

Company No.

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012**

Company No.

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## **MANULIFE INSURANCE BERHAD**

(Incorporated in Malaysia)

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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<br>30.06.2012<br>RM'000 | Restated<br>As at<br>31.12.2011<br>RM'000 | Restated<br>As at<br>01.01.2011<br>RM'000 |
|---|--------|-------------------------------|---|---|
| <b>ASSETS</b>   |        |                               |   |   |
| 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                                    |
| <b>TOTAL ASSETS</b>   |        | <u>3,677,463</u>              | <u>3,530,482</u>                          | <u>3,423,507</u>                          |
| <b>EQUITY, POLICYHOLDERS' FUNDS<br/>AND LIABILITIES</b>       |        |                               |   |   |
| Share capital   |        | 150,000                       | 150,000                                   | 150,000                                   |
| Retained earnings   |        | 310,878                       | 295,434                                   | 259,574                                   |
| Other reserves  |        | 22,826                        | 19,112                                    | 19,475                                    |
| <b>TOTAL EQUITY</b>   |        | <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                                    |
| <b>TOTAL POLICYHOLDERS' FUNDS AND<br/>LIABILITIES</b>         |        | <u>3,193,759</u>              | <u>3,065,936</u>                          | <u>2,994,458</u>                          |
| <b>TOTAL EQUITY, POLICYHOLDERS' FUNDS AND<br/>LIABILITIES</b> |        | <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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## MANULIFE INSURANCE BERHAD

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

|  | 6 months<br>ended<br><u>30.06.2012</u><br>RM'000 | Restated<br>6 months<br>ended<br><u>30.06.2011</u><br>RM'000 |
|--|--|--|
| <b>Operating revenue</b>                                   | <u>317,797</u>                                   | <u>291,103</u>   |
| Gross earned premiums                                      | 245,258  | 223,619  |
| Premiums ceded to reinsurers                               | (4,817)  | (4,885)  |
| <b>Net earned premiums</b>                                 | <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  |
| <b>Other income</b>  | <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)   |
| <b>Net claims</b>  | <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)  |
| <b>Other expenses</b>                                      | <u>(70,619)</u>                                  | <u>(64,018)</u>  |
| <b>Profit before taxation</b>                              | 19,471   | 25,846   |
| Taxation   | (4,027)  | (5,432)  |
| <b>Net profit for the financial period</b>                 | <u>15,444</u>                                    | <u>20,414</u>  |
| <b>Other comprehensive income</b>                          |  |  |
| 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  |
| <b>Total comprehensive income for the financial period</b> | <u>19,158</u>                                    | <u>22,121</u>  |
| <b>Net profit attributable to :</b>                        |  |  |
| Equity holders of the Company                              | <u>15,444</u>                                    | <u>20,414</u>  |
| <b>Total comprehensive income attributable to:</b>         |  |  |
| 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><br>RM'000 | <u>Fair value</u><br><u>reserve</u><br>RM'000 | <u>Retained</u><br><u>earnings</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|--------------------------------|---|--|------------------------|
| <b>At 1 January 2012 – As previously reported</b>          | 150,000                        | 10,252  | 174,965                                      | 335,217                |
| Effect on adoption of MFRS and change in accounting policy | -                              | 8,860   | 120,469                                      | 129,329                |
| <b>At 1 January 2012 – Restated</b> (Note 2 and Note 16)   | <u>150,000</u>                 | <u>19,112</u>                                 | <u>295,434</u>                               | <u>464,546</u>         |
| Total comprehensive income for the financial period        | -                              | 3,714   | 15,444                                       | 19,158                 |
| <b>At 30 June 2012</b>                                     | <u>150,000</u>                 | <u>22,826</u>                                 | <u>310,878</u>                               | <u>483,704</u>         |
| <b>At 1 January 2011 – As previously reported</b>          | 150,000                        | 10,310  | 112,644                                      | 272,954                |
| Effect on adoption of MFRS and change in accounting policy | -                              | 9,165   | 146,930                                      | 156,095                |
| <b>At 1 January 2011 – Restated</b> (Note 2 and Note 16)   | <u>150,000</u>                 | <u>19,475</u>                                 | <u>259,574</u>                               | <u>429,049</u>         |
| Total comprehensive income for the financial period        | -                              | 1,707   | 20,414                                       | 22,121                 |
| <b>At 30 June 2011 - Restated</b>                          | <u>150,000</u>                 | <u>21,182</u>                                 | <u>279,988</u>                               | <u>451,170</u>         |

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.

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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 2012

|  | 6 months<br>ended<br>30.06.2012 | 6 months<br>ended<br>30.06.2011 |
|--|---------------------------------|---------------------------------|
|  | RM'000                          | RM'000                          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                                 |                                 |
| Net profit attributable to shareholders                              | 15,444                          | 20,414                          |
| Adjustments for non-cash items                                       | (17,488)                        | (23,574)                        |
| Operating loss before changes in<br>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)                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                                 |                                 |
| Purchase of property and equipment                                   | (311)                           | (323)                           |
| Net cash outflow from investing activities                           | (311)                           | (323)                           |
| <b>CASH AND CASH EQUIVALENTS</b>                                     |                                 |                                 |
| 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<br>30.06.2012 | As at<br>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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## **MANULIFE INSURANCE BERHAD**

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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><br><u>30.06.2012</u><br>RM'000 | <u>As at</u><br><u>31.12.2011</u><br>RM'000 | <u>As at</u><br><u>01.01.2011</u><br>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><br><u>30.06.2012</u><br>RM'000 | <u>As at</u><br><u>31.12.2011</u><br>RM'000 | <u>As at</u><br><u>01.01.2011</u><br>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<br><u>30.06.2012</u><br>RM'000 | As at<br><u>31.12.2011</u><br>RM'000 | As at<br><u>01.01.2011</u><br>RM'000 | As at<br><u>30.06.2012</u><br>RM'000 | As at<br><u>31.12.2011</u><br>RM'000 | As at<br><u>01.01.2011</u><br>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<br>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><br>RM'000 | <u>Net</u><br>RM'000 |
|--|------------------------|----------------------|
| <b>At 1 January 2011</b>   | 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>     |
| <b>At 31 December 2011/1 January 2012</b>  | 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>     |
| <b>At 30 June 2012</b>   | <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

|                                    | <b>As at<br/>30.06.2012<br/>RM'000</b> | <b>As at<br/>31.12.2011<br/>RM'000</b> | <b>As at<br/>01.01.2011<br/>RM'000</b> |
|------------------------------------|--|--|--|
| 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:

|                                | <b>As at<br/>30.06.2012<br/>RM'000</b> | <b>As at<br/>31.12.2011<br/>RM'000</b> | <b>As at<br/>01.01.2011<br/>RM'000</b> |
|--------------------------------|--|--|--|
| <b>Eligible Tier 1 Capital</b> |  |  |  |
| 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                              |
| <b>Eligible Tier 2 Capital</b> |  |  |  |
| Eligible reserves              | 188,496                                | 162,550                                | 178,702                                |
| Amounts deducted from capital  | -                                      | (487)                                  | -                                      |
| <b>Total Capital Available</b> | <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'<br>Fund | Insurance Funds  |                                | Elimination     | Total            |
|---|-----------------------|------------------|--------------------------------|-----------------|------------------|
|   |                       | Life Fund        | Investment-<br>linked<br>Funds |                 |                  |
|   | RM'000                | RM'000           | RM'000                         | RM'000          | RM'000           |
| <b>Assets</b>   |                       |                  |                                |                 |                  |
| Property and equipment  | -                     | 9,083            | -                              | -               | 9,083            |
| Investment properties   | -                     | 48,633           | -                              | -               | 48,633           |
| Intangible assets   | -                     | -                | -                              | -               | -                |
| Available-for-sale financial<br>assets                            | 305,857               | 2,070,609        | -                              | -               | 2,376,466        |
| Fair value through profit or<br>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<br>equivalents                                      | 7,553                 | 22,479           | 1,110                          | -               | 31,142           |
| <b>Total assets</b>   | <b>358,629</b>        | <b>2,911,373</b> | <b>418,789</b>                 | <b>(11,328)</b> | <b>3,677,463</b> |
| <b>Equity, Policyholders'<br/>Funds and Liabilities</b>           |                       |                  |                                |                 |                  |
| Share capital   | 150,000               | -                | -                              | -               | 150,000          |
| Retained earnings   | 310,878               | -                | -                              | -               | 310,878          |
| Other reserves  | 22,826                | -                | -                              | -               | 22,826           |
| <b>Total equity</b>   | <b>483,704</b>        | <b>-</b>         | <b>-</b>                       | <b>-</b>        | <b>483,704</b>   |
| Insurance contract<br>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           |
| <b>Total equity,<br/>policyholders' funds<br/>and liabilities</b> | <b>358,629</b>        | <b>2,911,373</b> | <b>418,789</b>                 | <b>(11,328)</b> | <b>3,677,463</b> |

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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'<br>Fund | Insurance Funds  |                                | Elimination     | Total            |
|---|-----------------------|------------------|--------------------------------|-----------------|------------------|
|   |                       | Life Fund        | Investment-<br>linked<br>Funds |                 |                  |
| <b>Assets</b>   | 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<br>assets                            | 261,353               | 2,001,674        | -                              | -               | 2,263,027        |
| Fair value through profit or<br>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<br>equivalents                                      | 1,179                 | 22,013           | 1,067                          | -               | 24,259           |
| <b>Total assets</b>   | <b>346,039</b>        | <b>2,870,252</b> | <b>376,692</b>                 | <b>(62,501)</b> | <b>3,530,482</b> |
| <b>Equity, Policyholders'<br/>Funds and Liabilities</b>           |                       |                  |                                |                 |                  |
| Share capital   | 150,000               | -                | -                              | -               | 150,000          |
| Retained earnings   | 295,434               | -                | -                              | -               | 295,434          |
| Other reserves  | 19,112                | -                | -                              | -               | 19,112           |
| <b>Total equity</b>   | <b>464,546</b>        | <b>-</b>         | <b>-</b>                       | <b>-</b>        | <b>464,546</b>   |
| Insurance contract<br>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           |
| <b>Total equity,<br/>policyholders' funds<br/>and liabilities</b> | <b>346,039</b>        | <b>2,870,252</b> | <b>376,692</b>                 | <b>(62,501)</b> | <b>3,530,482</b> |

**MANULIFE INSURANCE BERHAD**

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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'<br>Fund | Insurance Funds  |                                | Elimination     | Total            |
|---|-----------------------|------------------|--------------------------------|-----------------|------------------|
|   |                       | Life Fund        | Investment-<br>linked<br>Funds |                 |                  |
| <b>Assets</b>   | 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<br>assets                            | 201,747               | 1,835,434        | -                              | -               | 2,037,181        |
| Fair value through profit or<br>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<br>equivalents                                      | 913                   | 86,697           | 1,916                          | -               | 89,526           |
| <b>Total assets</b>   | <b>283,510</b>        | <b>2,789,958</b> | <b>415,160</b>                 | <b>(65,121)</b> | <b>3,423,507</b> |
| <b>Equity, Policyholders'<br/>Funds and Liabilities</b>           |                       |                  |                                |                 |                  |
| Share capital   | 150,000               | -                | -                              | -               | 150,000          |
| Retained earnings   | 259,574               | -                | -                              | -               | 259,574          |
| Other reserves  | 19,475                | -                | -                              | -               | 19,475           |
| <b>Total equity</b>   | <b>429,049</b>        | <b>-</b>         | <b>-</b>                       | <b>-</b>        | <b>429,049</b>   |
| Insurance contract<br>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           |
| <b>Total equity,<br/>policyholders' funds<br/>and liabilities</b> | <b>283,510</b>        | <b>2,789,958</b> | <b>415,160</b>                 | <b>(65,121)</b> | <b>3,423,507</b> |

**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<br>RM'000 |
|--|---------------------------------|---------------------|--|-----------------------|-----------------|
|  | Shareholders'<br>Fund<br>RM'000 | Life Fund<br>RM'000 | Investment-<br>linked<br>Funds<br>RM'000 | Elimination<br>RM'000 |                 |
| <b>Operating revenue</b>                       | 5,965                           | 248,711             | 65,524                                   | (2,403)               | 317,797         |
| Gross earned premium                           | -                               | 184,397             | 60,861                                   | -                     | 245,258         |
| Premiums ceded to<br>reinsurers                | -                               | (4,817)             | -  | -                     | (4,817)         |
| <b>Net earned premiums</b>                     | -                               | 179,580             | 60,861                                   | -                     | 240,441         |
| Fee and commission<br>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             |
| <b>Other income</b>                            | 8,724                           | 89,684              | 27,144                                   | (2,403)               | 123,149         |
| Gross benefits and<br>claims paid              | -                               | (142,265)           | (42,822)                                 | -                     | (185,087)       |
| Claims ceded to<br>reinsurers                  | -                               | 3,957               | -  | -                     | 3,957           |
| Gross change to contract<br>liabilities        | -                               | (52,624)            | (39,746)                                 | -                     | (92,370)        |
| <b>Net claims</b>                              | -                               | (190,932)           | (82,568)                                 | -                     | (273,500)       |
| Fee and commission<br>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)         |
| <b>Other expenses</b>                          | (581)                           | (67,004)            | (5,437)                                  | 2,403                 | (70,619)        |
| Profit from operations                         | 8,143                           | 11,328              | -  | -                     | 19,471          |
| Transfer from revenue<br>account               | 11,328                          | (11,328)            | -  | -                     | -               |
| <b>Profit before taxation</b>                  | 19,471                          | -                   | -  | -                     | 19,471          |
| Taxation                                       | (4,027)                         | -                   | -  | -                     | (4,027)         |
| <b>Net profit for the<br/>financial period</b> | 15,444                          | -                   | -  | -                     | 15,444          |

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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<br>RM'000 |
|--|---------------------------------|---------------------|--|-----------------------|-----------------|
|  | Shareholders'<br>Fund<br>RM'000 | Life Fund<br>RM'000 | Investment-<br>linked<br>Funds<br>RM'000 | Elimination<br>RM'000 |                 |
| <b>Operating revenue</b>                       | 4,691                           | 240,038             | 48,566                                   | (2,192)               | 291,103         |
| Gross earned premium                           | -                               | 179,750             | 43,869                                   | -                     | 223,619         |
| Premiums ceded to<br>reinsurers                | -                               | (4,885)             | -  | -                     | (4,885)         |
| <b>Net earned premiums</b>                     | -                               | 174,865             | 43,869                                   | -                     | 218,734         |
| Fee and commission<br>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             |
| <b>Other income</b>                            | 6,407                           | 90,103              | 19,528                                   | (2,192)               | 113,846         |
| Gross benefits and<br>claims paid              | -                               | (137,346)           | (41,883)                                 | -                     | (179,229)       |
| Claims ceded to<br>reinsurers                  | -                               | 2,417               | -  | -                     | 2,417           |
| Gross change to contract<br>liabilities        | -                               | (51,309)            | (14,595)                                 | -                     | (65,904)        |
| <b>Net claims</b>                              | -                               | (186,238)           | (56,478)                                 | -                     | (242,716)       |
| Fee and commission<br>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)         |
| <b>Other expenses</b>                          | (450)                           | (58,841)            | (6,919)                                  | 2,192                 | (64,018)        |
| Profit from operations                         | 5,957                           | 19,889              | -  | -                     | 25,846          |
| Transfer from revenue<br>account               | 19,889                          | (19,889)            | -  | -                     | -               |
| <b>Profit before taxation</b>                  | 25,846                          | -                   | -  | -                     | 25,844          |
| Taxation                                       | (5,432)                         | -                   | -  | -                     | (5,432)         |
| <b>Net profit for the<br/>financial period</b> | 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<br>reported<br>"FRS"<br>RM'000 | Adjustment<br>RM'000 | As restated<br>"MFRS"<br>RM'000 |
|--|------|--|----------------------|---------------------------------|
| <b>Statement of financial position</b> |      |  |                      |                                 |
| <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<br>reported<br>"FRS"<br><u>RM'000</u> | Adjustment<br><u>RM'000</u> | As restated<br>"MFRS"<br><u>RM'000</u> |
|--|------|---|-----------------------------|--|
| <b>Statement of comprehensive income</b>                             |      |   |                             |  |
| <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