

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2012

Notes to the Interim Financial Statements

1. Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 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 2011, which were prepared in accordance with the Financial Reporting Standards (“FRS”).

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 2011.

The Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by Malaysian Accounting Standards Board (“MASB”) and Revised Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia (“BNM”) with effect from 1 January 2012. This condensed consolidated interim financial statements are the Group’s first MFRS compliant condensed report and hence MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards has been applied. The transition from FRS framework to MFRS framework and the adoption of the revised guidelines issued by BNM does not have any significant financial impact to the financial statements of the Group, other than as described in Note 2 below.

2. Significant accounting policies

As all FRSs issued under FRS framework were equivalent to the MFRSs issued under MFRS framework, 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 2011, except for the adoption of the following:

<u>MFRSs/Interpretations</u>	<u>Effective Date</u>
MFRS 1 “First time adoption on fixed dates and hyperinflation”	1 January 2012
MFRS 7 “Financial instruments: Disclosures on transfers of financial assets”	1 January 2012
MFRS 112 “Income taxes”	1 January 2012
MFRS 124 “Related party disclosures”	1 January 2012

The adoption of the revised standards, amendments and interpretations issued by Malaysian Accounting Standards Board (“MASB”) and revised guidelines issued by BNM which are effective in the current year do not have any material impact to the financial statements of the Group, other than as discussed below:-

(i) Foreign currency translation reserves

Prior to 1 January 2012, the Group recognised translation differences on foreign operations as a separate component of equity. Upon the change in Framework effective 1 January 2012, the Group used the transitional provision of first-time-adoption whereby cumulative foreign currency translation differences for all foreign operations are deemed to be zero at the date of transition to MFRS. As a result, at the date of transition, the cumulative translation differences were adjusted to retained earnings.

The impact of adopting this accounting policy to the Group is disclosed in Note 28 to the interim financial statements.

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Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(ii) Unallocated surplus and AFS reserves on non-participating funds

Prior to 1 January 2012, the Group recognised unallocated surplus and AFS reserves of non-participating funds of its insurance subsidiary as part of actuarial insurance contract liabilities as required under Guideline BNM_GL_003-28 Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") on 22 July 2010.

On 21 February 2012, BNM issued a revised Guideline BNM_GL_003-28, which is effective for financial period commencing 1 January 2012. Under this new guideline, there is no requirement/specification to classify the unallocated surplus and AFS reserves of non-participating funds as part of insurance contract liabilities. Accordingly, the Group changed its accounting policy to classify the unallocated surplus and AFS reserves of non-participating funds from insurance contract liabilities to equity. This change in accounting policy is adopted retrospectively.

The impact of the change in accounting policy to the Group is disclosed in Note 28 to the interim financial statements.

As at the date of authorisation of these interim financial statements, the Group is still assessing the financial impact to the financial statements of the Group from the revised MFRSs, amendments to MFRSs and IC Interpretations issued by MASB but not yet effective in the current year.

3. Status of audit qualification

There was no audit qualification in the annual financial statements for the preceding financial year ended 31 December 2011.

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 2012.

6. Change in estimates

The Group's insurance subsidiary, Manulife Insurance Berhad revised certain assumptions used for the actuarial liabilities valuation during the current quarter ended 30 September 2012. The change resulted in lower actuarial liabilities of RM167.1 million for the current quarter ended, with a corresponding increase in unallocated surplus for the participating business and net profit before tax of RM158.3 million and RM8.8 million, respectively.

Other than as disclosed above, there were no changes in the basis used for accounting estimates for the current financial period ended 30 September 2012.

7. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period ended 30 September 2012.

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Notes to the Interim Financial Statements (Continued)

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 2011 was approved at the Annual General Meeting held on 25 June 2012 and the dividend was paid on 17 July 2012.

No dividend has been declared in respect of the current financial period ended 30 September 2012.

9. Material events subsequent to the end of the financial period

On 22 October 2012, Manulife Holdings Berhad subscribed 30,000,000 new ordinary shares of RM1.00 each in Manulife Asset Management Services Berhad (formerly known as Manulife Unit Trust Berhad, "MUTB"), at a total consideration of RM30 million, in respect of Private Retirement Scheme establishment.

Other than as disclosed above, there is no material event subsequent to the end of the financial 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

Two of the subsidiaries within the Group completed a business transfer agreement on 30 June 2012. With the completion of the transaction, the business operations of Manulife Assets Management (Malaysia) Sdn. Bhd. has been transferred and merged into Manulife Unit Trusts Berhad ("MUTB") on 1 July 2012. Subsequently, on 2 July 2012, Manulife Unit Trusts Berhad changed its name to Manulife Asset Management Services Berhad ("MAMSB").

Other than as above, there is no change in the Group's composition for the current financial period ended 30 September 2012.

11. Contingent liabilities

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

12. Current year prospects

Notwithstanding the uncertain global economic recovery as well as concerns of European sovereign debt could have adverse spill-over effect, the economic growth is expected to continue in Malaysia, though at a moderate rate. Our business expansion is in progress and rides on the fact that financial industry is one of the key pillars in driving economic growth as evidenced by the numerous measures and initiatives undertaken by the Government. The dynamic and consumer focused environment offers ample opportunities for the Group to be an active contributor towards its growth. The Group continues to adopt a customer-centric approach when launching forward thinking solutions that will help our customers' most significant financial decisions. Nevertheless, the Group will be prudent in its utilisation and management of resources as it moves towards achieving its growth objectives.

In April 2012, the Securities Commission ("SC") granted an approval to MAMSB (formerly known as "MUTB") to operate Private Retirement Scheme ("PRS"). MAMSB has put in place a business plan to expand our presence in Malaysia and is looking to launch PRS services and new funds in the fourth quarter of 2012. MAMSB will benefit from the success of PRS as an additional avenue to build on the Asset Under Management ("AUM") and improved profitability from better economies of scale.

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Notes to the Interim Financial Statements (Continued)

12. Current year prospects (continued)

These strategic plans are expected to reinforce the Group's competitive position in the insurance, unit trust and asset management industries.

Barring any unforeseen circumstances, the Directors expect the Group's performance to remain satisfactory in this financial year ending 31 December 2012 as the Group invests further towards its business expansion.

13. Profit forecast

The Group did not issue any profit forecast during the financial period ended 30 September 2012.

14. Group borrowings

The Group does not have any borrowings as at 30 September 2012.

15. Material litigation

There is no material litigation as at the date of this report since the date of the last annual statement of financial position.

16. 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 (Continued)

17. Operating segments

The core businesses of the Group are the life insurance business, management of unit trust funds, investments 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
 Others : Asset management, unit trust and other segments

Comparative figures have been restated following the reclassification of the composition of business segments in the current financial period.

	Cumulative 9 months ended 30 September							
	Investment holding		Life insurance business		Others		Total	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
External revenue								
a) Premium Income								
Gross premiums	-	-	373,993	344,734	-	-	373,993	344,734
Premiums ceded to reinsurers	-	-	(7,435)	(7,524)	-	-	(7,435)	(7,524)
Net premiums	-	-	366,558	337,210	-	-	366,558	337,210
b) Investment income	7,710	8,578	110,602	102,963	552	437	118,864	111,978
c) Fee income	-	-	-	-	1,317	1,051	1,317	1,051
d) Net realised gains	1,903	2,547	42,735	49,935	-	-	44,638	52,482
e) Net fair value (losses)/gains	(137)	-	32,961	-	-	-	32,824	-
f) Other operating income	19	61	725	4,012	(10)	12	734	4,085
Total external revenue	9,495	11,186	553,581	494,120	1,859	1,500	564,935	506,806
Inter-segment revenue								
a) Rental income	557	557	278	352	-	-	835	909
b) Fee income	969	1,105	-	-	5,028	4,629	5,997	5,734
Total inter-segment revenue	1,526	1,662	278	352	5,028	4,629	6,832	6,643
Total revenue	11,021	12,848	553,859	494,472	6,887	6,129	571,767	513,449
Profit/(loss) before taxation	4,686	7,046	44,392	50,894	(1,025)	585	48,053	58,525
Segment assets	381,575	396,224	3,750,851	3,425,375	67,373	62,781	4,199,799	3,884,380
Segment liabilities	12,860	10,687	3,245,121	2,962,421	7,672	510	3,265,653	2,973,618

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Notes to the Interim Financial Statements (Continued)**17. Operating segments (continued)****Reconciliation of reportable segments**

	Cumulative 9 months ended	Cumulative 9 months ended
	30.09.2012	30.09.2011
	RM'000	RM'000
<u>Total revenue</u>		
Total revenue for reportable segments	571,767	513,449
Elimination of inter-segment revenue	(6,832)	(6,643)
Consolidated total revenue	<u>564,935</u>	<u>506,806</u>
	As at	As at
	30.09.2012	30.09.2011
	RM'000	RM'000
<u>Segment assets</u>		
Total assets for reportable segments	4,199,799	3,884,380
Elimination of inter-segment assets	(212,645)	(211,161)
Consolidated assets	<u>3,987,154</u>	<u>3,673,219</u>
<u>Segment liabilities</u>		
Total liabilities for reportable segments	3,265,653	2,973,618
Elimination of inter-segment liabilities	(6,448)	(3,023)
Consolidated liabilities	<u>3,259,205</u>	<u>2,970,595</u>

18. Review of performance

The management uses operating revenue as a measure of performance for each operating segments. Operating revenue for each reportable segments consists of gross premiums, investment income and fee income.

Financial Period ended September 2012 vs Financial Period ended September 2011

The Group recorded operating revenue of RM494.2 million for the period ended 30 September 2012 (YTD September 2012), an increase of 8.0% or RM36.4 million as compared to the corresponding financial period ended 30 September 2011 (YTD September 2011) of RM457.8 million. The Group's profit before tax was RM48.1 million for YTD September 2012, RM10.4 million lower compared to the corresponding YTD September 2011 of RM58.5 million.

Performance of the respective operating business segments are as follows:

Investment Holding – Operating revenue and profit before tax of the investment holding were lower for YTD September 2012 as compared to YTD September 2011 mainly due to lower interest income from fixed income securities

Life Insurance Business – Operating revenue of the life insurance business increased (2012: RM484.6 million, 2011: RM447.7 million) mainly due to higher gross premiums from the investment-linked business and dividend income. However, profit before tax was lower mainly contributed by higher management expenses due to new branch openings to further improve Manulife's footprint in Malaysia as well as branding activities undertaken and IT infrastructure enhancement.

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Notes to the Interim Financial Statements (Continued)

18. Review of performance (continued)

Other business – Operating revenue improved in current period (2012: RM1.9 million) as compared to the prior period (2011: RM1.5 million) mainly due to higher management fee income earned from higher AUM. Profit before tax however was lower for YTD September 2012 as compared to YTD September 2011 as there were higher management expenses, mainly due to preparing for the launch of our new PRS business.

3rd Quarter 2012 vs 3rd Quarter 2011

The Group recorded operating revenue of RM170.3 million for the quarter ended 30 September 2012, an increase of 6.3% or RM10.1 million compared to the corresponding quarter 30 September 2011 of RM160.2 million. The Group's profit before tax was RM18.2 million for current quarter, RM2.3 million lower compared to the corresponding financial period ended 30 September 2011 of RM20.5 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue of the investment holding was lower in current quarter (2012: RM2.5 million) as compared to preceding year's corresponding quarter (2011: RM2.8 million) mainly due to lower dividend and interest income. Profit before tax for the current quarter was relatively lower because of an one off adjustment of expense in the prior year.

Life insurance business – Operating revenue of the life insurance business increased (2012: RM167.0 million, 2011: RM156.8 million) mainly due to higher gross premiums from the investment-linked business and dividend income during the current quarter. Profit before tax was lower mainly due to higher management expenses from overall business expansion as well as IT infrastructure enhancement, partially offset by the change in actuarial liabilities estimates in the current quarter.

Other business – Operating revenue slightly increase in the current quarter (2012: RM0.8 million) as compared to the corresponding quarter in preceding year (2011: RM0.5 million) mainly contributed by higher management fee income earned on higher AUM and higher interest income. Profit before tax was lower in current quarter as compared to the corresponding quarter in 2011 as there were higher management expenses mainly driven by increase in staff force to support the new PRS business.

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

The Group attained higher profit before tax of RM18.2 million for the current quarter under review as compared to the profit before tax of RM11.7 million in preceding quarter ended 30 June. The increase of RM6.5 million was mainly attributable to the impact arising from the change in actuarial liabilities estimates in the current quarter.

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Notes to the Interim Financial Statements (Continued)**20. Net 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>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
	RM'000	RM'000	RM'000	RM'000
First year premium	17,721	15,488	47,945	43,050
Renewal year premium	106,416	101,627	303,175	288,998
Single premium	1,980	1,361	15,438	5,162
Total	<u>126,117</u>	<u>118,476</u>	<u>366,558</u>	<u>337,210</u>

21. Investment income

	3 months ended		Cumulative 9 months ended	
	<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
<u>- designated upon initial recognition</u>				
Interest/profit income	3,858	3,704	11,517	10,821
Dividend/distribution income				
- equity securities quoted in Malaysia	1,893	1,549	5,035	4,427
Accretion of discounts, net of amortisation of premiums	152	397	338	1,352
<u>AFS financial assets</u>				
Interest/profit income	17,692	16,328	52,056	47,028
Dividend/distribution income				
- equity securities quoted in Malaysia	7,523	6,012	20,397	15,293
- equity securities unquoted	-	210	35	315
Accretion of discounts, net of amortisation of premiums	801	948	2,445	3,412
<u>Loans and receivables</u>				
Interest/profit income	6,139	6,859	18,892	20,619
Accretion of discounts, net of amortisation of premiums	582	554	1,723	1,640
Rental income	1,834	1,715	5,232	5,176
<u>Cash and bank balances</u>				
Interest/profit sharing income	447	420	1,194	1,895
	<u>40,921</u>	<u>38,696</u>	<u>118,864</u>	<u>111,978</u>

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22. Other operating expenses

	3 months ended		Cumulative 9 months ended	
	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000
Net foreign exchange loss/(gain)	3,535	(2,116)	3,535	-
Interest on agent's bond	8	9	24	31
Others	-	25	-	25
Tax on investment income of Life fund and investment-linked funds				
- Current tax	4,082	1,559	10,931	10,105
- Deferred tax	39	(3,744)	1,090	(4,034)
	4,121	(2,185)	12,021	6,071
	<u>7,664</u>	<u>(4,267)</u>	<u>15,580</u>	<u>6,127</u>

The income tax for the Life fund and investment-linked funds of the Group's insurance subsidiary is calculated based on the tax rate of 8% (2011: 8%) of the assessable investment income, net of allowable deductions for the financial period.

23. Profit before taxation

	3 months ended		Cumulative 9 months ended	
	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of intangible assets	229	229	665	629
Depreciation of property and equipment	474	433	1,434	1,275
Investment income (Note 21)	(40,921)	(38,696)	(118,864)	(111,978)
Recovery of impairment loss on insurance receivables	(1)	-	(19)	-
Net foreign exchange loss/(gains)	3,784	(5,453)	3,535	(3,336)
Net realised gains				
- realised loss on disposal of property and equipments	(15)	-	(15)	-
- realised gains on disposal of AFS investments	(15,993)	(19,059)	(44,390)	(52,482)
- realised gains on loans and receivables	-	-	(233)	-
	<u>(16,008)</u>	<u>(19,059)</u>	<u>(44,638)</u>	<u>(52,482)</u>

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23. Profit before taxation (continued)

	3 months ended		Cumulative 9 months ended	
	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000
Profit before taxation is arrived at after charging/(crediting) (continued):				
Net fair value (gains)/losses				
- fair value (gains)/losses on investments	(14,006)	44,672	(38,042)	30,340
- impairment loss on quoted equities	4,333	-	5,218	-
	(9,673)	44,672	(32,824)	30,340

Other than the above, there was no gain or loss on derivatives for the current quarter and period ended 30 September 2012.

24. Taxation

	3 months ended		Cumulative 9 months ended	
	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000
Current tax	4,746	4,252	10,707	13,623
<u>Deferred tax</u>				
Origination and reversal of temporary differences	(74)	(107)	(89)	(2,061)
Over provision in prior financial year	(122)	(294)	(3,102)	(294)
	<u>(196)</u>	<u>(401)</u>	<u>(3,191)</u>	<u>(2,355)</u>
	<u>4,550</u>	<u>3,851</u>	<u>7,516</u>	<u>11,268</u>

The income tax for the Group is calculated based on the tax rate of 25% (2011: 25%) of the estimated assessable profit for the financial period.

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Notes to the Interim Financial Statements (Continued)**24. Taxation (continued)**

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.

	3 months ended		Cumulative 9 months ended	
	<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>18,166</u>	<u>20,544</u>	<u>48,053</u>	<u>58,525</u>
Taxation at Malaysian statutory tax rate of 25%	4,541	5,136	12,013	14,631
Section 110B tax credit set off	82	(766)	(1,335)	(2,380)
Income not subject to tax	(1,058)	(445)	(1,955)	(1,308)
Expenses not deductible for tax purposes	<u>1,107</u>	<u>220</u>	<u>1,895</u>	<u>619</u>
	4,672	4,145	10,618	11,562
Over provision in prior year - Deferred tax	(122)	(294)	(3,102)	(294)
	<u>4,550</u>	<u>3,851</u>	<u>7,516</u>	<u>11,268</u>

25. Earnings per share**(a) Basic earnings per share**

Basic earnings per share of the Group are calculated by dividing the net profit attributable to ordinary equity holders for the financial period by the weighted average number of ordinary shares in issue.

		3 months ended		Cumulative 9 months ended	
		<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
Net profit attributable to shareholders	(RM'000)	13,616	16,693	40,537	47,257
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>6.73</u>	<u>8.25</u>	<u>20.03</u>	<u>23.35</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 2012.

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Notes to the Interim Financial Statements (Continued)**26. Insurance contract liabilities**

The insurance contract liabilities as at the date of the statement of financial position comprise the following:

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000	As at 01.01.2011 RM'000
Actuarial liabilities	2,104,291	2,196,472	1,922,955
Unallocated surplus	55,693	(98,163)	66,739
Available-for-sale fair value reserve	173,480	143,438	159,227
Investment-linked policyholders' account	426,296	366,032	399,348
	<u>2,759,760</u>	<u>2,607,779</u>	<u>2,548,269</u>

During the current financial period ended 30 September 2012, the Group's insurance subsidiary revised its actuarial liabilities estimates. The impact arising from the change is as disclosed in Note 6.

27. Cash and cash equivalents

Cash and cash equivalents as at the date of statement of financial position comprise the following:

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000	As at 01.01.2011 RM'000
Shareholders and others	33,925	6,574	23,729
Non Investment-linked business	33,812	22,013	86,697
Investment-linked business	1,365	1,067	1,916
	<u>69,102</u>	<u>29,654</u>	<u>112,342</u>

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Notes to the Interim Financial Statements (Continued)**28. Comparative figures**

Certain comparative figures have been restated following the adoption of MFRS Framework and changes in accounting policies as stated in Note 2.

Reconciliation of statement of financial position for comparative periods and previously reported balances are as follows:

	Note	As previously reported "FRS" RM'000	Adjustment RM'000	As restated "MFRS" RM'000
Statement of financial position				
<u>As at 1 January 2011</u>				
<u>Equity</u>				
Foreign currency translation reserve	a	5,190	(5,190)	-
Fair value reserves	b	13,449	9,165	22,614
Retained earnings	a , b	411,393	152,120	563,513
<u>Liabilities</u>				
Insurance contract liabilities	b	2,753,341	(205,072)	2,548,269
Deferred tax liabilities	c	28,452	48,977	77,429
<u>As at 31 December 2011</u>				
<u>Equity</u>				
Foreign currency translation reserve	a	5,190	(5,190)	-
Fair value reserves	b	13,266	8,860	22,126
Retained earnings	a , b	451,440	125,659	577,099
<u>Liabilities</u>				
Insurance contract liabilities	b	2,777,264	(169,485)	2,607,779
Deferred tax liabilities	c	25,480	40,156	65,636
<u>As at 30 September 2011</u>				
<u>Equity</u>				
Foreign currency translation reserve	a	5,190	(5,190)	-
Fair value reserves	b	9,053	4,566	13,619
Retained earnings	a , b	436,442	147,008	583,450
<u>Liabilities</u>				
Insurance contract liabilities	b	2,708,085	(193,657)	2,514,428
Deferred tax liabilities	c	14,559	47,273	61,832

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Notes to the Interim Financial Statements (Continued)**28. Comparative figures (continued)**

Reconciliation of profit or loss and other comprehensive income for comparative periods and previously reported balances are as follows:

	Note	As previously reported "FRS" RM'000	Adjustment RM'000	As restated "MFRS" RM'000
Statement of comprehensive income				
<u>For financial period ended 30 September 2011</u>				
Total comprehensive income		47,973	(9,711)	38,262
Comprise of the following restatements:				
Gross change in contract liabilities	b	(33,759)	(6,816)	(40,575)
Taxation	c	(12,972)	1,704	(11,268)
Net loss on fair value change of available-for-sale financial assets	b	(4,396)	(4,599)	(8,995)

The adoption of the new MFRS Framework and the change in accounting policy has resulted in the following restatements:-

- (a) reclassification of foreign currency translation reserves to retained earnings;
- (b) reclassification of unallocated surplus and AFS reserves (net of deferred tax) of non-participating funds previously held within insurance contract liabilities to non-distributable retained earnings and fair value reserves respectively as of 1 January 2011; and
- (c) recognition of corresponding deferred tax liabilities on unallocated surplus of non-participating funds.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2012

Notes to the Interim Financial Statements (Continued)**29. Disclosure of realised and unrealised earnings**

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

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000
Total retained earnings of the Group:		
- Realised	545,723	536,452
- Unrealised	20,709	18,701
	<u>566,432</u>	<u>555,153</u>
Consolidation adjustments	23,884	21,946
Total retained earnings as per statement of financial position	<u>590,316</u>	<u>577,099</u>

The analysis of realised and unrealised earnings 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.

This note should be read in conjunction with the Consolidated Statement of Changes in Equity.

BY ORDER OF THE BOARD

Chua Siew Chuan
Joint Secretary
20 November 2012

Chin Mun Yee
Joint Secretary