

# MANULIFE HOLDINGS BERHAD

Interim financial statements for the six months period ended 30 June 2014

## 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 Malaysia”), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2013, which were prepared in accordance with the Malaysian Financial Reporting Standards.

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 2013.

### 2. Significant 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 2013, except for the adoption of the following:

<u>MFRSs/Interpretations</u>	<u>Effective Date</u>
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plan: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014

The adoption of the revised standards, amendments and interpretations issued by Malaysian Accounting Standards Board (“MASB”) in the current financial year do not have any material impact to the financial statements of the Group.

As at the date of authorisation of these interim financial statements, the revised MFRSs, amendments to MFRSs and IC Interpretations but not yet effective issued by MASB in the current year 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 preceding financial year ended 31 December 2013.

### 4. Seasonal/cyclical factors

The business operations of the Group are subject to the sales cycle of the insurance business and wealth business.

## **MANULIFE HOLDINGS BERHAD**

Interim financial statements for the six months period ended 30 June 2014

### **Notes to the Interim Financial Statements (Continued)**

#### **5. Unusual items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 30 June 2014.

#### **6. Change in estimates**

There were no changes in the basis used for accounting estimates for the current financial period ended 30 June 2014.

#### **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 June 2014.

#### **8. Dividends**

A first and final single-tier dividend of 10 sen per share and a special single-tier dividend of 2.5 sen per share, amounting to RM20,237,000 and RM5,059,250 respectively for the financial year ended 31 December 2013, was approved at the Annual General Meeting held on 27 June 2014 and the dividend was paid on 16 July 2014.

No dividend has been declared in respect of the current financial period ended 30 June 2014.

#### **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 period to date.

#### **10. Changes in composition of the Group**

There is no change in the Group's composition for the current financial period ended 30 June 2014.

#### **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**

At the latest Monetary Policy Committee meeting, Bank Negara Malaysia decided to raise the overnight policy rate which will improve the overall financial results of the insurance business. Despite that in contrary the bond yield has slightly declined recently, the Malaysian economy is forecasted to remain firmly on a steady growth path. The Group remains cautious about the change in the market and economic environment as our business expansion plan is rolled out and rides on various initiatives undertaken by the Government. The utilisation and allocation of resources will be prudently managed along the growth journey.

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Interim financial statements for the six months period ended 30 June 2014

### **Notes to the Interim Financial Statements (Continued)**

#### **12. Current year prospects (continued)**

The strategic bancassurance partnership with Alliance Bank Malaysia Berhad ("ABMB") will continue to create long term economic benefits to the Group via the distribution of our life insurance products to ABMB's customers, not to mention the diversification of sales channels which will enhance the economies of scale and profitability. The Group will focus on offering a suite of bespoke products that are suitable for ABMB's customers.

The Group targets to complete the merger of the unit trust companies this year in order to create an integrated platform of distribution, fund management, product and operation which will delivery efficiency benefits and expand our wealth business according to the overall Group strategy. Significant resources are allocated to facilitate this process in order to ensure a seamless transition and a well-executed business plan.

A holistic customer-centric approach will be taken in our forward thinking solutions designed to help our customers' most significant financial decisions. We will offer a range of innovative products such as living benefits, integrated wellness programs and retirement solutions that aims to enhance the Group's competitiveness in both the insurance and unit trust industries.

The Group will further invest in branding activities to strengthen the recognition and awareness of our name in Malaysia. The high regard of our brand coverage and appreciation is necessary for the successful execution of our business expansion plan.

Barring any unforeseen circumstances, the Directors expect the Group's performance to remain satisfactory in the current financial year ending 31 December 2014 as the Group embarks on its business expansion.

#### **13. Profit forecast**

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

#### **14. Group borrowings**

The Group does not have any borrowings as at 30 June 2014.

#### **15. Material litigation**

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

#### **17. Significant event**

There is no significant event during the financial period to date.

# MANULIFE HOLDINGS BERHAD

Interim financial statements for the six months period ended 30 June 2014

## Notes to the Interim Financial Statements (Continued)

### 18. Operating segments

The core businesses of the Group are the life insurance business, management of unit trust funds, private retirement scheme 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 and other segments  
 Life insurance : Underwriting of Participating and Non-participating life insurance and unit-linked products  
 Asset management services : Asset management, unit trust and private retirement scheme funds

Comparative figures have been restated following the reclassification of business segments in the current financial year, where other segments have now been included together with the Investment Holding segment. For the year ended 31 December 2013, other segments were classified together with Asset Management Services as "Others".

	Cumulative 6 months ended 30 June							
	Investment holding		Life insurance business		Asset management services		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>External revenue</u>								
(a) Premium Income								
Gross premiums	-	-	375,626	250,361	-	-	375,626	250,361
Premiums ceded to reinsurers	-	-	(4,897)	(5,101)	-	-	(4,897)	(5,101)
Net premiums	-	-	370,729	245,260	-	-	370,729	245,260
(b) Investment income	8,317	5,810	72,270	72,547	555	358	81,142	78,715
(c) Net realised gains	182	1,029	31,882	40,680	-	-	32,064	41,709
(d) Net fair value (losses)/gains	(16)	(96)	30,141	28,862	-	-	30,125	28,766
(e) Fee income	-	-	-	-	27,179	938	27,179	938
(f) Other operating income	-	-	841	474	74	(3)	915	471
<b>Total external revenue</b>	<b>8,483</b>	<b>6,743</b>	<b>505,863</b>	<b>387,823</b>	<b>27,808</b>	<b>1,293</b>	<b>542,154</b>	<b>395,859</b>
<u>Inter-segment revenue</u>								
(a) Rental income	276	371	288	185	-	-	564	556
(b) Fee income	557	252	1,294	-	5,063	3,428	6,914	3,680
(c) Dividend Income	4,136	200,010	1,463	-	-	-	5,599	200,010
(d) Net realised gains	-	87	194	24	-	-	194	111
<b>Total inter-segment revenue</b>	<b>4,969</b>	<b>200,720</b>	<b>3,239</b>	<b>209</b>	<b>5,063</b>	<b>3,428</b>	<b>13,271</b>	<b>204,357</b>
<b>Total revenue by segment</b>	<b>13,452</b>	<b>207,463</b>	<b>509,102</b>	<b>388,032</b>	<b>32,871</b>	<b>4,721</b>	<b>555,425</b>	<b>600,216</b>
<b>Profit/(loss) before taxation</b>	<b>2,142</b>	<b>2,853</b>	<b>19,347</b>	<b>27,755</b>	<b>(2,435)</b>	<b>(4,628)</b>	<b>19,054</b>	<b>25,980</b>
<b>Segment assets</b>	<b>760,799</b>	<b>645,996</b>	<b>4,164,569</b>	<b>3,750,644</b>	<b>92,354</b>	<b>36,939</b>	<b>5,017,722</b>	<b>4,433,579</b>
<b>Segment liabilities</b>	<b>49,660</b>	<b>48,020</b>	<b>3,775,476</b>	<b>3,415,415</b>	<b>55,605</b>	<b>5,440</b>	<b>3,880,741</b>	<b>3,468,875</b>

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Interim financial statements for the six months period ended 30 June 2014

**Notes to the Interim Financial Statements (Continued)****18. Operating segments (continued)****Reconciliation of reportable segments**

	<b>Cumulative 6 months ended</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Total revenue</u></b>		
Total revenue for reportable segments	555,425	600,216
Elimination of inter-segment revenue	(13,271)	(204,357)
<b>Total revenue as per statement of profit or loss</b>	<b>542,154</b>	<b>395,859</b>
	<b>As at</b>	<b>As at</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>
		<b>RM'000</b>
<b><u>Segment assets</u></b>		
Total assets for reportable segments	5,017,722	4,433,579
Elimination of inter-segment assets	(392,034)	(254,458)
<b>Total assets as per statement of financial position</b>	<b>4,625,688</b>	<b>4,179,121</b>
<b><u>Segment liabilities</u></b>		
Total liabilities for reportable segments	3,880,741	3,468,875
Elimination of inter-segment liabilities	(6,207)	(20,393)
<b>Total liabilities as per statement of financial position</b>	<b>3,874,534</b>	<b>3,448,482</b>

**19. 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 Period ended 30 June 2014 vs Financial Period ended 30 June 2013**

The Group achieved operating revenue of RM483.9 million for the financial period ended 30 June 2014 (YTD June 2014), an increase of 46.6% or RM153.9 million compared to the corresponding financial period ended 30 June 2013 (YTD June 2013) of RM330.0 million. However, the Group's profit before tax was RM6.9 million lower as compared to the profit before tax in the corresponding YTD June 2013 (2014: RM19.1 million, 2013: RM26.0 million).

Performance of the respective operating business segments are as follows:

**Investment holding** – Operating revenue increased by RM2.5 million (or 43.1%) as compared to YTD June 2013 mainly attributable to the higher interest income from fixed and call deposits. Profit before tax was slightly lower due to increase in staff related expenses.

**Life insurance business** – Operating revenue of the life insurance business increased by RM125.0 million (2014: RM447.9 million, 2013: RM322.9 million) mainly due to higher gross premiums from investment-linked business during the current financial period ended June 2014. Profit before tax was RM8.4 million lower compared to YTD June 2013 due to a decline in Malaysia Government Securities yield resulting in higher liabilities reserving; in addition to the overall decreasing value of corporate debt portfolio as well as lower realised gains on investment.

**Asset management services** – The Group consolidated the results of a newly acquired unit trust subsidiary in the current financial period. As a result, operating revenue was much higher in the six months financial period ended June 2014 as compared to corresponding period in 2013 (2014: RM27.7 million, 2013: RM1.3 million) and the asset management services business recorded lower loss before tax by approximately RM2.2 million.

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Interim financial statements for the six months period ended 30 June 2014

## Notes to the Interim Financial Statements (Continued)

### 19. Review of performance (continued)

#### 2nd Quarter 2014 vs 2nd Quarter 2013

The Group's operating revenue in the current quarter registered a growth of 56.6% (or RM99.9 million) over the corresponding quarter ended 30 June 2013 (2014: RM276.5 million, 2013: RM176.6 million). The Group's profit before tax was RM10.5 million for the current quarter, RM9.5 million lower as compared to the profit before tax in the corresponding quarter ended 30 June 2013 of RM20.0 million.

Performance of the respective operating business segments are as follows:

**Investment holding** – Operating revenue in the current quarter grew 16.2% as compared to the preceding year's corresponding quarter (2014: RM4.3 million, 2013: RM3.7 million) due to higher interest income from fixed income securities. In the current quarter, investment holding segment recorded a profit before tax of RM1.3 million, which was 50% lower as compared to the second quarter 2013 due to higher staff related expenses.

**Life insurance business** – Operating revenue of the life insurance business increased by RM86.0 million (2014: RM258.3 million, 2013: RM172.3 million) mainly due to higher gross premiums from investment-linked business during the current quarter. Profit before tax was lower in the current quarter (2014: RM10.5 million, 2013: RM19.8 million) mainly due to a decline in Malaysia Government Securities yield resulting in higher liabilities reserving; in addition to the overall decreasing value of corporate debt portfolio as well as lower realised gains on investment.

**Asset management services** – Asset management business achieved higher operating revenue of RM13.9 million (2013: RM0.6 million) and lower loss before tax of RM1.2 million (2013: RM2.3 million) in the current quarter after consolidating the result of the newly acquired subsidiary.

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

The Group attained higher profit before tax of RM10.5 million for the current quarter under review as compared to the profit before tax of RM8.5 million in preceding quarter ended 31 March 2014. The increase of RM2.0 million were mainly attributable to lower management expenses allocated to Non-participating fund and higher surplus transfer during the current quarter.

### 21. Net premiums

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

	<b>3 months ended</b>		<b>Cumulative 6 months ended</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
First year premium	20,372	19,792	36,093	33,657
Renewal year premium	118,297	107,878	222,014	207,733
Single premium	78,655	1,942	112,622	3,870
<b>Total</b>	<b>217,324</b>	<b>129,612</b>	<b>370,729</b>	<b>245,260</b>

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**Notes to the Interim Financial Statements (Continued)****22. Investment income**

	<b>3 months ended</b>		<b>Cumulative 6 months ended</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Financial assets at FVTPL</u>				
- designated upon initial recognition				
Interest/profit income	2,158	3,475	6,723	7,463
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	3,658	2,910	5,864	3,917
- quoted outside Malaysia	37	29	37	36
Accretion of discounts, net of amortisation of premiums	(37)	49	(113)	212
<u>AFS financial assets</u>				
Interest/profit income	19,133	18,152	37,201	35,970
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	7,252	9,924	11,557	12,922
- unquoted	70	63	70	63
Accretion of discounts, net of amortisation of premiums	570	690	1,201	1,477
<u>Loans and receivables</u>				
Interest/profit income	7,555	5,529	13,052	11,132
Accretion of discounts, net of amortisation of premiums	633	603	1,259	1,199
<u>Investment properties</u>				
Rental income	1,723	1,927	3,978	3,552
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	168	630	313	772
	<u>42,920</u>	<u>43,981</u>	<u>81,142</u>	<u>78,715</u>

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Interim financial statements for the six months period ended 30 June 2014

**Notes to the Interim Financial Statements (Continued)****23. Other operating expenses**

	3 months ended		Cumulative 6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange losses/(gains)	1,826	327	1,919	(925)
Interest expense on agent's bond withheld	8	7	14	14
Others	(1)	550	18	1,139
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	4,423	2,273	9,447	4,903
- Deferred tax	(70)	754	(489)	638
	4,353	3,027	8,958	5,541
	<u>6,186</u>	<u>3,911</u>	<u>10,909</u>	<u>5,769</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% (2013: 8%) of the assessable investment income, net of allowable deductions for the financial year.

**24. Profit before taxation**

	3 months ended		Cumulative 6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
<b>Profit before taxation is arrived at after charging/(crediting):</b>				
Amortisation of intangible assets	1,398	370	2,371	686
Depreciation of property and equipment	662	539	1,327	1,061
Investment income (Note 22)	(42,920)	(43,981)	(81,142)	(78,715)
Allowance of impairment loss on insurance receivables	-	6	-	6
Net foreign exchange losses/(gains)	1,826	(327)	1,919	(925)
Net realised gains				
- realised gains on disposal of AFS investments	(17,116)	(33,538)	(32,064)	(41,709)



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**Notes to the Interim Financial Statements (Continued)****24. Profit before taxation (continued)**

	3 months ended		Cumulative 6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
<b>Profit before taxation is arrived at after charging/(crediting):</b>				
Net fair value (gains)/losses				
- fair value/derivatives gain on FVTPL investments	(11,638)	(28,901)	(30,144)	(29,339)
- impairment loss on quoted equities	-	3	19	573
	(11,638)	(28,898)	(30,125)	(28,766)

**25. Taxation**

	3 months ended		Cumulative 6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
<u>Income tax</u>				
Current financial period	2,724	5,409	5,405	7,257
<u>Deferred tax</u>				
Reversal/origination of temporary differences	(12)	(1)	(43)	90
Over provision in prior financial year	-	(10)	-	(13)
	(12)	(11)	(43)	77
	<u>2,712</u>	<u>5,398</u>	<u>5,362</u>	<u>7,334</u>

The income tax for the Group is calculated based on the tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial period.

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Interim financial statements for the six months period ended 30 June 2014

**Notes to the Interim Financial Statements (Continued)****25. 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 6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Profit before taxation	10,521	20,001	19,054	25,980
Taxation at Malaysian statutory tax rate of 25%	2,631	5,001	4,764	6,495
Section 110B tax credit set off	(616)	(646)	(1,067)	(1,095)
Income not subject to tax	(136)	(597)	(603)	(700)
Expenses not deductible for tax purposes	757	1,083	1,640	1,483
Unrecognised deferred tax assets	76	567	628	1,164
	2,712	5,408	5,362	7,347
Over provision in prior financial year				
- Deferred tax	-	(10)	-	(13)
	2,712	5,398	5,362	7,334

**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 owners of the parent for the financial period by the weighted average number of ordinary shares in issue.

		3 months ended		Cumulative 6 months ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
Net profit attributable to owners of the Parent	(RM'000)	7,803	14,593	13,631	18,636
Weighted average number of ordinary shares in issue	('000)	202,370	202,370	202,370	202,370
Basic earnings per share	(Sen)	3.86	7.21	6.74	9.21

**(b) Diluted earnings per share**

There is no dilution in earnings per share as there are no dilutive potential ordinary shares as at 30 June 2014.

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Interim financial statements for the six months period ended 30 June 2014

**Notes to the Interim Financial Statements (Continued)****27. Insurance contract liabilities**

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

	Gross		Net	
	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Actuarial liabilities	2,129,373	2,087,864	2,129,055	2,087,773
Unallocated surplus	205,843	202,587	205,843	202,587
Fair value reserve	105,182	115,131	105,182	115,131
Asset revaluation reserve	641	641	641	641
Investment-linked policyholders' account	795,317	666,605	795,317	666,605
	<u>3,236,356</u>	<u>3,072,828</u>	<u>3,236,038</u>	<u>3,072,737</u>

The insurance contract liabilities and its movements are further analysed as follows:

	Gross		Net	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	3,072,828	2,803,687	3,072,737	2,803,687
Inforce reserve movement	10,820	47,297	10,820	47,297
New business reserve	6,733	5,223	6,506	5,132
Discount rate and other changes	23,956	(103,181)	23,956	(103,181)
Unallocated surplus	3,256	139,363	3,256	139,363
Fair value reserve, net of tax	(9,949)	(54,391)	(9,949)	(54,391)
Asset revaluation reserve	-	641	-	641
Investment-linked policyholders' account	128,712	234,189	128,712	234,189
At 30 June 2014/ 31 December 2013	<u>3,236,356</u>	<u>3,072,828</u>	<u>3,236,038</u>	<u>3,072,737</u>

**28. Cash and cash equivalents**

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

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Shareholders and others	39,937	31,396
Non Investment-linked business	36,025	21,877
Investment-linked business	4,862	4,384
	<u>80,824</u>	<u>57,657</u>

**MANULIFE HOLDINGS BERHAD**

Interim financial statements for the six months period ended 30 June 2014

**Notes to the Interim Financial Statements (Continued)****29. Capital commitment**

	<b>As at 30.06.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
<u>Exclusive bancassurance agreement</u>		
Contracted but not provided for	27,000	40,000

**30. Financial instruments and fair value of assets****(a) Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

- i) Available-for-sale ("AFS");
- ii) Fair value through profit or loss - designated upon initial recognition ("FVTPL");
- iii) Loans and receivables excluding prepayments ("LAR"); and
- iv) Other financial liabilities measured at amortised cost ("OL").

<b>Group</b>	<b>AFS RM'000</b>	<b>FVTPL RM'000</b>	<b>LAR RM'000</b>	<b>OL RM'000</b>	<b>Total RM'000</b>
<b>30 June 2014</b>					
<b>Financial assets</b>					
AFS financial assets	2,646,570	-	-	-	2,646,570
FVTPL financial assets	-	955,421	-	-	955,421
Loans and receivables	-	-	673,949	-	673,949
Reinsurance assets	-	-	2,237	-	2,237
Insurance receivables	-	-	20,652	-	20,652
Cash and cash equivalents	-	-	80,824	-	80,824
	<u>2,646,570</u>	<u>955,421</u>	<u>777,662</u>	<u>-</u>	<u>4,379,653</u>
<b>Financial liabilities</b>					
Insurance contract liabilities	-	-	-	3,236,356	3,236,356
Insurance claims liabilities	-	-	-	46,803	46,803
Insurance payables	-	-	-	369,587	369,587
Other payables	-	-	-	177,267	177,267
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,830,013</u>	<u>3,830,013</u>
<b>31 December 2013</b>					
<b>Financial assets</b>					
AFS financial assets	2,568,350	-	-	-	2,568,350
FVTPL financial assets	-	912,252	-	-	912,252
Loans and receivables	-	-	636,897	-	636,897
Reinsurance assets	-	-	1,731	-	1,731
Insurance receivables	-	-	26,969	-	26,969
Cash and cash equivalents	-	-	57,657	-	57,657
	<u>2,568,350</u>	<u>912,252</u>	<u>723,254</u>	<u>-</u>	<u>4,203,856</u>
<b>Financial liabilities</b>					
Insurance contract liabilities	-	-	-	3,072,828	3,072,828
Insurance claims liabilities	-	-	-	41,001	41,001
Insurance payables	-	-	-	364,488	364,488
Other payables	-	-	-	151,648	151,648
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,629,965</u>	<u>3,629,965</u>

**MANULIFE HOLDINGS BERHAD**

Interim financial statements for the six months period ended 30 June 2014

**Notes to the Interim Financial Statements (Continued)****30. Financial instruments and fair value of assets (continued)****(b) Determination of fair values and fair value hierarchy**

The fair value and fair value hierarchy of the Group's assets and liabilities are determined using the methods consistent with those disclosed in note 4, note 5, note 34(b) and (c) to the audited financial statement for the financial year ended 31 December 2013.

The following table presents the Group's assets that are carried at fair value as at 30 June 2014.

	<b>Carrying amount RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>
<b>30 June 2014</b>				
<b>Property</b>	18,403	-	18,403	-
<b>Investment Properties</b>	78,622	-	78,622	-
<b>AFS financial assets</b>				
Equity securities				
- Quoted in Malaysia	734,807	734,807	-	-
- Unquoted	2,516	-	-	2,516
Unit trust funds	99,303	99,303	-	-
Malaysian Government Securities	683,977	-	683,977	-
Government Investment Issues	194,244	-	194,244	-
Corporate debt securities				
- Unquoted	914,747	-	914,747	-
Accrued interest	16,976	-	16,976	-
	<u>2,646,570</u>	<u>834,110</u>	<u>1,809,944</u>	<u>2,516</u>
<b>FVTPL financial assets</b>				
Equity securities				
- Quoted in Malaysia	361,355	361,355	-	-
- Quoted outside Malaysia	1,729	1,729	-	-
Unit trust funds	2,527	2,527	-	-
Malaysian Government Securities	66,232	-	66,232	-
Government Investment Issues	19,476	-	19,476	-
Corporate debt securities				
- Unquoted	194,022	-	194,022	-
Mutual funds	307,699	307,699	-	-
Derivatives				
- Forward/spot currency contract	32	-	32	-
Accrued interest	2,349	-	2,349	-
	<u>955,421</u>	<u>673,310</u>	<u>282,111</u>	<u>-</u>
	<u>3,699,016</u>	<u>1,507,420</u>	<u>2,189,080</u>	<u>2,516</u>

**MANULIFE HOLDINGS BERHAD**

Interim financial statements for the six months period ended 30 June 2014

**Notes to the Interim Financial Statements (Continued)****30. Financial instruments and fair value of assets (continued)****(b) Determination of fair values and fair value hierarchy (continued)**

The following table presents the Group's assets that are carried at fair value as at 31 December 2013.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>31 December 2013</b>				
<b>Property</b>	18,677	-	18,677	-
<b>Investment Properties</b>	78,622	-	78,622	-
<b>AFS financial assets</b>				
Equity securities				
- Quoted in Malaysia	748,443	748,443	-	-
- Unquoted	2,516	-	-	2,516
Unit trust funds	95,210	95,210	-	-
Malaysian Government Securities	661,717	-	661,717	-
Government Investment Issues	193,881	-	193,881	-
Corporate debt securities				
- Unquoted	850,763	-	850,763	-
Accrued interest	15,820	-	15,820	-
	<u>2,568,350</u>	<u>843,653</u>	<u>1,722,181</u>	<u>2,516</u>
<b>FVTPL financial assets</b>				
Equity securities				
- Quoted in Malaysia	360,029	360,029	-	-
- Quoted outside Malaysia	1,236	1,236	-	-
Unit trust funds	11,186	11,186	-	-
Malaysian Government Securities	70,846	-	70,846	-
Government Investment Issues	20,809	-	20,809	-
Corporate debt securities				
- Unquoted	221,109	-	221,109	-
Mutual funds	224,527	224,527	-	-
Accrued interest	2,510	-	2,510	-
	<u>912,252</u>	<u>596,978</u>	<u>315,274</u>	<u>-</u>
	<u>3,577,901</u>	<u>1,440,631</u>	<u>2,134,754</u>	<u>2,516</u>

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 30 June 2014.

**MANULIFE HOLDINGS BERHAD**

Interim financial statements for the six months period ended 30 June 2014

**Notes to the Interim Financial Statements (Continued)****31. Disclosure of realised and unrealised earnings**

Pursuant to the directives and guidance issued by Bursa Malaysia on 20 December 2010, the breakdown of the Group's retained earnings into realised and unrealised earnings is analysed as follows:

	<b>As at 30.06.2014</b>	<b>As at 31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of the Group:		
- Realised	517,812	528,864
- Unrealised	80,608	81,221
	<u>598,420</u>	<u>610,085</u>
Consolidation adjustments	24,124	24,124
Total retained earnings as per statement of financial position	<u>622,544</u>	<u>634,209</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 Malaysia Securities Berhad 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**  
19 August 2014

Chin Mun Yee  
**Joint Secretary**