

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 2012

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MANULIFE INSURANCE BERHAD

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	As at 30.06.2012 RM'000	Restated As at 31.12.2011 RM'000	Restated As at 01.01.2011 RM'000
ASSETS				
Property and equipment		9,083	9,415	4,583
Investment properties		48,633	48,633	51,215
Intangible assets		-	61	184
Available-for-sale financial assets	11 (a)	2,376,466	2,263,027	2,037,181
Fair value through profit or loss financial assets	11 (b)	688,831	656,565	673,551
Loans and receivables		493,138	494,343	540,387
Reinsurance assets	13	2,820	3,021	2,368
Insurance receivables		20,512	27,123	24,512
Current tax assets		6,838	4,035	-
Cash and cash equivalents		31,142	24,259	89,526
TOTAL ASSETS		<u>3,677,463</u>	<u>3,530,482</u>	<u>3,423,507</u>
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES				
Share capital		150,000	150,000	150,000
Retained earnings		310,878	295,434	259,574
Other reserves		22,826	19,112	19,475
TOTAL EQUITY		<u>483,704</u>	<u>464,546</u>	<u>429,049</u>
Insurance contract liabilities	12	2,722,476	2,607,779	2,548,269
Insurance claim liabilities		37,683	35,372	28,885
Deferred tax liabilities		63,036	59,714	73,406
Insurance payables		336,711	328,461	294,114
Current tax liabilities		-	-	3,053
Other payables		33,853	34,610	46,731
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES		<u>3,193,759</u>	<u>3,065,936</u>	<u>2,994,458</u>
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		<u>3,677,463</u>	<u>3,530,482</u>	<u>3,423,507</u>

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

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

	6 months ended <u>30.06.2012</u> RM'000	Restated 6 months ended <u>30.06.2011</u> RM'000
Operating revenue	<u>317,797</u>	<u>291,103</u>
Gross earned premiums	245,258	223,619
Premiums ceded to reinsurers	(4,817)	(4,885)
Net earned premiums	<u>240,441</u>	<u>218,734</u>
Investment income	72,539	67,484
Net realised gains	26,783	31,535
Net fair value gains	23,184	14,332
Other operating income	643	495
Other income	<u>123,149</u>	<u>113,846</u>
Gross benefits and claims paid	(185,087)	(179,229)
Claims ceded to reinsurers	3,957	2,417
Gross change to contract liabilities	(92,370)	(65,904)
Net claims	<u>(273,500)</u>	<u>(242,716)</u>
Fee and commission expense	(34,831)	(32,000)
Investment expenses	(3,954)	(3,581)
Management expenses	(23,917)	(20,005)
Other operating expenses	(7,917)	(8,432)
Other expenses	<u>(70,619)</u>	<u>(64,018)</u>
Profit before taxation	19,471	25,846
Taxation	(4,027)	(5,432)
Net profit for the financial period	<u>15,444</u>	<u>20,414</u>
Other comprehensive income		
Fair value change of available-for-sale financial assets:		
- Gross fair value change	4,208	2,031
- Deferred taxation	(494)	(324)
- Net gain	3,714	1,707
Total comprehensive income for the financial period	<u>19,158</u>	<u>22,121</u>
Net profit attributable to :		
Equity holders of the Company	<u>15,444</u>	<u>20,414</u>
Total comprehensive income attributable to:		
Equity holders of the Company	<u>19,158</u>	<u>22,121</u>
Basic earnings per share (sen)	<u>5.15</u>	<u>6.80</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 2012

	<u>Share capital</u> RM'000	<u>Fair value</u> <u>reserve</u> RM'000	<u>Retained</u> <u>earnings</u> RM'000	<u>Total</u> RM'000
At 1 January 2012 – As previously reported	150,000	10,252	174,965	335,217
Effect on adoption of MFRS and change in accounting policy	-	8,860	120,469	129,329
At 1 January 2012 – Restated (Note 2 and Note 16)	150,000	19,112	295,434	464,546
Total comprehensive income for the financial period	-	3,714	15,444	19,158
At 30 June 2012	150,000	22,826	310,878	483,704
At 1 January 2011 – As previously reported	150,000	10,310	112,644	272,954
Effect on adoption of MFRS and change in accounting policy	-	9,165	146,930	156,095
At 1 January 2011 – Restated (Note 2 and Note 16)	150,000	19,475	259,574	429,049
Total comprehensive income for the financial period	-	1,707	20,414	22,121
At 30 June 2011 - Restated	150,000	21,182	279,988	451,170

Included in the retained earnings are surplus from non-participating life fund (net of deferred tax) of approximately RM 129,875,000 (1 January 2012: RM 120,469,000 ; 30 June 2011: RM 162,946,000 and 1 January 2011: RM 146,930,000). These amounts are only distributable upon the actual recommended transfer from 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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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

	6 months ended 30.06.2012	6 months ended 30.06.2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit attributable to shareholders	15,444	20,414
Adjustments for non-cash items	(17,488)	(23,574)
Operating loss before changes in operating assets and liabilities	(2,044)	(3,160)
Net purchase of investments	(64,635)	(66,271)
Investment income received	67,628	56,428
Decrease in loan receivables	4,615	19,462
(Increase)/decrease in other receivables	(1,340)	11,920
Decrease/(increase) in fixed and call deposits	6,037	(45,262)
Increase in insurance claims liabilities	2,513	3,866
Increase/(decrease) in payables	7,494	(180)
Cash generated from/(used in) operations	20,268	(23,197)
Income taxes paid	(13,074)	(11,769)
Net cash inflow/(outflow) from operating activities	7,194	(34,966)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(311)	(323)
Net cash outflow from investing activities	(311)	(323)
CASH AND CASH EQUIVALENTS		
Net increase/(decrease) during the financial period	6,883	(35,289)
Cash and cash equivalents at 1 January	24,259	89,526
Cash and cash equivalents at 30 June	31,142	54,237

CASH AND CASH EQUIVALENTS

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

	As at 30.06.2012	As at 30.06.2011
	RM'000	RM'000
Cash and bank balances	16,459	39,753
Short-term deposits	14,683	14,484
Cash and cash equivalents	31,142	54,237

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

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NOTES TO THE CONDENSED UNAUDITED 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 should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2011, which were prepared in accordance with the Financial Reporting Standards (“FRS”).

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2011.

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

2. SIGNIFICANT ACCOUNTING POLICIES

As all FRSs issued under FRS framework were equivalent to the MFRSs issued under MFRS framework, the accounting policies and presentation adopted by the Company for the quarterly financial statements are consistent with those adopted in the Company’s consolidated audited financial statements for the financial year ended 31 December 2011, except for the adoption of the following:

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

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

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

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The impact of the change in accounting policy to the Company is disclosed in Note 16 to the interim financial statements.

As at the date of authorisation of these interim financial statements, the Company is still assessing the financial impact to the financial statements of the Company from the revised MFRSs, amendments to MFRSs and IC Interpretations 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 2012.

5. CHANGE IN ESTIMATES

There were no changes in the basis used for accounting estimates for the current financial period ended 30 June 2012.

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 2012.

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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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. FINANCIAL ASSETS

(a) Available-for-sale

	<u>As at</u> <u>30.06.2012</u> RM'000	<u>As at</u> <u>31.12.2011</u> RM'000	<u>As at</u> <u>01.01.2011</u> RM'000
Equity securities			
- Quoted	675,035	660,610	618,305
- Unquoted	1,944	1,944	1,944
Real estate investment trusts			
- Quoted in Malaysia	-	1,467	-
Unit trust funds	96,270	82,830	81,765
Malaysian Government Securities	691,382	632,887	522,447
Government Investment Issues	128,777	97,109	84,777
Corporate debt securities			
- Unquoted	769,235	773,411	716,112
Accrued interest	13,823	12,769	11,831
	<u>2,376,466</u>	<u>2,263,027</u>	<u>2,037,181</u>
Current	888,734	855,011	731,772
Non-current	1,487,732	1,408,016	1,305,409
	<u>2,376,466</u>	<u>2,263,027</u>	<u>2,037,181</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. FINANCIAL ASSETS (CONTINUED)

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

	<u>As at</u> <u>30.06.2012</u> RM'000	<u>As at</u> <u>31.12.2011</u> RM'000	<u>As at</u> <u>01.01.2011</u> RM'000
Equity securities			
- Quoted in Malaysia	238,533	203,037	188,983
Malaysian Government Securities	128,789	140,807	116,315
Government Investment Issues	18,493	18,338	15,270
Corporate debt securities			
- Unquoted	212,776	201,571	196,712
Equity call options			
- Unquoted	-	-	5,723
Mutual funds			
- Quoted outside Malaysia	87,476	90,105	102,709
Negotiable instrument of deposits	-	-	45,373
Accrued interest	2,764	2,707	2,466
	<u>688,831</u>	<u>656,565</u>	<u>673,551</u>
Current	411,912	367,184	398,286
Non-current	276,919	289,381	275,265
	<u>688,831</u>	<u>656,565</u>	<u>673,551</u>

During the six months ended 30 June 2012, 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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. INSURANCE CONTRACT LIABILITIES

	Gross			Net		
	As at <u>30.06.2012</u> RM'000	As at <u>31.12.2011</u> RM'000	As at <u>01.01.2011</u> RM'000	As at <u>30.06.2012</u> RM'000	As at <u>31.12.2011</u> RM'000	As at <u>01.01.2011</u> RM'000
Actuarial liabilities	2,254,260	2,196,472	1,922,955	2,254,260	2,196,472	1,922,955
Unallocated surplus	(103,327)	(98,163)	66,739	(103,327)	(98,163)	66,739
Available-for-sale fair value reserve	165,670	143,438	159,227	165,670	143,438	159,227
Investment-linked policyholders' account	413,227	373,481	409,432	413,227	373,481	409,432
Foreign currency translation reserve on investment-linked policyholders' account	(7,354)	(7,449)	(10,084)	(7,354)	(7,449)	(10,084)
	<u>2,722,476</u>	<u>2,607,779</u>	<u>2,548,269</u>	<u>2,722,476</u>	<u>2,607,779</u>	<u>2,548,269</u>
Current	464,446	408,113	638,719	464,446	408,113	638,719
Non-current	2,258,030	2,199,666	1,909,550	2,258,030	2,199,666	1,909,550
	<u>2,722,476</u>	<u>2,607,779</u>	<u>2,548,269</u>	<u>2,722,476</u>	<u>2,607,779</u>	<u>2,548,269</u>

The Company reclassified the unallocated surplus and available-for-sale reserve of the non-participating fund from insurance contract liabilities to non-distributable retained earnings upon the adoption of the Malaysian Financial Reporting Standards ("MFRS") framework issued by Malaysian Accounting Standards Board ("MASB") and Revised Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") with effect from 1 January 2012. The impact arising has been applied retrospectively and is as disclosed in Note 16.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

	<u>Gross</u> RM'000	<u>Net</u> RM'000
At 1 January 2011	2,548,269	2,548,269
Inforce reserve movement	87,675	87,675
New business reserve	(12,452)	(12,452)
Discount rate and other changes	198,294	198,294
Unallocated surplus	(164,902)	(164,902)
Available-for-sale fair value reserves		
- gross movement	(18,206)	(18,206)
- deferred tax effects	2,417	2,417
Investment-linked policyholders' account	(35,951)	(35,951)
Foreign currency translation reserve on investment-linked policyholders' account	2,635	2,635
	<u>2,607,779</u>	<u>2,607,779</u>
At 31 December 2011/1 January 2012	2,607,779	2,607,779
Inforce reserve movement	33,107	33,107
New business reserve	(1,952)	(1,952)
Discount rate and other changes	26,633	26,633
Unallocated surplus	(5,164)	(5,164)
Available-for-sale fair value reserves		
- gross movement	24,021	24,021
- deferred tax effects	(1,789)	(1,789)
Investment-linked policyholders' account	39,746	39,746
Foreign currency translation reserve on investment-linked policyholders' account	95	95
	<u>2,722,476</u>	<u>2,722,476</u>
At 30 June 2012	<u>2,722,476</u>	<u>2,722,476</u>

Deferred tax liabilities associated with the unallocated surplus of the participating fund upon transfer to Shareholders' fund as recommended by the Appointed Actuary, are included within the unallocated surplus as at the financial period.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. REINSURANCE ASSETS

	As at 30.06.2012 RM'000	As at 31.12.2011 RM'000	As at 01.01.2011 RM'000
Reinsurance of insurance contracts	<u>2,820</u>	<u>3,021</u>	<u>2,368</u>

14. TOTAL CAPITAL ASSETS

The capital structure of the Company as prescribed under the Framework is as below:

	As at 30.06.2012 RM'000	As at 31.12.2011 RM'000	As at 01.01.2011 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	150,000	150,000	150,000
Retained earnings	352,961	335,590	308,551
Eligible contract liabilities	<u>552,914</u>	<u>566,777</u>	<u>709,379</u>
	1,055,875	1,052,367	1,167,930
Eligible Tier 2 Capital			
Eligible reserves	188,496	162,550	178,702
Amounts deducted from capital	-	(487)	-
Total Capital Available	<u>1,244,371</u>	<u>1,214,430</u>	<u>1,346,632</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. 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 Insurance Act, 1996 and Insurance Regulations, 1996.

The Company's statement of financial position and income statement have been further analysed by funds as follows:

Interim Statement of Financial Position by Funds as at 30 June 2012

	Shareholders' Fund	Insurance Funds		Elimination	Total
		Life Fund	Investment- linked Funds		
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Property and equipment	-	9,083	-	-	9,083
Investment properties	-	48,633	-	-	48,633
Intangible assets	-	-	-	-	-
Available-for-sale financial assets	305,857	2,070,609	-	-	2,376,466
Fair value through profit or loss financial assets	-	299,296	389,535	-	688,831
Loans and receivables	37,348	436,308	30,810	(11,328)	493,138
Reinsurance assets	-	2,820	-	-	2,820
Insurance receivables	-	20,512	-	-	20,512
Current tax assets	7,871	1,633	(2,666)	-	6,838
Cash and cash equivalents	7,553	22,479	1,110	-	31,142
Total assets	358,629	2,911,373	418,789	(11,328)	3,677,463
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	310,878	-	-	-	310,878
Other reserves	22,826	-	-	-	22,826
Total equity	483,704	-	-	-	483,704
Insurance contract liabilities	-	2,316,603	405,873	-	2,722,476
Insurance claim liabilities	-	37,683	-	-	37,683
Deferred tax liabilities	43,785	15,905	3,346	-	63,036
Insurance payables	-	336,711	-	-	336,711
Other payables	(168,860)	204,471	9,570	(11,328)	33,853
Total equity, policyholders' funds and liabilities	358,629	2,911,373	418,789	(11,328)	3,677,463

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****15. INSURANCE FUNDS (CONTINUED)****Interim Statement of Financial Position by Funds as at 31 December 2011**

	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	-	9,415	-	-	9,415
Investment properties	-	48,633	-	-	48,633
Intangible assets	-	61	-	-	61
Available-for-sale financial assets	261,353	2,001,674	-	-	2,263,027
Fair value through profit or loss financial assets	-	303,344	353,221	-	656,565
Loans and receivables	79,803	453,182	23,859	(62,501)	494,343
Reinsurance assets	-	3,021	-	-	3,021
Insurance receivables	-	27,123	-	-	27,123
Current tax assets	3,704	1,786	(1,455)	-	4,035
Cash and cash equivalents	1,179	22,013	1,067	-	24,259
Total assets	346,039	2,870,252	376,692	(62,501)	3,530,482
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	295,434	-	-	-	295,434
Other reserves	19,112	-	-	-	19,112
Total equity	464,546	-	-	-	464,546
Insurance contract liabilities	-	2,241,747	366,032	-	2,607,779
Insurance claim liabilities	-	35,372	-	-	35,372
Deferred tax liabilities	43,574	13,724	2,416	-	59,714
Insurance payables	-	328,461	-	-	328,461
Other payables	(162,081)	250,948	8,244	(62,501)	34,610
Total equity, policyholders' funds and liabilities	346,039	2,870,252	376,692	(62,501)	3,530,482

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****15. INSURANCE FUNDS (CONTINUED)****Interim Statement of Financial Position by Funds as at 1 January 2011**

	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	-	4,583	-	-	4,583
Investment properties	-	51,215	-	-	51,215
Intangible assets	-	184	-	-	184
Available-for-sale financial assets	201,747	1,835,434	-	-	2,037,181
Fair value through profit or loss financial assets	-	281,917	391,634	-	673,551
Loans and receivables	80,850	503,048	21,610	(65,121)	540,387
Reinsurance assets	-	2,368	-	-	2,368
Insurance receivables	-	24,512	-	-	24,512
Cash and cash equivalents	913	86,697	1,916	-	89,526
Total assets	283,510	2,789,958	415,160	(65,121)	3,423,507
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	259,574	-	-	-	259,574
Other reserves	19,475	-	-	-	19,475
Total equity	429,049	-	-	-	429,049
Insurance contract liabilities	-	2,148,921	399,348	-	2,548,269
Insurance claim liabilities	-	28,885	-	-	28,885
Deferred tax liabilities	52,414	16,654	4,338	-	73,406
Insurance payables	-	294,114	-	-	294,114
Current tax liabilities	1,860	(1,685)	2,878	-	3,053
Other payables	(199,813)	303,069	8,596	(65,121)	46,731
Total equity, policyholders' funds and liabilities	283,510	2,789,958	415,160	(65,121)	3,423,507

MANULIFE INSURANCE BERHAD

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****15. INSURANCE FUNDS (CONTINUED)****Statement of Comprehensive Income by Funds for the six months period ended 30 June 2012**

	Insurance Funds				Total RM'000
	Shareholders' Fund RM'000	Life Fund RM'000	Investment- linked Funds RM'000	Elimination RM'000	
Operating revenue	5,965	248,711	65,524	(2,403)	317,797
Gross earned premium	-	184,397	60,861	-	245,258
Premiums ceded to reinsurers	-	(4,817)	-	-	(4,817)
Net earned premiums	-	179,580	60,861	-	240,441
Fee and commission income	-	2,403	-	(2,403)	-
Investment income	5,965	61,911	4,663	-	72,539
Net realised gains	2,797	23,986	-	-	26,783
Net fair value gains	(38)	1,254	21,968	-	23,184
Other operating income	-	130	513	-	643
Other income	8,724	89,684	27,144	(2,403)	123,149
Gross benefits and claims paid	-	(142,265)	(42,822)	-	(185,087)
Claims ceded to reinsurers	-	3,957	-	-	3,957
Gross change to contract liabilities	-	(52,624)	(39,746)	-	(92,370)
Net claims	-	(190,932)	(82,568)	-	(273,500)
Fee and commission expense	-	(34,831)	-	-	(34,831)
Investment expenses	(329)	(3,625)	-	-	(3,954)
Management expenses	(236)	(22,715)	(3,369)	2,403	(23,917)
Other operating expenses	(16)	(5,833)	(2,068)	-	(7,917)
Other expenses	(581)	(67,004)	(5,437)	2,403	(70,619)
Profit from operations	8,143	11,328	-	-	19,471
Transfer from revenue account	11,328	(11,328)	-	-	-
Profit before taxation	19,471	-	-	-	19,471
Taxation	(4,027)	-	-	-	(4,027)
Net profit for the financial period	15,444	-	-	-	15,444

MANULIFE INSURANCE BERHAD

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****15. INSURANCE FUNDS (CONTINUED)****Statement of Comprehensive Income by Funds for the six months period ended 30 June 2011**

	Insurance Funds				Total RM'000
	Shareholders' Fund RM'000	Life Fund RM'000	Investment- linked Funds RM'000	Elimination RM'000	
Operating revenue	4,691	240,038	48,566	(2,192)	291,103
Gross earned premium	-	179,750	43,869	-	223,619
Premiums ceded to reinsurers	-	(4,885)	-	-	(4,885)
Net earned premiums	-	174,865	43,869	-	218,734
Fee and commission income	-	2,192	-	(2,192)	-
Investment income	4,691	58,096	4,697	-	67,484
Net realised gains	1,716	29,819	-	-	31,535
Net fair value gains	-	(20)	14,352	-	14,332
Other operating income	-	16	479	-	495
Other income	6,407	90,103	19,528	(2,192)	113,846
Gross benefits and claims paid	-	(137,346)	(41,883)	-	(179,229)
Claims ceded to reinsurers	-	2,417	-	-	2,417
Gross change to contract liabilities	-	(51,309)	(14,595)	-	(65,904)
Net claims	-	(186,238)	(56,478)	-	(242,716)
Fee and commission expense	-	(32,000)	-	-	(32,000)
Investment expenses	(257)	(3,324)	-	-	(3,581)
Management expenses	(172)	(18,764)	(3,261)	2,192	(20,005)
Other operating expenses	(21)	(4,753)	(3,658)	-	(8,432)
Other expenses	(450)	(58,841)	(6,919)	2,192	(64,018)
Profit from operations	5,957	19,889	-	-	25,846
Transfer from revenue account	19,889	(19,889)	-	-	-
Profit before taxation	25,846	-	-	-	25,844
Taxation	(5,432)	-	-	-	(5,432)
Net profit for the financial period	20,414	-	-	-	20,414

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

16. COMPARATIVE FIGURES

As stated in Note 1, these are the Company's first interim financial statements prepared in accordance with MFRS. Certain comparative figures have been restated following the adoption of MFRS Framework and changes in accounting policies as stated in Note 2.

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

	Note	As previously reported "FRS" RM'000	Adjustment RM'000	As restated "MFRS" RM'000
Statement of financial position				
<u>As at 1 January 2011</u>				
<u>Equity</u>				
Fair value reserves	a	10,310	9,165	19,475
Retained earnings	a	112,644	146,930	259,574
<u>Liabilities</u>				
Insurance contract liabilities	a	2,753,341	(205,072)	2,548,269
Deferred tax liabilities	b	24,429	48,977	73,406
<u>As at 31 December 2011</u>				
<u>Equity</u>				
Fair value reserves	a	10,252	8,860	19,112
Retained earnings	a	174,965	120,469	295,434
<u>Liabilities</u>				
Insurance contract liabilities	a	2,777,264	(169,485)	2,607,779
Deferred tax liabilities	b	19,558	40,156	59,714
<u>As at 30 June 2011</u>				
<u>Equity</u>				
Fair value reserves	a	11,022	10,160	21,182
Retained earnings	a	117,041	162,947	279,988
<u>Liabilities</u>				
Insurance contract liabilities	a	2,840,862	(225,957)	2,614,905
Deferred tax liabilities	b	24,662	52,850	77,512

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

16. COMPARATIVE FIGURES (CONTINUED)

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

	Note	As previously reported "FRS" RM'000	Adjustment RM'000	As restated "MFRS" RM'000
Statement of comprehensive income				
<u>For financial period ended</u>				
<u>30 June 2011</u>				
Total comprehensive income		5,109	17,012	22,121
Comprise of the following restatements:				
Gross change in contract liabilities	a	(85,793)	19,889	(65,904)
Taxation	b	(1,560)	(3,872)	(5,432)
Net gain on fair value change of available-for-sale financial assets	a	712	995	1,707

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

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