

Company No.

814942	M
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**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

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## **MANULIFE INSURANCE BERHAD**

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## MANULIFE INSURANCE BERHAD

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### UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
<b>ASSETS</b>			
Property and equipment		17,797	19,790
Investment property		51,320	51,320
Intangible assets	12	29,523	30,720
Available-for-sale financial assets	13(a)	2,887,387	2,721,196
Financial assets at fair value through profit or loss	13(b)	1,202,242	1,143,991
Loans and receivables		339,980	399,363
Reinsurance assets	14	6,712	4,561
Current tax assets		-	854
Insurance receivables		20,572	26,177
Cash and cash equivalents		81,687	64,578
<b>TOTAL ASSETS</b>		<b>4,637,220</b>	<b>4,462,550</b>
<b>EQUITY, POLICYHOLDERS' FUND AND LIABILITIES</b>			
Share capital		150,000	150,000
Retained earnings		296,735	291,470
Other reserves		9,707	9,639
<b>TOTAL EQUITY</b>		<b>456,442</b>	<b>451,109</b>
Insurance contract liabilities	15	3,562,155	3,405,306
Insurance claim liabilities		55,806	51,635
Deferred tax liabilities		30,421	32,029
Insurance payables		449,262	432,428
Current tax liabilities		1,158	-
Other payables		81,976	90,043
<b>TOTAL LIABILITIES</b>		<b>4,180,778</b>	<b>4,011,441</b>
<b>TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES</b>		<b>4,637,220</b>	<b>4,462,550</b>

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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## MANULIFE INSURANCE BERHAD

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### UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	<b>30.06.2016</b>	<b>Cumulative 6 months ended 30.06.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Premium income		
Gross premiums	441,378	329,982
Premiums ceded to reinsurers	(11,402)	(6,410)
Net premiums	429,976	323,572
Investment income	81,280	75,045
Net realised gains	7,207	16,210
Net fair value losses	(8,243)	(40,751)
Fee income	1,654	1,721
Other operating income	584	835
<b>Total revenue</b>	<b>512,458</b>	<b>376,632</b>
Gross benefits and claims paid	(266,094)	(274,547)
Claims ceded to reinsurers	3,996	2,620
Gross change in contract liabilities	(120,764)	(34,823)
Change in insurance contract liabilities ceded to reinsurers	806	927
<b>Net claims</b>	<b>(382,056)</b>	<b>(305,823)</b>
Fee and commission expenses	(34,624)	(27,817)
Investment expenses	(4,419)	(4,123)
Management expenses	(55,154)	(44,899)
Other operating (expenses)/income	(28,275)	23,430
<b>Other expenses</b>	<b>(122,472)</b>	<b>(53,409)</b>
<b>Profit before taxation</b>	<b>7,930</b>	<b>17,400</b>
Taxation	(2,665)	(4,733)
<b>Net profit for the financial period</b>	<b>5,265</b>	<b>12,667</b>
<b>Net profit attributable to:</b>		
Equity holders of the Company	5,265	12,667
Basic and diluted earnings per share (sen)	1.76	4.22

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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## MANULIFE INSURANCE BERHAD

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### UNAUDITED CONDENSED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	<u>30.06.2016</u> RM'000	<u>Cumulative 6 months ended 30.06.2015</u> RM'000
<b>Net profit for the financial period</b>	5,265	12,667
<b>Other comprehensive income, net of tax:</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:-		
Fair value change on available-for-sale financial assets:		
- Gross fair value change	40,036	7,141
- Deferred tax	(3,883)	(840)
	36,153	6,301
Change in insurance contract liabilities arising from unrealised fair value changes	(36,085)	(2,672)
Net income	68	3,629
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	68	3,629
<b>Other comprehensive income for the financial period</b>	68	3,629
<b>Total comprehensive income for the financial period</b>	<u>5,333</u>	<u>16,296</u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<u>5,333</u>	<u>16,296</u>

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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## MANULIFE INSURANCE BERHAD

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### UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	<u>Note</u>	<u>Share capital</u> RM'000	Fair value <u>reserve</u> RM'000	Retained <u>earnings</u> RM'000	<u>Total</u> RM'000
<b>At 1 January 2016</b>		150,000	9,639	291,470	451,109
Net profit for the financial period		-	-	5,265	5,265
Other comprehensive income for the financial period		-	68	-	68
Total comprehensive income for the financial period		-	68	5,265	5,333
<b>At 30 June 2016</b>		<u>150,000</u>	<u>9,707</u>	<u>296,735</u>	<u>456,442</u>
<b>At 1 January 2015</b>		150,000	11,493	247,497	408,990
Net profit for the financial period		-	-	12,667	12,667
Other comprehensive income for the financial period		-	3,629	-	3,629
Total comprehensive income for the financial period		-	3,629	12,667	16,296
<b>At 30 June 2015</b>		<u>150,000</u>	<u>15,122</u>	<u>260,164</u>	<u>425,286</u>

Included in the retained earnings are surplus from Non-participating life fund (net of deferred tax) of approximately RM 77,530,000 (1 January 2016: RM 71,155,000 ; 30 June 2015: RM 84,250,000; 1 January 2015: RM 71,719,000). These amounts are only distributable upon the actual recommended transfer from Non-participating Life Fund to the Shareholders' fund by the Appointed Actuary.

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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## MANULIFE INSURANCE BERHAD

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### UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	6 months ended 30.06.2016	6 months ended 30.06.2015
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the financial period	5,265	12,667
Adjustments for non-cash items	(19,723)	(73,739)
Operating losses before changes in operating assets and liabilities	(14,458)	(61,072)
Purchase of investments	(1,304,366)	(1,256,410)
Proceeds from sale and maturity of investments	1,068,919	1,132,099
Interest income received	55,403	51,674
Dividend income received	21,267	19,496
Rental income received	2,526	1,907
Decrease/(increase) in insurance receivables	7,754	(467)
Increase in reinsurance assets	(2,151)	(1,556)
Decrease in loan receivables	15,182	19,862
Increase in other receivables	(10,579)	(37,564)
Decrease in fixed and call deposits	55,301	23,048
Increase in insurance contract liabilities	120,764	34,823
Increase in insurance claims liabilities	4,171	13,469
Increase in payables	8,767	79,959
Cash generated from operations	28,500	19,268
Income taxes paid	(9,412)	(10,682)
Net cash inflow from operating activities	19,088	8,586
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,292)	(1,159)
Purchase of intangible assets	(687)	(3)
Proceeds from disposal of property and equipment	-	36
Net cash outflow from investing activities	(1,979)	(1,126)
Net increase during the financial period	17,109	7,460
Cash and cash equivalents at 1 January	64,578	56,403
Cash and cash equivalents at 30 June	81,687	63,863

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows and statement of financial position comprise the following:

	As at 30.06.2016	As at 30.06.2015
	RM'000	RM'000
Cash and bank balances	62,496	63,787
Short-term deposits	19,191	76
Cash and cash equivalents	81,687	63,863

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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## **MANULIFE INSURANCE BERHAD**

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### **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

#### **1. BASIS OF PREPARATION**

The condensed interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, “Interim Financial Reporting” and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2015, 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 Company since the financial year ended 31 December 2015.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the Company in the unaudited condensed interim financial statements are consistent with those adopted in the Company’s audited financial statements for the financial year ended 31 December 2015, except for the adoption of the following MFRS:

<u>Description</u>	<u>Effective Date</u>
Amendments to MFRS 11 Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Annual Improvements to MFRSs 2012–2015 Cycle	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016

The adoption of the above amendments/improvements to standards issued by Malaysian Accounting Standards Board (“MASB”) in the current financial year does not have any material impact to the financial statements of the Company.

As at the date of authorisation of these interim financial statements, the Company is still assessing the financial impact and the additional disclosure requirements to the financial statements of the Company from the new MFRSs, amendments/improvements to MFRSs that are issued by MASB but not yet effective in the current year.

#### **3. SEASONAL/CYCLICAL FACTORS**

The business operations of the Company are subject to the sales cycle of the insurance business.

#### **4. UNUSUAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 30 June 2016.



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### **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**

#### **5. CHANGE IN ESTIMATES**

There were no changes in the basis used for accounting estimates for the current financial period ended 30 June 2016.

#### **6. 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 2016.

#### **7. DIVIDENDS**

No dividends has been paid or declared by the Company since the end of the previous financial year.

#### **8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD**

There is no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial period to date.

#### **9. CHANGES IN COMPOSITION OF THE COMPANY**

There is no change in the Company's composition for the current financial period to date.

#### **10. CONTINGENT LIABILITIES**

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

#### **11. SIGNIFICANT EVENTS**

There are no significant events during the financial period to date.

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 12. INTANGIBLE ASSET

	Exclusive right RM'000	Computer software RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2015	40,000	2,068	42,068
Additions	-	137	137
At 31 December 2015/1 January 2016	40,000	2,205	42,205
Additions	-	2,900	2,900
At 30 June 2016	40,000	5,105	45,105
<b>Accumulated amortisation</b>			
At 1 January 2015	4,878	990	5,868
Amortisation during the financial year	5,322	295	5,617
At 31 December 2015/1 January 2016	10,200	1,285	11,485
Amortisation during the financial period	3,820	277	4,097
At 30 June 2016	14,020	1,562	15,582
<b>Net carrying amount</b>			
At 30 June 2016	25,980	3,543	29,523
At 31 December 2015	29,800	920	30,720

The Exclusive right is a definite life intangible asset and relates to a 10-year exclusive bancassurance agreement entered into between the Company and Alliance Bank Malaysia Berhad ("ABMB") on 13 June 2013. The exclusive right is amortised over the duration of the agreement with reference to the benefits generated from the partnership in which the Company expects to recognise the related revenue.

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 13. FINANCIAL ASSETS

##### (a) Available-for-sale

	<b>As at 30.06.2016</b>	<b>As at 31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Equity securities		
- Quoted in Malaysia	706,687	720,187
- Unquoted	1,944	1,944
Real estate investment trusts		
- Quoted in Malaysia	3,074	3,056
Unit trust funds*	224,936	206,179
Malaysian Government Securities	567,339	568,059
Government Investment Issues	175,628	186,402
Corporate debt securities		
- Unquoted	1,189,608	1,017,862
Accrued interest	18,171	17,507
	<u>2,887,387</u>	<u>2,721,196</u>
Current	1,058,004	1,013,644
Non-current	1,829,383	1,707,552
	<u>2,887,387</u>	<u>2,721,196</u>

##### (b) Fair value through profit or loss - designated upon initial recognition

	<b>As at 30.06.2016</b>	<b>As at 31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Equity securities		
- Quoted in Malaysia	365,214	377,602
- Quoted outside Malaysia	4,809	4,890
Unit trust funds*	4,268	2,674
Malaysian Government Securities	52,390	67,339
Government Investment Issues	13,382	14,198
Corporate debt securities		
- Unquoted	208,269	191,743
Mutual funds		
- Quoted outside Malaysia	544,721	481,863
Derivatives		
- Forward foreign exchange contract	6,784	1,113
Accrued interest	2,405	2,569
	<u>1,202,242</u>	<u>1,143,991</u>

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 13. FINANCIAL ASSETS (CONTINUED)

##### (b) Fair value through profit or loss - designated upon initial recognition (continued)

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Current	1,018,162	961,428
Non-current	184,080	182,563
	1,202,242	1,143,991

\* Being investment in unit trust fund managed by a related company.

During the six months period ended 30 June 2016, there were no changes in classification of financial assets nor transfer between fair value hierarchy of financial assets as a result of a change in the purpose or the use of these financial assets.

#### Derivatives

The table below shows the fair value of derivative financial instruments, recorded as asset or liability, together with their notional amounts. The notional amount, recorded gross, is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

	<u>Fair value gain recognised as</u>			Net carrying amount RM'000
	Notional amount RM'000	Financial Asset RM'000	Financial Liability RM'000	
<b>30 June 2016</b>				
<b>Hedging derivative:</b>				
Forward foreign exchange contract	344,198	6,784	-	6,784
<b>31 December 2015</b>				
<b>Hedging derivative:</b>				
Forward foreign exchange contract	256,256	1,113	-	1,113

#### 14. REINSURANCE ASSETS

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Reinsurance assets on:		
- Insurance contract liabilities	3,564	2,758
- Insurance claims liabilities	3,148	1,803
	6,712	4,561

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 15. INSURANCE CONTRACT LIABILITIES

	Gross		Net	
	As at	As at	As at	As at
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities	2,254,020	2,163,399	2,250,456	2,160,641
Unallocated surplus	98,271	162,694	98,271	162,694
Fair value reserve	89,166	53,081	89,166	53,081
Asset revaluation reserve	842	842	842	842
Investment-linked policyholders' account	1,119,856	1,025,290	1,119,856	1,025,290
	<u>3,562,155</u>	<u>3,405,306</u>	<u>3,558,591</u>	<u>3,402,548</u>
Current	1,353,606	1,294,268	1,353,606	1,294,268
Non-current	2,208,549	2,111,038	2,204,985	2,108,280
	<u>3,562,155</u>	<u>3,405,306</u>	<u>3,558,591</u>	<u>3,402,548</u>

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

	Gross		Net	
	As at	As at	As at	As at
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	3,405,306	3,272,101	3,402,548	3,271,070
Inforce reserve movement	6,296	(19,680)	6,296	(19,680)
New business reserve	15,287	23,466	14,481	21,739
Discount rate and other changes	69,038	25,897	69,038	25,897
Unallocated surplus	(64,423)	(61,160)	(64,423)	(61,160)
Fair value reserve, net of tax	36,085	(6)	36,085	(6)
Asset revaluation reserve				
- Revaluation adjustment	-	(391)	-	(391)
- Reversal on revaluation	-	592	-	592
		201		201
Investment-linked policyholders' account	94,566	164,487	94,566	164,487
At 30 June/31 December	<u>3,562,155</u>	<u>3,405,306</u>	<u>3,558,591</u>	<u>3,402,548</u>

As the Non-participating life fund's unallocated surplus and fair value reserve are classified as equity, only the associated Participating life fund's unallocated surplus and fair value reserve are included in the above presentation.

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 16. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions have been entered into in the normal course of business under negotiated terms with the respective parties. The significant related party transactions during the financial period between the Company and its related parties are set out as below:

	<b>Cumulative 6 months ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
<b>Expenses/(income):</b>		
<b>Intermediate holding company</b>		
Reimbursement of personnel expenses	2,569	915
Reimbursement of software maintenance expenses	<u>2,558</u>	<u>1,317</u>
<b>Subsidiaries of ultimate holding company</b>		
Outsourced information technology service expenses	913	1,832
Software development expenses	<u>1,606</u>	<u>-</u>
<b>Subsidiaries of immediate holding company</b>		
Outsourcing fee income	(1,150)	(1,248)
Fund management fee expenses	<u>4,479</u>	<u>3,433</u>

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 17. FINANCIAL INSTRUMENTS

##### Categories of financial instruments

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

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

	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
<b>30 June 2016</b>					
<b>Financial assets</b>					
AFS financial assets	2,887,387	-	-	-	2,887,387
Financial assets at FVTPL	-	1,202,242	-	-	1,202,242
Loans and receivables	-	-	338,476	-	338,476
Insurance receivables	-	-	20,572	-	20,572
Cash and cash equivalents	-	-	81,687	-	81,687
	<u>2,887,387</u>	<u>1,202,242</u>	<u>440,735</u>	<u>-</u>	<u>4,530,364</u>
<b>Financial liabilities</b>					
Insurance payables	-	-	-	449,262	449,262
Other payables	-	-	-	81,976	81,976
	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,238</u>	<u>531,238</u>
<b>31 December 2015</b>					
<b>Financial assets</b>					
AFS financial assets	2,721,196	-	-	-	2,721,196
Financial assets at FVTPL	-	1,143,991	-	-	1,143,991
Loans and receivables	-	-	397,614	-	397,614
Insurance receivables	-	-	26,177	-	26,177
Cash and cash equivalents	-	-	64,578	-	64,578
	<u>2,721,196</u>	<u>1,143,991</u>	<u>488,369</u>	<u>-</u>	<u>4,353,556</u>
<b>Financial liabilities</b>					
Insurance payables	-	-	-	432,428	432,428
Other payables	-	-	-	90,043	90,043
	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,471</u>	<u>522,471</u>

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 18. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY

##### a) Freehold property and investment property

The fair value of the Company's freehold property and investment property is determined based on the income method conducted by an independent qualified valuer.

Under the income method, the market value of the properties is determined based on the net annual income which is derived by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of the investment.

##### Fair value hierarchy

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:-

Level 1 – Fair value is derived from unadjusted quoted price in active markets for identical properties that the entity can access at the measurement date.

Level 2 – Fair value is estimated using inputs that are observable for the properties, either directly or indirectly.

Level 3 – Fair value is estimated using unobservable inputs for the properties.

The fair value of freehold property and investment property is classified within Level 3 of the fair value hierarchy. The fair value of the properties is as follows:

	Freehold property		Investment property	
	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Carrying amount	10,169	10,330	51,320	51,320
Fair value as stated in valuation report*	10,330	10,330	51,320	51,320
Last recognised revalued amount	10,330	10,330	51,320	51,320

\* Based on the valuation conducted by an independent qualified valuer as at 31 December 2015.

Description of valuation techniques used and significant unobservable inputs to valuation of freehold properties and investment properties:

	Valuation technique	Significant unobservable inputs	Range
<b>2015</b>			
Freehold/ investment property	Income method	Term's period net yield Reversionary period's net yield Void factor Average rental for term period Average rental for reversionary period	6.00% 6.25% 5.00% RM4.29 - RM4.80 psf RM4.60 psf



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## MANULIFE INSURANCE BERHAD

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 18. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

##### a) Freehold property and investment property (continued)

Significant increase or decrease in each of the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value of the properties.

The reconciliation from beginning to ending balances for the freehold property and investment property are as follows:

	Freehold property		Investment property	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	10,330	9,975	51,320	49,177
Depreciation charge for the period/year	(161)	(319)	-	-
Additions during the period/year	-	473	-	1,852
Fair value gain	-	201	-	291
At 30 June/31 December	<u>10,169</u>	<u>10,330</u>	<u>51,320</u>	<u>51,320</u>

##### b) Financial assets and financial liabilities

###### (i) Determination of fair values

The fair values of the Company's financial assets and financial liabilities are determined as follows:

- (i) The carrying amounts of financial assets and financial liabilities, such as loans and receivables, insurance receivables, cash and bank balances, insurance payables and other payables, are reasonable approximations of their fair values due to the relatively short term maturity of these balances;
- (ii) The fair values of quoted equities are based on quoted market prices as at the reporting date;
- (iii) The fair values of Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities are based on indicative market prices;
- (iv) The fair values of negotiable instruments of deposit are calculated using the discounted cash flow method based on the maturity of the instruments at discount rates representing the average market rates quoted by at least two licensed banks;
- (v) The fair values of investments in mutual funds, unit trust funds and real estate investment trusts are valued based on the net asset values of the underlying funds as at the reporting date; and
- (vi) The fair values of foreign exchange forward contracts are based on valuations provided by the financial institutions making reference to quoted market prices.

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## **MANULIFE INSURANCE BERHAD**

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### **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**

#### **18. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)**

##### **b) Financial assets and financial liabilities (continued)**

###### **(ii) Fair value hierarchy (continued)**

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

In determining the fair value of its financial instruments, the Company uses observable market data, when available, and minimises the use of unobservable inputs to the extent possible when determining fair value.

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 18. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

##### b) Financial assets and financial liabilities (continued)

##### (ii) Fair value hierarchy (continued)

The following table presents the Company's financial assets and liabilities that are carried at fair value as at reporting date.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
<b>30 June 2016</b>			
<b>AFS financial assets</b>			
Equity securities			
- Quoted in Malaysia	706,687	706,687	-
Real estate investment trusts	3,074	3,074	-
Unit trust funds	224,936	224,936	-
Malaysian Government Securities	567,339	-	567,339
Government Investment Issues	175,628	-	175,628
Corporate debt securities			
- Unquoted	1,189,608	-	1,189,608
Accrued interest	18,171	-	18,171
	<u>2,885,443</u>	<u>934,697</u>	<u>1,950,746</u>
<b>Financial assets at FVTPL</b>			
Equity securities			
- Quoted in Malaysia	365,214	365,214	-
- Quoted outside Malaysia	4,809	4,809	-
Unit trust funds	4,268	4,268	-
Malaysian Government Securities	52,390	-	52,390
Government Investment Issues	13,382	-	13,382
Corporate debt securities			
- Unquoted	208,269	-	208,269
Mutual funds			
- Quoted outside Malaysia	544,721	544,721	-
Derivatives			
- Forward foreign exchange contract	6,784	-	6,784
Accrued interest	2,405	-	2,405
	<u>1,202,242</u>	<u>919,012</u>	<u>283,230</u>

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 18. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

##### b) Financial assets and financial liabilities (continued)

##### (ii) Fair value hierarchy (continued)

The following table presents the Company's financial assets and liabilities that are carried at fair value as at reporting date. (continued)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
<b>31 December 2015</b>			
<b>AFS financial assets</b>			
Equity securities			
- Quoted in Malaysia	720,187	720,187	-
Real estate investment trusts	3,056	3,056	-
Unit trust funds	206,179	206,179	-
Malaysian Government Securities	568,059	-	568,059
Government Investment Issues	186,402	-	186,402
Corporate debt securities			
- Unquoted	1,017,862	-	1,017,862
Accrued interest	17,507	-	17,507
	<u>2,719,252</u>	<u>929,422</u>	<u>1,789,830</u>
<b>Financial assets at FVTPL</b>			
Equity securities			
- Quoted in Malaysia	377,602	377,602	-
- Quoted outside Malaysia	4,890	4,890	-
Unit trust funds	2,674	2,674	-
Malaysian Government Securities	67,339	-	67,339
Government Investment Issues	14,198	-	14,198
Corporate debt securities			
- Unquoted	191,743	-	191,743
Mutual funds			
- Quoted outside Malaysia	481,863	481,863	-
Forward foreign exchange contract	1,113	-	1,113
Accrued interest	2,569	-	2,569
	<u>1,143,991</u>	<u>867,029</u>	<u>276,962</u>

Unquoted equity securities of RM1,944,444 (31 December 2015: RM1,944,444) of the Company as disclosed in note 13(a) are not disclosed in the fair value hierarchy above as they are measured at cost as fair value is not readily available.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current and previous financial periods.

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## MANULIFE INSURANCE BERHAD

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 19. TOTAL CAPITAL ASSETS

The capital structure of the Company as prescribed under the Risk-Based Capital Framework is as below:

	<b>As at 30.06.2016</b>	<b>As at 31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Eligible Tier 1 Capital</b>		
Share capital (paid-up)	150,000	150,000
Retained earnings of the Company*	218,509	220,315
Eligible contract liabilities	710,847	785,527
	<u>1,079,356</u>	<u>1,155,842</u>
<b>Eligible Tier 2 Capital</b>		
Eligible reserves	100,120	64,778
Amounts deducted from capital	(28,314)	(31,180)
<b>Total Capital Available</b>	<u>1,151,162</u>	<u>1,189,440</u>

\* Only distributable retained earnings of the Company are included in the determination of Total Capital Available.

#### 20. CAPITAL AND OTHER COMMITMENTS

	<b>As at 30.06.2016</b>	<b>As at 31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Other commitments</b>		
<b>Exclusive bancassurance agreement</b>		
- Authorised but not provided for	<u>21,000</u>	<u>22,500</u>

The Company is committed to pay annual fees under the terms of the bancassurance agreement. The annual fees will be expenses off to the profit or loss in the year of settlement.

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## MANULIFE INSURANCE BERHAD

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 21. INSURANCE FUNDS

The Company's activities are organised by funds and segregated into Life fund, Investment-linked funds and Shareholders' fund in accordance with the Financial Services Act 2013.

The Company's unaudited condensed statement of financial position and statement of profit or loss have been further analysed by funds as follows:

#### Interim Statement of Financial Position by Funds as at 30 June 2016

	Shareholders' Fund	Insurance Funds		Elimination	Total
		Life Fund	Investment -linked funds		
Assets	RM'000	RM'000	RM'000	RM'000	RM'000
Property and equipment	-	17,797	-	-	17,797
Investment properties	-	51,320	-	-	51,320
Intangible assets	25,981	3,542	-	-	29,523
Loans and receivables	115,330	206,075	127,691	(109,116)	339,980
Available-for-sale financial assets	344,756	2,544,421	-	(1,790)	2,887,387
Financial assets at fair value through profit or loss	-	195,692	1,006,550	-	1,202,242
Reinsurance assets	-	6,712	-	-	6,712
Insurance receivables	-	20,572	-	-	20,572
Cash and cash equivalents	5,951	74,251	1,485	-	81,687
<b>Total assets</b>	<b>492,018</b>	<b>3,120,382</b>	<b>1,135,726</b>	<b>(110,906)</b>	<b>4,637,220</b>
<b>Equity, Policyholders' Funds and Liabilities</b>					
Share capital	150,000	-	-	-	150,000
Retained earnings	296,735	-	-	-	296,735
Other reserve	10,112	-	-	(405)	9,707
<b>Total equity</b>	<b>456,847</b>	<b>-</b>	<b>-</b>	<b>(405)</b>	<b>456,442</b>
Insurance contract liabilities	-	2,442,300	1,121,105	(1,250)	3,562,155
Insurance claim liabilities	-	55,806	-	-	55,806
Deferred tax liabilities	23,809	5,549	1,198	(135)	30,421
Insurance payables	-	449,262	-	-	449,262
Current tax liabilities	(193)	(2,939)	4,290	-	1,158
Other payables	11,553	170,405	9,134	(109,116)	81,976
<b>Total liabilities</b>	<b>35,169</b>	<b>3,120,383</b>	<b>1,135,727</b>	<b>(110,501)</b>	<b>4,180,778</b>
<b>Total equity, policyholders' funds and liabilities</b>	<b>492,016</b>	<b>3,120,383</b>	<b>1,135,727</b>	<b>(110,906)</b>	<b>4,637,220</b>

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## MANULIFE INSURANCE BERHAD

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 21. INSURANCE FUNDS (CONTINUED)

##### Interim Statement of Financial Position by Funds as at 31 December 2015

	Shareholders' fund	Insurance funds		Elimination	Total
		Life fund	Investment-linked funds		
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>					
Property and equipment	-	19,790	-	-	19,790
Investment properties	-	51,320	-	-	51,320
Intangible assets	29,800	920	-	-	30,720
Loans and receivables	172,665	286,758	108,203	(168,263)	399,363
Available-for-sale financial assets	257,875	2,468,691	-	(5,370)	2,721,196
Financial assets at fair value through profit or loss	-	192,859	951,132	-	1,143,991
Reinsurance assets	-	4,561	-	-	4,561
Current tax asset	(2,997)	3,503	348	-	854
Insurance receivables	-	26,177	-	-	26,177
Cash and cash equivalents	9,135	50,571	4,872	-	64,578
<b>Total assets</b>	<b>466,478</b>	<b>3,105,150</b>	<b>1,064,555</b>	<b>(173,633)</b>	<b>4,462,550</b>
<b>Equity, Policyholders' Funds and Liabilities</b>					
Share capital	150,000	-	-	-	150,000
Retained earnings	291,470	-	-	-	291,470
Other reserves	10,854	-	-	(1,215)	9,639
<b>Total equity</b>	<b>452,324</b>	<b>-</b>	<b>-</b>	<b>(1,215)</b>	<b>451,109</b>
Insurance contract liabilities	-	2,380,018	1,029,038	(3,750)	3,405,306
Insurance claims liabilities	-	51,635	-	-	51,635
Deferred tax liabilities	22,601	3,081	6,752	(405)	32,029
Insurance payables	-	432,428	-	-	432,428
Other payables	(8,447)	237,988	28,765	(168,263)	90,043
<b>Total equity, policyholders' funds and liabilities</b>	<b>466,478</b>	<b>3,105,150</b>	<b>1,064,555</b>	<b>(173,633)</b>	<b>4,462,550</b>

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## MANULIFE INSURANCE BERHAD

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 21. INSURANCE FUNDS (CONTINUED)

##### Statement of Profit or Loss by Funds for the six months period ended 30 June 2016

	Shareholders' fund	Insurance funds		Elimination	Total
		Life fund	Investment- linked funds		
	RM'000	RM'000	RM'000	RM'000	RM'000
Premium income					
Gross premiums	-	241,170	200,208	-	441,378
Premiums ceded to reinsurers	-	(11,402)	-	-	(11,402)
Net premiums	-	229,768	200,208	-	429,976
Investment income	5,892	62,270	13,118	-	81,280
Net realised gains	1,156	7,101	-	(1,050)	7,207
Net fair value losses	(273)	(7,731)	(239)	-	(8,243)
Fee income	-	7,194	-	(5,540)	1,654
Other operating income	-	7	577	-	584
<b>Total revenue</b>	<b>6,775</b>	<b>298,609</b>	<b>213,664</b>	<b>(6,590)</b>	<b>512,458</b>
Gross benefits and claims paid	-	(179,862)	(89,782)	3,550	(266,094)
Claims ceded to reinsurers	-	3,996	-	-	3,996
Gross change in contract liabilities	-	(25,392)	(92,066)	(2,500)	(119,958)
<b>Net claims</b>	<b>-</b>	<b>(201,258)</b>	<b>(181,848)</b>	<b>1,050</b>	<b>(382,056)</b>
Fee and commission expenses	-	(34,624)	-	-	(34,624)
Investment expenses	(310)	(4,109)	-	-	(4,419)
Management expenses	(6,771)	(46,618)	(7,305)	5,540	(55,154)
Other expenses	(158)	(3,606)	(24,511)	-	(28,275)
<b>Other expenses</b>	<b>(7,239)</b>	<b>(88,957)</b>	<b>(31,816)</b>	<b>5,540</b>	<b>(122,472)</b>
Loss/profit from operations	(464)	8,394	-	-	7,930
Transfer from/(to) revenue account	8,394	(8,394)	-	-	-
<b>Profit before taxation</b>	<b>7,930</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,930</b>
Taxation	(2,665)	-	-	-	(2,665)
<b>Net profit for the   financial period</b>	<b>5,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,265</b>



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**MANULIFE INSURANCE BERHAD**

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
(CONTINUED)****21. INSURANCE FUNDS (CONTINUED)****Statement of Profit or Loss by Funds for the six months period ended 30 June 2015**

	Shareholders' fund	Insurance funds		Elimination	Total
		Life fund	Investment- linked funds		
	RM'000	RM'000	RM'000	RM'000	RM'000
Premium income					
Gross premiums	-	214,001	115,981	-	329,982
Premiums ceded to reinsurers	-	(6,410)	-	-	(6,410)
Net premiums	-	207,591	115,981	-	323,572
Investment income	4,665	60,439	9,941	-	75,045
Net realised gains	1,029	16,034	-	(853)	16,210
Net fair value losses	-	(11,404)	(23,206)	-	(34,610)
Fee income	-	6,395	-	(4,674)	1,721
Other operating income	-	33	802	-	835
<b>Total revenue</b>	<b>5,694</b>	<b>279,088</b>	<b>103,518</b>	<b>(5,527)</b>	<b>382,773</b>
Gross benefits and claims paid	-	(190,798)	(87,102)	3,353	(274,547)
Claims ceded to reinsurers	-	2,620	-	-	2,620
Gross change in contract liabilities	-	452	(31,848)	(2,500)	(33,896)
<b>Net claims</b>	<b>-</b>	<b>(187,726)</b>	<b>(118,950)</b>	<b>853</b>	<b>(305,823)</b>
Fee and commission expenses	-	(27,817)	-	-	(27,817)
Investment expenses	(260)	(3,863)	-	-	(4,123)
Management expenses	(4,705)	(39,119)	(5,749)	4,674	(44,899)
Other income/(expenses)	(37)	(3,855)	21,181	-	17,289
<b>Other expenses</b>	<b>(5,002)</b>	<b>(74,654)</b>	<b>15,432</b>	<b>4,674</b>	<b>(59,550)</b>
Profit from operations	692	16,708	-	-	17,400
Transfer from/(to) revenue account	16,708	(16,708)	-	-	-
<b>Profit before taxation</b>	<b>17,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,400</b>
Taxation	(4,733)	-	-	-	(4,733)
<b>Net profit for the   financial period</b>	<b>12,667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,667</b>

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### 21. INSURANCE FUNDS (CONTINUED)

##### Information on cash flows by Funds

	Shareholders' fund	Insurance funds		Total
		Life fund	Investment- linked funds	
	RM'000	RM'000	RM'000	RM'000
<b>30 June 2016</b>				
<b>Cash flows from:</b>				
Operating activities	(3,184)	25,659	(3,387)	19,088
Investing activities	-	(1,979)	-	(1,979)
Net increase/(decrease) in cash and cash equivalents	(3,184)	23,680	(3,387)	17,109
At beginning of financial year	9,135	50,571	4,872	64,578
At end of financial period	5,951	74,251	1,485	81,687
<b>30 June 2015</b>				
<b>Cash flows from:</b>				
Operating activities	7,716	(545)	1,415	8,586
Investing activities	-	(1,126)	-	(1,126)
Net increase/(decrease) in cash and cash equivalents	7,716	(1,671)	1,415	7,460
At beginning of financial year	4,087	49,891	2,425	56,403
At end of financial period	11,803	48,220	3,840	63,863