

MANULIFE INSURANCE (MALAYSIA) BERHAD

Interim financial statements for the six months period ended 30 June 2008

Notes to the Interim Financial Statements

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard (“FRS”) 134, “Interim Financial Reporting” and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2007.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following revised Financial Reporting Standards (“FRS”) and new IC Interpretations effective for the financial period beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effect of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members’ Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Right to Interests arising from Decommissioning, Restoration and Similar Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 (2004) – Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

Effective date of FRS 139 Financial Instruments: Recognition and Measurement has been deferred and has not been adopted by the Group.

The adoption of the above FRS, amendment to FRS and IC Interpretations does not have significant financial impact to the Group.

3. Status of audit qualification

There was no audit qualification in the annual financial statements for the financial year ended 31 December 2007.

MANULIFE INSURANCE (MALAYSIA) BERHAD

Interim financial statements for the six months period ended 30 June 2008

Notes to the Interim Financial Statements

4. Seasonal/cyclical factors

The business operations of the Group are subject to the sales cycle of the insurance business.

5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period ended 30 June 2008.

6. Change in estimates

There were no changes in the basis used for accounting estimates for the current financial period to date.

7. Debt and equity securities

There were no cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period.

8. Dividends

A first and final dividend of 18 sen and a special dividend of 10 sen, less 26% tax respectively, amounting to RM41,824,241 (representing a total of 20.72 sen net per share) for the financial year ended 31 December 2007 was paid on 4 June 2008.

No dividend has been declared in respect of the current financial period ended 30 June 2008.

9. Valuations of land and buildings and investment properties

Land and buildings of the Group and the Company were revalued in 2002 and 2005 for General and Shareholders' Fund, and in 2005 for Life Fund based on open market values of the properties on the existing use basis carried out by independent qualified valuers. The valuation of these properties was adopted by the directors on 31 December 2002 and 31 December 2005 for General and Shareholders' fund and 31 December 2005 for Life Fund after approval by BNM.

In 2007, the Group and the Company carried out a valuation of the properties based on the existing use basis carried out by an independent qualified valuer. Based on the valuation, the directors are of the opinion that the latest market values do not differ significantly from the existing carrying amounts, hence no adjustments have been made in the financial statements.

10. Material events subsequent to the end of the period

There is no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial period to date.

11. Changes in composition of the Group

As disclosed in note 23, the Company on 28 April 2008 had acquired a wholly-owned subsidiary, Manulife Insurance Berhad at a purchase price of RM 2.00.

The Company on 4 June 2008 had acquired a wholly-owned subsidiary, Manulife Asset Management (Malaysia) Sdn. Bhd. at a purchase price of RM 2.00.

MANULIFE INSURANCE (MALAYSIA) BERHAD

Interim financial statements for the six months period ended 30 June 2008

Notes to the Interim Financial Statements

12. Contingent liabilities

There were no contingent liabilities as at the date of this report since the last annual balance sheet date.

13. Current year prospects

The Group is undertaking numerous initiatives to strengthen the top line contributions from our distribution channels while ensuring healthy and sustainable growth. The Group will proactively improve operational infrastructure, develop human talent and introduce innovative products to support growth plans. The Group will continue to adopt pragmatic and prudent measures in expense management. With these plans, we expect the Group to remain competitive in the life insurance industry and to grow in tandem with industry performance. Barring any unforeseen circumstances, the Directors expect the Group's performance to remain satisfactory in the remaining period for financial year ending 31 December 2008.

14. Profit forecast

The Group did not issue any profit forecast during the financial period to date.

15. Segmental reporting

The core business of the Group and Company is the life insurance business. The life insurance business is segmented into the traditional ordinary life business, investment-linked and annuity. The results of these various segments are set out as follows:

	3 months ended		Cumulative 6 months ended	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
	RM'000	RM'000	RM'000	RM'000
Operating Revenue				
Gross premium				
Ordinary Life Participating	47,945	48,002	82,946	83,039
Ordinary Life Non Participating	21,378	22,076	42,375	44,206
Investment-Linked	36,584	32,589	79,512	60,610
Total gross premium	<u>105,907</u>	<u>102,667</u>	<u>204,833</u>	<u>187,855</u>
Investment Income				
Ordinary Life Participating	20,727	21,028	42,069	39,046
Ordinary Life Non Participating	5,089	5,199	10,630	10,438
Investment-Linked	261	282	591	520
Annuity Participating	1,905	2,019	3,862	3,892
Life Insurance business	<u>27,982</u>	<u>28,528</u>	<u>57,152</u>	<u>53,896</u>
General and Shareholders' fund	5,031	4,503	9,480	8,543
Total investment income	<u>33,013</u>	<u>33,031</u>	<u>66,632</u>	<u>62,439</u>
Total operating revenue	<u>138,920</u>	<u>135,698</u>	<u>271,465</u>	<u>250,294</u>

MANULIFE INSURANCE (MALAYSIA) BERHAD

Interim financial statements for the six months period ended 30 June 2008

Notes to the Interim Financial Statements

15. Segmental reporting (Continued)

	3 months ended		Cumulative 6 months ended	
	<u>30.06.2008</u>	<u>30.06.2007</u>	<u>30.06.2008</u>	<u>30.06.2007</u>
	RM'000	RM'000	RM'000	RM'000
Profit before taxation				
Ordinary Life Participating	3,726	2,737	6,360	4,609
Ordinary Life Non Participating	7,264	16,125	17,453	30,078
Investment-Linked	2,794	3,147	6,346	6,492
Annuity Participating	41	21	150	74
Life Insurance business	<u>13,825</u>	<u>22,030</u>	<u>30,309</u>	<u>41,253</u>
General and Shareholders' fund	4,003	16,197	9,804	22,505
Profit before taxation	<u>17,828</u>	<u>38,227</u>	<u>40,113</u>	<u>63,758</u>
Taxation	<u>(4,155)</u>	<u>(8,790)</u>	<u>(9,592)</u>	<u>(15,753)</u>
Net profit attributable to shareholders	<u>13,673</u>	<u>29,437</u>	<u>30,521</u>	<u>48,005</u>

Information on the Group's operations by geographical segments has not been provided as the Group operates principally in Malaysia.

16. Review of performance

The Group recorded operating revenue of RM271.5 million for the period ended 30 June 2008, an increase of 8.46% or RM21.2 million compared to the corresponding financial period ended 30 June 2007 of RM250.3 million. This was attributed to the rise in gross premium income of RM17.0 million, contributed mainly by investment-linked business.

The Group's operating revenue for the current quarter ended 30 June 2008 of RM138.9 million was 2.4% higher compared to RM135.7 million for the preceding year's corresponding quarter. The increase was also mainly due to the rise in the gross premium income of RM3.2 million, contributed mainly by investment-linked business.

The Group's profit before taxation was RM40.1 million for the current financial period, RM23.7 million lower compared to the corresponding financial period ended 30 June 2007 of RM63.8 million. The decrease was mainly due to lower realised capital gain in shareholders' fund and life fund. Correspondingly, the Group's profit after taxation was RM17.5 million lower than the previous corresponding financial period.

For the current quarter ended 30 June 2008, the profit before taxation for the Group amounted to RM17.8 million, RM20.4 million lower compared to RM38.2 million for the preceding year's corresponding quarter. The decrease was mainly due to lower realised capital gain.

17. Material changes in the quarterly results compared to the results of preceding quarter

The Group attained lower profit before tax of RM17.8 million for the current quarter under review compared to the immediate preceding quarter ended 31 March 2008 of RM22.3 million. The decrease of RM4.5 million is mainly due to lower realised capital gain in shareholders' fund and lower surplus transferred from the ordinary life businesses.

MANULIFE INSURANCE (MALAYSIA) BERHAD

Interim financial statements for the six months period ended 30 June 2008

Notes to the Interim Financial Statements

18. Other operating (expense) / income - net

Included in other operating (expense) / income - net was realised gain on disposal of investments during the financial period:

	3 months ended		Cumulative 6 months ended	
	<u>30.06.2008</u>	<u>30.06.2007</u>	<u>30.06.2008</u>	<u>30.06.2007</u>
	RM'000	RM'000	RM'000	RM'000
Realised gain on disposal of investment:				
Ordinary Life Participating	4,876	43,339	40,888	79,725
Ordinary Life Non Participating	1,102	6,933	4,689	13,205
Investment-Linked	-	8	3	120
Annuity Participating	759	6,317	3,680	12,892
Life Insurance Business	<u>6,737</u>	<u>56,597</u>	<u>49,260</u>	<u>105,942</u>
Shareholders and Others	203	11,902	2,431	14,452
Total realised gain	<u>6,940</u>	<u>68,499</u>	<u>51,691</u>	<u>120,394</u>

19. Net premium

Included in the net premium were first year, renewal year and single premium net of reinsurance during the financial period:

	3 months ended		Cumulative 6 months ended	
	<u>30.06.2008</u>	<u>30.06.2007</u>	<u>30.06.2008</u>	<u>30.06.2007</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	15,111	14,406	31,387	25,513
Renewal year premium	85,463	80,951	155,958	148,253
Single premium	3,773	6,176	15,060	12,136
Total	<u>104,347</u>	<u>101,533</u>	<u>202,405</u>	<u>185,902</u>

MANULIFE INSURANCE (MALAYSIA) BERHAD

Interim financial statements for the six months period ended 30 June 2008

Notes to the Interim Financial Statements

20. Taxation

	<u>30.06.2008</u>	<u>3 months ended 30.06.2007</u>	<u>30.06.2008</u>	<u>Cumulative 6 months ended 30.06.2007</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Current tax	4,228	10,125	9,173	17,000
- Deferred tax	(73)	204	419	292
	<u>4,155</u>	<u>10,329</u>	<u>9,592</u>	<u>17,292</u>
In respect of prior periods :				
Over provision in respect of prior periods	-	(1,539)	-	(1,539)
	<u>4,155</u>	<u>8,790</u>	<u>9,592</u>	<u>15,753</u>
Effective Tax Rate	23.31%	27.0%	23.9%	27.1%

The effective tax rates of the Group for the current quarter and current financial period was lower than the statutory tax rate of 26%, principally due to the tax set off allowed by Section 110B of the Income Tax Act, 1967.

The effective tax rates of the Group for the corresponding quarter and the corresponding financial period approximate the statutory tax rate of 27%.

21. Loss on sale of unquoted investments and / or properties

There was no sale of unquoted investments and / or properties during the current quarter.

The Company has disposed two investment properties from Life fund in the current financial period. This has given rise to a realised loss of RM6,390 in the Life Insurance Revenue Account for the current financial period.

22. Quoted securities

The information on the purchase and disposal of quoted securities is not applicable to insurance business.

23. Status of corporate proposals

- i) On 21 November 2007, Aseambankers Malaysia Berhad ("Aseam"), on behalf of the Company announced that the Company proposed to undertake an internal restructuring exercise ("Proposed Internal Restructuring") which involves the following:
 - (a) Proposed Newco Incorporation;
 - (b) Proposed Business Transfer; and
 - (c) Proposed Name Change.

MANULIFE INSURANCE (MALAYSIA) BERHAD

Interim financial statements for the six months period ended 30 June 2008

Notes to the Interim Financial Statements

23. Status of corporate proposals (Continued)

The Proposed Internal Restructuring is conditional upon the approvals or confirmation (as the case may be) of the following:

- (a) Securities Commission ("SC");
- (b) Securities Commission (Equity Compliance Unit) ("ECU");
- (c) Bank Negara Malaysia ("BNM");
- (d) High Court;
- (e) Shareholders of the Company; and
- (f) Any other relevant authorities/parties.

Aseam, on behalf of the Company, had on 21 January 2008, submitted the applications in relation to the Proposed Internal Restructuring to the relevant authorities for approval.

SC and ECU have vide its letter dated 22 February 2008 approved the proposed issuance of two (2) new Newco Shares to the Company pursuant to the Proposed Business Transfer. The approval of the SC is subject to the following conditions:

- (a) The Company is to fully comply with any condition(s) that may be imposed by BNM; and
- (b) Aseam or the Company is to inform SC upon completion of the Proposed Internal Restructuring.

The Ministry of Finance had via BNM's letter dated 24 March 2008 approved the Proposed Internal Restructuring which involves, amongst others:

- (a) The Proposed Business Transfer pursuant to Part XI of the Insurance Act, 1996 and accordingly, the Company is allowed to hold the entire issued and paid-up share capital of Newco; and
- (b) The granting of licence to Newco under Section 16(2) of the Insurance Act, 1996 as a life insurer and the cancellation of the Company's life insurance business licence upon confirmation of the Proposed Business Transfer by the High Court.

In the same letter, BNM also stated, subject to the fulfillment of the conditions set out therein, it had no objections to, amongst others, the following:

- (a) Proposed Incorporation of Newco;
- (b) Proposed Business Transfer;
- (c) Proposed cash subscription by the Company of new Newco Shares to be issued at par equivalent to RM150 million which is expected to be completed concurrently with the Proposed Business Transfer; and
- (d) Proposed Name Change.

In the Extraordinary General Meeting held on 23 April 2008, the shareholders of the Company have approved the proposed name change and proposed amendments to the objects in the Memorandum of Association of the Company for the purpose of this restructuring exercise.

MANULIFE INSURANCE (MALAYSIA) BERHAD

Interim financial statements for the six months period ended 30 June 2008

Notes to the Interim Financial Statements

23. Status of corporate proposals (Continued)

The Company on 28 April 2008 had acquired the entire issued and paid-up capital of Manulife Insurance Berhad ("Newco") at a purchase consideration of RM2.00. Consequent thereto, Newco became a wholly-owned subsidiary company of Manulife.

The principal activities of Manulife Insurance Berhad are to carry on the business of life insurance and investment holding.

The Company had, on 30 April 2008, signed the Business Transfer and Restructuring Agreement with Manulife Insurance Berhad under Part XI of the Insurance Act, 1996.

The High Court of Malaya at Kuala Lumpur ("High Court") had, on 14 August 2008, granted an order ("Order") for, amongst others, the following:

- the confirmation of the transfer of the Life Insurance Business (as defined under the Business Transfer and Restructuring Agreement ("BTA") dated 30 April 2008) from Manulife to its wholly owned subsidiary, Manulife Insurance Berhad ("MIB") and the vesting of the Life Insurance Business in MIB pursuant to Section 128 of the Insurance Act, 1996 ("Proposed Transfer"); and
- the Proposed Transfer to take effect on and from the Effective Date (as defined under the BTA), and become binding on Manulife, MIB and all other persons affected by the Proposed Transfer.

A copy of the BTA, as confirmed by the High Court, will be lodged by Manulife together with other relevant documents with Bank Negara Malaysia in accordance with Section 138 of the Insurance Act, 1996.

- ii) The Company on 4 June 2008 had acquired the entire issued and paid-up capital of Manulife Asset Management (Malaysia) Sdn. Bhd. ("AMCO") at a purchase consideration of RM2.00. Consequent thereto, AMCO became a wholly-owned subsidiary company of Manulife.

The principal activities of AMCO are to manage funds and provide investment and fund management, to provide business, financial, taxation and economic research, market and credit investigation and to carry on financial and economic consultation business for capital investments.

24. Group borrowings

The Group does not have any borrowings as at 30 June 2008.

25. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this report.

26. Material litigation

There were no material litigation at the date of this report.

MANULIFE INSURANCE (MALAYSIA) BERHAD

Interim financial statements for the six months period ended 30 June 2008

Notes to the Interim Financial Statements

27. Earnings per share

(a) Basic earnings per share

Basic earnings per share of the Group are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

		3 months ended		Cumulative 6 months ended	
		<u>30.06.2008</u>	<u>30.06.2007</u>	<u>30.06.2008</u>	<u>30.06.2007</u>
Net profit attributable to shareholders	(RM'000)	13,673	29,437	30,521	48,005
Weighted average number of ordinary shares in issue	('000)	<u>202,370</u>	<u>202,370</u>	<u>202,370</u>	<u>202,370</u>
Basic earnings per share	(Sen)	<u>6.76</u>	<u>14.55</u>	<u>15.08</u>	<u>23.72</u>

(b) Diluted earnings per share

There is no dilution in earnings per share as there are no dilutive potential ordinary shares as at 30 June 2008.

28. Life policyholders' fund

The Life policyholders' fund comprises the following:

	As at <u>30.06.2008</u> RM'000	As at <u>31.12.2007</u> RM'000
Actuarial liabilities	1,687,865	1,648,975
Unallocated surplus	414,924	374,319
Investment-Linked policyholders' account	<u>209,193</u>	<u>211,578</u>
Life policyholders' fund	<u>2,311,982</u>	<u>2,234,872</u>

MANULIFE INSURANCE (MALAYSIA) BERHAD

Interim financial statements for the six months period ended 30 June 2008

Notes to the Interim Financial Statements

29. Cash and cash equivalents

The cash and cash equivalents comprise the following:

	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
Shareholders and others	6,188	6,701
Non Investment-Linked business	16,979	13,536
Investment-Linked business	158	692
	<u>23,325</u>	<u>20,929</u>

BY ORDER OF THE BOARD

Chua Siew Chuan
Joint Secretary
27 August 2008

Tan Ai Ning
Joint Secretary