

MANULIFE HOLDINGS BERHAD

(FORMERLY KNOWN AS MANULIFE INSURANCE (MALAYSIA) BERHAD)

Interim financial statements for the twelve months period ended 31 December 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 financial year ended 31 December 2007.

2. Changes in accounting policies

(a) Standards and amendments to published standards that are applicable to the Group

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2007 except for the adoption of the following revised Financial Reporting Standards ("FRS") and amendments to published standards effective for the financial period beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
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

The adoption of the above FRS and amendments to FRS does not have significant financial impact to the Group.

(b) Standards, amendments to published standards and interpretations to existing standards that are not yet effective

<u>FRS / Interpretation</u>	<u>Effective date</u>
FRS 8, Operating Segments	1 July 2009
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

The Group will adopt the abovementioned FRS / Interpretation from the annual period beginning on 1 January 2010.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRS. The initial application of the other standards (and its consequential amendments) and interpretations above is not expected to have any material impact to the financial statements of the Group.

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3. Status of audit qualification

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

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 31 December 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 RM41,834,809 (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 31 December 2008.

9. Valuations of land and buildings and investment properties

Land and buildings and investment properties of the Group are revalued in 2008 for Shareholders' Fund and 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 2008 for Shareholders' fund and Life Fund.

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 RM2.00. 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.

- 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.

- 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 the Company.

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 its 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, the Directors 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 for the financial year ending 31 December 2009.

14. Profit forecast

The Group did not issue any profit forecast during the financial year 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 12 months ended	
	<u>31.12.2008</u>	<u>31.12.2007</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
	RM'000	RM'000	RM'000	RM'000
Operating Revenue				
Gross premium				
Ordinary Life Participating	56,395	57,511	186,169	187,449
Ordinary Life Non Participating	24,444	25,483	87,961	91,976
Investment-Linked	51,667	61,324	229,520	163,725
Total gross premium	<u>132,506</u>	<u>144,318</u>	<u>503,650</u>	<u>443,150</u>
Investment Income				
Ordinary Life Participating	21,563	20,013	86,247	81,036
Ordinary Life Non Participating	5,238	5,401	21,189	21,497
Investment-Linked	313	295	1,218	1,092
Annuity Participating	1,963	1,915	7,840	7,952
Life Insurance business	<u>29,077</u>	<u>27,624</u>	<u>116,494</u>	<u>111,577</u>
Shareholders' fund	4,247	4,559	18,384	17,919
Total investment income	<u>33,324</u>	<u>32,183</u>	<u>134,878</u>	<u>129,496</u>
Computer consultancy and programming service rendered	-	360	-	360
Total operating revenue	<u>165,830</u>	<u>176,861</u>	<u>638,528</u>	<u>573,006</u>
Profit before taxation				
Ordinary Life Participating	5,160	7,553	15,422	15,109
Ordinary Life Non Participating	5,740	9,627	22,900	51,116
Investment-Linked	3,962	4,114	8,933	13,883
Annuity Participating	70	167	271	265
Life Insurance business	<u>14,932</u>	<u>21,461</u>	<u>47,526</u>	<u>80,373</u>
Shareholders' fund	2,009	6,449	13,530	33,972
Profit before taxation	<u>16,941</u>	<u>27,910</u>	<u>61,056</u>	<u>114,345</u>
Taxation	<u>(3,421)</u>	<u>(7,486)</u>	<u>(14,053)</u>	<u>(29,324)</u>
Net profit attributable to shareholders	<u>13,520</u>	<u>20,424</u>	<u>47,003</u>	<u>85,021</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 RM638.5 million for the period ended 31 December 2008, an increase of 11.4% or RM65.5 million compared to the corresponding financial period ended 31 December 2007 of RM573.0 million. This was attributed to the rise in gross premium income of RM60.5 million, contributed mainly by the investment-linked business.

The Group's operating revenue for the current quarter ended 31 December 2008 of RM165.8 million was 6.2% lower compared to RM176.9 million for the preceding year's corresponding quarter. The decrease was mainly due to the decrease in the gross premium income of RM11.8 million.

The Group's profit before taxation was RM61.0 million for the current financial period, RM53.3 million lower compared to the corresponding financial period ended 31 December 2007 of RM114.3 million. The decrease was mainly due to the provision made for unrealized loss on investments in the Shareholders' Fund and Life Fund. Correspondingly, the Group's profit after taxation was RM38.0 million lower than the previous corresponding financial period.

For the current quarter ended 31 December 2008, the profit before taxation for the Group amounted to RM16.9 million, RM11.0 million lower compared to RM27.9 million for the preceding year's corresponding quarter. The decrease was mainly due to the provision made for unrealized loss on investments.

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

The Group attained higher profit before tax of RM16.9 million for the current quarter under review compared to the immediate preceding quarter ended 30 September 2008 of RM4.0 million. The increase of RM12.9 million was mainly due to the lower 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 year:

	3 months ended		Cumulative 12 months ended	
	<u>31.12.2008</u>	<u>31.12.2007</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	14,352	20,497	59,457	63,822
Renewal year premium	99,942	114,116	343,107	343,142
Single premium	16,178	7,866	95,528	31,075
Total	<u>130,472</u>	<u>142,479</u>	<u>498,092</u>	<u>438,039</u>

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	3 months ended		Cumulative 12 months ended	
	<u>31.12.2008</u>	<u>31.12.2007</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Current tax	4,509	7,909	15,816	31,083
- Deferred tax	(1,088)	(423)	(1,992)	(128)
	<u>3,421</u>	<u>7,486</u>	<u>13,824</u>	<u>30,955</u>
In respect of prior periods :				
Under / (Over) provision in respect of prior periods	-	-	229	(1,631)
	<u>3,421</u>	<u>7,486</u>	<u>14,053</u>	<u>29,324</u>
Effective tax rate	20.2%	26.8%	22.6%	27.1%

The effective tax rate 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 rate of the Group for the corresponding quarter was slightly lower than the statutory tax rate of 27%, principally due to lower deferred tax rates. The effective tax rate of the Group for the corresponding financial year was slightly higher than the statutory tax rate of 27%, principally due to certain management expenses that are not deductible for tax purposes.

20. Profit / loss on sale of unquoted investments and / or properties

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

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

21. Quoted securities

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

For the current quarter ended 31 December 2008, the Group has purchased quoted shares amounting to RM924,657 and has disposed quoted shares amounting to RM3,590,890. This has given rise to a realized gain of RM56,340 in the Income Statement for the current financial year.

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22. Status of corporate proposals

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 New Co (i.e. 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 the Company.

On 14 August 2008, the High Court of Malaya at Kuala Lumpur had granted an order for the confirmation of the transfer of the Life Insurance Business from Manulife to its wholly-owned subsidiary, MIB and the vesting of the Life Insurance Business in MIB pursuant to Section 128 of the Insurance Act, 1996.

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

With effect from 1 October 2008, the entire Life Insurance Business has been transferred from the Company to MIB whilst the Company will be an investment holding company and remain listed on the Main Board of Bursa Malaysia Securities Berhad.

With effect from 3 October 2008, the Company has changed its name from Manulife Insurance (Malaysia) Berhad to Manulife Holdings Berhad.

23. Group borrowings

The Group does not have any borrowings as at 31 December 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 as at the date of this report.

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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 12 months ended	
		<u>31.12.2008</u>	<u>31.12.2007</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
Net profit attributable to shareholders	(RM'000)	13,520	20,424	47,003	85,021
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>6.68</u>	<u>10.09</u>	<u>23.23</u>	<u>42.01</u>

(b) Diluted earnings per share

There is no dilution in earnings per share as there are no dilutive potential ordinary shares as at 31 December 2008.

27. Life policyholders' fund

The Life policyholders' fund comprises the following:

	<u>As at 31.12.2008</u>	<u>As at 31.12.2007</u>
	RM'000	RM'000
Actuarial liabilities	1,711,825	1,648,975
Unallocated surplus	313,089	374,319
Investment-Linked policyholders' account	<u>249,308</u>	<u>211,578</u>
Life policyholders' fund	<u>2,274,222</u>	<u>2,234,872</u>

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The cash and cash equivalents comprise the following:

	As at 31.12.2008 RM'000	As at 31.12.2007 RM'000
Shareholders and others	7,884	6,701
Non Investment-Linked business	15,490	13,536
Investment-Linked business	<u>802</u>	<u>692</u>
	<u><u>24,176</u></u>	<u><u>20,929</u></u>

BY ORDER OF THE BOARDChua Siew Chuan
Joint Secretary
27 February 2009Tan Ai Ning
Joint Secretary