

# MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 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 to MFRSs 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.

### 5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial year ended 31 December 2014.

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

#### **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 2014. The change resulted in lower actuarial liabilities of RM18.8 million for the current year ended 31 December 2014, with a corresponding increase in unallocated surplus for the participating business and net profit before tax of RM18.6 million and RM0.2 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 2014.

#### **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 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.

The Board of Directors has recommended a First and Final dividend of 10.0 sen per share for the financial year ended 31 December 2014, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

#### **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**

There were no significant changes in the composition of the Group for the current financial year to date, other than as disclosed below:

- i) Two of the subsidiaries within the Group completed a business transfer agreement on 1 September 2014. With the completion of the transaction, the business operations of MAAKL Mutual Bhd has been transferred and merged into Manulife Asset Management Services Berhad ("MAMSB").
- ii) The following dormant subsidiaries had on 19 December 2014 been placed under Members' Voluntary Winding Up:
  - a) Manulife Asset Management (Malaysia) Sdn. Bhd.
  - b) Britama Credit Sdn. Bhd.

The affairs and conduct of the two companies are now placed under the control of the Liquidator who will manage the entire process of liquidation. The winding up have no material impact on the financial results on the Group for the financial year ended 31 December 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.

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

#### **12. Next financial year prospects**

The market volatility resulting from the lower oil price and weak currency is likely to negatively affect the economy in Malaysia which consequently put downward pressures on our insurance and wealth management businesses. The policy makers have taken necessary steps in mitigating the negative impact whilst the Malaysia economy growth outlook was revised to a lower level. The introduction of Goods and Services Tax in April 2015 will increase the cost base of the life insurance operation given that the tax-exempted status of life insurance. The Group is cautious about the current challenging environment in the roll-out of our business expansion plan. The review of utilisation and allocation of resources is ongoing so that a proper discipline is maintained along the growth journey.

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

With the completion of merging the two unit trust companies and computer system migration, the Group now has an integrated platform of distribution, fund management, product, system application and operation. This platform will support the synergy benefits and the expansion of wealth management business while the Group will continue to put resources to raise our branch presence and enhance the capability of computer systems in 2015 in order to ensure 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. The Group has launched a couple of innovative insurance products in January 2015 and will bring more integrated wellness programs and retirement solutions to Malaysian which enhance the Group's competitiveness in both the insurance and unit trust industries.

In light of current challenging environments, the Directors expect that there will be potential headwinds in respect of Group's performance in the next financial year ending 31 December 2015.

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

The Group did not issue any profit forecast during the financial year ended 31 December 2014.

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

The Group does not have any borrowings as at 31 December 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 year ended 31 December 2014, other than as disclosed in note 10 to the interim financial statements.

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Interim financial statements for the twelve months period ended 31 December 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 12 months ended 31 December							
	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	-	-	779,025	685,265	-	-	779,025	685,265
Premiums ceded to reinsurers	-	-	(11,337)	(11,013)	-	-	(11,337)	(11,013)
Net premiums	-	-	767,688	674,252	-	-	767,688	674,252
(b) Investment income	15,650	15,557	154,493	149,972	1,413	564	171,556	166,093
(c) Net realised (losses)/gains	(132)	3,790	55,523	97,200	-	-	55,391	100,990
(d) Net fair value (losses)/gains	(519)	75	(12,229)	69,748	-	-	(12,748)	69,823
(e) Fee income	-	-	-	-	58,806	5,599	58,806	5,599
(f) Other operating income	-	-	1,767	1,144	235	(3)	2,002	1,141
<b>Total external revenue</b>	<b>14,999</b>	<b>19,422</b>	<b>967,242</b>	<b>992,316</b>	<b>60,454</b>	<b>6,160</b>	<b>1,042,695</b>	<b>1,017,898</b>
<u>Inter-segment revenue</u>								
(a) Rental income	788	919	366	386	-	-	1,154	1,305
(b) Fee income	868	970	2,092	2,015	7,745	6,930	10,705	9,915
(c) Dividend Income	4,000	200,114	3,424	964	-	-	7,424	201,078
(d) Net realised gains	-	-	225	642	-	-	225	642
(e) Fair value (losses)/gains	-	-	(9)	9	-	-	(9)	9
<b>Total inter-segment revenue</b>	<b>5,656</b>	<b>202,003</b>	<b>6,098</b>	<b>4,016</b>	<b>7,745</b>	<b>6,930</b>	<b>19,499</b>	<b>212,949</b>
<b>Total revenue by segment</b>	<b>20,655</b>	<b>221,425</b>	<b>973,340</b>	<b>996,332</b>	<b>68,199</b>	<b>13,090</b>	<b>1,062,194</b>	<b>1,230,847</b>
<b>Profit/(loss) before taxation</b>	<b>1,662</b>	<b>8,844</b>	<b>52,674</b>	<b>75,376</b>	<b>(4,422)</b>	<b>(10,988)</b>	<b>49,914</b>	<b>73,232</b>
<b>Segment assets</b>	<b>724,116</b>	<b>758,955</b>	<b>4,218,015</b>	<b>3,981,298</b>	<b>124,220</b>	<b>87,091</b>	<b>5,066,351</b>	<b>4,827,344</b>
<b>Segment liabilities</b>	<b>19,579</b>	<b>19,022</b>	<b>3,809,025</b>	<b>3,612,183</b>	<b>56,305</b>	<b>47,379</b>	<b>3,884,909</b>	<b>3,678,584</b>

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## Notes to the Interim Financial Statements (Continued)

### 18. Operating segments (continued)

#### Reconciliation of reportable segments

	Cumulative 12 months ended	
	31.12.2014	31.12.2013
	RM'000	RM'000
<b>Total revenue</b>		
Total revenue for reportable segments	1,062,194	1,230,847
Elimination of inter-segment revenue	(19,499)	(212,949)
<b>Total revenue as per statement of profit or loss</b>	<b>1,042,695</b>	<b>1,017,898</b>
	As at	As at
	31.12.2014	31.12.2013
	RM'000	RM'000
<b>Segment assets</b>		
Total assets for reportable segments	5,066,351	4,827,344
Elimination of inter-segment assets	(434,882)	(392,940)
<b>Total assets as per statement of financial position</b>	<b>4,631,469</b>	<b>4,434,404</b>
<b>Segment liabilities</b>		
Total liabilities for reportable segments	3,884,909	3,678,584
Elimination of inter-segment liabilities	(16,338)	(1,480)
<b>Total liabilities as per statement of financial position</b>	<b>3,868,571</b>	<b>3,677,104</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 Year ended 31 December 2014 vs Financial Year ended 31 December 2013***

The Group achieved operating revenue of RM1,009.4 million for the financial year ended 31 December 2014 (YTD December 2014), an increase of 17.8% or RM152.4 million compared to the corresponding financial year ended 31 December 2013 (YTD December 2013) of RM857.0 million. However, the Group's profit before tax was RM23.3 million lower as compared to the profit before tax in the corresponding YTD December 2013 (2014: RM49.9 million, 2013: RM73.2 million).

Performance of the respective operating business segments are as follows:

**Investment holding** – Operating revenue, which was referring to investment income from fixed and call deposits slightly increased by RM0.1 million as compared to YTD December 2013 (2014: RM15.6 million, 2013: RM15.5 million). However, profit before tax reduced RM7.2 million (2014: RM8.8 million, 2013: RM1.6 million) due to lower realised gains on investment and increase in staff related expenses.

**Life insurance business** – Operating revenue of the life insurance business increased by RM98.3 million (2014: RM933.5 million, 2013: RM835.2 million) mainly due to higher gross premiums from investment-linked business during the current financial year ended December 2014. Profit before tax was RM22.7 million lower compared to YTD December 2013 due to a decline in Malaysian Government Securities (MGS) yield resulting in higher liabilities reserving and lower realised gains on investment from fixed income securities.

**Asset management services** – The Group consolidated the results of a newly acquired unit trust subsidiary in the current financial year. As a result, operating revenue was much higher in the current financial year ended December 2014 as compared to the prior financial year ended 31 December 2013 (2014: RM60.2 million, 2013: RM6.2 million), mainly due to higher fee income from the enlarged Asset Under Management ("AUM"). On overall, this segment reported improved results in the current financial year with a lower loss before tax of RM4.4 million (2013: RM11.0 million) due to the acquired UT subsidiary.

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## Notes to the Interim Financial Statements (Continued)

### 19. Review of performance (continued)

#### 4th Quarter 2014 vs 4th Quarter 2013

The Group's operating revenue in the current quarter has slightly decreased by 1.0% (or RM2.6 million) over the corresponding quarter ended 31 December 2013 (2014: RM265.2 million, 2013: RM267.8 million). The Group's profit before tax was RM21.6 million for the current quarter, RM2.8 million lower as compared to the profit before tax in the corresponding quarter ended 31 December 2013 of RM24.4 million.

Performance of the respective operating business segments are as follows:

**Investment holding** – Operating revenue in the current quarter dropped 26.5% (or RM1.3 million) as compared to the preceding year's corresponding quarter (2014: RM3.6 million, 2013: RM4.9 million) due to lower interest income on fixed income securities. In the last quarter of 2014, investment holding segment recorded a loss before tax of RM0.1 million, which was RM4.1 million lower compared to corresponding quarter ended 2013 due to lower on investment gains and higher staff related expenses.

**Life insurance business** – Operating revenue of the life insurance business decreased by RM17.3 million (2014: RM244.8 million, 2013: RM262.1 million) mainly due to lower contribution from investment-linked business as compared to Q4 2013. Profit before tax was lower in the current quarter (2014: RM23.2 million, 2013: RM25.5 million) mainly due to a higher management expenses.

**Asset management services** – Asset management business achieved higher operating revenue of RM16.8 million (2013: RM0.8 million) from the enlarged AUM and a loss before tax of RM1.5 million (2013: RM5.1 million) in the current quarter after consolidating the result of the newly acquired subsidiary.

### 20. Commentary on the quarterly results compared to the results of preceding quarter

The Group attained higher profit before tax of RM21.6 million for the current quarter under review as compared to the profit before tax of RM9.2 million in the preceding quarter ended 30 September 2014. The increase of RM12.4 million was mainly attributable to the lower liabilities reserving required as a result of higher MGS yield as well as higher fee income earned from the sale and distribution of our unit trust funds.

### 21. Net premiums

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

	<u>3 months ended</u>		<u>Cumulative 12 months ended</u>	
	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
First year premium	27,359	22,933	86,678	79,380
Renewal year premium	128,567	130,369	473,961	450,290
Single premium	40,643	64,394	207,049	144,582
<b>Total</b>	<u>196,569</u>	<u>217,696</u>	<u>767,688</u>	<u>674,252</u>

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

	<b>3 months ended</b>		<b>Cumulative 12 months ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2013</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	3,410	3,411	13,414	14,192
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	4,412	3,685	13,086	10,175
- quoted outside Malaysia	-	-	51	40
- unit trusts	47	13	47	13
Accretion of discounts, net of amortisation of premiums	104	27	(30)	197
<u>AFS financial assets</u>				
Interest/profit income	19,415	18,645	75,850	73,018
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	5,252	6,890	23,596	27,490
- unquoted	34	-	396	133
- unit trusts	6,520	5,065	6,520	5,065
Accretion of discounts, net of amortisation of premiums	640	596	2,486	2,695
<u>Loans and receivables</u>				
Interest/profit income	6,514	5,541	25,857	22,720
Accretion of discounts, net of amortisation of premiums	650	619	2,550	2,428
<u>Investment properties</u>				
Rental income	1,611	1,601	7,196	6,922
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	129	165	537	1,005
	<u>48,738</u>	<u>46,258</u>	<u>171,556</u>	<u>166,093</u>

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Interim financial statements for the twelve months period ended 31 December 2014

## Notes to the Interim Financial Statements (Continued)

### 23. Other operating expenses

	3 months ended		Cumulative 12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange gains	(12,373)	(595)	(13,086)	(7,177)
Interest expense on agent's bond withheld	18	7	40	27
Others	2,343	25	2,388	1,310
Tax on investment income of Life fund and Investment- linked funds				
- Current tax	2,715	5,666	15,121	15,221
- Deferred tax	(1,972)	1,741	(2,805)	2,103
	743	7,407	12,316	17,324
	<u>(9,269)</u>	<u>6,844</u>	<u>1,658</u>	<u>11,484</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 12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
<b>Profit before taxation is arrived at after charging/(crediting):</b>				
Amortisation of intangible assets	1,687	1,101	5,664	2,961
Depreciation of property and equipment	647	505	2,662	2,085
Property and equipment written off	1,729	77	1,729	87
Intangible asset written off	233	-	233	-
Investment income (Note 22)	(48,738)	(46,258)	(171,556)	(166,093)
Allowance of impairment loss on insurance receivables	18	4	18	10
Net foreign exchange gains	(12,373)	(595)	(13,086)	(7,177)
Net realised gains				
- realised loss on disposal of property and equipment	59	-	59	-
- realised gains on disposal of AFS investments	(9,328)	(29,902)	(55,450)	(100,990)
	<u>(9,269)</u>	<u>(29,902)</u>	<u>(55,391)</u>	<u>(100,990)</u>



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

	3 months ended		Cumulative 12 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
<b>Profit before taxation is arrived at after charging/(crediting):</b>				
Net fair value losses/(gains)				
- fair value losses/(gains) on investment properties	36	(1,388)	36	(1,388)
- fair value losses/(gains) on FVTPL investments/derivatives	41,381	(34,187)	8,708	(69,008)
- impairment loss on quoted equities	3,971	-	4,004	573
	45,388	(35,575)	12,748	(69,823)

**25. Taxation**

	3 months ended		Cumulative 12 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
<u>Income tax</u>				
Current financial period	5,267	5,705	13,462	17,784
Under/(over) provision in prior financial year	-	-	841	(2,892)
	5,267	5,705	14,303	14,892
<u>Deferred tax</u>				
Reversal/origination of temporary differences	11	13	(67)	63
Over provision in prior financial year	-	-	-	(10)
	11	13	(67)	53
	5,278	5,718	14,236	14,945

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 year.

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**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 12 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Profit before taxation	21,619	24,372	49,914	73,232
Taxation at Malaysian statutory tax rate of 25%	5,405	6,093	12,479	18,308
Section 110B tax credit set off	(577)	(900)	(2,375)	(2,664)
Income not subject to tax	(399)	(1,033)	(1,080)	(2,597)
Expenses not deductible for tax purposes	865	1,098	3,412	3,728
Unrecognised deferred tax assets	(16)	460	959	1,072
	5,278	5,718	13,395	17,847
Under/(over) provision in prior financial year				
- Current tax**	-	-	841	(2,892)
- Deferred tax	-	-	-	(10)
	5,278	5,718	14,236	14,945

\*\* Included in 2013 current tax is the one-off tax adjustment in respect of year 2012 utilisation of group relief in the holding company and higher single-tier dividend exemption in the insurance subsidiary of the Group.

**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 12 months ended	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net profit attributable to owners of the parent	(RM'000)	16,394	18,621	35,644	58,242
Weighted average number of ordinary shares in issue	('000)	202,370	202,370	202,370	202,370
Basic earnings per share	(Sen)	8.10	9.20	17.61	28.78

**MANULIFE HOLDINGS BERHAD**

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**Notes to the Interim Financial Statements (Continued)****26. 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 2014.

**27. Insurance contract liabilities**

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

	<b>Gross</b>		<b>Net</b>	
	<b>As at 31.12.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>	<b>As at 31.12.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
Actuarial liabilities	2,133,716	2,087,864	2,132,685	2,087,773
Unallocated surplus	223,854	202,587	223,854	202,587
Fair value reserve	53,060	115,131	53,060	115,131
Asset revaluation reserve	641	641	641	641
Investment-linked policyholders' account	860,803	666,605	860,803	666,605
	<u>3,272,074</u>	<u>3,072,828</u>	<u>3,271,043</u>	<u>3,072,737</u>

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

	<b>Gross</b>		<b>Net</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
At 1 January	3,072,828	2,803,687	3,072,737	2,803,687
Inforce reserve movement	16,768	47,297	16,768	47,297
New business reserve	17,179	5,223	16,239	5,132
Discount rate and other changes	11,905	(103,181)	11,905	(103,181)
Unallocated surplus	21,267	139,363	21,267	139,363
Fair value reserve, net of tax	(62,071)	(54,391)	(62,071)	(54,391)
Asset revaluation reserve	-	641	-	641
Investment-linked policyholders' account	194,198	234,189	194,198	234,189
At 31 December 2014/ 31 December 2013	<u>3,272,074</u>	<u>3,072,828</u>	<u>3,271,043</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:

	<b>As at 31.12.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
Shareholders and others	53,658	31,396
Non Investment-linked business	49,890	21,877
Investment-linked business	2,425	4,384
	<u>105,973</u>	<u>57,657</u>

**MANULIFE HOLDINGS BERHAD**

Interim financial statements for the twelve months period ended 31 December 2014

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

	<b>As at 31.12.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
<u>Exclusive bancassurance agreement</u>		
Contracted but not provided for	25,500	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>31 December 2014</b>					
<b>Financial assets</b>					
AFS financial assets	2,617,754	-	-	-	2,617,754
Financial assets at FVTPL	-	960,873	-	-	960,873
Loans and receivables	-	-	663,674	-	663,674
Reinsurance assets	-	-	2,644	-	2,644
Insurance receivables	-	-	23,608	-	23,608
Cash and cash equivalents	-	-	105,973	-	105,973
	<u>2,617,754</u>	<u>960,873</u>	<u>795,899</u>	<u>-</u>	<u>4,374,526</u>
<b>Financial liabilities</b>					
Insurance contract liabilities	-	-	-	3,272,074	3,272,074
Insurance claims liabilities	-	-	-	42,385	42,385
Financial liabilities at FVTPL	-	-	-	700	700
Insurance payables	-	-	-	396,502	396,502
Other payables	-	-	-	120,947	120,947
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,832,608</u>	<u>3,832,608</u>

# MANULIFE HOLDINGS BERHAD

Interim financial statements for the twelve months period ended 31 December 2014

## Notes to the Interim Financial Statements (Continued)

### 30. Financial instruments and fair value of assets (continued)

#### (a) Categories of financial instruments (continued)

Group	AFS	FVTPL	LAR	OL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2013</b>					
<b>Financial assets</b>					
AFS financial assets	2,568,350	-	-	-	2,568,350
Financial assets at FVTPL	-	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>

#### (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 31 December 2014.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>31 December 2014</b>				
<b>Property</b>	20,087	-	20,087	-
<b>Investment properties</b>	84,292	-	84,292	-
<b>AFS financial assets</b>				
Equity securities				
- Quoted in Malaysia	705,806	705,806	-	-
Unit trust funds	98,491	98,491	-	-
Malaysian Government Securities	670,780	-	670,780	-
Government Investment Issues	175,622	-	175,622	-
Corporate debt securities				
- Unquoted	947,241	-	947,241	-
Accrued interest	17,298	-	17,298	-
	<u>2,615,238</u>	<u>804,297</u>	<u>1,810,941</u>	<u>-</u>

**MANULIFE HOLDINGS BERHAD**

Interim financial statements for the twelve months period ended 31 December 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)**

	<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>31 December 2014 (continued)</b>				
<b>Financial assets at FVTPL</b>				
Equity securities				
- Quoted in Malaysia	287,743	287,743	-	-
- Quoted outside Malaysia	4,153	4,153	-	-
Unit trust funds	1,760	1,760	-	-
Malaysian Government Securities	67,133	-	67,133	-
Government Investment Issues	18,541	-	18,541	-
Corporate debt securities				
- Unquoted	204,565	-	204,565	-
Mutual funds	374,566	374,566	-	-
Accrued interest	2,412	-	2,412	-
	<u>960,873</u>	<u>668,222</u>	<u>292,651</u>	<u>-</u>
<b>Financial liabilities at FVTPL</b>				
Derivatives*	700	-	700	-

\* The fair value of financial liabilities is determined using the price quoted from financial institutions.

**MANULIFE HOLDINGS BERHAD**

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

	<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>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	-	-
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>2,565,834</u>	<u>843,653</u>	<u>1,722,181</u>	<u>-</u>
<b>Financial assets at FVTPL</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>

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the twelve-month period ended 31 December 2014.

**MANULIFE HOLDINGS BERHAD**

Interim financial statements for the twelve months period ended 31 December 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 31.12.2014</b>	<b>As at 31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of the Group:		
- Realised	548,499	528,864
- Unrealised	80,488	81,221
	<u>628,987</u>	<u>610,085</u>
Consolidation adjustments	15,570	24,124
Total retained earnings as per statement of financial position	<u>644,557</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**  
24 February 2015

Chin Mun Yee  
**Joint Secretary**