	49,308	-	-	-	-	49,308
Reinsurance assets	-	55,362	-	76,717	17,340	149,419
Insurance receivables	-	26,102	416	36,234	-	62,752
Trade and other receivables	56,001	1,025	5,597	689	4,591	67,903
Tax recoverable	2,880	441	-	-	4	3,325
Deferred tax assets	675	845	-	-	-	1,520
Cash and cash equivalents	69,025	17,232	33,735	17,831	76,575	214,398
Assets classified as held for sale	237,998	1,024,250	6,389,641	-	-	7,651,889
<b>Total assets</b>	<b>600,065</b>	<b>1,137,054</b>	<b>6,545,561</b>	<b>164,758</b>	<b>221,229</b>	<b>8,668,667</b>
<b>Equity, policyholders' funds and liabilities</b>						
<b>Liabilities</b>						
Insurance contract liabilities	-	120,441	110,496	119,231	208,187	558,355
Investment contract liabilities	-	-	39,765	-	-	39,765
Financial liabilities						
Borrowings						
- Medium Term Notes (secured)	140,000	-	-	-	-	140,000
- Revolving credit (secured)	36,300	-	-	-	-	36,300
- Bank overdrafts (unsecured)	9,604	-	-	-	-	9,604
Insurance payables	-	12,989	93	49,892	13,106	76,080
Trade and other payables	52,919	2,376	10,364	6,126	4,465	76,250
Current tax liabilities	87	-	44	-	709	840
Deferred tax liabilities	1,008	-	-	328	575	1,911
Liabilities classified as held for sale	13,132	961,544	6,419,433	-	-	7,394,109
<b>Total liabilities</b>	<b>253,050</b>	<b>1,097,350</b>	<b>6,580,195</b>	<b>175,577</b>	<b>227,042</b>	<b>8,333,214</b>
<b>Equity</b>						
Share capital	304,354	-	-	-	-	304,354
Accumulated losses	(495)	-	-	-	-	(495)
Reserves	(2,026)	-	-	-	-	(2,026)
<b>Total equity attributable to the owners of the Company</b>	<b>301,833</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>301,833</b>
Minority interest	33,620	-	-	-	-	33,620
<b>Total equity</b>	<b>335,453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>335,453</b>
<b>Total equity, policyholders' funds and liabilities</b>	<b>588,503</b>	<b>1,097,350</b>	<b>6,580,195</b>	<b>175,577</b>	<b>227,042</b>	<b>8,668,667</b>
<b>Inter-fund balances</b>	<b>11,562</b>	<b>39,704</b>	<b>(34,634)</b>	<b>(10,819)</b>	<b>(5,813)</b>	<b>-</b>

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**A14. AUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY INSURANCE FUNDS AS AT 31 DECEMBER 2010**

	Shareholders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>						
Property, plant and equipment	7,426	480	481	-	-	8,387
Investment properties	6,496	5,105	-	-	-	11,601
Intangible assets	8,271	-	-	-	-	8,271
Investments	158,442	6,456	105,779	33,268	111,339	415,284
Financial assets held at fair value through profit of loss	7,057	2,477	62,631	-	82,188	154,353
Available-for-sale financial assets	118,045	1,602	42,269	33,268	29,151	224,335
Loans and receivables	33,340	2,377	879	-	-	36,596
Associated companies	49,404	-	-	-	-	49,404
Reinsurance assets	-	44,517	-	62,182	17,198	123,897
Insurance receivables	-	30,791	790	37,226	-	68,807
Trade and other receivables	43,971	7,395	4,690	325	1,806	58,187
Tax recoverable	4,292	262	-	-	-	4,554
Deferred tax assets	775	827	-	-	-	1,602
Cash and cash equivalents	110,515	14,094	45,390	11,094	71,486	252,579
Assets classified as held for sale	231,757	935,510	6,430,132	-	-	7,597,399
<b>Total assets</b>	<b>621,349</b>	<b>1,045,437</b>	<b>6,587,262</b>	<b>144,095</b>	<b>201,829</b>	<b>8,599,972</b>
<b>Equity, policyholders' funds and liabilities</b>						
<b>Liabilities</b>						
Insurance contract liabilities	-	110,251	108,560	104,929	193,610	517,350
Investment contract liabilities	-	-	40,538	-	-	40,538
Financial liabilities						
Borrowings						
- Medium Term Notes (secured)	170,000	-	-	-	-	170,000
- Revolving credit (secured)	36,300	-	-	-	-	36,300
- Bank overdrafts (unsecured)	9,905	-	-	-	-	9,905
Insurance payables	-	8,579	103	41,612	8,605	58,899
Trade and other payables	51,447	6,302	12,586	5,380	4,114	79,829
Current tax liabilities	168	77	38	-	348	631
Deferred tax liabilities	2,234	-	-	312	776	3,322
Liabilities classified as held for sale	(2,428)	935,510	6,430,132	-	-	7,363,214
<b>Total liabilities</b>	<b>267,626</b>	<b>1,060,719</b>	<b>6,591,957</b>	<b>152,233</b>	<b>207,453</b>	<b>8,279,988</b>
<b>Equity</b>						
Share capital	304,354	-	-	-	-	304,354
Accumulated losses	(16,728)	-	-	-	-	(16,728)
Reserves	(981)	-	-	-	-	(981)
<b>Total equity attributable to the owners of the Company</b>	<b>286,645</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>286,645</b>
Minority interest	33,339	-	-	-	-	33,339
<b>Total equity</b>	<b>319,984</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>319,984</b>
<b>Total equity, policyholders' funds and liabilities</b>	<b>587,610</b>	<b>1,060,719</b>	<b>6,591,957</b>	<b>152,233</b>	<b>207,453</b>	<b>8,599,972</b>
<b>Inter-fund balances</b>	<b>33,739</b>	<b>(15,282)</b>	<b>(4,695)</b>	<b>(8,138)</b>	<b>(5,624)</b>	<b>-</b>



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**A15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE**

**(I) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE**

	31 March 2011 RM'000	31 December 2010 (Audited) RM'000
<b>Assets classified as held for sale comprise:</b>		
Property, plant and equipment	277,328	278,795
Investment properties	509,115	512,287
Intangible assets	4,512	4,595
Investments	5,771,177	5,791,497
Financial assets held at fair value through profit or loss	1,256,924	1,100,706
Available-for-sale financial assets	3,739,165	3,790,913
Loans and receivables	775,088	899,878
Reinsurance assets	266,865	222,343
Insurance receivables	74,678	77,151
Other receivables	33,149	49,938
Tax recoverable	33,226	26,936
Deferred tax assets	15,971	10,647
Cash and cash equivalents	661,933	619,275
	<u>7,647,954</u>	<u>7,593,464</u>
<b>Liabilities classified as held for sale comprise:</b>		
Insurance contract liabilities	6,290,102	6,228,001
Insurance payables	832,908	845,548
Trade and other payables	195,653	230,248
Provision for life agents' retirement benefits	2,703	2,703
Current tax liabilities	44,646	34,140
Deferred tax liabilities	18,911	10,240
Available-for-sale reserves	9,186	12,334
	<u>7,394,109</u>	<u>7,363,214</u>

**(II) OTHER ASSET HELD FOR SALE**

	31 March 2011 RM'000	31 December 2010 (Audited) RM'000
Property, plant and equipment	<u>3,935</u>	<u>3,935</u>

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**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

**Continuing Operations**

	Shareholders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>	18,018	22,810	5,034	23,557	40,945	-	110,364
Gross earned premium	-	22,731	3,505	23,080	39,765	-	89,081
Premium ceded to reinsurers	-	(12,238)	(258)	(15,179)	(2,298)	-	(29,973)
<b>Net earned premiums</b>	-	10,493	3,247	7,901	37,467	-	59,108
Investment income	1,638	79	1,529	477	1,180	-	4,903
Realised gains and losses	53	-	994	-	4,009	-	5,056
Fair value gains and losses	261	(11)	2,062	-	(2,414)	-	(102)
Fee and commission income	-	2,099	116	5,460	359	-	8,034
Other operating revenue from non-insurance businesses	16,380	-	-	-	-	-	16,380
Wakalah fee from takaful business	20,622	-	-	-	-	(20,622)	-
<b>Other revenue</b>	38,954	2,167	4,701	5,937	3,134	(20,622)	34,271
Gross benefits and claims paid	-	(14,419)	(4,119)	(10,353)	(9,642)	-	(38,533)
Claims ceded to reinsurers	-	13,204	2,000	5,312	1,806	-	22,322
Gross change to contract liabilities	-	(4,505)	(2,170)	(12,853)	-	-	(19,528)
Change in contract liabilities ceded to reinsurers	-	3,155	-	11,113	-	-	14,268
<b>Net claims</b>	-	(2,565)	(4,289)	(6,781)	(7,836)	-	(21,471)
Fee and commission expense	(14,394)	(4,487)	(465)	-	-	-	(19,346)
Management expenses	(20,343)	(1,973)	(2,134)	(382)	-	-	(24,832)
Other operating income/(expenses) - net	(3,403)	42	87	-	(1,642)	-	(4,916)
Wakalah fee payable to Shareholders' fund	-	-	-	(7,531)	(13,091)	20,622	-
Finance cost	(3,078)	-	-	-	-	-	(3,078)
<b>Other expenses</b>	(41,218)	(6,418)	(2,512)	(7,913)	(14,733)	20,622	(52,172)
Share of loss of associate companies, net of tax	(97)	-	-	-	-	-	(97)
<b>Profit/(loss) before taxation</b>	(2,361)	3,677	1,147	(856)	18,032	-	19,639
Taxation of life insurance/ family takaful funds	-	-	-	-	(186)	-	(186)
	(2,361)	3,677	1,147	(856)	17,846	-	19,453
Deficit/(surplus) retained in life insurance/family takaful funds	-	-	(1,147)	856	(17,846)	-	(18,137)
<b>Profit/(loss) before taxation</b>	(2,361)	3,677	-	-	-	-	1,316
Taxation	(448)	87	-	-	-	-	(361)
<b>Profit/(loss) for the financial period</b>	(2,809)	3,764	-	-	-	-	955

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

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

**Continuing Operations**

	Shareholders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>	15,322	13,414	4,200	20,309	42,219	-	95,464
Gross earned premium	-	13,193	2,476	20,199	41,651	-	77,519
Premium ceded to reinsurers	-	(11,018)	(399)	(12,895)	(988)	-	(25,300)
<b>Net earned premiums</b>	-	2,175	2,077	7,304	40,663	-	52,219
Investment income	465	221	1,724	110	568	-	3,088
Realised gains and losses	194	-	253	-	654	-	1,101
Fair value gains and losses	176	(7)	(1,129)	-	949	-	(11)
Fee and commission income	-	1,353	-	3,690	149	-	5,192
Other operating revenue from non-insurance businesses	14,857	-	-	-	-	-	14,857
Wakalah fee from takaful business	19,039	-	-	-	-	(19,039)	-
<b>Other revenue</b>	34,731	1,567	848	3,800	2,320	(19,039)	24,227
Gross benefits and claims paid	-	(18,780)	(3,887)	(2,002)	(4,824)	-	(29,493)
Claims ceded to reinsurers	-	15,440	2,016	1,119	993	-	19,568
Gross change to contract liabilities	-	(5,480)	(555)	(7,743)	-	-	(13,778)
Change in contract liabilities ceded to reinsurers	-	5,868	-	5,770	-	-	11,638
<b>Net claims</b>	-	(2,952)	(2,426)	(2,856)	(3,831)	-	(12,065)
Fee and commission expense	(13,261)	(2,471)	(508)	-	-	-	(16,240)
Management expenses	(16,380)	(2,683)	(2,328)	(367)	-	-	(21,758)
Other operating income/(expenses) - net	(2,660)	35	153	-	(1,064)	-	(3,536)
Wakalah fee payable to Shareholders' fund	-	-	-	(7,663)	(11,376)	19,039	-
Finance cost	(2,814)	-	-	-	-	-	(2,814)
<b>Other expenses</b>	(35,115)	(5,119)	(2,683)	(8,030)	(12,440)	19,039	(44,348)
Share of loss of associate companies, net of tax	(55)	-	-	-	-	-	(55)
<b>Profit/(loss) before taxation</b>	(439)	(4,329)	(2,184)	218	26,712	-	19,978
Taxation of life insurance/ family takaful funds	-	-	-	-	(164)	-	(164)
	(439)	(4,329)	(2,184)	218	26,548	-	19,814
Deficit/(surplus) retained in life insurance/family takaful funds	-	-	2,184	(218)	(26,548)	-	(24,582)
<b>Profit/(loss) before taxation</b>	(439)	(4,329)	-	-	-	-	(4,768)
Taxation	(230)	-	-	-	-	-	(230)
<b>Profit/(loss) for the financial period</b>	(669)	(4,329)	-	-	-	-	(4,998)

**MAA HOLDINGS BERHAD (471403-A)**  
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**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

**Discontinued Operations**

	Shareholders' fund	General fund	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>	2,146	101,651	274,424	378,221
Gross earned premium	-	94,834	210,115	304,949
Premium ceded to reinsurers	-	7,504	(835)	6,669
<b>Net earned premiums</b>	-	102,338	209,280	311,618
Investment income	2,049	6,817	64,309	73,175
Realised gains and losses	5	4,087	1,037	5,129
Fair value gains and losses	-	2,146	29,427	31,573
Fee and commission income	-	5,211	3,089	8,300
Other operating revenue from non-insurance businesses	97	-	-	97
<b>Other revenue</b>	2,151	18,261	97,862	118,274
Gross benefits and claims paid	-	(63,429)	(260,628)	(324,057)
Claims ceded to reinsurers	-	13,071	4,565	17,636
Gross change to contract liabilities	-	(16,860)	64,260	47,400
Change in contract liabilities ceded to reinsurers	-	10,284	2,436	12,720
<b>Net claims</b>	-	(56,934)	(189,367)	(246,301)
Fee and commission expense	-	(19,218)	(20,691)	(39,909)
Management expenses	(3,182)	(20,138)	(20,803)	(44,123)
Other operating income/(expenses) - net	(360)	549	254	443
Finance cost	(2)	-	-	(2)
<b>Other expenses</b>	(3,544)	(38,807)	(41,240)	(83,591)
<b>Profit/(loss)/surplus before taxation</b>	(1,393)	24,858	76,535	100,000
Taxation of life insurance fund	-	-	(12,918)	(12,918)
<b>Profit/(loss) before taxation/surplus after taxation</b>	(1,393)	24,858	63,617	87,082
Surplus retained in life insurance fund	-	-	(63,617)	(63,617)
<b>Profit/(loss) before taxation</b>	(1,393)	24,858	-	23,465
Taxation	(560)	(7,346)	-	(7,906)
<b>Profit/(loss) for the financial period</b>	(1,953)	17,512	-	15,559

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

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

**Discontinued Operations**

	Shareholders' fund	General fund	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>	2,253	132,395	309,958	444,606
Gross earned premium	-	126,569	245,563	372,132
Premium ceded to reinsurers	-	(24,454)	(2,499)	(26,953)
<b>Net earned premiums</b>	-	102,115	243,064	345,179
Investment income	1,956	5,826	64,395	72,177
Realised gains and losses	-	522	9,439	9,961
Fair value gains and losses	(33)	2,362	50,606	52,935
Fee and commission income	-	5,582	2,592	8,174
Other operating revenue from non-insurance businesses	297	-	-	297
<b>Other revenue</b>	2,220	14,292	127,032	143,544
Gross benefits and claims paid	-	(55,711)	(241,475)	(297,186)
Claims ceded to reinsurers	-	7,831	242	8,073
Gross change to contract liabilities	-	(11,601)	(47,596)	(59,197)
Change in contract liabilities ceded to reinsurers	-	2,186	(1,511)	675
<b>Net claims</b>	-	(57,295)	(290,340)	(347,635)
Fee and commission expense	-	(21,944)	(23,559)	(45,503)
Management expenses	(3,182)	(22,164)	(21,235)	(46,581)
Other operating income/(expenses) - net	(369)	(543)	36	(876)
Finance cost	(2)	-	-	(2)
<b>Other expenses</b>	(3,553)	(44,651)	(44,758)	(92,962)
<b>Profit/(loss) /surplus before taxation</b>	(1,333)	14,461	34,998	48,126
Taxation of life insurance fund	-	-	(10,238)	(10,238)
<b>Profit/(loss) before taxation/surplus after taxation</b>	(1,333)	14,461	24,760	37,888
Surplus retained in life insurance fund	-	-	(24,760)	(24,760)
<b>Profit/(loss) before taxation</b>	(1,333)	14,461	-	13,128
Taxation	(725)	(2,271)	-	(2,996)
<b>Profit/(loss) for the financial period</b>	(2,058)	12,190	-	10,132

**MAA HOLDINGS BERHAD (471403-A)**

(Incorporated in Malaysia)

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

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**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 three (3) months ended 31 March 2011, the Group's total operating revenue decreased by 9.5% to RM488.6 million (2010: RM540.1 million).

The gross earned premium of General Insurance Division decreased by 15.9% to RM117.5 million (2010: RM139.8 million), of which the continuing operations recorded an increase of 72.0% to RM22.7 million (2010: RM13.2 million) and the discontinued operations decreased by 25.1% to RM94.8 million (2010: RM126.6 million). The Life Insurance Division's gross earned premium decreased by 13.9% to RM213.6 million (2010: RM248.1 million), of which the continuing operations recorded an increase of 40.0% to RM3.5 million (2010: RM2.5 million) and the discontinued operations decreased by 14.4% to RM210.1 million (2010: RM245.6 million).

Under the takaful business, the General Takaful Division and Family Takaful Division registered gross earned contribution of RM23.1 million (2010: RM20.2 million) and RM39.8 million (2010: RM41.7 million) respectively.

Profit before taxation

The Group recorded a profit before taxation of RM24.8 million compared to a profit before taxation of RM8.4 million in the previous financial year's corresponding period.

The Shareholders' Fund recorded a loss before taxation of RM3.8 million (2010: loss before taxation of RM1.8 million).

The General Insurance Division recorded a profit before taxation of RM28.6 million (2010: profit before taxation of RM10.1 million), mainly from the local General Insurance Division which recorded a profit before taxation of RM24.9 million (2010: RM14.5 million). The improved profit of the local General Division was due mainly to higher realised gains from disposal of investments of RM4.1 million (2010: RM0.5 million), improvement in net claim ratio to 55.6% (2010: 56.1%) coupled with lower commission and management expenses.

The Life Insurance Division recorded a higher surplus of RM64.7 million (2010: surplus of RM22.6 million). The higher surplus was mainly due to increase in revenue surplus of Annuity fund by RM44.0 million of the local Life Insurance Division arising from release of reserves resulted from the tax exemption granted under Income Tax (Exemption) (No.39) Order 2005 which exempts insurance companies carrying on life insurance business from payment of income tax at statutory income level in relation to its sources of income derived from the EPF Annuity Scheme Fund with retrospective effect from 1 July 2010.

However, consistent with the prior years' practice, no profit/loss was transferred from/to the Life Insurance/Family Takaful Funds 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 31 MARCH 2011**

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**B2. COMPARISON WITH THE PRECEDING QUARTER'S RESULTS**

During the current financial quarter under review, the Group registered a higher profit before taxation of RM24.8 million (preceding quarter 2010: profit before taxation of RM7.2 million), of which continuing operation recorded a profit before taxation of RM1.3 million (preceding quarter 2010: loss before taxation of RM10.2 million) and the discontinued operations recorded a higher profit before taxation of RM23.5 million (preceding quarter 2010: profit before taxation of RM17.3 million), mainly from the local General Insurance Division.

The local General Insurance Division registered a higher profit before taxation of RM24.9 million (preceding quarter 2010: profit before taxation of RM16.1 million) due mainly to higher realised gains from disposal of investments of RM4.1 million (preceding quarter 2010: gains of RM0.8 million) and improvement in net claim ratio to 55.6% (preceding quarter 2010: 68.8%).

The higher loss before taxation by the continuing operation in the preceding financial quarter was mainly due to impairment allowance made for certain assets of the Group totaling RM10.5 million in the Shareholders' Fund.

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

**B3. PROSPECTS**

The Group expects more competition in its operating environment in terms of product innovation, distribution methods and regulatory changes anticipated in the insurance industry. Notwithstanding this, the Group will continue its efforts to implement and monitor management action plans to ensure that we are well capitalized to meet regulatory requirement and support business growth.

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.

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

**B5. TAXATION**

	<u>3 months ended 31 March</u>		<u>3 months ended 31 March</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM'000	RM'000	RM'000	RM'000
<u>CONTINUING OPERATIONS</u>				
<u>Current tax</u>				
Current financial year	424	356	424	356
Under/(over) accrual in prior financial period	(87)	(117)	(87)	(117)
	337	239	337	239
<u>Deferred tax</u>				
Current financial year	24	30	24	30
Under/(over) accrual in prior financial period	-	(39)	-	(39)
	24	(9)	24	(9)
Tax expense/(income)	361	230	361	230
<u>DISCONTINUED OPERATIONS</u>				
<u>Current tax</u>				
Current financial year	8,246	752	8,246	752
<u>Deferred tax</u>				
Current financial year	(379)	2,244	(379)	2,244
Under/(over) accrual in prior financial years	39	-	39	-
	(340)	2,244	(340)	2,244
Tax expense/(income)	7,906	2,996	7,906	2,996

For the current financial period under review, the Group's effective tax rate was higher than the statutory tax rate due to certain expenses which are not allowable for tax purposes.

**B6. UNQUOTED INVESTMENTS AND PROPERTIES**

The profit from sale of unquoted investments and investment properties by the insurance subsidiaries for the current financial quarter amounted to RM4.2 million.



**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

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**B7. QUOTED SECURITIES**

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

**B8. STATUS OF CORPORATE PROPOSALS**

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 its wholly owned subsidiary company, Malaysian Assurance Alliance Berhad ("MAA").

On 10 February 2011, an application was submitted to Bank Negara Malaysia ("BNM") to seek extension of time of 12 months till March 2012 to complete the negotiations with Zurich to meet MAA's capital plan.

On 11 April 2011, the Company announced that it had submitted an application to BNM to seek approval of the Minister of Finance pursuant to Section 67 of the Insurance Act 1996 to enter into an agreement with Zurich for the Proposed Disposal of MAA and other identified subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd for the Company's entire equity interests held therein to Zurich.

On 28 April 2011, the Company announced that BNM has vide its letter dated 27 April 2011 granted an extension of time in relation to MAA's capital plan including the proposed disposal of MAA, until 31 July 2011.

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 17 May 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>31.03.2011</u> RM'000	<u>As at</u> <u>31.12.2010</u> RM'000 (Audited)
<u>Short term</u>		
Medium term notes (unsecured)	140,000	30,000
Revolving credit (secured)	36,300	36,300
Bank overdrafts (unsecured)	9,604	9,905
	185,904	76,205
<u>Long term</u>		
Medium term notes (unsecured)	-	140,000
	185,904	216,205
Total Group Borrowings	185,904	216,205

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

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**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no financial instruments with off-balance sheet risk as at 17 May 2011 (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 17 May 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 period ended 31 March 2011.

**B13. EARNINGS PER ORDINARY SHARE**

	<u>3 months ended 31 March</u>		<u>3 months ended 31 March</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Attributable to the Owners of the Company:</u>				
Net profit/(loss) for the financial period (RM'000)				
- Continuing operations	674	(5,351)	674	(5,351)
- Discontinued operations	15,559	10,132	15,559	10,132
	<u>16,233</u>	<u>4,781</u>	<u>16,233</u>	<u>4,781</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	0.22	(1.76)	0.22	(1.76)
- Discontinued operations	5.11	3.33	5.11	3.33
	<u>5.33</u>	<u>1.57</u>	<u>5.33</u>	<u>1.57</u>

**MAA HOLDINGS BERHAD (471403-A)**

(Incorporated in Malaysia)

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

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**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 March 2011, into realised and unrealised profits or losses are as follows:

	<u>As at</u> <u>31.03.2011</u> RM'000
Total retained earnings/(accumulated losses) of the Group:	
- Realised	(137)
- Unrealised	12,722
	<hr/> 12,585
Total accumulated losses from associated companies	
- Realised	(3,777)
- Unrealised	3,002
	<hr/> (775)
	<hr/> 11,810
Less: Consolidation adjustments	(12,305)
Total Group accumulated losses as per statement of financial position	<hr/> <hr/> <u>(495)</u>

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

KUALA LUMPUR  
DATE: 23 May 2011  
File: MAAH – 1QtrNotes-310311