

MANULIFE HOLDINGS BERHAD

Interim financial statements for the three months period ended 31 March 2010

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 2009.

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 2009.

2. Changes in accounting policies

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following:

<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
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
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

The adoption of the above standards, amendments and interpretations do not have any material impact to the financial statements of the Group except the implication as discussed below:

FRS 4: Insurance Contracts

Arising from the adoption of FRS 4, the presentation of financial statement of the Group is modified in accordance to the model insurance financial statements (draft 1 October 2009) released by The Malaysian Institute of Certified Public Accountants (MICPA). Certain disclosure and comparative information has been restated.

FRS 8: Operating Segments

As of 1 January 2010, the Group presents its operating segment information based on the information that internally provided to the management for decision making. With the change of accounting policy from FRS1142004, *Segment Reporting* to FRS 8, the disclosure and comparative segment information has been represented.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the three months period ended 31 March 2010

Notes to the Interim Financial Statements

2. Changes in accounting policies (continued)

FRS 101: Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consisted of a statement of financial position, a statement of comprehensive income, a statement in changes in equity, a statement of cash flows and notes to the financial statements. This standard does not have any impact on the financial position and results of the Group.

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:

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 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 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 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 March 2009.

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 2010 except for the deferred tax provision on unallocated surplus as disclosed in Note 27.

6. Change in estimates

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

MANULIFE HOLDINGS BERHAD

Interim financial statements for the three months period ended 31 March 2010

Notes to the Interim Financial Statements

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

On 24 February 2010, 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.

No dividend has been declared in respect of the current financial period ended 31 March 2010.

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 period to date.

10. Valuations of land and buildings and investment properties

The land and buildings and investment properties of the Group were last are revalued in 2009.

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

In line with its aspiration to be a leading financial services organisation, the Group will introduce new life insurance and unit trust products that appeal to the different consumer appetites. The Group will also be consciously managing its bottom line, taking active measures to ensure cost efficiency and productivity. With these plans, we expect the Group to remain competitive in the respective industries it operates in. Barring any unforeseen circumstances, the Directors expect the Group's performance to remain satisfactory in the next financial year ending 31 December 2010.

14. Profit forecast

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

MANULIFE HOLDINGS BERHAD

Interim financial statements for the three months period ended 31 March 2010

Notes to the Interim Financial Statements

15. Operating Segments

The core businesses of the Group are the life insurance business, management of unit trust funds, investment and fund management. Segment information is presented in respect of the Group's business segments which are as follows:

Investment holding : investment holding operations

Life insurance : underwriting of participating and non-participating life insurance, annuity, and unit-linked products.

Asset management : investment and fund management

Unit Trust : management of unit trust funds.

a) Segment reporting

	3 Months ended 31 March									
	Investment holding		Life insurance business		Asset management		Unit trusts		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue										
a) Gross premium	-	-	97,758	105,095	-	-	-	-	97,758	105,095
b) Investment income	4,108	3,970	29,121	27,085	18	21	28	-	33,275	31,076
c) Fee income	-	-	942	612	-	-	326	-	1,268	612
Total external revenue	4,108	3,970	127,821	132,792	18	21	354	-	132,301	136,783
Inter-segment revenue										
a) Rental income	226	185	173	148	-	-	-	-	399	333
b) Fee income	353	394	-	-	1,360	-	-	-	1,713	394
Total inter-segment revenue	579	579	173	148	1,360	-	-	-	2,112	727
Total operating revenue	4,687	4,549	127,994	132,940	1,378	21	354	-	134,413	137,510
Profit/(loss) from operation	2,281	2,728	22,515	14,218	(66)	21	(393)	(49)	24,337	16,918
Segment assets	714,706	731,608	2,991,567	2,665,365	3,597	2,544	11,414	12,736	3,721,284	3,412,253
Segment liabilities	18,834	86,608	2,991,567	2,665,365	369	14	437	285	3,011,207	2,752,272

MANULIFE HOLDINGS BERHAD

Interim financial statements for the three months period ended 31 March 2010

Notes to the Interim Financial Statements

15. Operating Segments (continued)

b) Reconciliation of reportable segment

	Cumulative 3 months ended 31 March	
	2010	2009
	RM'000	RM'000
Operating revenue		
Total operating revenue for reportable segments	134,413	137,510
Elimination of inter-segment revenue	(2,112)	(727)
Consolidated operating revenue	132,301	136,783
	As at	As at
	31.03.2010	31.03.2009
	RM'000	RM'000
Segment assets		
Total assets for reportable segments	3,721,284	3,412,253
Elimination of inter-segment assets	(290,134)	(271,840)
Consolidated assets	3,431,150	3,140,413
Segment liabilities		
Total liabilities for reportable segments	3,011,207	2,752,272
Elimination of inter-segment liabilities	(86,997)	(68,204)
Consolidated liabilities	2,924,210	2,684,068

16. Review of performance

The Group recorded operating revenue of RM132.3 million for the period ended 31 March 2010, a decrease of 3.3% or RM4.5 million compared to the corresponding financial period ended 31 March 2009 of RM136.8 million. The decrease was mainly due to the decrease in gross premium from investment-linked business.

The Group's profit before taxation was RM24.3 million for the current financial period, RM7.4 million higher compared to the corresponding financial period ended 31 March 2009 of RM16.9 million. The increase was mainly due to higher investment gain from life insurance and investment-linked business.

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

The Group attained lower profit before tax of RM24.3 million for the current quarter under review compared to the preceding quarter ended 31 December 2009 of RM28.9 million. The decrease of RM4.6 million was mainly due to the lower gross premium income from life insurance business.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the three months period ended 31 March 2010

Notes to the Interim Financial Statements**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 3 months ended	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	14,705	10,916	14,705	10,916
Renewal year premium	79,584	76,618	79,584	76,618
Single premium	1,258	16,267	1,258	16,267
Total	<u>95,547</u>	<u>103,801</u>	<u>95,547</u>	<u>103,801</u>

19. Taxation

	3 months ended		Cumulative 3 months ended	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Current tax	7,581	4,315	7,581	4,315
- Deferred tax	473	(659)	473	(659)
	<u>8,054</u>	<u>3,656</u>	<u>8,054</u>	<u>3,656</u>
In respect of prior periods:				
Over provision in respect of prior periods	(377)	-	(377)	-
	<u>7,677</u>	<u>3,656</u>	<u>7,677</u>	<u>3,656</u>

The income tax for the Shareholders' fund are calculated based on the tax rate of 25% (2009: 25%) of the estimated assessable profit for the financial year. The income tax for the Life fund is calculated based on tax rate 8% (2009: 8%) of the assessable investment income net of allowable deductions for the financial year.

A reconciliation of income tax expense applicable to profit/surplus before taxation at the statutory income tax rate to income tax expense at the effect income tax is as below.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the three months period ended 31 March 2010

Notes to the Interim Financial Statements**19. Taxation** (continued)

	3 months ended		Cumulative 3 months ended	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
	RM'000	RM'000	RM'000	RM'000
Profit from operation	<u>24,337</u>	<u>16,918</u>	<u>24,337</u>	<u>16,918</u>
Taxation at Malaysian statutory tax rate if 25%	6,084	4,229	6,084	4,229
Section 110B tax credit set off	(817)	(546)	(817)	(546)
Over provision in respect of prior periods	(377)	-	(377)	-
Expenses not deductible for tax purposes	41	-	41	-
Tax expenses on investment of life insurance business	<u>2,746</u>	<u>(27)</u>	<u>2,746</u>	<u>(27)</u>
Tax expense	<u><u>7,677</u></u>	<u><u>3,656</u></u>	<u><u>7,677</u></u>	<u><u>3,656</u></u>

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

For the current quarter, the Group has disposed unquoted investments amounting to RM32,388,640. This has given rise to a realised gain of RM548,817.

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

21. Quoted securities

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

	<u>Current Quarter</u>	<u>Current Year to Date</u>
	RM'000	RM'000
i) <u>Purchase</u>		
Total purchase consideration	<u>-</u>	<u>-</u>
ii) <u>Disposal</u>		
Sales proceeds of quoted shares	<u>1,366</u>	<u>1,366</u>
Realised loss	<u>158</u>	<u>158</u>

b) Investment in quoted shares as at 31 March 2010:

	RM'000
i) At cost	<u>21,801</u>
ii) At carrying value/market value	<u>23,935</u>

MANULIFE HOLDINGS BERHAD

Interim financial statements for the three months period ended 31 March 2010

Notes to the Interim Financial Statements

22. Derivatives

Included in the fair value through profit and loss financial assets is an Equity Call Option (“ECO”) which allows the Group to exercise at the end of the option period of 5 years. If the underlying index, i.e. Hang Seng Index ends above the exercise index level, the returns will be positive. Otherwise, the option will expire without value. The ECO is used for yield enhancement of an investment-linked insurance product, and as such, changes in value of the ECO have no impact to the profit or loss of the Group. This derivative is denominated in Hong Kong Dollar.

The remaining period to maturity and value of the ECO as at 31 March 2010 is as follow:

	Notional Value RM'000	Fair Value RM'000	Unrealised loss RM'000
- Less than 1 year	-	-	-
- 1 year to 3 years	17,830	5,044	124
- More than 3 years	-	-	-
	<u>17,830</u>	<u>5,044</u>	<u>124</u>

23. Group borrowings

The Group does not have any borrowings as at 31 March 2010.

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.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the three months period ended 31 March 2010

Notes to the Interim Financial Statements

26. Earnings per share

(a) Basic earnings per share

Basic earnings per share of the Group is 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>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
Net profit attributable to shareholders (RM'000)		16,660	13,262	16,660	13,262
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>8.23</u>	<u>6.55</u>	<u>8.23</u>	<u>6.55</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 2010.

27. Insurance contract liabilities

The insurance contract liabilities comprise the following:

	As at 31.03.2010 RM'000	As at 31.12.2009 RM'000
Actuarial liabilities	1,875,312	1,862,288
Unallocated surplus	254,997	266,024
Deferred tax provision on unallocated surplus	(53,414)	-
Unallocated surplus, net of deferred tax	201,583	266,024
Fair value reserve	78,100	57,654
Investment-Linked policyholders' account	375,492	367,223
	<u>2,530,487</u>	<u>2,553,189</u>

With effect from 1 January 2010, life insurance companies are required to set aside deferred tax provision for the shareholders' portion of unallocated surpluses. Under the Risk-Based Capital Framework, the gross amount of the unallocated surplus shall be included in Tier 1 capital for the purpose of computing the Capital Adequacy Ratio.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the three months period ended 31 March 2010

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

The cash and cash equivalents comprise the following:

	<u>As at</u> <u>31.03.2010</u> RM'000	<u>As at</u> <u>31.12.2009</u> RM'000
Shareholders and others	6,589	3,989
Non Investment-Linked business	9,973	15,783
Investment-Linked business	456	407
	<hr/> 17,018	<hr/> 20,179

BY ORDER OF THE BOARDChua Siew Chuan
Joint Secretary
25 May 2010Chin Mun Yee
Joint Secretary