

MANULIFE HOLDINGS BERHAD

(FORMERLY KNOWN AS MANULIFE INSURANCE (MALAYSIA) BERHAD)

Interim financial statements for the three months period ended 31 March 2009

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 2008.

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 2008.

2. Changes in accounting policies

The Group has early adopted FRS 139, Financial Instruments: Recognition and Measurement for the annual period beginning on 1 January 2009. The early adoption of FRS 139 has resulted in a change in the accounting policy relating to the classification and measurement of financial assets. The accounting policies relating to these financial assets changed from 1 January 2009 and shall be disclosed in the Group annual financial statements. The FRS 139 is applied prospectively and its effect to the investments, opening retained earnings and other reserves of the Group as at 1 January 2009 is as follow:

	As at <u>31.12.2008</u> RM'000	Effect of adoption <u>of FRS 139</u> RM'000	As at <u>1.1.2009</u> RM'000
<u>Shareholders' fund</u>			
Investments	351,299	15,266	366,565
Retained earnings	327,349	11,450	338,799
Deferred tax liabilities	1,406	3,816	5,222
<u>Life Fund</u>			
Investments	1,813,175	79,884	1,893,059
Life policyholders' fund	2,274,223	73,493	2,347,716
Deferred tax assets/(liabilities)	7,018	(6,391)	627

At the date of authorisation of these interim financial statements, the following FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

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

The impact of applying FRS 4 and FRS 7 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 2008.

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 March 2009.

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 13 sen per share less income tax of 25% tax amounting to RM19.7 million in respect of financial year ended 31 December 2008 has been approved at the last Annual General Meeting on 24 April 2009. The dividend will be paid on 3 June 2009.

No dividend has been declared in respect of the current financial period ended 31 March 2009.

9. Valuations of land and buildings and investment properties

The land and buildings and investment properties of the Group were last revalued in 2008

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

There is no change in the Group's composition for the current financial period to date.

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 period to date.

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Notes to the Interim Financial Statements**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 3 months ended	
	<u>31.03.2009</u>	<u>31.03.2008</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
	RM'000	RM'000	RM'000	RM'000
Operating Revenue				
Gross premium				
Ordinary Life Participating	34,351	35,001	34,351	35,001
Ordinary Life Non Participating	20,636	20,997	20,636	20,997
Investment-Linked	<u>50,108</u>	<u>42,928</u>	<u>50,108</u>	<u>42,928</u>
Total gross premium	<u>105,095</u>	<u>98,926</u>	<u>105,095</u>	<u>98,926</u>
Investment Income				
Ordinary Life Participating	19,268	21,342	19,268	21,342
Ordinary Life Non Participating	4,697	5,541	4,697	5,541
Investment-Linked	323	330	323	330
Annuity Participating	<u>1,761</u>	<u>1,957</u>	<u>1,761</u>	<u>1,957</u>
Life Insurance business	<u>26,049</u>	<u>29,170</u>	<u>26,049</u>	<u>29,170</u>
Shareholders' fund	<u>4,177</u>	<u>4,449</u>	<u>4,177</u>	<u>4,449</u>
Total investment income	<u>30,226</u>	<u>33,619</u>	<u>30,226</u>	<u>33,619</u>
Total operating revenue	<u>135,321</u>	<u>132,545</u>	<u>135,321</u>	<u>132,545</u>
Profit before taxation				
Ordinary Life Participating	2,557	2,634	2,557	2,634
Ordinary Life Non Participating	8,210	10,189	8,210	10,189
Investment-Linked	3,133	3,552	3,133	3,552
Annuity Participating	<u>111</u>	<u>109</u>	<u>111</u>	<u>109</u>
Life Insurance business	<u>14,011</u>	<u>16,484</u>	<u>14,011</u>	<u>16,484</u>
Shareholders' fund	<u>2,699</u>	<u>5,801</u>	<u>2,699</u>	<u>5,801</u>
Profit before taxation	<u>16,710</u>	<u>22,285</u>	<u>16,710</u>	<u>22,285</u>
Taxation	<u>(3,448)</u>	<u>(5,437)</u>	<u>(3,448)</u>	<u>(5,437)</u>
Net profit attributable to shareholders	<u>13,262</u>	<u>16,848</u>	<u>13,262</u>	<u>16,848</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 RM135.3 million for the period ended 31 March 2009, an increase of 2.1% or RM2.8 million compared to the corresponding financial period ended 31 March 2008 of RM132.5 million. This was attributed to the rise in gross premium income of RM6.1 million, contributed mainly by the investment-linked business.

The Group's profit before taxation was RM16.7 million for the current financial period, RM5.6 million lower compared to the corresponding financial period ended 31 March 2008 of RM22.3 million. The decrease was mainly due to the lower realized capital gain in Shareholders' Fund and Life Fund. Correspondingly, the Group's profit after taxation was RM3.5 million lower than the previous corresponding financial period.

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

The Group attained lower profit before tax of RM16.7 million for the current quarter under review compared to the immediate preceding quarter ended 31 December 2008 of RM16.9 million. The decrease of RM0.2 million was mainly due to lower surplus transferred from the investment-linked business.

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 3 months ended	
	<u>31.03.2009</u>	<u>31.03.2008</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	10,916	16,276	10,916	16,276
Renewal year premium	76,618	70,495	76,618	70,495
Single premium	16,267	11,287	16,267	11,287
Total	<u>103,801</u>	<u>98,058</u>	<u>103,801</u>	<u>98,058</u>

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19. Taxation

	3 months ended		Cumulative 3 months ended	
	<u>31.03.2009</u>	<u>31.03.2008</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Current tax	3,565	4,945	3,565	4,945
- Deferred tax	(117)	492	(117)	492
	<u>3,448</u>	<u>5,437</u>	<u>3,448</u>	<u>5,437</u>
Effective tax rate	20.6%	24.4%	20.6%	24.4%

The effective tax rate of the Group for the current quarter and current financial period was lower than the statutory tax rate of 25%, 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 and the corresponding 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.

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

For the current quarter, the Group has disposed unquoted investments amounting to RM44,735,370. This has given rise to a realised loss of RM2,320,970.

There was no sale of investment properties during the current quarter.

21. Quoted securities

The information on the purchase and disposal of quoted securities is only applicable to non-insurance business.

There was no purchase or disposal of quoted investments during the current quarter.

22. Group borrowings

The Group does not have any borrowings as at 31 March 2009.

23. Off balance sheet financial instruments

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

24. Material litigation

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

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Interim financial statements for the three months period ended 31 March 2009**Notes to the Interim Financial Statements****25. 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 3 months ended	
		<u>31.03.2009</u>	<u>31.03.2008</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
Net profit attributable to shareholders	(RM'000)	13,262	16,848	13,262	16,848
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>6.55</u>	<u>8.33</u>	<u>6.55</u>	<u>8.33</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 March 2009.

26. Life policyholders' fund

The Life policyholders' fund comprises the following:

	<u>As at 31.03.2009</u>	<u>As at 31.12.2008</u>
	RM'000	RM'000
Actuarial liabilities	1,835,536	1,711,826
Unallocated surplus	241,935	313,089
Investment-Linked policyholders' account	<u>271,588</u>	<u>249,308</u>
Life policyholders' fund	<u><u>2,349,059</u></u>	<u><u>2,274,223</u></u>

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The cash and cash equivalents comprise the following:

	<u>As at</u> <u>31.03.2009</u> RM'000	<u>As at</u> <u>31.12.2008</u> RM'000
Shareholders and others	1,647	7,931
Non Investment-Linked business	11,751	11,660
Investment-Linked business	14,021	802
	<u>27,419</u>	<u>20,393</u>

BY ORDER OF THE BOARDChua Siew Chuan
Joint Secretary
22 May 2009Tan Ai Ning
Joint Secretary