

# MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 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 FRS 139, 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’s annual financial statements. The FRS 139 and the amendments to FRS 139 is applied prospectively and the effects to investments, opening retained earnings and other reserves of the Group as at 1 January 2009 are as follow:

	As at 31.12.2008 RM'000	Effect of adoption of FRS 139 and the amendments to FRS 139 RM'000	As at 1.1.2009 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

The Group has also adopted a new accounting policy on the valuation basis for the life insurance liabilities retrospectively as a result of the implementation of the Risk-Based Capital Framework by its life insurance subsidiary issued by Bank Negara Malaysia effective for annual period beginning on 1 January 2009. There is no impact to the Group’s consolidated Balance Sheet and Income Statement and to the Life Insurance Reserve Account except for the reclassification between the actuarial liabilities and the unallocated surplus within the life policyholders’ fund as disclosed in Note 27.

At the date of authorisation of these interim financial statements, the following accounting standards, amendments and interpretations have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group:

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### 2. Changes in accounting policies (continued)

<u>FRSs/Interpretations</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 101 (Revised) Presentation of Financial Statements	1 January 2010
FRS 123 Borrowing Costs	1 January 2010
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations	1 July 2010
FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
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 Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 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 FRSs. The adoption of the other revised FRSs, amendments to FRSs and IC Interpretations is not expected to have any material impact on 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 year ended 31 December 2009.

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### **Notes to the Interim Financial Statements**

#### **6. Change in estimates**

There were no changes in the basis used for accounting estimates for the current financial year to date.

#### **7. Debt and equity securities**

There were no cancellation, repurchases, resale and repayment of debt and equity securities during the current financial year.

#### **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.

A first and final dividend of 17 sen per share less income tax of 25% tax amounting to RM25.8 million for the financial year ended 31 December 2009 has been recommended for payment by the directors which is subject to the approval of the shareholders at the forth coming Annual General Meeting.

#### **9. Material events subsequent to the end of the year**

There is no material event subsequent to the end of the year under review that has not been reported in the interim financial statements for the current financial year to date.

#### **10. Valuations of land and buildings and investment properties**

Land and buildings and investment properties of the Group are revalued in 2009 for Shareholders' Fund and Life Fund based on open market values of the properties on the investment yield basis carried out by independent qualified valuers. The valuation of these properties was adopted by the directors on 31 December 2009 for the Shareholders' fund and Life fund.

#### **11. Changes in composition of the Group**

There is no change in the Group's composition for the current financial year 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 2010.

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## Notes to the Interim Financial Statements

### 14. Profit forecast

The Group did not issue any profit forecast during the financial year to date.

### 15. 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 12 months ended	
	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>31.12.2009</u>	<u>31.12.2008</u>
	RM'000	RM'000	RM'000	RM'000
<b>Operating Revenue</b>				
<b>Gross premium</b>				
Ordinary Life Participating	62,069	56,395	193,288	186,169
Ordinary Life Non Participating	26,056	24,444	92,317	87,961
Investment-Linked	37,987	51,667	169,323	229,520
<b>Total gross premium</b>	<u>126,112</u>	<u>132,506</u>	<u>454,928</u>	<u>503,650</u>
<b>Investment Income</b>				
Ordinary Life Participating	18,695	21,563	78,301	86,247
Ordinary Life Non Participating	4,571	5,238	18,562	21,189
Investment-Linked	313	313	1,233	1,218
Annuity Participating	1,665	1,963	7,020	7,840
<b>Life Insurance business</b>	<u>25,244</u>	<u>29,077</u>	<u>105,116</u>	<u>116,494</u>
Shareholders' fund	4,305	4,247	17,187	18,384
<b>Total investment income</b>	<u>29,549</u>	<u>33,324</u>	<u>122,303</u>	<u>134,878</u>
<b>Total operating revenue</b>	<u>155,661</u>	<u>165,830</u>	<u>577,231</u>	<u>638,528</u>
<b>Profit before taxation</b>				
Ordinary Life Participating	5,154	5,159	15,175	15,421
Ordinary Life Non Participating	11,423	5,740	33,402	22,900
Investment-Linked	2,961	3,962	15,164	8,933
Annuity Participating	72	70	279	271
<b>Life Insurance business</b>	<u>19,610</u>	<u>14,931</u>	<u>64,020</u>	<u>47,525</u>
Shareholders' fund	5,959	2,010	15,361	13,531
<b>Profit before taxation</b>	<u>25,569</u>	<u>16,941</u>	<u>79,381</u>	<u>61,056</u>
<b>Taxation</b>	<u>(9,135)</u>	<u>(3,421)</u>	<u>(20,233)</u>	<u>(14,053)</u>
<b>Net profit attributable to shareholders</b>	<u>16,434</u>	<u>13,520</u>	<u>59,148</u>	<u>47,003</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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## Notes to the Interim Financial Statements

### 16. Review of performance

The Group recorded operating revenue of RM577.2 million for the year ended 31 December 2009, a decrease of 9.6% or RM61.3 million compared to the corresponding financial period ended 31 December 2008 of RM638.5 million. The decrease was mainly due to the decrease in the gross premium from investment-linked business.

The Group's operating revenue for the current quarter ended 31 December 2009 of RM155.7 million was 6.1% lower compared to RM165.8 million for the preceding year's corresponding quarter. The decrease was mainly due to the decrease in the gross premium from investment-linked business.

The Group's profit before taxation was RM79.4 million for the current financial year, RM18.3 million higher compared to the corresponding financial year ended 31 December 2008 of RM61.1 million. The increase was mainly due to higher surplus transferred from the life insurance business.

For the current quarter ended 31 December 2009, the profit before taxation for the Group amounted to RM25.6 million, RM8.6 million higher compared to RM16.9 million for the preceding year's corresponding quarter. The increase was mainly due to higher surplus transferred from the life insurance business.

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

The Group attained higher profit before tax of RM25.6 million for the current quarter under review compared to the preceding quarter ended 30 September 2009 of RM18.5 million. The increase of RM7.1 million was mainly due to higher surplus from the life insurance business.

### 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>31.12.2009</u>	<u>31.12.2008</u>	<u>31.12.2009</u>	<u>31.12.2008</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	19,213	14,249	59,637	59,354
Renewal year premium	102,993	99,942	360,249	343,106
Single premium	991	16,281	25,965	95,632
<b>Total</b>	<u>123,197</u>	<u>130,472</u>	<u>445,851</u>	<u>498,092</u>

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**Notes to the Interim Financial Statements****19. Taxation**

	3 months ended		Cumulative 12 months	
	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>31.12.2009</u>	<u>31.12.2008</u>
	RM'000	RM'000	RM'000	RM'000
<b>In respect of current period:</b>				
- Current tax	5,217	4,607	18,423	15,980
- Deferred tax	1,057	(1,186)	555	(2,090)
	<u>6,274</u>	<u>3,421</u>	<u>18,978</u>	<u>13,890</u>
<b>In respect of prior periods:</b>				
Under provision in respect of prior periods	2,861	-	1,255	163
	<u>9,135</u>	<u>3,421</u>	<u>20,233</u>	<u>14,053</u>
<b>Effective tax rate</b>	24.5%	20.2%	23.9%	22.7%

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**

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 year.

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## Notes to the Interim Financial Statements

### 21. 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	854	6,511
	<hr/>	<hr/>
ii) <u>Disposal</u>	<u>Current Quarter</u> RM'000	<u>Current Year to Date</u> RM'000
Sales proceeds of quoted shares	1,321	6,155
Realised loss	1,610	804
	<hr/>	<hr/>

- b) Investment in quoted shares as at 31 December 2009:

	RM'000
i) At cost	: 23,193
ii) At carrying value / market value	: 24,381

### 22. Group borrowings

The Group does not have any borrowings as at 31 December 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.

### 25. Status of corporate proposal

As at the date of this report, there are no corporate proposal that have been announced but not completed.

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## Notes to the Interim Financial Statements

### 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 12 months ended	
		<u>31.12.2009</u>	<u>31.12.2008</u>	<u>31.12.2009</u>	<u>31.12.2008</u>
Net profit attributable to shareholders (RM'000)		16,434	13,520	59,148	47,003
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>
<b>Basic earnings per share (Sen)</b>		<u>8.12</u>	<u>6.68</u>	<u>29.23</u>	<u>23.23</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 2009.

### 27. Life policyholders' fund

The Life policyholders' fund comprises the following:

	<u>As at 31.12.2009 RM'000</u>	<u>As at 31.12.2008 RM'000 (Restated)</u>	<u>As at 31.12.2008 RM'000 (Before restatement)</u>
Actuarial liabilities	1,859,001	1,836,710	1,711,826
Unallocated surplus	269,311	188,205	313,089
Investment-Linked policyholders' account	<u>367,223</u>	<u>249,308</u>	<u>249,308</u>
Life policyholders' fund	<u>2,495,535</u>	<u>2,274,223</u>	<u>2,274,223</u>



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**Notes to the Interim Financial Statements****28. Cash and cash equivalents**

The cash and cash equivalents comprise the following:

	<u>As at</u> <u>31.12.2009</u> RM'000	<u>As at</u> <u>31.12.2008</u> RM'000
Shareholders and others	3,989	7,931
Non Investment-Linked business	15,783	11,660
Investment-Linked business	407	802
	<hr/> 20,179	<hr/> 20,393

**BY ORDER OF THE BOARD**Chua Siew Chuan  
**Joint Secretary**  
24 February 2010Tan Ai Ning  
**Joint Secretary**