

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2011

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 2010.

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 2010.

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 2010, except for the adoption of the following:

<u>FRSs/Interpretations</u>	<u>Effective Date</u>
Amendments to FRS 132 "Financial instruments: Presentation on classification of rights issues"	1 March 2010
FRS 3 (revised) "Business combinations"	1 July 2010
FRS 127 (revised) "Consolidated and separate financial statements"	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 16 "Hedges of a net investment in a foreign operation"	1 July 2010
IC Interpretation 17 "Distribution of non-cash assets to owners"	1 July 2010
Amendments to IC Interpretation 9 "Reassessment of embedded derivatives"	1 July 2010
Amendments to FRS 2 "Share-based Payment"	1 July 2010
Amendment to FRS 2 "Share-based payment: Group cash-settled share-based payment transactions"	1 January 2011
Amendments to FRS 7 "Financial instruments: Disclosures – Improving disclosures about financial instruments"	1 January 2011
Amendments to FRS 1 "First-time adoption of financial reporting standards"	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
Improvements to FRSs (2010)	1 January 2011

The adoption of the above revised standards, amendments and interpretations do not have any material impact to the financial statements of the Group.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2011

Notes to the Interim Financial Statements

2. Changes in accounting policies (continued)

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

<u>FRSs/Interpretations</u>	<u>Effective Date</u>
IC Interpretation 19 "Extinguishing financial liabilities with equity instruments"	1 July 2011
Amendments to IC Interpretation 14 "Prepayments of a minimum funding requirement"	1 July 2011
FRS 124 (revised) "Related party disclosures"	1 January 2012
IC Interpretation 15 "Agreements for the construction of real estates"	1 January 2012

The adoption of the above 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 2010.

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 period ended 30 September 2011.

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

8. Dividends

A first and final dividend of 18 sen per share less income tax at 25% amounting to RM27.3 million for the financial year ended 31 December 2010 was approved at the last Annual General Meeting on 23 June 2011 and the dividend was paid on 13 July 2011.

No dividend has been declared in respect of the current financial period ended 30 September 2011.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2011

Notes to the Interim Financial Statements

9. Material events subsequent to the end of the financial 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. Valuations of land and buildings and investment properties

The land and buildings and investment properties of the Group were last revalued in 2010.

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 are no contingent liabilities as at the date of this report since the last annual statement of financial position date.

13. Current year prospects

In line with the Group's aspiration to be a leading financial services organisation, the Group will introduce new life insurance and unit trust products that appeal to different consumers' 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 period to date.

15. Group borrowings

The Group does not have any borrowings as at 30 September 2011.

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 nine months period ended 30 September 2011

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

	Cumulative 9 months ended 30 September									
	Investment holding		Life insurance business		Asset management		Unit trusts		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	-	-	344,734	328,145	-	-	-	-	344,734	328,145
b) Investment income	7,569	7,580	101,589	95,943	106	59	182	101	109,446	103,683
c) Fee income	-	-	-	-	78	-	973	895	1,051	895
Total external revenue	7,569	7,580	446,323	424,088	184	59	1,155	996	455,231	432,723
Inter-segment revenue										
a) Rental income	632	630	274	203	-	-	-	-	906	833
b) Fee income/(expenses)	830	1,007	(4,117)	(3,684)	4,787	4,294	-	-	1,500	1,617
Total inter-segment revenue	1,462	1,637	(3,843)	(3,481)	4,787	4,294	-	-	2,406	2,450
Total operating revenue	9,031	9,217	442,480	420,607	4,971	4,353	1,155	996	457,637	435,173
Profit/(loss) from operation	7,185	4,101	57,710	53,795	1,752	941	(1,306)	(1,298)	65,341	57,539
Segment assets	471,912	488,088	3,425,160	3,329,215	6,398	4,259	14,801	10,824	3,918,271	3,832,386
Segment liabilities	44,167	38,094	3,108,590	3,071,516	620	287	515	616	3,153,892	3,110,513

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2011

Notes to the Interim Financial Statements

18. Operating Segments (continued)

b) Reconciliation of reportable segments

	Cumulative 9 months ended 30 September	
	2011	2010
	RM'000	RM'000
Operating revenue		
Total operating revenue for reportable segments	457,637	435,173
Elimination of inter-segment revenue	(2,406)	(2,450)
Consolidated operating revenue	455,231	432,723
	As at	As at
	30.09.2011	30.09.2010
	RM'000	RM'000
Segment assets		
Total assets for reportable segments	3,918,271	3,832,386
Elimination of inter-segment assets	(245,052)	(239,005)
Consolidated assets	3,673,219	3,593,381
Segment liabilities		
Total liabilities for reportable segments	3,153,892	3,110,513
Elimination of inter-segment liabilities	(36,913)	(35,868)
Consolidated liabilities	3,116,979	3,074,645

19. Review of performance

The Group recorded operating revenue of RM455.2 million for the period ended 30 September 2011, an increase of 5.2% or RM22.5 million compared to the corresponding financial period ended 30 September 2010 of RM432.7 million. The increase was mainly due to higher gross premium income from the insurance business and higher investment income.

The Group operating revenue for the current quarter ended 30 September 2011 of RM159.1 million was 3.4% higher compared to RM153.8 million for the preceding year's corresponding quarter. The increase was mainly due to higher gross premium income from the insurance business.

The Group's profit before taxation was RM65.3 million for the current financial period, RM7.8 million higher compared to the corresponding financial period ended 30 September 2010 of RM57.5 million. The increase was mainly due to higher investment income and realised gains from investment.

For the current quarter ended 30 September 2011, the profit before taxation for the Group was RM20.4 million, RM4.1 million higher compared to RM16.3 million for the preceding year's corresponding quarter. The increase was mainly due to higher life fund transfer from the insurance business.

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

The Group attained lower profit before tax of RM20.4 million for the current quarter under review compared to the preceding quarter ended 30 June 2011 of RM24.6 million. The decrease of RM4.2 million was mainly due to lower life fund transfer from the insurance business.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2011

Notes to the Interim Financial Statements

21. Net earned premiums

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

	3 months ended		Cumulative 9 months ended	
	<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	15,488	14,470	43,050	45,591
Renewal year premium	101,627	96,704	288,998	271,083
Single premium	1,361	1,492	5,162	4,089
Total	<u>118,476</u>	<u>112,666</u>	<u>337,210</u>	<u>320,763</u>

22. Taxation

	3 months ended		Cumulative 9 months ended	
	<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Current tax	4,252	3,524	13,623	12,545
- Deferred tax	(142)	(106)	(357)	(291)
	<u>4,110</u>	<u>3,418</u>	<u>13,266</u>	<u>12,254</u>
In respect of prior periods:				
Over provision in respect of prior periods	(294)	-	(294)	(377)
	<u>3,816</u>	<u>3,418</u>	<u>12,972</u>	<u>11,877</u>

The income tax for the Group is calculated based on the tax rate of 25% (2010: 25%) of the estimated assessable profit for the financial period. The income tax for the Life fund of the insurance business is calculated based on the tax rate of 8% (2010: 8%) of the assessable investment income, net of allowable deductions for the financial period.

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 nine months period ended 30 September 2011

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

	3 months ended		Cumulative 9 months ended	
	<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>20,403</u>	<u>16,309</u>	<u>65,341</u>	<u>57,539</u>
Taxation at Malaysian statutory tax rate of 25%	5,100	4,078	16,335	14,385
Section 110B tax credit set off	(766)	(802)	(2,380)	(2,441)
Over provision in respect of prior periods	(294)	-	(294)	(377)
Expenses not deductible for tax purposes	221	318	619	743
Income not subject to tax	<u>(445)</u>	<u>(176)</u>	<u>(1,308)</u>	<u>(433)</u>
Tax expense	<u>3,816</u>	<u>3,418</u>	<u>12,972</u>	<u>11,877</u>

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

The Group has disposed unquoted investments amounting to RM 29,183,141 for the current quarter. This has given rise to a realised gain of RM 742,358.

For the current financial period to date, the Group has disposed unquoted investments amounting to RM 45,899,666. This has given rise to a realised gain of RM 1,361,218.

There is no sale of investment properties for the current financial period to date.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2011

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:

	<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>2,967</u>	<u>5,734</u>
ii) <u>Disposals</u>		
Sales proceeds of quoted shares	<u>3,278</u>	<u>8,577</u>
Realised gains	<u>542</u>	<u>2,059</u>

b) Investment in quoted shares as at 30 September 2011:

	RM'000
i) At cost	<u>17,482</u>
ii) At carrying value/market value	<u>17,115</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 30 September 2011 is as follow:

	<u>Notional value</u> RM'000	<u>Fair value</u> RM'000	<u>Unrealised loss</u> RM'000
- less than 1 year	<u>14,447</u>	<u>372</u>	<u>3,913</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 nine months period ended 30 September 2011

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 9 months ended	
		<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
Net profit attributable to shareholders (RM'000)		16,587	12,891	52,369	45,662
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>8.20</u>	<u>6.37</u>	<u>25.88</u>	<u>22.56</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 2011.

27. Insurance contract liabilities

The insurance contract liabilities comprise the following:

	<u>As at 30.09.2011</u>	<u>As at 31.12.2010</u>
	RM'000	RM'000
Actuarial liabilities	1,969,537	1,922,955
Unallocated surplus	271,463	262,646
Fair value reserve	89,377	168,392
Investment-Linked policyholders' account	<u>377,708</u>	<u>399,348</u>
	<u>2,708,085</u>	<u>2,753,341</u>

Deferred tax liabilities associated with the unallocated surplus of the Life fund upon transfer to Shareholders' fund as recommended by the Appointed Actuary, are included within the unallocated surplus as at the end of the financial period.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2011

Notes to the Interim Financial Statements

28. Cash and cash equivalents

The cash and cash equivalents comprise the following:

	<u>As at</u> <u>30.09.2011</u> RM'000	<u>As at</u> <u>31.12.2010</u> RM'000
Shareholders and others	2,999	3,362
Non Investment-Linked business	10,933	19,876
Investment-Linked business	1,447	1,916
	<u>15,379</u>	<u>25,154</u>

29. Disclosure of realised and unrealised profits

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

	<u>As at</u> <u>30.09.2011</u> RM'000	<u>As at</u> <u>31.12.2010</u> RM'000
Total retained profits of the Group:		
- Realised	409,467	384,418
- Unrealised	10,219	10,219
	<u>419,686</u>	<u>394,637</u>
Consolidation adjustments	16,756	16,756
Total retained profits as per statement of financial position	<u>436,442</u>	<u>411,393</u>

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.

BY ORDER OF THE BOARD

Chua Siew Chuan
Joint Secretary
24 November 2011

Chin Mun Yee
Joint Secretary