

MANULIFE HOLDINGS BERHAD

(FORMERLY KNOWN AS MANULIFE INSURANCE (MALAYSIA) BERHAD)

Interim financial statements for the six months period ended 30 June 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	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 adopted 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 30 June 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 for the financial year ended 31 December 2008 was paid on 3 June 2009.

No dividend has been declared in respect of the current financial period ended 30 June 2009.

9. 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.

10. Changes in composition of the Group

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

11. Contingent liabilities

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

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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.

13. 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 6 months ended	
	<u>30.06.2009</u>	<u>30.06.2008</u>	<u>30.06.2009</u>	<u>30.06.2008</u>
	RM'000	RM'000	RM'000	RM'000
Operating Revenue				
Gross premium				
Ordinary Life Participating	48,191	47,945	82,542	82,946
Ordinary Life Non Participating	22,650	21,378	43,286	42,375
Investment-Linked	<u>43,344</u>	<u>36,584</u>	<u>93,452</u>	<u>79,512</u>
Total gross premium	<u>114,185</u>	<u>105,907</u>	<u>219,280</u>	<u>204,833</u>
Investment Income				
Ordinary Life Participating	19,103	20,727	38,371	42,069
Ordinary Life Non Participating	4,517	5,089	9,214	10,630
Investment-Linked	284	261	607	591
Annuity Participating	<u>1,695</u>	<u>1,905</u>	<u>3,456</u>	<u>3,862</u>
Life Insurance business	<u>25,599</u>	<u>27,982</u>	<u>51,648</u>	<u>57,152</u>
Shareholders' fund	<u>4,373</u>	<u>5,031</u>	<u>8,550</u>	<u>9,480</u>
Total investment income	<u>29,972</u>	<u>33,013</u>	<u>60,198</u>	<u>66,632</u>
Total operating revenue	<u>144,157</u>	<u>138,920</u>	<u>279,478</u>	<u>271,465</u>
Profit before taxation				
Ordinary Life Participating	3,647	3,726	6,204	6,360
Ordinary Life Non Participating	7,160	7,264	15,370	17,453
Investment-Linked	4,266	2,794	7,399	6,346
Annuity Participating	<u>44</u>	<u>41</u>	<u>155</u>	<u>150</u>
Life Insurance business	<u>15,117</u>	<u>13,825</u>	<u>29,128</u>	<u>30,309</u>
Shareholders' fund	<u>3,484</u>	<u>4,003</u>	<u>6,183</u>	<u>9,804</u>
Profit before taxation	<u>18,601</u>	<u>17,828</u>	<u>35,311</u>	<u>40,113</u>
Taxation	<u>(3,678)</u>	<u>(4,155)</u>	<u>(7,126)</u>	<u>(9,592)</u>
Net profit attributable to shareholders	<u>14,923</u>	<u>13,673</u>	<u>28,185</u>	<u>30,521</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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15. Review of performance

The Group recorded operating revenue of RM279.5 million for the period ended 30 June 2009, an increase of 3.0% or RM8.0 million compared to the corresponding financial period ended 30 June 2008 of RM271.5 million. This was attributed to the rise in gross premium income of RM13.9 million, contributed mainly by the investment-linked business.

The Group's operating revenue for the current quarter ended 30 June 2009 of RM144.2 million was 3.8% higher compared to RM138.9 million for the preceding year's corresponding quarter. The increase was also mainly due to the rise in the gross premium income of RM6.8 million, contributed mainly by investment-linked business.

The Group's profit before taxation was RM35.3 million for the current financial period, RM4.8 million lower compared to the corresponding financial period ended 30 June 2008 of RM40.1 million. The decrease was mainly due to the lower realised capital gain in Shareholders' Fund and Life Fund. Correspondingly, the Group's profit after taxation was RM2.3 million lower than the previous corresponding financial period.

For the current quarter ended 30 June 2009, the profit before taxation for the Group amounted to RM18.6 million, RM0.8million higher compared to RM17.8 million for the preceding year's corresponding quarter. The increase was mainly due to higher surplus transferred from life insurance business.

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

The Group attained higher profit before tax of RM18.6 million for the current quarter under review compared to the immediate preceding quarter ended 31 March 2009 of RM16.7 million. The increase of RM1.9 million was mainly due to higher surplus transferred from life insurance business.

17. 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>30.06.2009</u>	<u>30.06.2008</u>	<u>30.06.2009</u>	<u>30.06.2008</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	14,634	15,111	25,550	31,387
Renewal year premium	90,005	85,463	166,623	155,958
Single premium	7,461	3,773	23,728	15,060
Total	<u>112,100</u>	<u>104,347</u>	<u>215,901</u>	<u>202,405</u>

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18. Taxation

	3 months ended		Cumulative 6 months ended	
	<u>30.06.2009</u>	<u>30.06.2008</u>	<u>30.06.2009</u>	<u>30.06.2008</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Current tax	3,998	4,228	7,563	9,173
- Deferred tax	(320)	(73)	(437)	419
	<u>3,678</u>	<u>4,155</u>	<u>7,126</u>	<u>9,592</u>
Effective tax rate	19.8%	23.3%	20.2%	23.9%

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.

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

There was no sale of unquoted investments during 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 for the current financial period.

The Company has disposed one investment property from Shareholders' fund in the current quarter and the current financial period. This has given a realised gain of RM107,700 in the Income Statement for the current financial period.

20. 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 and the current financial period

21. Group borrowings

The Group does not have any borrowings as at 30 June 2009.

22. Off balance sheet financial instruments

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

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23. Material litigation

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

24. 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>30.06.2009</u>	<u>30.06.2008</u>	<u>30.06.2009</u>	<u>30.06.2008</u>
Net profit attributable to shareholders	(RM'000)	14,923	13,673	28,185	30,521
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>7.37</u>	<u>6.76</u>	<u>13.93</u>	<u>15.08</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 2009.

25. Life policyholders' fund

The Life policyholders' fund comprises the following:

	As at <u>30.06.2009</u> RM'000	As at <u>31.12.2008</u> RM'000
Actuarial liabilities	1,841,470	1,711,826
Unallocated surplus	229,438	313,089
Investment-Linked policyholders' account	<u>321,144</u>	<u>249,308</u>
Life policyholders' fund	<u><u>2,392,052</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>30.06.2009</u> RM'000	<u>As at</u> <u>31.12.2008</u> RM'000
Shareholders and others	1,757	7,931
Non Investment-Linked business	8,545	11,660
Investment-Linked business	858	802
	<u>11,160</u>	<u>20,393</u>

BY ORDER OF THE BOARD

Chua Siew Chuan
Joint Secretary
24 August 2009

Tan Ai Ning
Joint Secretary