

MAA GROUP BERHAD (471403-A)
(Formerly known as MAA HOLDINGS BERHAD)
(Incorporated in Malaysia)

NOTES TO THE REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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 Group's audited annual financial statements for the financial year ended 31 December 2010.

The accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those adopted for the audited 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 interim 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 FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011

A4. EXTRAORDINARY ITEMS

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

A5. CHANGE IN ACCOUNTING ESTIMATES

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

A6. DEBT AND EQUITY SECURITIES

On 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 year under review.

A7. DIVIDEND PAYMENT

There was no dividend payment by the Company during the current financial year 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.

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A8. SEGMENTAL INFORMATION (continued)

12 months period ended 31 December 2010 (Audited)

	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	Unit trust fund management RM'000	Continuing RM'000	Discontinued RM'000		
External revenue	28,924	1,264,641	87,179	547,633	128	8,053	100,762	161,243	4,372	33,709	26,423	997	2,264,064		2,264,064	
Revenue from other Segments	-	3,882	-	268	-	-	-	-	-	-	6,439	13,863	(24,452)		-	
Total operating revenue	28,924	1,268,523	87,179	547,901	128	8,053	100,762	161,243	4,372	33,709	32,862	14,860	2,288,516	(24,452)	2,264,064	
Profit/(loss) by segments	(7,656)	59,439	13,917	49,702	(436)	6,569	(5,845)	65,951	4,941	5,341	(46,906)	1,564	146,581	9,771	156,352	
(Surplus)/deficit retained in life insurance/family takaful funds	(251)	(59,439)	-	-	-	-	5,845	(62,551)	-	-	-	-	(116,396)	(2,687)	(119,083)	
	(7,907)	-	13,917	49,702	(436)	6,569	-	3,400	4,941	5,341	46,906	1,564	30,185	7,084	37,269	
Share of loss of associated companies not included in reportable segments															(380)	
Profit before taxation (*)															29,805	36,889

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

	RM'000
- continuing	(13,399)
- discontinued	50,288
	<u>36,889</u>

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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 were revalued in the previous financial year by independent professional valuers and were assessed during the current financial year for purposes of impairment. The effects of that assessment, if any, have been recorded in the income statement.

A10. MATERIAL SUBSEQUENT EVENTS

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

A11. CHANGES IN COMPOSITION OF THE GROUP

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>31.12.2011</u>	<u>As at</u> <u>31.12.2010</u>
	RM'000	RM'000
Local insurance subsidiary ^(*)	-	350,295
Takaful subsidiary	19,077	13,160
Total	<u>19,077</u>	<u>363,455</u>

^(*) The performance bonds and guarantees were issued by MAA. There were 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 fixed for case management on 6 December 2011. On 6 December 2011, the matter was further fixed for case management on 12 January 2012.

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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. 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 fixed for case management on 6 December 2011. On 6 December 2011, the matter was further fixed for case management on 12 January 2012.

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. On 5 December 2011, the matter was fixed for mediation on 30 January 2012.

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 defense 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 31 December 2011 is as follows:

	Group RM'000
Property, plant and equipments :	
- Approved and contracted for	4,197
- Approved and not contracted for	3,251

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A14. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY INSURANCE FUNDS AS AT 31 DECEMBER 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	9,955	492	697	-	-	11,144
Investment properties	11,175	-	-	-	-	11,175
Intangible assets	8,475	-	-	-	-	8,475
Investments	114,228	4,330	36,226	55,418	215,666	425,868
Financial assets held at fair value through profit of loss	21,581	22	30,165	-	122,813	174,581
Available-for-sale financial assets	82,440	3,702	5,246	55,418	51,018	197,824
Loans and receivables	10,207	606	815	-	41,835	53,463
Associated companies	50,912	-	-	-	-	50,912
Reinsurance assets	-	29,954	-	100,773	32,132	162,859
Insurance receivables	-	21,952	766	72,093	-	94,811
Trade and other receivables	210,451	1,210	16,749	544	2,500	231,454
Tax recoverable	2,803	583	-	-	-	3,386
Deferred tax assets	654	321	-	-	-	975
Cash and cash equivalents	101,856	16,087	9,937	6,910	43,255	178,045
Assets classified as held for sale	1,589	-	-	-	-	1,589
Total assets	512,098	74,929	64,375	235,738	293,553	1,180,693
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance contract liabilities	-	68,872	23,520	141,546	251,271	485,209
Investment contract liabilities	-	-	32,049	-	-	32,049
Financial liabilities						
Borrowings						
- Medium Term Notes (secured)	-	-	-	-	-	-
- Revolving credit (secured)	-	-	-	-	-	-
- Bank overdrafts (unsecured)	9,232	-	-	-	-	9,232
Insurance payables	-	7,379	149	79,880	19,521	106,929
Trade and other payables	48,549	18,649	11,626	7,749	2,483	89,056
Current tax liabilities	302	92	35	-	1,048	1,477
Deferred tax liabilities	2,272	-	295	568	1,006	4,141
Liabilities classified as held for sale	-	-	-	-	-	-
Total liabilities	60,355	94,992	67,674	229,743	275,329	728,093
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	114,014	-	-	-	-	114,014
Reserves	(2,376)	-	-	-	-	(2,376)
Total equity attributable to the owners of the Company	415,992	-	-	-	-	415,992
Minority interest	36,608	-	-	-	-	36,608
Total equity	452,600	-	-	-	-	452,600
Total equity, policyholders' funds and liabilities	517,955	94,992	67,674	229,743	275,329	1,180,693
Inter-fund balances	(857)	(20,063)	(3,299)	5,995	18,224	-

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	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

	31 December 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 December 2011 RM'000	31 December 2010 (Audited) RM'000
Property, plant and equipment	<u>1,589</u>	<u>3,935</u>

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**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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	69,891	80,231	18,695	126,879	170,221	-	465,917
Gross earned premium	-	79,549	15,873	124,471	163,751	-	383,644
Premium ceded to reinsurers	-	(41,472)	(844)	(92,353)	(12,927)	-	(147,596)
Net earned premiums	-	38,077	15,029	32,118	150,824	-	236,048
Investment income	7,634	682	2,822	2,408	6,470	-	20,016
Realised gains and losses	86,022	(29)	3,760	50	5,633	-	95,436
Fair value gains and losses	(12,521)	(11)	(4,317)	-	1,551	-	(15,298)
Fee and commission income	-	6,826	353	23,539	1,938	-	32,656
Other operating revenue from non-insurance businesses	62,257	-	-	-	-	-	62,257
Wakalah fee from takaful business	90,713	-	-	-	-	(90,713)	-
Other revenue	234,105	7,468	2,618	25,997	15,592	(90,713)	195,067
Gross benefits and claims paid	-	(42,371)	(21,163)	(32,509)	(51,362)	-	(147,405)
Claims ceded to reinsurers	-	33,092	3,515	17,938	13,418	-	67,963
Gross change to contract liabilities	-	(9,125)	55,281	(24,122)	-	-	22,034
Change in contract liabilities ceded to reinsurers	-	1,691	-	21,376	-	-	23,067
Net claims	-	(16,713)	37,633	(17,317)	(37,944)	-	(34,341)
Fee and commission expense	(67,348)	(17,418)	(2,074)	-	-	-	(86,840)
Management expenses	(96,065)	(10,819)	(9,838)	(168)	-	-	(116,890)
Other operating income/(expenses) - net	(7,490)	470	836	-	(7,965)	-	(14,149)
Wakalah fee payable to Shareholders' fund	-	-	-	(33,663)	(57,050)	90,713	-
Finance cost	(14,468)	-	-	-	-	-	(14,468)
Other expenses	(185,371)	(27,767)	(11,076)	(33,831)	(65,015)	90,713	(232,347)
Share of profit of associate companies, net of tax	41	-	-	-	-	-	41
Profit before taxation	48,775	1,065	44,204	6,967	63,457	-	164,468
Taxation of life insurance/ family takaful funds	-	-	196	-	(903)	-	(707)
	48,775	1,065	44,400	6,967	62,554	-	163,761
Surplus retained in life insurance/family takaful funds	-	-	(786)	(6,967)	(56,154)	-	(63,907)
Profit before taxation	48,775	1,065	43,614	-	6,400	-	99,854
Taxation	(2,305)	(341)	-	-	-	-	(2,646)
Zakat	(188)	-	-	-	-	-	(188)
Profit for the financial year	46,282	724	43,614	-	6,400	-	97,020

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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	64,632	87,179	28,924	100,762	161,243	-	442,740
Gross earned premium	-	86,591	21,061	99,521	157,434	-	364,607
Premium ceded to reinsurers	-	(53,251)	(1,195)	(65,698)	(5,332)	-	(125,476)
Net earned premiums	-	33,340	19,866	33,823	152,102	-	239,131
Investment income	6,025	588	7,863	1,241	3,809	-	19,526
Realised gains and losses	2,659	-	428	-	3,178	-	6,265
Fair value gains and losses	(7,186)	544	1,674	-	8,262	-	3,294
Fee and commission income	-	8,176	-	15,187	773	-	24,136
Other operating revenue from non-insurance businesses	58,607	-	-	-	-	-	58,607
Wakalah fee from takaful business	79,809	-	-	-	-	(79,809)	-
Other revenue	139,914	9,308	9,965	16,428	16,022	(79,809)	111,828
Gross benefits and claims paid	-	(83,591)	(27,710)	(15,498)	(49,484)	-	(176,283)
Claims ceded to reinsurers	-	74,508	12,355	7,794	5,057	-	99,714
Gross change to contract liabilities	-	20,066	(8,363)	(37,257)	-	-	(25,554)
Change in contract liabilities ceded to reinsurers	-	(16,398)	-	17,795	-	-	1,397
Net claims	-	(5,415)	(23,718)	(27,166)	(44,427)	-	(100,726)
Fee and commission expense	(57,815)	(14,239)	(4,022)	-	-	-	(76,076)
Management expenses	(87,214)	(8,991)	(9,664)	(109)	-	-	(105,978)
Other operating income/(expenses) - net	(6,747)	386	789	-	(5,636)	-	(11,208)
Wakalah fee payable to Shareholders' fund	-	-	-	(28,821)	(50,988)	79,809	-
Finance cost	(11,853)	-	-	-	-	-	(11,853)
Other expenses	(163,629)	(22,844)	(12,897)	(28,930)	(56,624)	79,809	(205,115)
Share of loss of associate companies, net of tax	(380)	-	-	-	-	-	(380)
Profit/(loss) before taxation	(24,095)	14,389	(6,784)	(5,845)	67,073	-	44,738
Taxation of life insurance/ family takaful funds	-	-	(58)	-	(1,122)	-	(1,180)
	(24,095)	14,389	(6,842)	(5,845)	65,951	-	43,558
Deficit/(surplus) retained in life insurance/family takaful funds	-	-	(251)	5,845	(62,551)	-	(56,957)
Profit/(loss) before taxation	(24,095)	14,389	(7,093)	-	3,400	-	(13,399)
Taxation	7,971	(39)	-	-	-	-	7,932
Zakat	(180)	-	-	-	-	-	(180)
Profit/(loss) for the financial year	(16,304)	14,350	(7,093)	-	3,400	-	(5,647)

MAA GROUP BERHAD (471403-A)
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NOTES TO THE REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011

**A16. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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	(2)	-	-	(2)
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 year	(5,407)	41,185	-	35,778

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NOTES TO THE REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011

**A16. AUDITED CONDENSED CONSOLIDATED INCOME STATEMENT BY INSURANCE FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

Discontinued Operations

	Shareholders' fund	General fund	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
Operating revenue	9,050	547,633	1,264,641	1,821,324
Gross earned premium	-	521,732	995,851	1,517,583
Premium ceded to reinsurers	-	(108,520)	(18,974)	(127,494)
Net earned premiums	-	413,212	976,877	1,390,089
Investment income	8,114	25,901	268,790	302,805
Realised gains and losses	717	1,895	39,787	42,399
Fair value gains and losses	928	8,751	164,069	173,748
Fee and commission income	-	20,008	13,003	33,011
Other operating revenue from non-insurance businesses	936	-	-	936
Other revenue	10,695	56,555	485,649	552,899
Gross benefits and claims paid	-	(268,504)	(1,360,483)	(1,628,987)
Claims ceded to reinsurers	-	52,974	(2,268)	50,706
Gross change to contract liabilities	-	(39,272)	182,278	143,006
Change in contract liabilities ceded to reinsurers	-	(14,978)	4,034	(10,944)
Net claims	-	(269,780)	(1,176,439)	(1,446,219)
Fee and commission expense	-	(71,991)	(98,108)	(170,099)
Management expenses	(14,763)	(77,637)	(84,314)	(176,714)
Other operating income/(expenses) - net	(1,136)	5,141	(5,354)	(1,349)
Finance cost	(8)	-	-	(8)
Other expenses	(15,907)	(144,487)	(187,776)	(348,170)
Profit/(loss) /surplus before taxation	(5,212)	55,500	98,311	148,599
Taxation of life insurance fund	-	-	(36,185)	(36,185)
Profit/(loss) before taxation/surplus after taxation	(5,212)	55,500	62,126	112,414
Deficit retained in life insurance fund	-	-	(62,126)	(62,126)
Profit/(loss) before taxation	(5,212)	55,500	-	50,288
Taxation	(1,319)	(13,305)	-	(14,624)
Profit/(loss) for the financial year	(6,531)	42,195	-	35,664

NOTES TO THE REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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 twelve (12) months ended 31 December 2011, the Group's total operating revenue decreased by 23.5% to RM1,732.4 million (2010: RM2,264.0 million), of which the continuing operations recorded an increase of 5.2% to RM465.9 million (2010: RM442.7 million) and the discontinued operations recorded a decrease of 30.5% to RM1,266.5 million (2010: RM1,821.3 million).

Under conventional insurance business, the General Insurance Division recorded a 29.9% decrease in total gross earned premium to RM426.4 million (2010: RM608.3 million), of which the continuing operations recorded a decrease of 8.1% to RM79.5 million (2010: RM86.6 million) and the discontinued operations recorded a decrease of 33.5% to RM346.9 million (2010: RM521.7 million). The Life Insurance Division's gross earned premium decreased by 31.4% to RM697.2 million (2010: RM1,017.0 million), of which the continuing operations recorded a decrease of 24.6% to RM15.9 million (2010: RM21.1 million) and the discontinued operations recorded a decrease of 31.6% to RM681.3 million (2010: RM995.9 million).

The lower operating revenue and gross earned premiums of the conventional General and Life Insurance Divisions of the Group for the current financial year arose mainly from the discontinued operations where only nine (9) months results ended 30 September 2011 of the Disposed Subsidiaries following completion of the sale to Zurich was included for the current financial year ended 31 December 2011, compared to full year results in 2010.

Under the takaful business, the General Takaful Division recorded a 25.1% increase in total gross earned contribution to RM124.5 million (2010: RM99.5 million) whilst the Family Takaful Division registered a 4.1% increase in total gross earned contribution to RM163.8 million (2010: RM157.4 million).

The unit trust fund management recorded a 19.0% increase in operating revenue to RM40.1 million (2010: RM33.7 million).

Profit before taxation

The Group recorded a higher profit before taxation of RM158.6 million for the current financial year under review (2010: RM36.9 million).

Under the conventional insurance business, the General Insurance Division recorded a profit before taxation of RM61.9 million (2010: RM69.9 million), of which the continuing operations recorded a profit before taxation of RM1.1 million (2010: RM14.4 million) and the discontinued operations recorded a profit before taxation of RM60.8 million (2010: RM55.5 million). The general reinsurance treaties of the Labuan based offshore insurance subsidiary was commuted in July 2011, this commutation has resulted in lower profit to the continuing operations. The higher profit recorded by the discontinued operations was mainly due to improvement in net claim ratio to 59.1% (Full year 2010: 65.3%).

The Life Insurance Division registered a profit before taxation of RM43.6 million (2010: loss before taxation of RM7.1 million) wholly from the overseas and Labuan based offshore insurance subsidiary companies. This profit arose mainly from full release of insurance contract liabilities of RM48.3 million by the Labuan based offshore insurance subsidiary subsequent to commutation of the life reinsurance treaties during the current financial year.

NOTES TO THE REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011

B1. REVIEW OF GROUP PERFORMANCE (continued)

The Shareholders' Fund recorded a profit before taxation of RM46.8 million (2010: loss before taxation of RM29.3 million). This profit included a gain on disposal of RM83.2 million (net of selling expenses) ("Disposal Gain") from the sale of the Disposed Subsidiaries. This Disposal Gain included a subsequent upward adjustment of RM86.0 million to the sale consideration of RM344.0 based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries received from Zurich on 30 December 2011 (please refer to note B.6 (a) for details of post disposal consideration adjustment). Notwithstanding this, the Company has not included the potential profit of RM69.7 million held back from the sale consideration of RM344.0 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.

Under the takaful business, the General Takaful Fund turnaround from a loss before taxation of RM5.8 million in 2010 to a profit before taxation to RM7.0 million in 2011. The profit was contributed by 25.1% increase in gross earned contribution of RM124.5 million (2010: RM99.5 million) and also improvement in net claim ratio to 60.8% (2010: 80.3%). The Family Takaful Fund recorded a profit before taxation of RM6.4 million (2010: RM3.4 million). The higher profit was mainly due to increase in retakaful for medical product to 80% which required lower insurance contract liabilities reserves.

During the current financial year under review, the unit trust fund management recorded a marginal increase in profit before taxation from RM2.2 million in 2010 to RM2.5 million in 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 RM70.6 million (preceding quarter 2011: profit before taxation of RM44.1 million), mainly due to a gain of RM85.6 million taken up for the sale of the Disposed Subsidiaries arising from a subsequent upward adjustment of RM86.0 million to the sale consideration of RM344.0 million as explained in note B1 above.

Also for the current financial quarter/year under review, there was a surplus of RM6.4 million (2010: RM3.3 million) transferred from the Family Takaful Fund to the Shareholders' Fund.

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 seven (7) 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 via self regularization plan. Meanwhile, the Group will continue to focus on the development of its existing businesses, in particular its takaful and unit trust fund management and to accelerate the future growth of these businesses.

B4. PROFIT FORECAST

This note is not applicable.

NOTES TO THE REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011

B5. TAXATION

	<u>3 months ended</u>		<u>12 months ended</u>	
	<u>31 December</u>		<u>31 December</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	698	178	1,708	977
Under/(over) accrual in prior financial quarter/year	7	(44)	(98)	(368)
	705	134	1,610	609
<u>Deferred tax</u>				
Current financial year	984	(8,420)	1,071	(8,521)
Under/(over) accrual in prior financial quarter/year	0	(1)	(35)	(20)
	984	(8,421)	1,036	(8,541)
Tax expense/(income)	1,689	(8,287)	2,646	(7,932)
<u>DISCONTINUED OPERATIONS</u>				
<u>Current tax</u>				
Current financial year	-	11,559	25,131	13,421
Under/(over) accrual in prior financial quarter/year	-	(107)	6	(585)
	-	11,452	25,137	12,836
<u>Deferred tax</u>				
Current financial year	-	(6,431)	(2,226)	1,858
Under/(over) accrual in prior financial quarter/year	-	490	24	(70)
	-	(5,941)	(2,203)	1,788
Tax expense/(income)	-	5,511	22,935	14,624

For the current financial year under review, the Group's effective tax rate was lower than the statutory tax rate mainly due to certain income/gain which are not subject to tax.

NOTES TO THE REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011

B6. 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 FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011

B6. STATUS OF CORPORATE PROPOSALS (continued)

Under the terms of the SPA, there is an adjustment to the sale consideration of RM344.0 million 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 ("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 Adjustment to Consideration conditions had been stated accordingly in the Circular to Shareholders dated 29 August 2011.

On 30 December 2011 based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries received from Zurich, there is an upward adjustment of RM86.0 million to the sale consideration of RM344 million. The upward adjustment of RM86.0 million equals 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 prepared by Zurich as provided under the terms of the SPA.

On 17 February 2012, the Company has submitted a notification of disputes ("Dispute Notification") to Zurich to disagree certain downward adjustments made to the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries. Should there be positive adjustments to the draft completion accounts and statement of aggregate net assets of the Disposed Subsidiaries arising from the Dispute Notification, there will be further upward adjustment to the sale consideration in addition to the said RM86.0 million.

- (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, 30 November 2011, 30 December 2011 and 2 February 2012, the Company announced that it is still 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. On 10 February 2012, the Company further clarify that the intention is to undertake and formulate a self regularization plan which will not result in a significant change in the business direction or policies of the Group. The Company has approximately another eight (8) 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 16 February 2012 (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 FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011

B7. GROUP BORROWINGS

The Group borrowings include:

	<u>As at</u> <u>31.12.2011</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)	9,232	9,905
	<hr/> 9,232	<hr/> 76,205
<u>Long term</u>		
Medium term notes (unsecured)	-	140,000
Total Group Borrowings	<hr/> 9,232	<hr/> 216,205

B8. MATERIAL LITIGATION

There were no material litigations as at 16 February 2012 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B9. DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the financial year ended 31 December 2011.

B10. EARNINGS PER ORDINARY SHARE

	<u>3 months ended</u> <u>31 December</u>		<u>12 months ended</u> <u>31 December</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 quarter /year (RM'000)				
- Continuing operations	67,053	(543)	94,964	(8,199)
- Discontinued operations	-	8,325	35,778	35,664
	<hr/> 67,053	<hr/> 7,782	<hr/> 130,742	<hr/> 27,465
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	22.03	(0.18)	31.19	(2.69)
- Discontinued operations	-	2.74	11.76	11.72
	<hr/> 22.03	<hr/> 2.56	<hr/> 42.95	<hr/> 9.03

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NOTES TO THE REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011

B11. 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, into realised and unrealised profits or losses are as follows:

	<u>As at</u> <u>31.12.2011</u>	<u>As at</u> <u>31.12.2010</u> <u>(Audited)</u>
	RM'000	RM'000
Total retained earnings/(accumulated losses) of the Group:		
- Realised	129,183	(19,313)
- Unrealised	6,993	13,463
	<u>136,176</u>	<u>(5,850)</u>
Total accumulated losses from associated companies		
- Realised	(5,253)	(3,692)
- Unrealised	4,616	3,014
	<u>(637)</u>	<u>(678)</u>
	<u>135,539</u>	<u>(6,528)</u>
Less: Consolidation adjustments	(21,525)	(10,200)
Total Group retained earnings /(accumulated losses) as per statement of financial position	<u>114,014</u>	<u>(16,728)</u>

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

KUALA LUMPUR
 DATE: 23 February 2012
 File: MAAH – 4QtrNotes-311211