

MANULIFE HOLDINGS BERHAD

(FORMERLY KNOWN AS MANULIFE INSURANCE (MALAYSIA) BERHAD)

Interim financial statements for the nine months period ended 30 September 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.

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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 September 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 September 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.

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11. Changes in composition of the Group

- i) The Company on 28 April 2008 had acquired the entire issued and paid-up capital of Manulife Insurance Berhad ("MIB") of 4 ordinary shares at a purchase price of RM 2.00. Consequent thereto, MIB became a wholly-owned subsidiary company of the Company.

On 30 September 2008, the Company has increased its investment in MIB by 300,000,000 ordinary shares of RM0.50 for a total consideration of RM150,000,000.00.

- ii) The Company on 4 June 2008 had acquired the entire issued and paid-up capital of Manulife Asset Management (Malaysia) Sdn. Bhd. ("MAMSB") of 2 ordinary shares at a purchase consideration of RM2.00. Consequent thereto, MAMSB became a wholly-owned subsidiary company of the Company.

The principal activities of MAMSB 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.

On 4 September 2008, the Company has increased its investment in MAMSB by 2,499,998 ordinary shares of RM1.00 for a total consideration of RM2,499,998.00.

- iii) The Company on 21 October 2008 had acquired the entire issued and paid-up capital of Manulife Unit Trusts Berhad ("MUTB") of 2 ordinary shares at a purchase consideration of RM2.00. Consequent thereto, MUTB became a wholly-owned subsidiary company of Manulife.

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.

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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 9 months ended	
	<u>30.09.2008</u> RM'000	<u>30.09.2007</u> RM'000	<u>30.09.2008</u> RM'000	<u>30.09.2007</u> RM'000
Operating Revenue				
Gross premium				
Ordinary Life Participating	46,828	46,899	129,774	129,938
Ordinary Life Non Participating	21,142	22,287	63,517	66,493
Investment-Linked	98,341	41,791	177,853	102,401
Total gross premium	<u>166,311</u>	<u>110,977</u>	<u>371,144</u>	<u>298,832</u>
Investment Income				
Ordinary Life Participating	22,615	21,977	64,684	61,023
Ordinary Life Non Participating	5,321	5,658	15,951	16,096
Investment-Linked	314	277	905	797
Annuity Participating	2,015	2,145	5,877	6,037
Life Insurance business	<u>30,265</u>	<u>30,057</u>	<u>87,417</u>	<u>83,953</u>
General and Shareholders' fund	4,657	4,817	14,137	13,360
Total investment income	<u>34,922</u>	<u>34,874</u>	<u>101,554</u>	<u>97,313</u>
Total operating revenue	<u>201,233</u>	<u>145,851</u>	<u>472,698</u>	<u>396,145</u>
Profit before taxation				
Ordinary Life Participating	3,902	2,947	10,262	7,556
Ordinary Life Non Participating	(293)	11,411	17,160	41,489
Investment-Linked	(1,375)	3,277	4,971	9,769
Annuity Participating	51	24	201	98
Life Insurance business	<u>2,285</u>	<u>17,659</u>	<u>32,594</u>	<u>58,912</u>
General and Shareholders' fund	1,717	5,018	11,521	27,523
Profit before taxation	<u>4,002</u>	<u>22,677</u>	<u>44,115</u>	<u>86,435</u>
Taxation	<u>(1,040)</u>	<u>(6,085)</u>	<u>(10,632)</u>	<u>(21,838)</u>
Net profit attributable to shareholders	<u>2,962</u>	<u>16,592</u>	<u>33,483</u>	<u>64,597</u>

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

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16. Review of performance

The Group recorded operating revenue of RM472.7 million for the period ended 30 September 2008, an increase of 19.3% or RM76.6 million compared to the corresponding financial period ended 30 September 2007 of RM396.1 million. This was attributed to the rise in gross premium income of RM72.3 million, contributed mainly by investment-linked business.

The Group's operating revenue for the current quarter ended 30 September 2008 of RM201.2 million was 38.0% higher compared to RM145.9 million for the preceding year's corresponding quarter. The increase was also mainly due to the rise in the gross premium income of RM55.3 million, contributed mainly by investment-linked business.

The Group's profit before taxation was RM44.1 million for the current financial period, RM42.3 million lower compared to the corresponding financial period ended 30 September 2007 of RM86.4 million. The decrease was mainly due to provision for unrealized loss on investment in shareholders' fund and life fund. Correspondingly, the Group's profit after taxation was RM31.1 million lower than the previous corresponding financial period.

For the current quarter ended 30 September 2008, the profit before taxation for the Group amounted to RM4.0 million, RM18.7 million lower compared to RM22.7 million for the preceding year's corresponding quarter. The decrease was mainly due to provision for unrealized loss on investment.

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

The Group attained lower profit before tax of RM4.0 million for the current quarter under review compared to the immediate preceding quarter ended 30 June 2008 of RM17.8 million. The decrease of RM13.8 was mainly due to the provision made for unrealized loss on investments.

18. 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 9 months ended	
	<u>30.09.2008</u>	<u>30.09.2007</u>	<u>30.09.2008</u>	<u>30.09.2007</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	76,737	17,812	108,124	43,325
Renewal year premium	87,206	80,774	243,164	229,026
Single premium	1,272	11,072	16,332	23,209
Total	<u>165,215</u>	<u>109,658</u>	<u>367,620</u>	<u>295,560</u>

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19. Taxation

	3 months ended		Cumulative 9 months ended	
	<u>30.09.2008</u>	<u>30.09.2007</u>	<u>30.09.2008</u>	<u>30.09.2007</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Current tax	2,134	6,174	11,307	23,174
- Deferred tax	(1,323)	3	(904)	295
	<u>811</u>	<u>6,177</u>	<u>10,403</u>	<u>23,469</u>
In respect of prior periods :				
Under / (Over) provision in respect of prior periods	<u>229</u>	<u>(92)</u>	<u>229</u>	<u>(1,631)</u>
	<u>1,040</u>	<u>6,085</u>	<u>10,632</u>	<u>21,838</u>
Effective Tax Rate	20.3%	27.2%	23.6%	27.2%

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 were higher than the statutory tax rate of 27%, principally due to certain management expenses that are not deductible for tax purposes.

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

The Company has disposed 2 investment properties from Shareholders' fund in the current quarter. This has given rise to a realized gain of RM146,588.

The Company has disposed 4 investment properties in the current financial period. This has given rise to a realised loss of RM6,390 in the Life Insurance Revenue Account and realized gain of RM146,588 in the Shareholders' fund account for the current financial period.

21. Quoted securities

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

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22. 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.

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 Ministry of Finance had via BNM’s letter dated 24 March 2008 approved the Proposed Internal Restructuring.

The Company on 28 April 2008 had acquired the entire issued and paid-up capital of Manulife Insurance Berhad (“MIB”) of 4 ordinary shares at a purchase consideration of RM2.00. Consequent thereto, Newco became a wholly-owned subsidiary company of Manulife Insurance (Malaysia) Berhad (“Manulife”).

The Minister of Finance had, via BNM’s letter dated 29 September 2008, granted a license to Manulife Insurance Berhad to carry on life insurance business.

MIB is a wholly-owned subsidiary of Manulife and was incorporated to facilitate the Proposed Internal Restructuring. With effect from 1 October 2008, the entire Life Insurance Business will be transferred from Manulife to MIB whilst Manulife will be an investment holding company and will remain listed on the Main Board of Bursa Malaysia Securities Berhad.

The Company changed it’s name from Manulife Insurance (Malaysia) Berhad to Manulife Holdings Berhad (“Manulife”) with effect from 3 October 2008.

23. Group borrowings

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

24. Off balance sheet financial instruments

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

25. Material litigation

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

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26. 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 9 months ended	
		<u>30.09.2008</u>	<u>30.09.2007</u>	<u>30.09.2008</u>	<u>30.09.2007</u>
Net profit attributable to shareholders	(RM'000)	2,962	16,592	33,483	64,597
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>1.46</u>	<u>8.20</u>	<u>16.54</u>	<u>31.92</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 September 2008.

27. Life policyholders' fund

The Life policyholders' fund comprises the following:

	<u>As at 30.09.2008</u> RM'000	<u>As at 31.12.2007</u> RM'000
Actuarial liabilities	1,694,691	1,648,975
Unallocated surplus	343,541	374,319
Investment-Linked policyholders' account	<u>255,534</u>	<u>211,578</u>
Life policyholders' fund	<u>2,293,766</u>	<u>2,234,872</u>

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28. Cash and cash equivalents

The cash and cash equivalents comprise the following:

	As at 30.09.2008 RM'000	As at 31.12.2007 RM'000
Shareholders and others	6,685	6,701
Non Investment-Linked business	34,649	13,536
Investment-Linked business	548	692
	<u>41,882</u>	<u>20,929</u>

BY ORDER OF THE BOARD

Chua Siew Chuan
Joint Secretary
26 November 2008

Tan Ai Ning
Joint Secretary