

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 2011

Company No.

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MANULIFE INSURANCE BERHAD

(Incorporated in Malaysia)

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Unaudited Condensed Statement of Financial Position as at 30 June 2011

	Note	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
ASSETS			
Property and equipment		4,350	4,583
Investment properties		51,215	51,215
Intangible assets		123	184
Loans and receivables		586,378	621,505
Available-for-sale financial assets	11	2,141,846	2,025,350
Fair value through profit and loss financial assets	11	672,707	671,085
Reinsurance assets	13	2,507	2,368
Insurance receivables		17,869	24,512
Current tax recoverable		255	-
Cash and bank balance		39,753	22,705
TOTAL ASSETS		<u>3,517,003</u>	<u>3,423,507</u>
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital		150,000	150,000
Retained earnings		117,041	112,644
Other reserves		11,022	10,310
TOTAL EQUITY		<u>278,063</u>	<u>272,954</u>
Insurance contract liabilities	12	2,840,862	2,753,341
Insurance claim liabilities		32,752	28,885
Deferred tax liabilities		24,662	24,429
Insurance payables		310,433	294,114
Tax payable		-	3,053
Other payables		30,231	46,731
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES		<u>3,238,940</u>	<u>3,150,553</u>
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		<u>3,517,003</u>	<u>3,423,507</u>

The accompanying notes are an integral part of these 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 2011

	6 months ended <u>30.06.2011</u> RM'000	6 months ended <u>30.06.2010</u> RM'000
Operating revenue	<u>287,522</u>	<u>271,122</u>
Gross earned premiums	223,619	212,800
Premiums ceded to reinsurers	<u>(4,885)</u>	<u>(4,703)</u>
Net earned premiums	<u>218,734</u>	<u>208,097</u>
Investment income	63,903	58,322
Net realised gains	49,177	22,046
Other operating income	<u>495</u>	<u>600</u>
Other revenue	<u>113,575</u>	<u>80,968</u>
Gross benefits and claims paid	(179,230)	(175,422)
Claims ceded to reinsurers	2,417	2,538
Gross change to contract liabilities	<u>(83,822)</u>	<u>(45,017)</u>
Net claims	<u>(260,635)</u>	<u>(217,901)</u>
Fair value losses	(3,310)	(9,733)
Fee and commission expense	(32,000)	(29,217)
Management expenses	(20,004)	(17,115)
Other operating expenses	<u>(10,403)</u>	<u>(11,225)</u>
Other expenses	<u>(65,717)</u>	<u>(67,290)</u>
Profit before taxation	5,957	3,874
Taxation	<u>(1,560)</u>	<u>(650)</u>
Net profit for the financial period	<u>4,397</u>	<u>3,224</u>
Other comprehensive income/(loss)		
Fair value change of available-for-sale financial assets, net of deferred tax		
- Gross fair value change	950	3,080
- Deferred taxation	<u>(238)</u>	<u>(770)</u>
- Net gain	<u>712</u>	<u>2,310</u>
Total comprehensive income for the financial period	<u>5,109</u>	<u>5,534</u>
Total profit attributable to :		
Equity holders of the Company	<u>4,397</u>	<u>3,224</u>
Total comprehensive income attributable to:		
Equity holders of the Company	<u>5,109</u>	<u>5,534</u>
Basic earnings per share (sen)	<u>1.47</u>	<u>1.07</u>

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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 2011

	<u>Share capital</u> RM'000	<u>Non - Distributable Fair value reserve</u> RM'000	<u>Distributable Retained earnings</u> RM'000	<u>Total</u> RM'000
At 1 January 2011	150,000	10,310	112,644	272,954
Total comprehensive income for the financial period	-	712	4,397	5,109
At 30 June 2011	<u>150,000</u>	<u>11,022</u>	<u>117,041</u>	<u>278,063</u>
At 1 January 2010	150,000	5,825	53,144	208,969
Total comprehensive income for the financial period	-	2,310	3,224	5,534
At 30 June 2010	<u>150,000</u>	<u>8,135</u>	<u>56,368</u>	<u>214,503</u>

The accompanying notes are an integral part of these 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 2011

	6 months ended 30.06.2011 RM'000	6 months ended 30.06.2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit attributable to shareholders	4,397	3,224
Adjustments for non-cash items	(7,557)	(7,532)
Operating loss before changes in operating assets and liabilities	(3,160)	(4,308)
Net investment income received	56,428	49,360
Net purchase of investments	(59,196)	(21,247)
Decrease in loan receivables	19,462	8,895
Decrease/(increase) in receivables	11,920	(116)
Increase/(decrease) in provision for outstanding claims	3,866	(1,700)
Decrease in payables	(180)	(28,595)
Cash generated from operations	29,140	2,289
Income taxes paid	(11,769)	(7,996)
Net cash inflow/(outflow) from operating activities	17,371	(5,707)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(323)	(547)
Net cash outflow from investing activities	(323)	(547)
CASH AND CASH EQUIVALENTS		
Net increase/(decrease) during the financial period	17,048	(6,254)
Cash and cash equivalents at 1 January	22,705	17,079
Cash and cash equivalents at 30 June	39,753	10,825

The accompanying notes are an integral part of these financial statements.

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Notes to the Unaudited Interim Financial Statements

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard ("FRS") in Malaysia and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2010.

2. Changes in accounting policies

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2010, except for the adoption of the following:

<u>FRSs/Interpretations</u>	<u>Effective Date</u>
Amendments to FRS 132 "Financial instruments: Presentation on classification of rights issues"	1 March 2010
FRS 3 (revised) "Business combinations"	1 July 2010
FRS 127 (revised) "Consolidated and separate financial statements"	1 July 2010
Amendments to FRS 5 "Non-current assets held for sale and discontinued operations"	1 July 2010
Amendments to FRS 138 "Intangible Assets"	1 July 2010
IC Interpretation 12 "Service concession arrangements"	1 July 2010
IC Interpretation 16 "Hedges of a net investment in a foreign operation"	1 July 2010
IC Interpretation 17 "Distribution of non-cash assets to owners"	1 July 2010
Amendments to IC Interpretation 9 "Reassessment of embedded derivatives"	1 July 2010
Amendments to FRS 2 "Share-based Payment"	1 July 2010
Amendment to FRS 2 "Share-based payment: Group cash-settled share-based payment transactions"	1 January 2011
Amendments to FRS 7 "Financial instruments: Disclosures – Improving disclosures about financial instruments"	1 January 2011
Amendments to FRS 1 "First-time adoption of financial reporting standards"	1 January 2011
IC Interpretation 4 "Determining whether an arrangement contains a lease"	1 January 2011
IC Interpretation 18 "Transfers of assets from customers"	1 January 2011
Improvements to FRSs (2010)	1 January 2011

The adoption of the above revised standards, amendments and interpretations do not have any material impact to the financial statements of the Company.

The following revised standards, amendments and interpretations have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Company:

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Notes to the Unaudited Interim Financial Statements (continued)

2. Changes in accounting policies (continued)

<u>FRSs/Interpretations</u>	<u>Effective Date</u>
IC Interpretation 19 "Extinguishing financial liabilities with equity instruments"	1 July 2011
Amendments to IC Interpretation 14 "Prepayments of a minimum funding requirement"	1 July 2011
FRS 124 (revised) "Related party disclosures"	1 January 2012
IC Interpretation 15 "Agreements for the construction of real estates"	1 January 2012

The adoption of the above revised FRSs, amendments to FRSs and IC Interpretations is not expected to have any material impact on the financial statements of the Company.

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 2011.

5. Change in estimates

There were no changes in the basis used for accounting estimates for the current financial period to date.

6. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period.

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.

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Notes to the Unaudited Interim Financial Statements (continued)

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

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Equity securities		
- Quoted	651,428	618,305
- Unquoted	1,944	1,944
Unit trust funds	83,535	81,765
Malaysian Government Securities	568,604	522,447
Government Investment Issues	81,336	84,777
Corporate debt securities – unquoted	754,999	716,112
	<u>2,141,846</u>	<u>2,025,350</u>

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

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Equity securities - quoted	184,655	188,983
Malaysian Government Securities	129,339	116,315
Government Investment Issues	14,649	15,270
Corporate debt securities - unquoted	194,812	196,712
Equity call options - unquoted	4,579	5,723
Mutual funds - quoted outside Malaysia	101,758	102,709
Negotiable instrument of deposits	42,915	45,373
	<u>672,707</u>	<u>671,085</u>

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Notes to the Unaudited Interim Financial Statements (continued)

12. INSURANCE CONTRACT LIABILITIES

	Gross		Net	
	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
Actuarial liabilities	1,959,013	1,922,955	1,959,013	1,922,955
Unallocated surplus	295,814	262,646	295,814	262,646
Available-for-sale fair value reserve	172,092	168,392	172,092	168,392
Investment-linked policyholders' account	413,943	399,348	413,943	399,348
	<u>2,840,862</u>	<u>2,753,341</u>	<u>2,840,862</u>	<u>2,753,341</u>

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

	Gross RM'000	Net RM'000
At 1 January 2010	2,553,189	2,553,189
Inforce reserve movement	74,682	74,682
New business reserve	(16,808)	(16,808)
Discount rate and other changes	2,793	2,793
Unallocated surplus	(3,378)	(3,378)
Investment-linked policyholders' account	32,125	32,125
Available-for-sale fair value reserves		
- gross movement	120,269	120,269
- deferred tax effects	(9,531)	(9,531)
At 31 December 2010/1 January 2011	<u>2,753,341</u>	<u>2,753,341</u>
Inforce reserve movement	36,035	36,035
New business reserve	(6,447)	(6,447)
Discount rate and other changes	6,471	6,471
Unallocated surplus	33,168	33,168
Investment-linked policyholders' account	14,595	14,595
Available-for-sale fair value reserves		
- gross movement	4,021	4,021
- deferred tax effects	(322)	(322)
30 June 2011	<u>2,840,862</u>	<u>2,840,862</u>

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

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Notes to the Unaudited Interim Financial Statements (continued)

13. REINSURANCE ASSETS

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Reinsurance of insurance contracts	<u>2,507</u>	<u>2,368</u>

14. TOTAL CAPITAL ASSETS

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

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	150,000	150,000
Retained earnings	117,041	112,644
Eligible contract liabilities	<u>928,799</u>	<u>905,286</u>
	1,195,840	1,167,930
Eligible Tier 2 Capital		
Eligible reserves	183,115	178,702
Amounts deducted from capital	<u>54</u>	<u>-</u>
Total Capital Available	<u>1,378,901</u>	<u>1,346,632</u>

15. OPERATING LEASE COMMITMENTS

As at the date of this report, the Company leases its office premises under lease agreements. The leases contain renewable options.

Future minimum lease payments for the lease with remaining terms of one year or more are as follows:

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Within 1 year	465	541
After 1 year but not more than 5 years	732	942
	<u>1,197</u>	<u>1,483</u>

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Notes to the Unaudited Interim Financial Statements (continued)

16. 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:

Unaudited Condensed Statement of Financial Position by Funds as at 30 June 2011

	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	-	4,350	-	-	4,350
Investment properties	-	51,215	-	-	51,215
Intangible assets	-	123	-	-	123
Loans and receivables	43,753	502,081	40,544	-	586,378
Available-for-sale financial assets	229,958	1,911,888	-	-	2,141,846
Fair value through profit and loss financial assets	-	285,533	387,174	-	672,707
Reinsurance assets	-	2,507	-	-	2,507
Insurance receivables	-	17,869	-	-	17,869
Current tax recoverable/ (payable)	3,426	1,188	(4,359)	-	255
Cash and bank balance	7,906	30,470	1,377	-	39,753
Total assets	285,043	2,807,224	424,736	-	3,517,003
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	117,041	-	-	-	117,041
Other reserves	11,022	-	-	-	11,022
Total equity	278,063	-	-	-	278,063
Insurance contract liabilities	-	2,426,919	413,943	-	2,840,862
Insurance claim liabilities	-	32,752	-	-	32,752
Deferred tax liabilities	3,674	16,923	4,065	-	24,662
Insurance payables	-	310,433	-	-	310,433
Other payables	3,306	20,197	6,728	-	30,231
Total equity, policyholders' funds and liabilities	285,044	2,807,224	424,736	-	3,517,003

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Notes to the Unaudited Interim Financial Statements (continued)

16. INSURANCE FUNDS (CONTINUED)

Unaudited Condensed Statement of Financial Position by Funds as at 31 December 2010

	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	-	4,583	-	-	4,583
Investment properties	-	51,215	-	-	51,215
Intangible assets	-	184	-	-	184
Loans and receivables	82,946	581,660	22,020	(65,121)	621,505
Available-for-sale financial assets	199,651	1,825,699	-	-	2,025,350
Fair value through profit and loss financial assets	-	279,861	391,224	-	671,085
Reinsurance assets	-	2,368	-	-	2,368
Insurance receivables	-	24,512	-	-	24,512
Cash and bank balance	913	19,876	1,916	-	22,705
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	112,644	-	-	-	112,644
Other reserves	10,310	-	-	-	10,310
Total equity	272,954	-	-	-	272,954
Insurance contract liabilities	-	2,353,993	399,348	-	2,753,341
Insurance claim liabilities	-	28,885	-	-	28,885
Deferred tax liabilities	3,437	16,654	4,338	-	24,429
Insurance payables	-	294,114	-	-	294,114
Tax payable	1,860	(1,685)	2,878	-	3,053
Other payables	5,259	97,997	8,596	(65,121)	46,731
Total equity, policyholders' funds and liabilities	283,510	2,789,958	415,160	(65,121)	3,423,507

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Notes to the Unaudited Interim Financial Statements (continued)**16. INSURANCE FUNDS** (CONTINUED)**Unaudited Condensed 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	<u>4,434</u>	<u>236,714</u>	<u>48,566</u>	<u>(2,192)</u>	<u>287,522</u>
Gross earned premium	-	179,750	43,869	-	223,619
Premiums ceded to reinsurers	-	(4,885)	-	-	(4,885)
Net earned premiums	<u>-</u>	<u>174,865</u>	<u>43,869</u>	<u>-</u>	<u>218,734</u>
Fee and commission income	-	2,192	-	(2,192)	-
Investment income	4,434	54,772	4,697	-	63,903
Net realised gains	1,716	30,198	17,263	-	49,177
Other operating income	-	17	478	-	495
Other revenue	<u>6,150</u>	<u>87,179</u>	<u>22,438</u>	<u>(2,192)</u>	<u>113,575</u>
Gross benefits and claims paid	-	(137,347)	(41,883)	-	(179,230)
Claims ceded to reinsurers	-	2,417	-	-	2,417
Gross change to contract liabilities	-	(69,227)	(14,595)	-	(83,822)
Net claims	<u>-</u>	<u>(204,157)</u>	<u>(56,478)</u>	<u>-</u>	<u>(260,635)</u>
Fair value losses	-	(399)	(2,911)	-	(3,310)
Fee and commission expense	-	(32,000)	-	-	(32,000)
Management expenses	(172)	(18,764)	(3,260)	2,192	(20,004)
Other operating expenses	(21)	(6,724)	(3,658)	-	(10,403)
Other expenses	<u>(193)</u>	<u>(57,887)</u>	<u>(9,829)</u>	<u>2,192</u>	<u>(65,717)</u>
Profit before taxation	<u>5,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,957</u>
Taxation	(1,560)	-	-	-	(1,560)
Net profit for the financial period	<u>4,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,397</u>

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Notes to the Unaudited Interim Financial Statements (continued)**16. INSURANCE FUNDS** (CONTINUED)**Unaudited Condensed Statement of Comprehensive Income by Funds for the six months period ended 30 June 2010**

	Insurance Funds				Total RM'000
	Shareholders' Fund RM'000	Life Fund RM'000	Investment- linked Funds RM'000	Elimination RM'000	
Operating revenue	3,515	225,886	43,710	(1,989)	271,122
Gross earned premium	-	172,906	39,894	-	212,800
Premiums ceded to reinsurers	-	(4,703)	-	-	(4,703)
Net earned premiums	-	168,203	39,894	-	208,097
Fee and commission income	-	1,989	-	(1,989)	-
Investment income	3,515	50,991	3,816	-	58,322
Net realised gains	493	6,679	14,874	-	22,046
Other operating income	-	26	450	124	600
Other revenue	4,008	59,685	19,140	(1,865)	80,968
Gross benefits and claims paid	-	(130,234)	(45,188)	-	(175,422)
Claims ceded to reinsurers	-	2,538	-	-	2,538
Gross change to contract liabilities	-	(52,863)	7,846	-	(45,017)
Net claims	-	(180,559)	(37,342)	-	(217,901)
Fair value gains/(losses)	-	2,575	(12,308)	-	(9,733)
Fee and commission expense	-	(29,217)	-	-	(29,217)
Management expenses	(117)	(15,959)	(2,904)	1,865	(17,115)
Other operating expenses	(17)	(4,728)	(6,480)	-	(11,225)
Other expenses	(134)	(47,329)	(21,692)	1,865	(67,290)
Profit before taxation	3,874	-	-	-	3,874
Taxation	(650)	-	-	-	(650)
Net profit for the financial period	3,224	-	-	-	3,224