

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 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 the 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 financial 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 MFRS framework effective 1 January 2012, the Group has 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 Available-for-sale (“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 year 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 has 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 and wealth 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 2012.

6. Change in estimates

The Group’s insurance subsidiary, Manulife Insurance Berhad revised certain assumptions used for the actuarial liabilities valuation during the quarter ended 30 September 2012. The change resulted in lower actuarial liabilities of RM167.1 million for the year ended 31 December 2012, 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 year ended 31 December 2012.

7. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial year ended 31 December 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.

The dividend for the financial year ended 31 December 2012 will be determined by the Board upon the finalisation of the audited financial statements.

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

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 year 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 year ended 31 December 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. Next financial year prospects

Despite the uncertain global economic recovery as well as heightened concerns of recession in Europe, the economic growth is expected to continue in Malaysia, though at a moderate rate. We will execute our business expansion per plan which rides on various initiatives undertaken by the Government. The Group will take a holistic customer-centric approach when offering forward thinking solutions that will help our customers' most significant financial decisions. Nevertheless, the Group will remain prudent in its utilisation and management of resources along the growth journey.

After MAMSB commenced the operation of Private Retirement Scheme ("PRS") in November 2012, the Group will have access to a new avenue that helps to build on the Asset Under Management ("AUM") and improve profitability from better economies of scale. The Group will bring in more new funds to broaden the existing investment platform.

Manulife Malaysia is celebrating its 50th anniversary in 2013. As a total financial solutions provider offering a range of innovative products from living benefits to retirement solutions, our strategic plans will enhance the Group's competitiveness in the insurance, unit trust and asset management industries.

Barring any unforeseen circumstances, the Directors expect the Group's performance to remain satisfactory in the next financial year ending 31 December 2013 as the Group embarks on its business expansion.

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Notes to the Interim Financial Statements (Continued)**13. Profit forecast**

The Group did not issue any profit forecast during the financial year ended 31 December 2012.

14. Group borrowings

The Group does not have any borrowings as at 31 December 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 proposals 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 and PRS, 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 year.

	Cumulative 12 months ended 31 December							
	Investment holding		Life insurance business		Others		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue								
a) Premium Income								
Gross premiums	-	-	515,366	487,905	-	-	515,366	487,905
Premiums ceded to reinsurers	-	-	(10,499)	(10,582)	-	-	(10,499)	(10,582)
Net premiums	-	-	504,867	477,323	-	-	504,867	477,323
b) Investment income	9,885	11,160	147,477	139,758	855	636	158,217	151,554
c) Fee income	-	-	-	-	1,775	1,415	1,775	1,415
d) Net realised gains	2,038	2,526	66,185	49,873	-	-	68,223	52,399
e) Net fair value (losses)/gains	(242)	-	35,729	-	-	-	35,487	-
f) Other operating income	11	52	933	4,571	5	12	949	4,635
Total external revenue	11,692	13,738	755,191	671,525	2,635	2,063	769,518	687,326
Inter-segment revenue								
a) Rental income	743	743	370	470	-	-	1,113	1,213
b) Fee income	1,330	1,462	-	-	6,737	6,239	8,067	7,701
Total inter-segment revenue	2,073	2,205	370	470	6,737	6,239	9,180	8,914
Total revenue by segment	13,765	15,943	755,561	671,995	9,372	8,302	778,698	696,240
Profit/(loss) before taxation	5,452	9,276	57,059	40,427	(5,709)	30	56,802	49,733
Segment assets	381,069	401,108	3,820,216	3,530,655	93,431	63,259	4,294,716	3,995,022
Segment liabilities	10,368	13,361	3,301,013	3,066,108	8,449	2,276	3,319,830	3,081,745

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Notes to the Interim Financial Statements (Continued)

17. Operating segments (continued)

Reconciliation of reportable segments

	Cumulative 12 months ended	
	31.12.2012	31.12.2011
	RM'000	RM'000
<u>Total revenue</u>		
Total revenue for reportable segments	778,698	696,240
Elimination of inter-segment revenue	(9,180)	(8,914)
Consolidated total revenue	769,518	687,326
<u>Segment assets</u>		
Total assets for reportable segments	4,294,716	3,995,022
Elimination of inter-segment assets	(239,814)	(215,016)
Consolidated assets	4,054,902	3,780,006
<u>Segment liabilities</u>		
Total liabilities for reportable segments	3,319,830	3,081,745
Elimination of inter-segment liabilities	(3,854)	(6,879)
Consolidated liabilities	3,315,976	3,074,866

18. Review of performance

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

Financial Year ended December 2012 vs Financial Year ended December 2011

The Group recorded operating revenue of RM675.4 million for the year ended 31 December 2012 ("YTD December 2012"), an increase of 5.4% or RM34.5 million as compared to the corresponding financial year ended 31 December 2011 ("YTD December 2011") of RM640.9 million. The Group's profit before tax was RM56.8 million for YTD December 2012, RM7.1 million higher compared to the corresponding YTD December 2011 of RM49.7 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 December 2012 as compared to YTD December 2011 mainly due to lower interest income from fixed income securities and lower realised gains from investments.

Life insurance business – Operating revenue of the life insurance business grew by RM35.2 million mainly contributed by higher gross premiums from the investment-linked business and dividend income. Profit before tax increased by RM16.6 million mainly attributable to the lower estimate in actuarial liabilities in the current financial year, despite the increase from management expenses in IT infrastructure enhancement and business expansion initiatives.

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Notes to the Interim Financial Statements (Continued)

18. Review of performance (continued)

Other business – Operating revenue improved in current year (2012: RM2.6 million) as compared to the prior year (2011: RM2.1 million) mainly due to higher management fee income earned from higher AUM. However, there was a loss before tax of RM5.7 million for YTD December 2012 as compared to profit before tax of RM0.03 million for YTD December 2011 as there were higher management expenses, mainly due to the launching of our new PRS business and IT infrastructure enhancement.

4th Quarter 2012 vs 4th Quarter 2011

The Group achieved an operating revenue of RM191.2 million for the quarter ended 31 December 2012, an increase of 4.4% or RM8.1 million compared to the corresponding quarter 31 December 2011 of RM183.1 million. The Group's profit before tax was RM8.7 million for the current quarter, RM17.5 million higher as compared to the loss before tax in the corresponding quarter ended 31 December 2011 of RM8.8 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 in current quarter as compared to the preceding year's corresponding quarter due to lower interest income and lower gains on revaluation of investment property in the current quarter.

Life insurance business – Operating revenue of the life insurance business increased by RM8.2 million (2012: RM188.2 million, 2011: RM180.0 million) mainly due to higher gross premiums from both investment-linked and non-participating life business during the current quarter. Profit before tax was higher in the current quarter mainly due to lower actuarial liabilities following the revision in the actuarial liabilities estimates as compared to the prior year quarter in 2011.

Other business – Operating revenue slightly increase in the current quarter (2012: RM0.8 million) as compared to the corresponding quarter in the preceding year (2011: RM0.6 million) mainly contributed by higher management fee income earned on higher AUM and higher interest income earned. Loss before tax was higher in the 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 lower profit before tax of RM8.7 million for the current quarter under review as compared to the profit before tax of RM18.2 million in preceding quarter ended 30 September 2012. The decrease of RM9.5 million was mainly attributable to the impact arising from the change in actuarial liabilities estimates in the preceding quarter and increase in management expenses for IT infrastructure enhancement and running of the new PRS business in the current quarter.

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Notes to the Interim Financial Statements (Continued)**20. Net premiums**

Net premiums which are stated net of reinsurance expenses comprise the following:-

	3 months ended		Cumulative	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
First year premium	20,641	18,395	68,586	61,445
Renewal year premium	125,456	120,085	428,631	409,083
Single premium	2,212	1,633	7,650	6,795
Total	148,309	140,113	504,867	477,323

21. Investment income

	3 months ended		Cumulative	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
- <u>designated upon initial recognition</u>				
Interest/profit income	4,014	3,833	15,531	14,654
Dividend/distribution income				
- equity securities quoted in Malaysia	3,276	2,650	8,311	7,077
Accretion of discounts, net of amortisation of premiums	65	947	403	2,299
<u>AFS financial assets</u>				
Interest/profit income	17,858	16,639	69,914	63,667
Dividend/distribution income				
- equity securities quoted in Malaysia	4,997	5,614	25,394	20,907
- equity securities unquoted	105	-	140	315
Accretion of discounts, net of amortisation of premiums	780	936	3,225	4,348
<u>Loans and receivables</u>				
Interest/profit income	5,433	6,479	24,325	27,098
Accretion of discounts, net of amortisation of premiums	589	561	2,312	2,201
Rental income	1,703	1,535	6,935	6,711
<u>Cash and bank balances</u>				
Interest/profit sharing income	533	382	1,727	2,277
	39,353	39,576	158,217	151,554

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22. Other operating expenses

	3 months ended		Cumulative 12 months ended	
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange losses	64	-	3,599	-
Interest on agent's bond	7	10	31	41
Others	1,176	304	1,176	329
Tax on investment income of Life fund and investment-linked funds				
- Current tax **	1,997	1,737	12,928	11,842
- Deferred tax	(118)	1,625	972	(2,409)
	1,879	3,362	13,900	9,433
	<u>3,126</u>	<u>3,676</u>	<u>18,706</u>	<u>9,803</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 year.

** Included in the Current tax is the tax refundable from Inland Revenue Board ("IRB") in relation to a court order ruling in favour of the insurance subsidiary amounting to RM3.1 million (2011: Nil).

23. Profit before taxation

	3 months ended		Cumulative 12 months ended	
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of intangible assets	267	270	932	899
Depreciation of property and equipment	508	428	1,942	1,703
Investment income (Note 21)	(39,353)	(39,576)	(158,217)	(151,554)
Impairment loss/(recovery) on insurance receivables	1	(55)	(18)	(55)
Net foreign exchange losses/(gains)	64	(311)	3,599	(3,647)
Net realised (gains)/losses				
- realised losses/(gains) on disposal of property and equipments	6	4	(9)	4
- realised (gains)/losses on disposal of AFS investments	(23,591)	79	(67,981)	(52,403)
- realised gains on loans and receivables	-	-	(233)	-
	<u>(23,585)</u>	<u>83</u>	<u>(68,223)</u>	<u>(52,399)</u>

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Notes to the Interim Financial Statements (Continued)**23. Profit before taxation (continued)**

	3 months ended		Cumulative 12 months ended	
	<u>31.12.2012</u> RM'000	<u>31.12.2011</u> RM'000	<u>31.12.2012</u> RM'000	<u>31.12.2011</u> RM'000
Profit before taxation is arrived at after charging/(crediting) (continued):				
Net fair value (gains)/losses				
- fair value gains on investment properties	(568)	(3,013)	(568)	(3,013)
- fair value (gains)/losses on investments	(2,926)	(22,986)	(40,968)	7,354
- impairment loss on quoted equities	831	5,117	6,049	5,117
	(2,663)	(20,882)	(35,487)	9,458

Other than the above, there was no gain or loss on derivatives for the current quarter and year ended 31 December 2012.

24. Taxation

	3 months ended		Cumulative 12 months ended	
	<u>31.12.2012</u> RM'000	<u>31.12.2011</u> RM'000	<u>31.12.2012</u> RM'000	<u>31.12.2011</u> RM'000
<u>Income tax</u>				
Current tax	15,457	1,998	26,141	15,621
Under/(over)provision in prior financial year	1,876	-	1,876	(294)
	<u>17,333</u>	<u>1,998</u>	<u>28,017</u>	<u>15,327</u>
<u>Deferred tax</u>				
Origination and reversal of temporary differences	(16,771)	(6,377)	(16,247)	(8,438)
(Over)/under provision in prior financial year	(231)	1,938	(3,923)	1,938
	<u>(17,002)</u>	<u>(4,439)</u>	<u>(20,170)</u>	<u>(6,500)</u>
	<u>331</u>	<u>(2,441)</u>	<u>7,847</u>	<u>8,827</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 year.

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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 12 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	8,749	(8,792)	56,802	49,733
Taxation at Malaysian statutory tax rate of 25%	2,187	(2,199)	14,200	12,432
Section 110B tax credit set off	(4,781)	(2,683)	(6,116)	(5,063)
Income not subject to tax	(112)	(530)	(984)	(1,550)
Expenses not deductible for tax purposes	319	162	1,170	493
Unrecognised deferred tax assets	1,073	871	1,624	871
	(1,314)	(4,379)	9,894	7,183
Under/(over) provision in prior year				
- Current tax **	1,876	-	1,876	(294)
- Deferred tax	(231)	1,938	(3,923)	1,938
	331	(2,441)	7,847	8,827

** Included in the Current tax is the tax refundable from IRB in relation to a court order ruling in favour of the insurance subsidiary amounting to RM0.6 million (2011: Nil).

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 year by the weighted average number of ordinary shares in issue.

		3 months ended		Cumulative 12 months ended	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
Net profit/(loss) attributable to shareholders	(RM'000)	8,418	(6,351)	48,955	40,906
Weighted average number of ordinary shares in issue	('000)	202,370	202,370	202,370	202,370
Basic earnings/ (loss) per share	(Sen)	4.16	(3.14)	24.19	20.21

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Notes to the Interim Financial Statements (Continued)**25. Earnings per share (continued)****(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 2012.

26. Insurance contract liabilities

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

	As at <u>31.12.2012</u> RM'000	As at <u>31.12.2011</u> RM'000	As at <u>01.01.2011</u> RM'000
Actuarial liabilities	2,138,525	2,196,472	1,922,955
Unallocated surplus	63,224	(98,163)	66,739
Available-for-sale fair value reserve	169,522	143,438	159,227
Investment-linked policyholders' account	432,416	366,032	399,348
	<u>2,803,687</u>	<u>2,607,779</u>	<u>2,548,269</u>

During the current financial year ended 31 December 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 <u>31.12.2012</u> RM'000	As at <u>31.12.2011</u> RM'000	As at <u>01.01.2011</u> RM'000
Shareholders and others	20,546	6,574	23,729
Non Investment-linked business	23,712	22,013	86,697
Investment-linked business	2,512	1,067	1,916
	<u>46,770</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	Adjustments 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

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

Reconciliation of the statement 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	Adjustments RM'000	As restated "MFRS" RM'000
Statement of comprehensive income				
<u>For financial year ended 31 December 2011</u>				
Total comprehensive income		67,544	(26,766)	40,778
Comprise of the following restatements:				
Other income	d	1,680	2,955	4,635
Gross change in contract liabilities	b,d	(37,383)	(37,916)	(75,299)
Other operating expenses	d	(9,482)	(321)	(9,803)
Taxation	c	(17,648)	8,821	(8,827)
Net loss on fair value change of available-for-sale financial assets	b	(183)	(305)	(488)

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.
- (d) Currency translation reserve arising from the translation of investment-linked funds' assets and liabilities that have a functional currency other than Ringgit Malaysia and recorded in gross change in contract liabilities previously, is now reclassified to other income and operating expenses.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 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 31.12.2012 RM'000	As at 31.12.2011 RM'000
Total retained earnings of the Group:		
- Realised	481,113	415,983
- Unrealised	93,497	139,170
	<hr/> 574,610	<hr/> 555,153
Consolidation adjustments	24,124	21,946
Total retained earnings as per statement of financial position	<hr/> <u>598,734</u>	<hr/> <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
25 February 2013

Chin Mun Yee
Joint Secretary