

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

(Incorporated in Malaysia)

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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 30 JUNE 2011**

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**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 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 period under review.

**A7. DIVIDEND PAYMENT**

There was no dividend payment by the Company during the current financial period 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 30 JUNE 2011

A8. SEGMENTAL INFORMATION

6 months period ended 30 June 2011

	Life insurance		General insurance		Shareholders' fund		Insurance		General takaful fund		Family takaful fund		Takaful Shareholders' fund		Unit trust fund management		All other segments		Total		Inter-segment elimination		Group total	
	Conti- nuing RM'000	Disconti- nued RM'000	Conti- nuing RM'000	Disconti- nued RM'000	Conti- nuing RM'000	Disconti- nued RM'000	Conti- nuing RM'000	Disconti- nued RM'000	General takaful fund RM'000	Family takaful fund RM'000	Takaful Share- holders' fund RM'000	Unit trust fund mana- gement RM'000	Conti- nuing RM'000	Disconti- nued RM'000	Conti- nuing RM'000	Disconti- nued RM'000	Total RM'000	Inter- segment elimination RM'000	Group total RM'000					
External revenue	10,252	621,233	41,572	233,879	99	4,616	57,610	85,948	2,380	22,452	11,097	308	1,091,446	-	1,091,446	-	-	1,091,446						
Revenue from other segments	-	2,031	-	170	-	-	-	-	-	-	3,340	7,114	12,655	-	12,655	(12,655)	-	1,091,446						
Total operating revenue	10,252	623,264	41,572	234,049	99	4,616	57,610	85,948	2,380	22,452	14,437	7,422	1,104,101	(12,655)	1,091,446	-	-	1,091,446						
Profit/(loss) by segments	705	61,900	2,837	46,764	(122)	3,314	4,420	26,147	2,403	3,312	(18,502)	926	134,104	4,294	138,398	-	-	138,398						
(Surplus)/deficit retained in life insurance/family takaful funds	(705)	(61,900)	-	-	-	-	(4,420)	(26,147)	-	-	-	-	(93,172)	(1,155)	(94,327)	-	-	(94,327)						
Share of loss of associated companies not included in reportable segments	-	-	2,837	46,764	(122)	3,314	-	-	2,403	3,312	(18,502)	926	40,932	3,139	44,071	(114)	-	44,071						
Profit before taxation (*)																40,818	3,139	43,957						

(\*) consist of profit before taxation from:

- continuing	RM'000
- discontinued	(3,480)
	47,437
	43,957

NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011

A8. SEGMENTAL INFORMATION (continued)

6 months period ended 30 June 2010

	Life insurance						General insurance				Shareholders' fund				Takaful			Unit trust fund management		All other segments		Inter-segment elimination		Group total				
	Continuing		Discontinued		Total		Continuing		Discontinued		Continuing		Discontinued		Total		Shareholders' fund	Family takaful fund	General takaful fund	Continuing	Discontinued	Continuing	Discontinued	Total	Inter-segment elimination	Group total		
	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	RM'000	RM'000	RM'000	RM'000	
External revenue	11,242	600,520	31,101	271,245	64	3,712	50,921	85,510	2,050	16,651	10,819	1,081	1,084,916															
Revenue from other Segments	-	1,880	-	118	-	-	-	-	-	-	3,102	6,315	1,084,916															
Total operating revenue	11,242	602,400	31,101	271,363	64	3,712	50,921	85,510	2,050	16,651	13,921	7,396	1,096,331															
Profit/(loss) by segments	(2,409)	(2,875)	(9,713)	12,786	399	3,825	(1,728)	43,380	2,230	2,523	(10,825)	956	38,549															
(Surplus)/deficit retained in life insurance/family takaful funds	2,409	2,875	-	-	-	-	1,728	(43,380)	-	-	-	-	(36,368)															
Share of loss of associated companies not included in reportable segments	-	-	(9,713)	12,786	399	3,825	-	-	2,230	2,523	(10,825)	956	2,181															
Profit before taxation (*)																												

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

- continuing	RM'000	(10,891)
- discontinued		13,134
		2,243

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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 period 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 period 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>30.06.2011</u>	<u>As at</u> <u>31.12.2010</u>
	RM'000	RM'000
Performance bonds and guarantees	<u>342,829</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"). On 24 May 2011, the matter was stayed pending the disposal of a criminal suit against an employee of MAM. The matter was further fixed for case management on 1 September 2011.

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. 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. MAM was subsequently brought in as a Third Party to the legal proceedings by the Custodian. On 24 May 2011, the matter was stayed pending the disposal of the criminal suit against an employee of MAM. The matter was further fixed for case management on 1 September 2011.

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. The matter is fixed for pre trial case management on 11 August 2011.

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

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**A12. CONTINGENCIES (continued)**

The solicitors are of the opinion that MAM has a good case against the Custodian and that the Custodian does not have a favorable case against MAM in MAA's suit. The solicitors are also of the opinion that MAM has a good defence to the case taken by KWAP against MAM. 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 2011 is as follows:

	RM'000
Approved and contracted for :	
- investment properties	<u>13,154</u>

**MAA HOLDINGS BERHAD (471403-A)**  
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**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

**A14. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY INSURANCE FUNDS AS AT 30 JUNE 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	6,863	527	1,115	-	-	8,505
Investment properties	6,496	5,105	-	-	-	11,601
Intangible assets	7,989	-	-	-	-	7,989
Investments	133,143	9,352	62,046	43,923	177,296	425,760
Financial assets held at fair value through profit of loss	7,992	23	55,289	-	96,002	159,306
Available-for-sale financial assets	96,694	1,647	5,911	43,923	39,962	188,137
Loans and receivables	28,457	7,682	846	-	41,332	78,317
Associated companies	49,290	-	-	-	-	49,290
Reinsurance assets	-	51,271	-	90,550	17,340	159,161
Insurance receivables	-	19,302	847	46,242	-	66,391
Trade and other receivables	56,053	4,107	7,280	460	4,977	72,877
Tax recoverable	2,812	-	-	-	-	2,812
Deferred tax assets	679	862	-	-	-	1,541
Cash and cash equivalents	73,505	9,400	83,695	21,197	52,496	240,293
Assets classified as held for sale	279,919	983,379	6,422,739	-	-	7,686,037
<b>Total assets</b>	<b>616,749</b>	<b>1,083,305</b>	<b>6,577,722</b>	<b>202,372</b>	<b>252,109</b>	<b>8,732,257</b>
<b>Equity, policyholders' funds and liabilities</b>						
<b>Liabilities</b>						
Insurance contract liabilities	-	118,303	111,609	130,773	218,171	578,856
Investment contract liabilities	-	-	37,444	-	-	37,444
Financial liabilities						
Borrowings						
- Medium Term Notes (secured)	140,000	-	-	-	-	140,000
- Revolving credit (secured)	36,300	-	-	-	-	36,300
- Bank overdrafts (unsecured)	9,865	-	-	-	-	9,865
Insurance payables	-	7,627	79	61,025	15,900	84,631
Trade and other payables	53,349	1,993	10,043	6,793	6,416	78,594
Current tax liabilities	217	-	44	-	885	1,146
Deferred tax liabilities	2,415	-	-	429	687	3,531
Liabilities classified as held for sale	14,902	945,543	6,452,482	-	-	7,412,927
<b>Total liabilities</b>	<b>257,048</b>	<b>1,073,466</b>	<b>6,611,701</b>	<b>199,020</b>	<b>242,059</b>	<b>8,383,294</b>
<b>Equity</b>						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	11,296	-	-	-	-	11,296
Reserves	(1,982)	-	-	-	-	(1,982)
<b>Total equity attributable to the owners of the Company</b>	<b>313,668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>313,668</b>
Minority interest	35,295	-	-	-	-	35,295
<b>Total equity</b>	<b>348,963</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>348,963</b>
<b>Total equity, policyholders' funds and liabilities</b>	<b>606,011</b>	<b>1,073,466</b>	<b>6,611,701</b>	<b>199,020</b>	<b>242,059</b>	<b>8,732,257</b>
<b>Inter-fund balances</b>	<b>10,738</b>	<b>9,839</b>	<b>(33,979)</b>	<b>3,352</b>	<b>10,050</b>	<b>-</b>

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**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

**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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**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

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

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

	30 June 2011 RM'000	31 December 2010 (Audited) RM'000
<b>Assets classified as held for sale comprise:</b>		
Property, plant and equipment	268,621	278,795
Investment properties	503,601	512,287
Intangible assets	4,435	4,595
Investments	5,832,917	5,791,497
Financial assets held at fair value through profit or loss	1,338,768	1,100,706
Available-for-sale financial assets	3,731,442	3,790,913
Loans and receivables	762,707	899,878
Reinsurance assets	257,542	222,343
Insurance receivables	94,722	77,151
Other receivables	36,876	49,938
Tax recoverable	29,534	26,936
Deferred tax assets	16,998	10,647
Cash and cash equivalents	636,856	619,275
	<u>7,682,102</u>	<u>7,593,464</u>
<b>Liabilities classified as held for sale comprise:</b>		
Insurance contract liabilities	6,348,779	6,228,001
Insurance payables	807,586	845,548
Trade and other payables	173,997	230,248
Provision for life agents' retirement benefits	2,530	2,703
Current tax liabilities	47,853	34,140
Deferred tax liabilities	22,719	10,240
Available-for-sale reserves	9,463	12,334
	<u>7,412,927</u>	<u>7,363,214</u>

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

	31 June 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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**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS  
FOR THE SECOND QUARTER ENDED 30 JUNE 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>	36,028	41,572	10,252	57,610	85,948	-	231,410
Gross earned premium	-	41,337	8,050	56,543	83,122	-	189,052
Premium ceded to reinsurers	-	(21,494)	(487)	(37,120)	(6,038)	-	(65,139)
<b>Net earned premiums</b>	-	19,843	7,563	19,423	77,084	-	123,913
Investment income	3,269	235	2,202	1,067	2,826	-	9,599
Realised gains and losses	258	(29)	3,273	-	5,616	-	9,118
Fair value gains and losses	333	(11)	1,789	-	(1,554)	-	557
Fee and commission income	-	3,279	191	11,571	940	-	15,981
Other operating revenue from non-insurance businesses	32,759	-	-	-	-	-	32,759
Wakalah fee from takaful business	45,236	-	-	-	-	(45,236)	-
<b>Other revenue</b>	81,855	3,474	7,455	12,638	7,828	(45,236)	68,014
Gross benefits and claims paid	-	(28,384)	(10,418)	(19,266)	(30,147)	-	(88,215)
Claims ceded to reinsurers	-	24,620	3,515	10,091	4,740	-	42,966
Gross change to contract liabilities	-	(4,160)	(1,703)	(17,046)	-	-	(22,909)
Change in contract liabilities ceded to reinsurers	-	(99)	-	14,946	-	-	14,847
<b>Net claims</b>	-	(8,023)	(8,606)	(11,275)	(25,407)	-	(53,311)
Fee and commission expense	(32,631)	(8,076)	(1,226)	-	-	-	(41,933)
Management expenses	(43,017)	(4,199)	(4,424)	(277)	-	-	(51,917)
Other operating income/(expenses) - net	(6,439)	22	253	-	(3,467)	-	(9,631)
Wakalah fee payable to Shareholders' fund	-	-	-	(16,089)	(29,147)	45,236	-
Finance cost	(6,175)	-	-	-	-	-	(6,175)
<b>Other expenses</b>	(88,262)	(12,253)	(5,397)	(16,366)	(32,614)	45,236	(109,656)
Share of loss of associate companies, net of tax	(114)	-	-	-	-	-	(114)
<b>Profit/(loss) before taxation</b>	(6,521)	3,041	1,015	4,420	26,891	-	28,846
Taxation of life insurance/ family takaful funds	-	-	-	-	(744)	-	(744)
	(6,521)	3,041	1,015	4,420	26,147	-	28,102
Deficit/(surplus) retained in life insurance/family takaful funds	-	-	(1,015)	(4,420)	(26,147)	-	(31,582)
<b>Profit/(loss) before taxation</b>	(6,521)	3,041	-	-	-	-	(3,480)
Taxation	(899)	87	-	-	-	-	(812)
<b>Profit/(loss) for the financial period</b>	(7,420)	3,128	-	-	-	-	(4,292)

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**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS  
FOR THE SECOND QUARTER ENDED 30 JUNE 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>	29,584	31,101	11,242	50,921	85,510	-	208,358
Gross earned premium	-	30,752	7,792	50,538	84,103	-	173,185
Premium ceded to reinsurers	-	(22,935)	(654)	(32,394)	(1,707)	-	(57,690)
<b>Net earned premiums</b>	-	7,817	7,138	18,144	82,396	-	115,495
Investment income	924	349	3,450	383	1,407	-	6,513
Realised gains and losses	785	-	94	-	1,337	-	2,216
Fair value gains and losses	3,217	(46)	(3,547)	-	710	-	334
Fee and commission income	-	3,010	418	6,845	212	-	10,485
Other operating revenue from non-insurance businesses	28,660	-	-	-	-	-	28,660
Wakalah fee from takaful business	41,204	-	-	-	-	(41,204)	-
<b>Other revenue</b>	74,790	3,313	415	7,228	3,666	(41,204)	48,208
Gross benefits and claims paid	-	(47,965)	(8,443)	(4,563)	(16,374)	-	(77,345)
Claims ceded to reinsurers	-	40,407	2,925	2,509	1,714	-	47,555
Gross change to contract liabilities	-	(3,739)	7,096	(19,910)	-	-	(16,553)
Change in contract liabilities ceded to reinsurers	-	2,075	-	11,436	-	-	13,511
<b>Net claims</b>	-	(9,222)	1,578	(10,528)	(14,660)	-	(32,832)
Fee and commission expense	(28,840)	(6,783)	(1,921)	-	-	-	(37,544)
Management expenses	(36,246)	(4,640)	(4,896)	(526)	-	-	(46,308)
Other operating income/(expenses) - net	(5,420)	39	11	-	(2,491)	-	(7,861)
Wakalah fee payable to Shareholders' fund	-	-	-	(16,046)	(25,158)	41,204	-
Finance cost	(5,638)	-	-	-	-	-	(5,638)
<b>Other expenses</b>	(76,144)	(11,384)	(6,806)	(16,572)	(27,649)	41,204	(97,351)
Share of loss of associate companies, net of tax	(61)	-	-	-	-	-	(61)
<b>Profit/(loss) before taxation</b>	(1,415)	(9,476)	2,325	(1,728)	43,753	-	33,459
Taxation of life insurance/ family takaful funds	-	-	-	-	(373)	-	(373)
	(1,415)	(9,476)	2,325	(1,728)	43,380	-	33,086
Deficit/(surplus) retained in life insurance/family takaful funds	-	-	(2,325)	1,728	(43,380)	-	(43,977)
<b>Profit/(loss) before taxation</b>	(1,415)	(9,476)	-	-	-	-	(10,891)
Taxation	(276)	-	-	-	-	-	(276)
<b>Profit/(loss) for the financial period</b>	(1,691)	(9,476)	-	-	-	-	(11,167)

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

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

**Discontinued Operations**

	Shareholders' fund	General fund	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>	4,924	233,879	621,233	860,036
Gross earned premium	-	221,556	484,065	705,621
Premium ceded to reinsurers	-	(15,290)	(5,816)	(21,106)
<b>Net earned premiums</b>	-	206,266	478,249	684,515
Investment income	4,641	12,323	137,168	154,132
Realised gains and losses	93	4,699	19,611	24,403
Fair value gains and losses	(14)	4,990	61,795	66,771
Fee and commission income	-	10,825	5,972	16,797
Other operating revenue from non-insurance businesses	283	-	-	283
<b>Other revenue</b>	5,004	32,837	224,546	262,386
Gross benefits and claims paid	-	(151,606)	(543,187)	(694,793)
Claims ceded to reinsurers	-	40,714	3,888	44,602
Gross change to contract liabilities	-	(10,023)	9,530	(493)
Change in contract liabilities ceded to reinsurers	-	3,410	2,510	5,920
<b>Net claims</b>	-	(117,505)	(527,259)	(644,764)
Fee and commission expense	-	(36,101)	(45,389)	(81,490)
Management expenses	(7,240)	(37,721)	(44,764)	(89,725)
Other operating income/(expenses) - net	(353)	2,253	(1,271)	629
Finance cost	(2)	-	-	(2)
<b>Other expenses</b>	(7,595)	(71,569)	(91,424)	(170,588)
<b>Profit/(loss)/surplus before taxation</b>	(2,592)	50,029	84,112	131,549
Taxation of life insurance fund	-	-	(21,346)	(21,346)
<b>Profit/(loss) before taxation/surplus after taxation</b>	(2,592)	50,029	62,766	110,203
Surplus retained in life insurance fund	-	-	(62,766)	(62,766)
<b>Profit/(loss) before taxation</b>	(2,592)	50,029	-	47,437
Taxation	(1,285)	(13,093)	-	(14,378)
<b>Profit/(loss) for the financial period</b>	(3,877)	36,936	-	33,059

**MAA HOLDINGS BERHAD (471403-A)**  
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**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**Discontinued Operations**

	Shareholders' fund	General fund	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>	4,793	271,245	600,520	876,558
Gross earned premium	-	258,931	470,742	729,673
Premium ceded to reinsurers	-	(48,895)	(4,903)	(53,798)
<b>Net earned premiums</b>	-	210,036	465,839	675,875
Investment income	3,707	12,314	129,778	145,799
Realised gains and losses	711	553	13,687	14,951
Fair value gains and losses	926	1,259	41,010	43,195
Fee and commission income	-	10,504	4,689	15,193
Other operating revenue from non-insurance businesses	1,086	-	-	1,086
<b>Other revenue</b>	6,430	24,630	189,164	220,224
Gross benefits and claims paid	-	(127,630)	(592,911)	(720,541)
Claims ceded to reinsurers	-	22,930	1,228	24,158
Gross change to contract liabilities	-	(36,932)	39,281	2,349
Change in contract liabilities ceded to reinsurers	-	4,163	2,359	6,522
<b>Net claims</b>	-	(137,469)	(550,043)	(687,512)
Fee and commission expense	-	(40,122)	(50,708)	(90,830)
Management expenses	(6,846)	(41,562)	(42,826)	(91,234)
Other operating income/(expenses) - net	(864)	(1,094)	(2,874)	(4,832)
Finance cost	(5)	-	-	(5)
<b>Other expenses</b>	(7,715)	(82,778)	(96,408)	(186,901)
<b>Profit/(loss) /surplus before taxation</b>	(1,285)	14,419	8,552	21,686
Taxation of life insurance fund	-	-	(15,867)	(15,867)
<b>Profit/(loss) before taxation/surplus after taxation</b>	(1,285)	14,419	(7,315)	5,819
Deficit retained in life insurance fund	-	-	7,315	7,315
<b>Profit/(loss) before taxation</b>	(1,285)	14,419	-	13,134
Taxation	(873)	(960)	-	(1,833)
<b>Profit/(loss) for the financial period</b>	(2,158)	13,459	-	11,301

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

(Incorporated in Malaysia)

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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 six (6) months ended 30 June 2011, the Group's total operating revenue increased marginally by 0.6% to RM1,091.4 million (2010: RM1,084.9 million).

The gross earned premium of General Insurance Division decreased by 9.3% to RM262.9 million (2010: RM289.7 million), of which the continuing operations recorded an increase of 34.1% to RM41.3 million (2010: RM30.8 million) and the discontinued operations decreased by 14.4% to RM221.6 million (2010: RM258.9 million). The Life Insurance Division's gross earned premium increased by 2.8% to RM492.1 million (2010: RM478.5 million), of which the continuing operations recorded an increase of 3.8% to RM8.1 million (2010: RM7.8 million) and the discontinued operations increased by 2.8% to RM484.1 million (2010: RM470.7 million).

Under the takaful business, the General Takaful Division and Family Takaful Division registered gross earned contribution of RM56.5 million (2010: RM50.5 million) and RM83.1 million (2010: RM84.1 million) respectively.

Profit before taxation

The Group recorded a higher profit before taxation of RM44.0 million for the current financial period under review (2010: profit before taxation of RM2.2 million).

The Shareholders' Fund recorded a loss before taxation of RM9.1 million (2010: loss before taxation of RM2.7 million). The lower loss before taxation in the previous financial period was mainly due to a write back of allowance for doubtful debts of RM3.0 million recorded by a non-insurance subsidiary engaged in credit business.

The General Insurance Division recorded a higher profit before taxation of RM53.0 million (2010: profit before taxation of RM4.9 million), mainly from the local General Insurance Division which recorded a profit before taxation of RM50.0 million (2010: RM14.4 million). Despite the drop in the local General Division's gross earned premium, the higher profit before taxation in the current financial period under review was due mainly to higher net gain and loss from realisation of investments and fair value changes of the investment portfolios of RM9.7 million (2010: RM1.8 million), improvement in net claim ratio to 57.0% (2010: 65.5%), coupled with lower commission and management expenses.

The Life Insurance Division recorded a higher surplus of RM63.7 million (2010: deficit of RM5.0 million). The higher surplus was mainly due to increase in revenue surplus of Annuity fund by RM49.0 million from 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

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

(Incorporated in Malaysia)

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

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

During the current financial quarter under review, the Group registered a lower profit before taxation of RM19.2 million (preceding quarter 2011: profit before taxation of RM24.8 million), of which continuing operations recorded a loss before taxation of RM4.8 million (preceding quarter 2011: profit before taxation of RM1.3 million) and the discontinued operations recorded a marginal increase in profit before taxation of RM24.0 million (preceding quarter 2011: profit before taxation of RM23.5 million), mainly from the local General Insurance Division.

The loss before taxation of RM4.8 million recorded by the continuing operations in the current financial quarter was mainly due to loss before taxation of RM0.6 million recorded by General Fund (preceding quarter 2011: profit before taxation of RM3.7 million) arising from higher incurred but non reported ("IBNR") claims provision coupled with the increase in commission expenses of takaful business 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 and distribution methods and anticipates further regulatory changes in the insurance industry. Notwithstanding this, the Group will continue its efforts to implement action plans to ensure that we will be well capitalized to meet regulatory requirement and support business growth.

Barring unforeseen circumstances, the Group expects its performance for the current financial year 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 30 JUNE 2011**

**B5. TAXATION**

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</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	396	75	820	431
Under/(over) accrual in prior financial period	5	(32)	(82)	(149)
	401	43	738	282
<u>Deferred tax</u>				
Current financial year	85	(17)	109	13
Under/(over) accrual in prior financial period	(35)	20	(35)	(19)
	50	3	74	(6)
Tax expense	451	46	812	276
<u>DISCONTINUED OPERATIONS</u>				
<u>Current tax</u>				
Current financial year	6,924	539	15,170	1,291
Under/(over) accrual in prior financial period	5	(413)	5	(413)
	6,929	126	15,175	878
<u>Deferred tax</u>				
Current financial year	(442)	(729)	(821)	1,515
Under/(over) accrual in prior financial years	(15)	(560)	24	(560)
	(457)	(1,289)	(797)	955
Tax expense/(income)	6,472	(1,163)	14,378	1,833

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 and period amounted to RM5.2 million and RM9.4 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.



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

(Incorporated in Malaysia)

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

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**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 (“MOF”) 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 (“Proposed Disposal”).

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.

On 8 June 2011, the Company announced that MOF through BNM vide its letter dated 8 June 2011 has approved the proposed disposal of its 100% equity interest in MAA for a total cash consideration of RM344.0 million to Zurich pursuant to Section 67 of the Insurance Act 1996.

On 20 June 2011, HwangDBS Investment Bank Berhad (“HwangDBS”), the Principal Adviser on behalf of the Board of Directors (“Board”) of the Company announced that the Company and its wholly-owned subsidiary, MAA Corporation Sdn Bhd (“MAA Corp”) has on the same dated entered into a conditional sale and purchase agreement (“SPA”) with Zurich in relation to the Proposed Disposal.

On 21 June 2011, HwangDBS, on behalf of the Board of the Company, announced further information pursuant to the announcement made on 20 June 2011.

On 1 August 2011, the Company announced that BNM has via its letter dated 29 July 2011 granted an extension of time in relation to MAA’s capital resolution plans including the completion of the Proposed Disposal of MAA until 30 September 2011.

On 18 August 2011, HwangDBS, on behalf of the Board of the Company, announced that the Company and MAA Corp had on 17 August 2011 entered into a side letter (“Side Letter”) with Zurich in relation to the SPA dated 20 June 2011 in respect of the Proposed Disposal.

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 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 30 JUNE 2011**

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**B9. GROUP BORROWINGS**

The Group borrowings include:

	<u>As at</u> <u>30.06.2011</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)	9,865	9,905
	<hr/> 186,165	<hr/> 76,205
<u>Long term</u>		
Medium term notes (unsecured)	-	140,000
	<hr/> 186,165	<hr/> 216,205
Total Group Borrowings	<hr/> <b>186,165</b>	<hr/> <b>216,205</b>

**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no financial instruments with off-balance sheet risk as at 18 August 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 18 August 2011 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

**B12. DIVIDEND**

The Board of Directors does not recommend the payment of any dividend for the financial period ended 30 June 2011.

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

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**B13. EARNINGS PER ORDINARY SHARE**

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</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	(5,709)	(5,926)	(5,035)	(11,277)
- Discontinued operations	17,500	1,169	33,059	11,301
	<u>11,791</u>	<u>(4,757)</u>	<u>28,024</u>	<u>24</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	(1.88)	(1.95)	(1.65)	(3.70)
- Discontinued operations	5.75	0.38	10.86	3.71
	<u>3.87</u>	<u>(1.57)</u>	<u>9.21</u>	<u>0.01</u>

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

(Incorporated in Malaysia)

**NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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 30 June 2011, into realised and unrealised profits or losses are as follows:

	<u>As at</u> <u>30.06.2011</u> RM'000
Total retained earnings of the Group:	
- Realised	14,957
- Unrealised	10,407
	<hr/> 25,364
Total accumulated losses from associated companies	
- Realised	(4,131)
- Unrealised	3,339
	<hr/> (792)
	<hr/> 24,572
Less: Consolidation adjustments	(13,276)
Total Group retained earnings as per statement of financial position	<hr/> <hr/> 11,296

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

KUALA LUMPUR  
DATE: 23 August 2011  
File: MAAH – 2QtrNotes-300611