

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 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 Main Market 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 and the Amendments to FRS139, Financial Instruments: Recognition and Measurement for the annual period beginning on 1 January 2009. The early adoption of FRS 139 and the Amendments to 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 and the Amendments to FRS 139 is applied prospectively. The 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 of FRS 139 and the Amendments to FRS 139 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	5,141	332,490
Fair value reserve	-	6,309	6,309
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	110,195	2,384,418
Fair value reserve	-	(36,702)	(36,702)
Deferred tax assets	7,018	(6,391)	627

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2. Changes in accounting policies (continued)

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
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	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.

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 September 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.

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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 September 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.

12. 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.

13. 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**14. Segmental reporting**

The core business of the Group 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>30.09.2009</u>	<u>30.09.2008</u>	<u>30.09.2009</u>	<u>30.09.2008</u>
	RM'000	RM'000	RM'000	RM'000
Operating Revenue				
Gross premium				
Ordinary Life Participating	48,677	46,828	131,219	129,774
Ordinary Life Non Participating	22,975	21,142	66,261	63,517
Investment-Linked	37,884	98,341	131,336	177,853
Total gross premium	<u>109,536</u>	<u>166,311</u>	<u>328,816</u>	<u>371,144</u>
Investment Income				
Ordinary Life Participating	21,235	22,615	59,606	64,684
Ordinary Life Non Participating	4,777	5,321	13,991	15,951
Investment-Linked	313	314	920	905
Annuity Participating	1,899	2,015	5,355	5,877
Life Insurance business	<u>28,224</u>	<u>30,265</u>	<u>79,872</u>	<u>87,417</u>
Shareholders' fund	4,333	4,657	12,882	14,137
Total investment income	<u>32,557</u>	<u>34,922</u>	<u>92,754</u>	<u>101,554</u>
Total operating revenue	<u>142,093</u>	<u>201,233</u>	<u>421,570</u>	<u>472,698</u>
Profit before taxation				
Ordinary Life Participating	3,816	3,902	10,021	10,262
Ordinary Life Non Participating	6,609	(293)	21,979	17,160
Investment-Linked	4,804	(1,375)	12,203	4,971
Annuity Participating	52	51	207	201
Life Insurance business	<u>15,281</u>	<u>2,285</u>	<u>44,410</u>	<u>32,594</u>
Shareholders' fund	3,220	1,717	9,402	11,521
Profit before taxation	<u>18,501</u>	<u>4,002</u>	<u>53,812</u>	<u>44,115</u>
Taxation	<u>(3,972)</u>	<u>(1,040)</u>	<u>(11,098)</u>	<u>(10,632)</u>
Net profit attributable to shareholders	<u>14,529</u>	<u>2,962</u>	<u>42,714</u>	<u>33,483</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 RM421.6 million for the period ended 30 September 2009, a decrease of 10.8% or RM51.1 million compared to the corresponding financial period ended 30 September 2008 of RM472.7 million. The decrease was mainly due to the drop in the gross premium from single premium investment-linked business.

The Group's operating revenue for the current quarter ended 30 September 2009 of RM142.1 million was 29.4% lower compared to RM201.2 million for the preceding year's corresponding quarter. The decrease was mainly due to the drop in the gross premium from single premium investment-linked business.

The Group's profit before taxation was RM53.8 million for the current financial period, RM9.7 million higher compared to the corresponding financial period ended 30 September 2008 of RM44.1 million. The increase was mainly due to higher surplus transferred from life insurance business.

For the current quarter ended 30 September 2009, the profit before taxation for the Group amounted to RM18.5 million, RM14.5million higher compared to RM4.0 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

For the current quarter, the Group's profit before tax of RM18.5 million is comparable to the immediate preceding quarter ended 30 June 2009 of RM18.6 million. There were no material changes in the current quarter as compared to the preceding quarter.

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 9 months ended	
	<u>30.09.2009</u>	<u>30.09.2008</u>	<u>30.09.2009</u>	<u>30.09.2008</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	14,874	13,718	40,424	45,105
Renewal year premium	90,633	87,206	257,256	243,164
Single premium	1,246	64,291	24,974	79,351
Total	<u>106,753</u>	<u>165,215</u>	<u>322,654</u>	<u>367,620</u>

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	3 months ended		Cumulative 9 months ended	
	<u>30.09.2009</u>	<u>30.09.2008</u>	<u>30.09.2009</u>	<u>30.09.2008</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Current tax	4,037	2,134	11,600	11,307
- Deferred tax	(65)	(1,323)	(502)	(904)
	<u>3,972</u>	<u>811</u>	<u>11,098</u>	<u>10,403</u>
In respect of prior periods:				
Under provision in respect of prior periods	-	229	-	229
	<u>3,972</u>	<u>1,040</u>	<u>11,098</u>	<u>10,632</u>
Effective tax rate	21.5%	20.3%	20.6%	23.6%

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 investment and / or investment properties 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.

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20. Quoted securities

- a) The following are the particulars of purchase or disposal of quoted securities other than in respect of its insurance subsidiary:

i) <u>Purchase</u>	<u>Current Quarter</u> RM'000	<u>Current Year to Date</u> RM'000
Total purchase consideration	5,657	5,657
	<hr/>	<hr/>
ii) <u>Sale</u>	<u>Current Quarter</u> RM'000	<u>Current Year to Date</u> RM'000
Sales proceeds of quoted shares	4,834	4,834
Realised gain	806	806
	<hr/>	<hr/>

- b) Investment in quoted shares as at 30 September 2009:

	RM'000
i) At cost	26,514
ii) At carrying value / market value	25,083

21. Group borrowings

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

22. Off balance sheet financial instruments

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

23. Material litigation

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

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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 9 months ended	
		<u>30.09.2009</u>	<u>30.09.2008</u>	<u>30.09.2009</u>	<u>30.09.2008</u>
Net profit attributable to shareholders (RM'000)		14,529	2,962	42,714	33,483
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>7.18</u>	<u>1.46</u>	<u>21.11</u>	<u>16.54</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 2009.

25. Life policyholders' fund

The Life policyholders' fund comprises the following:

	As at 30.09.2009 RM'000	As at 31.12.2008 RM'000
Actuarial liabilities	1,846,687	1,711,826
Unallocated surplus	273,510	313,089
Investment-Linked policyholders' account	<u>354,323</u>	<u>249,308</u>
Life policyholders' fund	<u><u>2,474,520</u></u>	<u><u>2,274,223</u></u>

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Notes to the Interim Financial Statements**26. Cash and cash equivalents**

The cash and cash equivalents comprise the following:

	<u>As at</u> <u>30.09.2009</u> RM'000	<u>As at</u> <u>31.12.2008</u> RM'000
Shareholders and others	2,322	7,931
Non Investment-Linked business	14,972	11,660
Investment-Linked business	383	802
	<u>17,677</u>	<u>20,393</u>

BY ORDER OF THE BOARDChua Siew Chuan
Joint Secretary
13 November 2009Tan Ai Ning
Joint Secretary