

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 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 (“Bursa Securities”), 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 for the implication as discussed below:

FRS 4: Insurance Contracts

Arising from the adoption of FRS 4, the presentation of the financial statements of the Group is made reference to the model insurance financial statements (final 30 July 2010) released by The Malaysian Institute of Certified Public Accountants (“MICPA”). Certain disclosures and comparative information have been restated.

FRS 8: Operating Segments

As of 1 January 2010, the Group presents its operating segment information based on the information that is internally provided to the management for decision making. The disclosure and comparative segment information has been represented to conform with the requirements of FRS 8.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 2010

Notes to the Interim Financial Statements

2. Changes in accounting policies (continued)

FRS 101: (Revised) 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 revenue account for the life insurance business, 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 consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements. All non-owner changes in equity that were presented in the statement changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. This standard does not have any impact to 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
Amendment to IC Interpretation 15	1 January 2012
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
Amendments to FRS 1 Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions	1 January 2011
IC Interpretation 4 Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
Amendments to FRS 7 Improving Disclosures about Financial Instruments	1 January 2011
Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
FRS 124 Related Party Disclosures	1 January 2012
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"	1 January 2011

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 2009.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 2010

Notes to the Interim Financial Statements

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 financial year ended 31 December 2010.

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 issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial year.

8. Dividends

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 was approved at the last Annual General Meeting on 28 June 2010 and the dividend was paid on 13 July 2010.

The dividend for the financial year ended 31 December 2010 will be determined by the Board upon the finalisation of the said audited financial statements.

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 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 and 2010 respectively based on open market values of the properties on the investment yield basis carried out by independent qualified valuers. The valuation of investment properties was adopted by the Directors on 31 December 2010 for the Group.

11. Changes in composition of the Group

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

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 2010

Notes to the Interim Financial Statements

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 remaining period to the end of the financial year ending 31 December 2011.

14. Profit forecast

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

15. Group borrowings

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

16. Material litigation

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

17. 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 twelve months period ended 31 December 2010

Notes to the Interim Financial Statements

18. 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 and unit-linked products
- Asset management : Investment and fund management
- Unit trusts : Management of unit trust funds

a) Segment reporting

	12 months ended 31 December									
	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	-	-	467,016	454,928	-	-	-	-	467,016	454,928
b) Investment income	18,626	16,728	125,045	115,845	87	58	136	183	143,894	132,814
c) Fee income	-	-	4,034	3,228	3	-	1,241	-	5,278	3,228
Total external revenue	18,626	16,728	596,095	574,001	90	58	1,377	183	616,188	590,970
Inter-segment revenue										
a) Rental income	901	735	687	589	-	-	-	-	1,588	1,324
b) Fee income	1,530	1,698	-	-	5,860	3,873	-	-	7,390	5,571
c) Dividend income	-	82,151	-	-	-	-	-	-	-	82,151
Total inter-segment revenue	2,431	84,584	687	589	5,860	3,873	-	-	8,978	89,046
Total operating revenue	21,057	101,312	596,782	574,590	5,950	3,931	1,377	183	625,166	680,016
Profit/(loss) from operation	16,641	15,113	81,637	77,791	1,687	1,149	(1,261)	(902)	98,704	93,151
Segment assets	775,873	724,678	3,205,119	2,941,685	5,141	4,012	10,583	12,967	3,996,716	3,683,342
Segment liabilities	51,237	47,762	3,205,119	2,941,685	681	688	324	1,826	3,257,361	2,991,961

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 2010

Notes to the Interim Financial Statements

18. Operating Segments (continued)

b) Reconciliation of reportable segment

	Cumulative 12 months ended	
	2010	2009
	RM'000	RM'000
Operating revenue		
Total operating revenue for reportable segments	625,166	680,016
Elimination of inter-segment revenue	(8,978)	(89,046)
Consolidated operating revenue	616,188	590,970
	As at	As at
	31.12.2010	31.12.2009
	RM'000	RM'000
Segment assets		
Total assets for reportable segments	3,996,716	3,683,342
Elimination of inter-segment assets	(304,913)	(303,542)
Consolidated assets	3,691,803	3,379,800
Segment liabilities		
Total liabilities for reportable segments	3,257,361	2,991,961
Elimination of inter-segment liabilities	(101,145)	(100,405)
Consolidated liabilities	3,156,216	2,891,556

19. Review of performance

The Group recorded operating revenue of RM616.2 million for the year ended 31 December 2010, an increase of 4.3% or RM25.2 million compared to the corresponding financial year ended 31 December 2009 of RM591.0 million. The increase was mainly due to higher investment income and gross premium income from the insurance business.

The Group's operating revenue for the current quarter ended 31 December 2010 of RM180.5 million was 11.6% higher compared to RM161.7 million for the preceding year's corresponding quarter. The increase was mainly due to higher investment income and gross premium income from the insurance business.

The Group's profit before taxation was RM98.7 million for the current financial year, RM5.6 million higher compared to the corresponding financial year ended 31 December 2009 of RM93.1 million. The increase was mainly due to higher investment income and higher life fund transfer from the insurance business.

For the current quarter ended 31 December 2010, the profit before taxation for the Group was RM30.4 million, RM1.5 million higher compared to RM28.9 million for the preceding year's corresponding quarter. The increase was mainly due to higher investment income.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 2010

Notes to the Interim Financial Statements

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

The Group attained higher profit before tax of RM30.4 million for the current quarter under review compared to the preceding quarter ended 30 September 2010 of RM21.9 million. The increase of RM8.5 million was mainly due to higher life fund transfer from the insurance business.

21. Net earned premiums

Included in the net earned premiums were first year, renewal year and single premium, net of reinsurance during the financial year:

	3 months ended		Cumulative 12 months ended	
	<u>31.12.2010</u>	<u>31.12.2009</u>	<u>31.12.2010</u>	<u>31.12.2009</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	22,327	19,213	67,918	59,637
Renewal year premium	111,018	102,993	382,101	360,249
Single premium	2,389	991	6,478	25,965
Total	<u>135,734</u>	<u>123,197</u>	<u>456,497</u>	<u>445,851</u>

22. Taxation

	3 months ended		Cumulative 12 months ended	
	<u>31.12.2010</u>	<u>31.12.2009</u>	<u>31.12.2010</u>	<u>31.12.2009</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period/year:				
- Current tax	9,765	9,273	31,542	26,258
- Deferred tax	1,008	1,785	2,216	6,583
	<u>10,773</u>	<u>11,058</u>	<u>33,758</u>	<u>32,841</u>
In respect of prior periods/years:				
Under provision in respect of prior periods/years	969	1,378	592	1,162
	<u>11,742</u>	<u>12,436</u>	<u>34,350</u>	<u>34,003</u>

The income tax for the Group 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 of the insurance business is calculated based on the tax rate of 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 before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as below.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 2010

Notes to the Interim Financial Statements**22. Taxation** (continued)

	3 months ended		Cumulative 12 months ended	
	<u>31.12.2010</u>	<u>31.12.2009</u>	<u>31.12.2010</u>	<u>31.12.2009</u>
	RM'000	RM'000	RM'000	RM'000
Profit from operation	<u>30,434</u>	<u>28,870</u>	<u>98,704</u>	<u>93,151</u>
Taxation at Malaysian statutory tax rate at 25%	7,608	7,218	24,676	23,288
Section 110B tax credit set off	(624)	(266)	(3,066)	(2,213)
Under provision in respect of prior periods/years	969	1,378	592	1,162
Expenses not deductible for tax purposes	99	172	498	413
Income not subject to tax	(398)	(340)	(748)	(418)
Reversal of deferred tax upon disposal of property	-	-	-	(355)
Tax expense on investment income of life insurance business	<u>4,088</u>	<u>4,274</u>	<u>12,398</u>	<u>12,126</u>
Tax expense	<u>11,742</u>	<u>12,436</u>	<u>34,350</u>	<u>34,003</u>

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

There was no sale of unquoted investments and properties during the current quarter.

For the current financial year, the Group has disposed unquoted investments amounting to RM36,982,616. This has given rise to a realised gain of RM577,841.

There was no sale of investment properties for the current financial year.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 2010

Notes to the Interim Financial Statements

24. Quoted securities

The following are the particulars of purchases and disposals of quoted securities other than in respect of the Group's insurance subsidiary:

a) Total purchase consideration and sale proceeds of quoted securities during the financial period/year:

	<u>Current quarter</u> RM'000	<u>Current year to date</u> RM'000
i) <u>Purchases</u>		
Total purchase consideration of quoted shares	<u>5,009</u>	<u>8,336</u>
ii) <u>Disposals</u>		
Sales proceeds of quoted shares	<u>5,263</u>	<u>12,217</u>
Realised gains	<u>815</u>	<u>1,109</u>

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

	RM'000
i) At cost	<u>18,303</u>
ii) At carrying value/market value	<u>21,435</u>

25. 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 December 2010 is as follow:

	<u>Notional value</u> RM'000	<u>Fair value</u> RM'000	<u>Unrealised gain</u> RM'000
- 1 year to 3 years	<u>14,935</u>	<u>5,723</u>	<u>1,019</u>

There are no changes to the accounting policies related to derivative instruments since the last financial year end.

Except for the market risk, there is no change in the credit risk and liquidity risk since the last financial year end. Market risk results from adverse changes in fair values or price risk from fluctuation in the equity market and market interest rates. Market risk is managed through regular review of the investment portfolio to measure its performance and to ascertain that the investment strategies are consistent with the objective of the Group. An internal risk management system and policy for derivative instruments are also in place.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 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 12 months ended	
		<u>31.12.2010</u>	<u>31.12.2009</u>	<u>31.12.2010</u>	<u>31.12.2009</u>
Net profit attributable to shareholders	(RM'000)	18,692	16,434	64,354	59,148
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>9.24</u>	<u>8.12</u>	<u>31.80</u>	<u>29.23</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 2010.

27. Insurance contract liabilities

The insurance contract liabilities comprise the following:

	<u>As at 31.12.2010</u>	<u>As at 31.12.2009</u>
	RM'000	RM'000
Actuarial liabilities	1,922,955	1,862,288
Unallocated surplus	262,646	266,024
Fair value reserve	168,392	57,654
Investment-Linked policyholders' account	<u>399,348</u>	<u>367,223</u>
	<u>2,753,341</u>	<u>2,553,189</u>

The deferred tax liabilities arising from the temporary differences associated with the unallocated surplus carried forward of the Life fund to be transferred to the Shareholders' fund have not been recognised.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 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>31.12.2010</u> RM'000	<u>As at</u> <u>31.12.2009</u> RM'000
Shareholders and others	3,362	3,989
Non Investment-Linked business	19,876	15,783
Investment-Linked business	1,916	407
	<u>25,154</u>	<u>20,179</u>

29. Disclosure of realised and unrealised profits

On 25 March 2010, Bursa Securities issued a directive to all listed issuers to disclose a breakdown of the unappropriated profits or accumulated losses into realised and unrealised profits or losses. The analysis of realised and unrealised profits is made reference to the Guidance On Special Matter No. 1 "*Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements*" issued by the Malaysian Institute of Accountants on 20 December 2010.

Pursuant to the directive and further guidance issued by Bursa Securities on 20 December 2010, the breakdown of the Group's retained profits into realised and unrealised profits is analysed as follows:

	<u>As at</u> <u>31.12.2010</u> RM'000	<u>As at</u> <u>30.09.2010</u> RM'000
Total retained profits of the Group:		
- Realised	384,418	365,925
- Unrealised	10,219	10,020
	<u>394,637</u>	<u>375,945</u>
Consolidation adjustments	16,756	16,756
Total retained profits as per statement of financial position	<u>411,393</u>	<u>392,701</u>

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 2010

Notes to the Interim Financial Statements

30. Material event during the financial year

The Company on 13 October 2010, received a notice of conditional take-over offer from CIMB Investment Bank Berhad ("CIMB Bank") on behalf of Manulife Century Holdings (Netherlands) B.V. ("MCHN" or "Offeror") to acquire all the remaining ordinary shares of RM0.50 each in the Company not already owned by MCHN at a cash offer price of RM3.22 for each offer share.

On 21 October 2010, the Company appointed AmInvestment Bank Berhad as the Independent Adviser to advise the non-interested Directors and Shareholders of the Company in relation to the Conditional Take-over Offer from CIMB Investment Bank Berhad on behalf of Manulife Century Holdings (Netherlands) B.V.

As at 26 November 2010, MCHN held 58.72% of the issued and paid up capital of the Company.

As a result of the above take-over offer, MCHN becomes the holding company of the Company.

BY ORDER OF THE BOARD

Chua Siew Chuan
Joint Secretary
23 February 2011

Chin Mun Yee
Joint Secretary