

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

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 SEPTEMBER 2011

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.

On 30 September 2011, the Company made an early redemption of the remaining outstanding notes of RM140 million Medium Term Notes before the scheduled due date on 6 January 2011. On the same day, the Company also fully settled the outstanding revolving credit of RM30 million.

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 SEPTEMBER 2011

A8. SEGMENTAL INFORMATION

9 months period ended 30 September 2011

	Life insurance		General insurance		Shareholders' fund		Insurance		General takaful fund		Family takaful fund		Shareholders' fund		Unit trust fund management		All other segments		Total elimination		Inter-segment elimination		Group total	
	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued	General	Family	Shareholders'	Continuing	Discontinued	Continuing	Discontinued	Unit trust fund management	Continuing	Discontinued	Total	Inter-segment	Group total	Inter-segment	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
External revenue	16,293	892,522	60,171	365,343	339	7,299	7,299	88,866	122,843	3,365	3,365	3,365	3,365	3,365	31,795	17,020	1,371	1,607,227	1,607,227	-	1,607,227	-	1,607,227	
Revenue from other segments	-	3,167	-	259	-	-	-	-	-	-	-	-	-	-	-	4,734	9,932	18,092	18,092	(18,092)	-	(18,092)	-	
Total operating revenue	16,293	895,689	60,171	365,602	339	7,299	7,299	88,866	122,843	3,365	3,365	3,365	3,365	3,365	31,795	21,754	11,303	1,625,319	1,625,319	(18,092)	(18,092)	1,607,227	1,607,227	
Profit/(loss) by segments	46,770	80,760	3,600	55,444	(1,725)	5,752	5,752	6,139	33,835	1,320	1,320	1,320	1,320	1,320	4,589	(32,356)	1,773	205,901	205,901	497	497	206,398	206,398	
(Surplus)/deficit retained in life insurance/family takaful funds	3,293	(80,760)	-	-	-	-	(6,139)	(6,139)	(33,835)	-	-	-	-	-	-	-	-	(117,441)	(117,441)	(1,293)	(1,293)	(118,734)	(118,734)	
Share of profit of associated companies not included in reportable segments	50,063	-	3,600	55,444	(1,725)	5,752	-	-	-	1,320	1,320	1,320	1,320	1,320	4,589	(32,356)	1,773	88,460	88,460	(796)	(796)	87,664	87,664	
Profit before taxation (*)																		352	352	-	-	352	-	352
																		88,812	88,812	(796)	(796)	88,016	88,016	88,016

(*) consist of profit before taxation from:

- continuing	RM'000	29,303
- discontinued	58,713	
	<u>88,016</u>	

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

A8. SEGMENTAL INFORMATION (continued)

9 months period ended 30 September 2010

	Life insurance		General insurance		Shareholders' fund		Insurance		Takaful			Unit trust fund management	All other segments		Inter-segment elimination	Group total	
	Continuing RM'000	Discontinued RM'000	Continuing RM'000	Discontinued RM'000	Continuing RM'000	Discontinued RM'000	Continuing RM'000	Discontinued RM'000	General takaful fund RM'000	Family takaful fund RM'000	Shareholders' fund RM'000		General takaful fund RM'000	Continuing RM'000			Discontinued RM'000
External revenue	21,637	881,363	61,078	409,239	112	5,465			72,950	115,740	3,131	25,119	18,142	1,988	1,615,964	1,615,964	
Revenue from other Segments	-	2,968	-	192	-	-			-	-	-	-	4,679	9,541	17,380	-	
Total operating revenue	21,637	884,331	61,078	409,431	112	5,465			72,950	115,740	3,131	25,119	22,821	11,529	1,633,344	1,615,964	
Profit/(loss) by segments	(6,200)	19,933	(3,211)	35,902	649	5,352			(3,320)	41,804	2,273	3,677	(15,991)	1,894	82,762	(263)	82,499
(Surplus)/deficit retained in life insurance/family takaful funds	6,200	(19,933)	-	-	-	-			3,320	(41,804)	-	-	-	-	(52,217)	(47)	(52,264)
Share of loss of associated companies not included in reportable segments	-	-	(3,211)	35,902	649	5,352			-	-	2,273	3,677	(15,991)	1,894	30,545	(310)	30,235
Profit before taxation (*)															(653)	-	(653)
															29,892	(310)	29,582

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

	RM'000
- continuing	(6,870)
- discontinued	36,452
	<u>29,582</u>

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

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

On 30 September 2011, Malaysian Assurance Alliance Berhad (“MAA”), Multioto Services Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd, Maagnet Systems Sdn Bhd and Maagnet-SSMS Sdn Bhd, ceased to be subsidiaries of the Group after the completion of the disposal of these companies (“Disposed Subsidiaries”) to Zurich Insurance Company Ltd (“Zurich”) as stated in note B8.

A12. CONTINGENCIES

- (a) In the normal course of business, the insurance and takaful 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>30.09.2011</u>	<u>As at</u> <u>31.12.2010</u>
	RM’000	RM’000
Local insurance subsidiary (*)	-	350,295
Takaful subsidiary	17,591	13,160
Total	<u>17,591</u>	<u>363,455</u>

(*) The performance bonds and guarantees were issued by MAA. There was nil performance bonds and guarantees as at 30 September 2011 in view that MAA has been disposed on 30 September 2011 and ceased to be a subsidiary of the Company.

- (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 23 November 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.

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A12. CONTINGENCIES (continued)

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 23 November 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 28 October 2011 and 3 November 2011 with trial tentatively fixed on 5 and 6 December 2011.

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 September 2011 is as follows:

	RM'000
Approved and contracted for :	
- property, plant and equipments	<u>6,097</u>

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

A14. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY INSURANCE FUNDS AS AT 30 SEPTEMBER 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
Assets						
Property, plant and equipment	7,384	503	1,054	-	-	8,941
Investment properties	11,175	-	-	-	-	11,175
Intangible assets	8,127	-	-	-	-	8,127
Investments	129,035	4,424	48,585	49,660	174,562	406,266
Financial assets held at fair value through profit of loss	20,794	23	40,707	-	86,923	148,447
Available-for-sale financial assets	94,124	1,664	7,048	49,660	45,805	198,301
Loans and receivables	14,117	2,737	830	-	41,834	59,518
Associated companies	49,757	-	-	-	-	49,757
Reinsurance assets	-	38,190	-	94,595	24,398	157,183
Insurance receivables	-	17,622	962	36,752	-	55,336
Trade and other receivables	135,696	1,873	7,629	2,735	7,099	155,032
Tax recoverable	2,880	-	-	-	-	2,880
Deferred tax assets	683	871	-	-	-	1,554
Cash and cash equivalents	98,346	16,227	9,318	10,372	61,515	195,778
Assets classified as held for sale	3,935	-	-	-	-	3,935
Total assets	447,018	79,710	67,548	194,114	267,574	1,055,964
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance contract liabilities	-	72,823	20,685	136,971	227,037	457,516
Investment contract liabilities	-	-	34,804	-	-	34,804
Financial liabilities						
Borrowings						
- Medium Term Notes (secured)	-	-	-	-	-	-
- Revolving credit (secured)	-	-	-	-	-	-
- Bank overdrafts (unsecured)	9,390	-	-	-	-	9,390
Insurance payables	-	6,002	57	44,754	17,709	68,522
Trade and other payables	46,144	17,336	8,279	9,122	15,244	96,125
Current tax liabilities	84	-	-	-	918	1,002
Deferred tax liabilities	2,686	-	-	602	136	3,424
Liabilities classified as held for sale	-	-	-	-	-	-
Total liabilities	58,304	96,161	63,825	191,449	261,044	670,783
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	46,961	-	-	-	-	46,961
Reserves	(1,121)	-	-	-	-	(1,121)
Total equity attributable to the owners of the Company	350,194	-	-	-	-	350,194
Minority interest	34,987	-	-	-	-	34,987
Total equity	385,181	-	-	-	-	385,181
Total equity, policyholders' funds and liabilities	443,485	96,161	63,825	191,449	261,044	1,055,964
Inter-fund balances	3,533	(16,451)	3,723	2,665	6,530	-

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NOTES TO THE REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 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
Assets						
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
Total assets	621,349	1,045,437	6,587,262	144,095	201,829	8,599,972
Equity, policyholders' funds and liabilities						
Liabilities						
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
Total liabilities	267,626	1,060,719	6,591,957	152,233	207,453	8,279,988
Equity						
Share capital	304,354	-	-	-	-	304,354
Accumulated losses	(16,728)	-	-	-	-	(16,728)
Reserves	(981)	-	-	-	-	(981)
Total equity attributable to the owners of the Company	286,645	-	-	-	-	286,645
Minority interest	33,339	-	-	-	-	33,339
Total equity	319,984	-	-	-	-	319,984
Total equity, policyholders' funds and liabilities	587,610	1,060,719	6,591,957	152,233	207,453	8,599,972
Inter-fund balances	33,739	(15,282)	(4,695)	(8,138)	(5,624)	-

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A15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

	30 September 2011 RM'000	31 December 2010 (Audited) RM'000
Assets classified as held for sale comprise:		
Property, plant and equipment	-	278,795
Investment properties	-	512,287
Intangible assets	-	4,595
Investments	-	5,791,497
Financial assets held at fair value through profit or loss	-	1,100,706
Available-for-sale financial assets	-	3,790,913
Loans and receivables	-	899,878
Reinsurance assets	-	222,343
Insurance receivables	-	77,151
Other receivables	-	49,938
Tax recoverable	-	26,936
Deferred tax assets	-	10,647
Cash and cash equivalents	-	619,275
	<u>-</u>	<u>7,593,464</u>
Liabilities classified as held for sale comprise:		
Insurance contract liabilities	-	6,228,001
Insurance payables	-	845,548
Trade and other payables	-	230,248
Provision for life agents' retirement benefits	-	2,703
Current tax liabilities	-	34,140
Deferred tax liabilities	-	10,240
Available-for-sale reserves	-	12,334
	<u>-</u>	<u>7,363,214</u>

(II) OTHER ASSET HELD FOR SALE

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

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**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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
Operating revenue	52,519	60,171	16,293	88,866	122,843	-	340,692
Gross earned premium	-	59,673	13,437	87,130	118,274	-	278,514
Premium ceded to reinsurers	-	(30,415)	(614)	(58,937)	(9,214)	-	(99,180)
Net earned premiums	-	29,258	12,823	28,193	109,060	-	179,334
Investment income	5,026	498	2,856	1,736	4,569	-	14,685
Realised gains and losses	(2,082)	(29)	3,163	-	5,080	-	6,132
Fair value gains and losses	(2,414)	(11)	(3,590)	-	(9,228)	-	(15,243)
Fee and commission income	-	4,463	266	15,642	1,421	-	21,792
Other operating revenue from non-insurance businesses	47,493	-	-	-	-	-	47,493
Wakalah fee from takaful business	64,560	-	-	-	-	(64,560)	-
Other revenue	112,583	4,921	2,695	17,378	1,842	(64,560)	74,859
Gross benefits and claims paid	-	(35,041)	(15,192)	(24,912)	(39,856)	-	(115,001)
Claims ceded to reinsurers	-	27,942	3,515	13,267	9,409	-	54,133
Gross change to contract liabilities	-	(4,227)	3,114	(26,251)	-	-	(27,364)
Change in contract liabilities ceded to reinsurers	-	(578)	-	22,217	-	-	21,639
Net claims	-	(11,904)	(8,563)	(15,679)	(30,447)	-	(66,593)
Fee and commission expense	(46,671)	(12,493)	(1,714)	-	-	-	(60,878)
Management expenses	(69,679)	(6,066)	(6,827)	(235)	-	-	(82,807)
Other operating income/(expenses) - net	(7,308)	95	48,722	-	(5,402)	-	36,107
Wakalah fee payable to Shareholders' fund	-	-	-	(23,518)	(41,042)	64,560	-
Finance cost	(14,214)	-	-	-	-	-	(14,214)
Other expenses	(137,872)	(18,464)	40,181	(23,753)	(46,444)	64,560	(121,792)
Share of profit of associate companies, net of tax	352	-	-	-	-	-	352
Profit/(loss) before taxation	(24,937)	3,811	47,136	6,139	34,011	-	65,160
Taxation of life insurance/ family takaful funds	-	-	-	-	(176)	-	(176)
	(24,937)	3,811	47,136	6,139	33,835	-	65,984
Deficit/(surplus) retained in life insurance/family takaful funds	-	-	3,293	(6,139)	(33,835)	-	(36,681)
Profit/(loss) before taxation	(24,937)	3,811	50,429	-	-	-	29,303
Taxation	(1,044)	87	-	-	-	-	(957)
Profit/(loss) for the financial period	(25,981)	3,898	50,429	-	-	-	28,346

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**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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
Operating revenue	46,504	61,078	21,637	72,950	115,740	-	317,909
Gross earned premium	-	60,615	15,990	72,174	113,047	-	261,826
Premium ceded to reinsurers	-	(39,156)	(780)	(46,490)	(4,747)	-	(91,173)
Net earned premiums	-	21,459	15,210	25,684	108,300	-	170,653
Investment income	1,300	463	5,647	776	2,693	-	10,879
Realised gains and losses	2,111	-	415	-	2,159	-	4,685
Fair value gains and losses	5,282	63	361	-	4,558	-	10,264
Fee and commission income	-	5,151	462	9,694	749	-	16,056
Other operating revenue from non-insurance businesses	45,204	-	-	-	-	-	45,204
Wakalah fee from takaful business	57,644	-	-	-	-	(57,644)	-
Other revenue	111,541	5,677	6,885	10,470	10,159	(57,644)	87,088
Gross benefits and claims paid	-	(62,773)	(21,856)	(10,942)	(40,820)	-	(136,391)
Claims ceded to reinsurers	-	54,716	2,925	6,299	3,932	-	67,872
Gross change to contract liabilities	-	(3,929)	2,944	(14,831)	-	-	(15,816)
Change in contract liabilities ceded to reinsurers	-	(1,256)	-	1,919	-	-	663
Net claims	-	(13,242)	(15,987)	(17,555)	(36,888)	-	(83,672)
Fee and commission expense	(41,115)	(9,892)	(3,112)	-	-	-	(54,119)
Management expenses	(59,892)	(7,041)	(7,475)	(745)	-	-	(75,173)
Other operating income/(expenses) - net	(4,705)	162	273	-	(3,852)	-	(8,122)
Wakalah fee payable to Shareholders' fund	-	-	-	(21,174)	(36,470)	57,644	-
Finance cost	(9,169)	-	-	-	-	-	(9,169)
Other expenses	(114,881)	(16,771)	(10,314)	(21,919)	(40,322)	57,644	(146,563)
Share of loss of associate companies, net of tax	(653)	-	-	-	-	-	(653)
Profit/(loss) before taxation	(3,993)	(2,877)	(4,206)	(3,320)	41,249	-	26,853
Taxation of life insurance/ family takaful funds	-	-	-	-	555	-	555
	(3,993)	(2,877)	(4,206)	(3,320)	41,804	-	27,408
Deficit/(surplus) retained in life insurance/family takaful funds	-	-	4,206	3,320	(41,804)	-	(34,278)
Profit/(loss) before taxation	(3,993)	(2,877)	-	-	-	-	(6,870)
Taxation	(355)	-	-	-	-	-	(355)
Profit/(loss) for the financial period	(4,348)	(2,877)	-	-	-	-	(7,225)

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

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

Discontinued Operations

	Shareholders' fund	General fund	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
Operating revenue	8,670	365,343	892,522	1,266,535
Gross earned premium	-	346,873	681,317	1,028,190
Premium ceded to reinsurers	-	(38,351)	(13,893)	(52,244)
Net earned premiums	-	308,522	667,424	975,946
Investment income	7,336	18,470	211,205	237,011
Realised gains and losses	128	2,867	20,317	23,312
Fair value gains and losses	223	4,093	(56,981)	(52,665)
Fee and commission income	-	15,001	46,368	61,369
Other operating revenue from non-insurance businesses	1,334	-	-	1,334
Other revenue	9,021	40,431	220,909	270,361
Gross benefits and claims paid	-	(215,776)	(925,034)	(1,140,810)
Claims ceded to reinsurers	-	82,277	8,351	90,628
Gross change to contract liabilities	-	(42,388)	232,518	190,130
Change in contract liabilities ceded to reinsurers	-	(6,563)	688	(5,875)
Net claims	-	(182,450)	(683,477)	(865,927)
Fee and commission expense	-	(52,623)	(70,071)	(122,694)
Management expenses	(10,771)	(55,456)	(65,947)	(132,174)
Other operating income/(expenses) - net	(291)	2,332	(996)	1,045
Finance cost	(3)	-	-	(3)
Other expenses	(11,064)	(105,747)	(137,014)	(253,825)
Profit/(loss)/surplus before taxation	(2,043)	60,756	67,842	126,555
Taxation of life insurance fund	-	-	14,211	14,211
Profit/(loss) before taxation/surplus after taxation	(2,043)	60,756	82,053	140,766
Surplus retained in life insurance fund	-	-	(82,053)	(82,053)
Profit/(loss) before taxation	(2,043)	60,756	-	58,713
Taxation	(3,364)	(19,571)	-	(22,935)
Profit/(loss) for the financial period	(5,407)	41,185	-	35,778

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

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

Discontinued Operations

	Shareholders' fund	General fund	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
Operating revenue	7,453	409,239	881,363	1,298,055
Gross earned premium	-	390,356	681,821	1,072,177
Premium ceded to reinsurers	-	(78,501)	(8,908)	(87,409)
Net earned premiums	-	311,855	672,913	984,768
Investment income	5,507	18,883	199,542	223,932
Realised gains and losses	717	1,117	16,639	18,473
Fair value gains and losses	952	4,275	130,699	135,926
Fee and commission income	-	15,085	10,166	25,251
Other operating revenue from non-insurance businesses	1,946	-	-	1,946
Other revenue	9,122	39,360	357,046	405,528
Gross benefits and claims paid	-	(200,001)	(873,723)	(1,073,724)
Claims ceded to reinsurers	-	38,193	3,898	42,091
Gross change to contract liabilities	-	(21,210)	22,273	1,063
Change in contract liabilities ceded to reinsurers	-	(16,934)	1,699	(15,235)
Net claims	-	(199,952)	(845,853)	(1,045,805)
Fee and commission expense	-	(55,265)	(73,926)	(129,191)
Management expenses	(10,094)	(56,922)	(63,333)	(130,349)
Other operating income/(expenses) - net	(848)	(798)	(2,950)	(4,596)
Finance cost	(6)	-	-	(6)
Other expenses	(10,948)	(112,985)	(140,209)	(264,142)
Profit/(loss) /surplus before taxation	(1,826)	38,278	43,897	80,349
Taxation of life insurance fund	-	-	(25,911)	(25,911)
Profit/(loss) before taxation/surplus after taxation	(1,826)	38,278	17,986	54,438
Deficit retained in life insurance fund	-	-	(17,986)	(17,986)
Profit/(loss) before taxation	(1,826)	38,278	-	36,452
Taxation	(871)	(8,242)	-	(9,113)
Profit/(loss) for the financial period	(2,697)	30,036	-	27,339

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

**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 nine (9) months ended 30 September 2011, the Group's total operating revenue decreased marginally by 0.5% to RM1,607.2 million (2010: RM1,616.0 million).

The gross earned premium of General Insurance Division decreased by 9.8% to RM406.6 million (2010: RM451.0 million), of which the continuing operations recorded a marginal decrease of 1.5% to RM59.7 million (2010: RM60.6 million) and the discontinued operations decreased by 11.1% to RM346.9 million (2010: RM390.4 million). The Life Insurance Division's gross earned premium decreased marginally by 0.4% to RM694.7 million (2010: RM697.8 million), of which the continuing operations recorded a decrease of 16.2% to RM13.4 million (2010: RM16.0 million) and the discontinued operations decreased marginally by 0.1% to RM681.3 million (2010: RM681.8 million).

Under the takaful business, the General Takaful Division and Family Takaful Division registered gross earned contribution of RM87.1 million (2010: RM72.2 million) and RM118.3 million (2010: RM113.0 million) respectively.

Profit before taxation

The Group recorded a higher profit before taxation of RM88.0 million for the current financial period under review (2010: profit before taxation of RM29.6 million).

The Shareholders' Fund recorded a higher loss before taxation of RM26.9 million (2010: loss before taxation of RM5.8 million). The higher loss before taxation in the current financial period was mainly due to higher management expenses and finance cost, coupled with fair value loss on investments.

The Shareholders' Fund also recorded a loss of RM2.5 million upon completion of the sale of Disposed Subsidiaries on 30 September 2011. The loss has not included the potential profit arising from the following:

- (i) the amount of RM69.7 million held back from the sale consideration of RM344 million to address certain issues relating to the satisfaction and fulfillment of certain conditions precedent in the Conditional Sale and Purchase Agreement ("SPA"). The Company is given two (2) years from 30 September 2011 to fulfill the conditions precedent for the release of the held back amount;
- (ii) the adjustment to the sale consideration equal to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 determined in accordance with the accounts to be drawn up based on terms of the SPA ("Adjustment to Consideration"). The Adjustment to Consideration shall be finalized within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless dispute arises which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA.

The General Insurance Division recorded a higher profit before taxation of RM64.6 million (2010: profit before taxation of RM35.4 million), mainly from the local General Insurance Division which recorded a profit before taxation of RM60.8 million (2010: profit before taxation of RM38.3 million). Despite of 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 from realisation of investments and fair value changes of the investment portfolios of RM7.0 million (2010: RM5.4 million), improvement in net claim ratio to 59.1% (2010: 64.1%), coupled with lower commission and management expenses.

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

B1. REVIEW OF GROUP PERFORMANCE (continued)

The Life Insurance Division recorded a higher surplus of RM129.2 million (2010: surplus of RM13.8 million). The higher surplus was mainly due to increase in revenue surplus of Annuity fund from the local Life Insurance Division arising from release of reserves of RM49.0 million 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; coupled with the net gain of RM48.3 million recorded by the Labuan based offshore insurance subsidiary arising from commutation of life reinsurance treaties during the current financial period.

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, except for the transfer of net profit of RM50.4 million from the Life fund (except investment-linked fund) of the Labuan based offshore insurance subsidiary in view that the life reinsurance treaties had been commuted in July 2011.

B2. COMPARISON WITH THE PRECEDING QUARTER'S RESULTS

During the current financial quarter under review, the Group registered a higher profit before taxation of RM44.1 million (preceding quarter 2011: profit before taxation of RM19.2 million), of which continuing operations recorded a profit before taxation of RM32.8 million (preceding quarter 2011: loss before taxation of RM4.8 million) and the discontinued operations recorded a decrease in profit before taxation of RM11.3 million (preceding quarter 2011: profit before taxation of RM24.0 million).

The profit before taxation of RM32.8 million recorded by the continuing operations in the current financial quarter was mainly due to net gain of RM48.3 million recorded by the Labuan based offshore insurance subsidiary arising from commutation of life reinsurance treaties.

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, except for the transfer of net profit of RM50.4 million from the Life fund (except investment-linked fund) of the Labuan based offshore insurance subsidiary in view that the Life fund (except investment-linked fund) of the Labuan based offshore insurance subsidiary in view that the life reinsurance treaties had been commuted in July 2011.

B3. PROSPECTS

Upon completion of the disposal of MAA, the Company has become an affected listed issuer pursuant to PN17 of the Listing Requirements. In accordance with the Listing Requirements, the Company has approximately another eleven (11) months to submit its Regularisation Plan to the authorities for approval to uplift itself from the PN17 status. It is the Board's intention to maintain the listing status of the Company. The Group will continue to focus on the development of its existing businesses, in particular its takaful and unit trust funds management and to accelerate the future growth of these businesses.

B4. PROFIT FORECAST

This note is not applicable.

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

B5. TAXATION

	<u>3 months ended</u>		<u>9 months ended</u>	
	<u>30 September</u>		<u>30 September</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	190	368	1,010	799
Under/(over) accrual in prior financial period	(23)	(175)	(105)	(324)
	167	193	905	475
<u>Deferred tax</u>				
Current financial year	(22)	(114)	87	(101)
Under/(over) accrual in prior financial period	-	-	(35)	(19)
	(22)	(114)	52	(120)
Tax expense	145	79	957	355
<u>DISCONTINUED OPERATIONS</u>				
<u>Current tax</u>				
Current financial year	9,961	571	25,131	1,862
Under/(over) accrual in prior financial period	1	(65)	6	(478)
	9,962	506	25,137	1,384
<u>Deferred tax</u>				
Current financial year	(1,405)	6,774	(2,226)	8,289
Under/(over) accrual in prior financial years	-	-	24	(560)
	(1,405)	6,774	(2,202)	7,729
Tax expense/(income)	8,557	7,280	22,935	9,113

For the current financial period under review, the Group's effective tax rate was lower than the statutory tax rate mainly due to the net gain of RM48.3 million recorded by the Labuan based offshore insurance subsidiary arising from commutation of treaty life reinsurance arrangements is subject to lower tax. Under the Labuan Business Activity Tax Act, 1990, the tax charge is computed at the lower of 3% of profit before taxation or RM20,000 upon election.

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 RM10.1 million and RM19.5 million respectively.

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

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.

B8. STATUS OF CORPORATE PROPOSALS

(a) 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, 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.

On 22 September 2011, HwangDBS, on behalf of the Board of the Company, announced that the Proposed Disposal was approved by the Shareholders at the Extraordinary General meeting which was held on the same day. The Shareholders had also approved the proposed change of name of MAA Holdings Berhad to MAA Group Berhad.

On 30 September 2011, HwangDBS, on behalf of the Board of the Company, announced that the Proposed Disposal had been completed.

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

B8. STATUS OF CORPORATE PROPOSALS (continued)

(b) On 30 September 2011, the Company announced that it became an affected listed issuer pursuant to Practice Note 17 (“PN17”) of the Listing Requirements whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of MAA.

Nonetheless, the Company did not triggered any of the other prescribed criteria under PN17 of the Listing Requirements, such as consolidated shareholders’ equity of 25% or less of the issued and paid up share capital, a default in payment by the Group, the auditors having expressed adverse or disclaimer opinion on the Company’s latest audited accounts etc.

As an affected listed issuer, the Company is required pursuant to paragraph 4.1 of the PN 17 of the Listing Requirements to announce details of the regularisation plan.

On 31 October 2011, the Company announced that it is in the midst of formulating a regularization plan to regularize its financial condition (“Regularisation Plan”) and that an announcement will be made once a Regularisation plan has been finalized. The Company has approximately another eleven (11) months to submit its Regularisation Plan to the authorities for approval.

(c) On 11 October 2011, the Company announced that it has changed its name to “MAA Group Berhad”.

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 15 November 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>30.09.2011</u> RM’000	<u>As at</u> <u>31.12.2010</u> RM’000 (Audited)
<u>Short term</u>		
Medium term notes (unsecured)	-	30,000
Revolving credit (secured)	-	36,300
Bank overdrafts (unsecured)	9,390	9,905
	<hr/> 9,390	<hr/> 76,205
<u>Long term</u>		
Medium term notes (unsecured)	-	140,000
Total Group Borrowings	<hr/> 9,390	<hr/> 216,205

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off-balance sheet risk as at 15 November 2011 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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

B11. MATERIAL LITIGATION

There were no material litigations as at 15 November 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 September 2011.

B13. EARNINGS PER ORDINARY SHARE

	<u>3 months ended</u>		<u>9 months ended</u>	
	<u>30 September</u>		<u>30 September</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	32,946	3,621	27,911	(7,656)
- Discontinued operations	2,719	16,038	35,778	27,339
	<u>35,665</u>	<u>19,659</u>	<u>63,689</u>	<u>19,683</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	10.83	1.19	9.16	(2.51)
- Discontinued operations	0.89	5.27	11.76	8.98
	<u>11.72</u>	<u>6.46</u>	<u>20.92</u>	<u>6.47</u>

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

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

	<u>As at</u> <u>30.09.2011</u> RM'000
Total retained earnings of the Group:	
- Realised	82,229
- Unrealised	(3,905)
	<hr/> 78,324
Total accumulated losses from associated companies	
- Realised	(3,567)
- Unrealised	3,241
	<hr/> (326)
	<hr/> 77,998
Less: Consolidation adjustments	(31,037)
Total Group retained earnings as per statement of financial position	<hr/> <hr/> 46,961

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

KUALA LUMPUR
DATE: 21 November 2011
File: MAAH – 3QtrNotes-300911