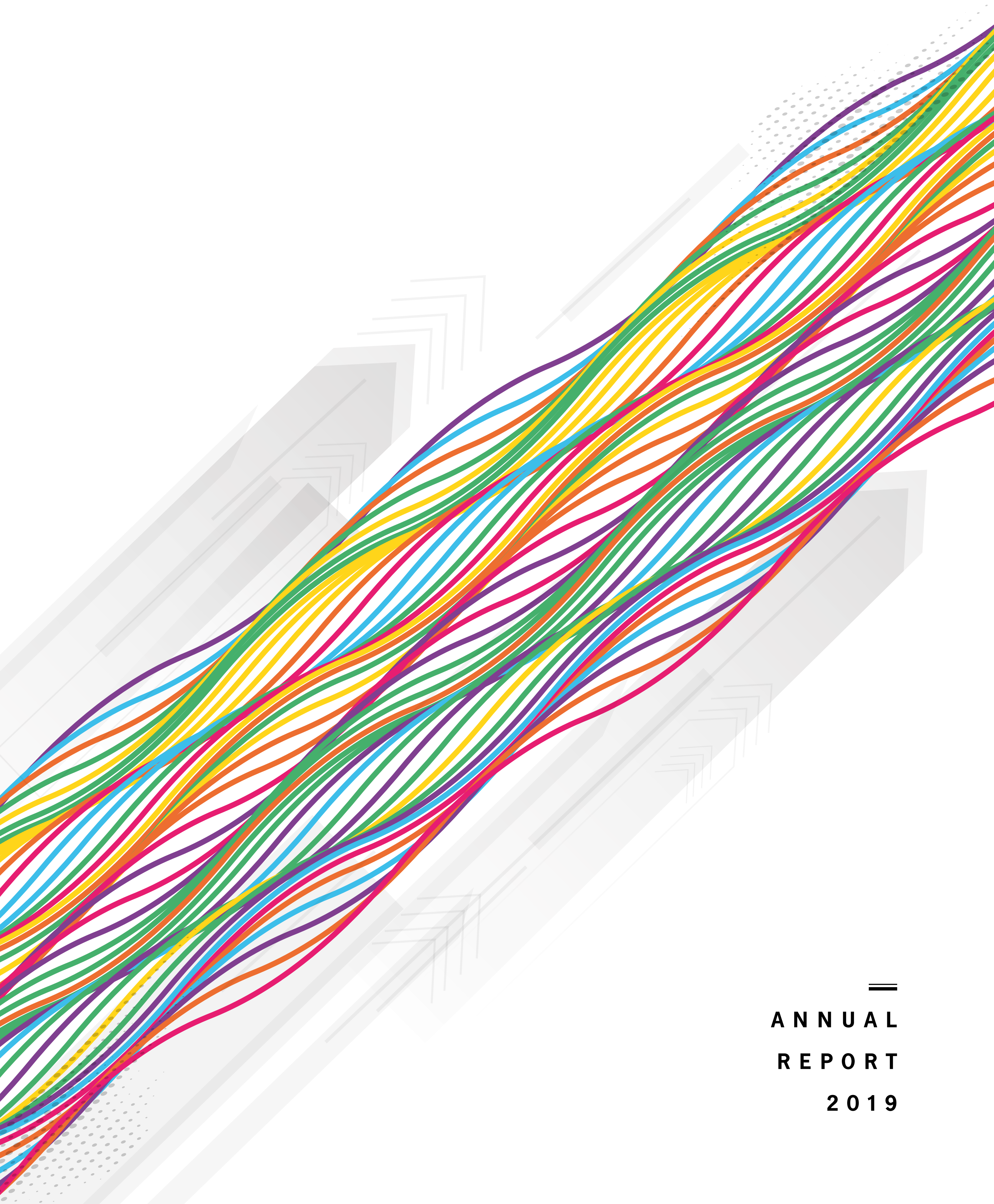
Manulife



ANNUAL REPORT 2019

MISSION

Decisions made easier. Lives made better.

STRATEGIC PRIORITIES

Portfolio Optimisation	Expense Efficiency	Accelerate Growth	Digital, Customer Leader	High Performing Team

OUR VALUES

1

Obsess About Customers

We predict their needs and do everything in our power to satisfy them.

2

Think Big

Anything is possible. We can always find a better way.

3

Own It

We feel empowered to make decisions and take action to deliver our Mission.

4

Get It Done Together

We're surrounded by an amazing team. We can do it better by working together.

5

Share Your Humanity

We build a supportive, diverse and thriving workplace.

CONTENTS

This Annual Report can be downloaded at
www.manulife.com.my

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Fourth Annual General Meeting of the Company will be held on a fully virtual basis at the Broadcast venue at Meeting Room of Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan on Friday, 26 June 2020 at 3:00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon.

2. To approve the declaration of a First and Final Single-Tier Dividend of 7.0 sen per share for the financial year ended 31 December 2019. **(Resolution 1)**

3. To re-elect the following Directors who retire pursuant to Clause 123 of the Company's Constitution:-
   (a) Dato' Dr. Zaha Rina binti Zahari; and **(Resolution 2)**
   (b) Mr. Lim Hun Soon @ David Lim. **(Resolution 3)**

4. To re-elect Mr. Matthew Edward Lawrence who retires pursuant to Clause 106 of the Company's Constitution. **(Resolution 4)**

5. To approve the payment of Directors' fees of RM427,000.00 for the financial year ended 31 December 2019. **(Resolution 5)**

6. To approve the payment of Directors' fees of RM662,000.00 from 1 January 2020 until the next Annual General Meeting of the Company to be held in year 2021 payable quarterly in arrears after each quarter of completed service of the Directors of the Company. **(Resolution 6)**

7. To approve the payment of Directors' benefits of up to an amount of RM100,000.00 from 27 June 2020 until the next Annual General Meeting of the Company to be held in year 2021. **(Resolution 7)**

8. To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 8)**

AS SPECIAL BUSINESS

9. To consider and if thought fit, with or without modifications, to pass the following resolutions:-

   (a) **ORDINARY RESOLUTION 1** **(Resolution 9)**
   - AUTHORITY TO ISSUE SHARES

   "**THAT** subject always to the Companies Act 2016 ("**the Act**"), the Company's Constitution and approvals from Bursa Malaysia Securities Berhad ("**Bursa Malaysia Securities**") and any other governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price to such persons and upon such terms and conditions, for such purposes as the Directors of the Company may in their absolute discretion deem fit, provided always that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being;

   AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities; **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

AS SPECIAL BUSINESS (CONT'D)

(b) **ORDINARY RESOLUTION 2** **(Resolution 10)**

- **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"**THAT** subject always to the provisions of Bursa Malaysia Securities Berhad Main Market Listing Requirements, a shareholders' mandate be and is hereby granted to Manulife Holdings Berhad and its subsidiary companies to enter into the recurrent related party transactions of a revenue or trading nature ("**Recurrent Related Party Transactions**") as described in the circular to shareholders dated 27 May 2020 with the related parties mentioned therein **PROVIDED THAT**:-

(i) the Recurrent Related Party Transactions are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and

(ii) disclosure is made in the annual report breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;

AND THAT the authority conferred by such mandate shall commence immediately upon the passing of this ordinary resolution and continue to be in force until:-

(a) the conclusion of the first Annual General Meeting ("**AGM**") of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (**"the Act**") [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier;

AND THAT, the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution."

10. To transact any other ordinary business for which due notice has been given.

By Order of the Board

CHUA SIEW CHUAN (SSM PC NO. 201908002648) (MAICSA 0777689)
CHIN MUN YEE (SSM PC NO. 201908002785) (MAICSA 7019243)
Company Secretaries

Kuala Lumpur
Dated: 27 May 2020

NOTICE OF ANNUAL GENERAL MEETING

NOTES:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 19 June 2020 shall be eligible to attend the Meeting.

2. Pursuant to Clauses 96(b) and (c) of the Company's Constitution, a member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

3. A proxy may but does not need to be a member of the Company and a member entitled to attend and vote at the Meeting may appoint any person to be his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

   As guided by the Securities Commission's Guidance and FAQs on the Conduct of General Meetings for Listed Issuers that was issued on 18 April 2020 and subsequently revised on 14 May 2020, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies shall communicate with the main venue of the Meeting via real time submission of typed texts through a text box within Securities Services e-Portal's platform during the live streaming of the Meeting as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, shareholders and proxies may email their questions to eservices@sshsb.com.my during the Meeting. The questions and/or remarks submitted by the shareholders and/or proxies will be broadcasted and responded by the Chairman/Board/relevant advisers during the Meeting. In the event of any unattended questions and/or remarks submitted, the Company will respond to the said unattended questions and/or remarks after the Meeting via email.

4. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of an officer or attorney duly authorised.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. <u>Appointment of proxy and registration for remote participation and voting</u>

   The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof. The proxy appointment may also be lodged electronically via Securities Services e-Portal at https://www.sshsb.net.my/. All resolutions set out in this notice of meeting are to be voted by poll.

   Should you wish to personally participate at the Meeting remotely, please register electronically via Securities Services e-Portal at https://www.sshsb.net.my/ by the registration cut-off date and time. Please refer to the Administrative Guide on the Conduct of a Fully Virtual General Meeting for further details.

   The Administrative Guide on the Conduct of a Fully Virtual General Meeting is available for download at www.manulife.com.my.

7. The Board wishes to highlight that the Meeting may be re-scheduled and/or postponed in view of the current COVID-19 outbreak and the Malaysia Government's announcements or guidelines made from time to time. Please rest assured that all members/proxies including attendees shall be kept informed in the event any unexpected changes.

EXPLANATORY NOTE ON DIVIDEND PAYMENT

Dividend declaration may be limited in the event the Company's wholly-owned subsidiary, Manulife Insurance Berhad is unable to meet its Internal Capital Adequacy Ratio Target set pursuant to regulatory requirements.

EXPLANATORY NOTE ON SPECIAL BUSINESS

(1) DIRECTORS' FEES

The payment of Directors' fees shall be payable quarterly in arrears after each quarter of completed service of the Directors of the Company as follows:

Independent Non-Executive Chairman	:	RM30,687.50 per quarter
Independent Non-Executive Directors	:	RM61,210.25 per quarter
Non-Independent Non-Executive Directors	:	RM18,375.00 per quarter

(2) AUTHORITY TO ISSUE SHARES

The Company wishes to renew the mandate on the authority to issue shares pursuant to the Companies Act 2016 at the Forty-Fourth Annual General Meeting of the Company (hereinafter referred to as the "**General Mandate**"). The Company had been granted a general mandate by its shareholders at the Forty-Third Annual General Meeting of the Company held on 31 May 2019 (hereinafter referred to as the "**Previous Mandate**").

The Previous Mandate granted by the shareholders had not been utilised and hence, no proceed was raised therefrom.

The purpose to seek the General Mandate is to provide flexibility to the Company for allotment of shares for any possible fund-raising activities for the purpose of funding working capital without convening a general meeting as it would be both time and cost-consuming to organise a general meeting.

(3) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The proposed adoption of Resolution 10 is to renew the Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature ("**Recurrent Related Party Transactions**") granted by the shareholders of the Company at the Forty-Third Annual General Meeting of the Company held on 31 May 2019 ("**Renewal of Shareholders' Mandate**"). The Renewal of Shareholders' Mandate will enable the Company and its subsidiary companies ("**the Group**") to enter into the Recurrent Related Party Transactions which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr. Zaha Rina binti Zahari

DSAP, MBA, DBA
Bachelor of Arts (Honours) in Accounting and Finance, The University of Leeds, UK
Masters in Business Administration, University of Hull, UK
Doctorate in Business Administration, University of Hull, UK

Chairman/Independent Non-Executive Director

Datuk Seri Panglima Mohd Annuar bin Zaini

DSA, SPDK, SPMP, DPMP, DJMK, PMP, AMP
Bachelor of Arts (Honours) in Economics, University Kebangsaan Malaysia
Master of Arts in Law & Diplomacy, Fletcher School of Law & Diplomacy, Tufts University, USA

Independent Non-Executive Director

Mr. Lim Hun Soon @ David Lim

Bachelor of Arts (Honours) in Economics, The University of Leeds, UK

Independent Non-Executive Director

Mr. Lee Sang Hui

Bachelor of Arts in Molecular Cellular Development Biology, University of Colorado, USA
Master of Business Administration, Thunderbird School of International Management, USA

Group Chief Executive Officer/Executive Director

Mrs. Vijayam Nadarajah

CPA, C.A.(M), C.F.I.I.A
Bachelor of Economics, Monash University, Melbourne, Australia
Bachelor of Laws (L.L.B.), University of London, UK
Master of Business Administration, Monash University, Melbourne, Australia

Independent Non-Executive Director

Mr. Matthew Edward Lawrence

Bachelor of Science in Economics from the London School of Economics and Political Science
Fellow of the Institute of Chartered Accountants in England & Wales
Certificate to practice as a Chartered Accountant in England & Wales

Non-Independent Non-Executive Director

SECRETARIES

Ms. Chua Siew Chuan
(SSM PC NO. 201908002648)
(MAICSA 0777689)

Ms. Chin Mun Yee
(SSM PC NO. 201908002785)
(MAICSA 7019243)

COMMITTEES OF THE BOARD

- **Group Audit Committee**

  Mr. Lim Hun Soon @ David Lim *(Chairman)*
  Datuk Seri Panglima Mohd Annuar bin Zaini
  Mrs. Vijayam Nadarajah
  Mr. Matthew Edward Lawrence

- **Group Risk Management Committee**

  Mrs. Vijayam Nadarajah *(Chairman)*
  Mr. Lim Hun Soon @ David Lim
  Datuk Seri Panglima Mohd Annuar bin Zaini
  Mr. Matthew Edward Lawrence

- **GROUP NOMINATING/ REMUNERATION COMMITTEE**

  Dato' Dr. Zaha Rina binti Zahari *(Chairman)*
  Datuk Seri Panglima Mohd Annuar bin Zaini
  Mr. Lim Hun Soon @ David Lim
  Mrs. Vijayam Nadarajah
  Mr. Matthew Edward Lawrence

REGISTERED OFFICE

16th Floor, Menara Manulife
6 Jalan Gelenggang
Damansara Heights
50490 Kuala Lumpur
Tel : (603) 2719 9228
Fax : (603) 2092 2960
www.manulife.com.my

REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : (603) 2084 9000
Fax : (603) 2094 9940 / (603) 2095 0292

PRINCIPAL BANKERS

Malayan Banking Berhad
Public Bank Berhad
OCBC Bank (Malaysia) Berhad
Citibank Berhad
HSBC Bank Malaysia Berhad
Alliance Bank Malaysia Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank Malaysia Berhad
DBS Bank Limited

AUDITORS

Ernst & Young PLT (202006000003 (LLP0022760-LCA) & AF0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur

INVESTOR RELATIONS

Tel : (603) 2719 9228 ext : 609740
Email : Eza_Dzulkarnain@manulife.com

AGM HELPDESK

Tel : (603) 2719 9260
Email : MY_CG@manulife.com

STOCK EXCHANGE LISTING

Bursa Malaysia – Main Market

CORPORATE **STRUCTURE**

MANULIFE HOLDINGS BERHAD
197501003360 (24851-H)

100%
MANULIFE INSURANCE BERHAD
200801013654
(814942-M)

100%
MANULIFE INVESTMENT MANAGEMENT (M) BERHAD
(formerly known as Manulife Asset Management Services Berhad)
200801033087
(834424-U)

100%
MANULIFE INSURANCE LABUAN LIMITED
(LL13865)

100%
BRITAMA PROPERTIES SDN BHD
198001010396
(64180-D)

100%
THE E-SOFTWARE HOUSE SDN BHD
199801016412
(472541-H)
(In Liquidation)

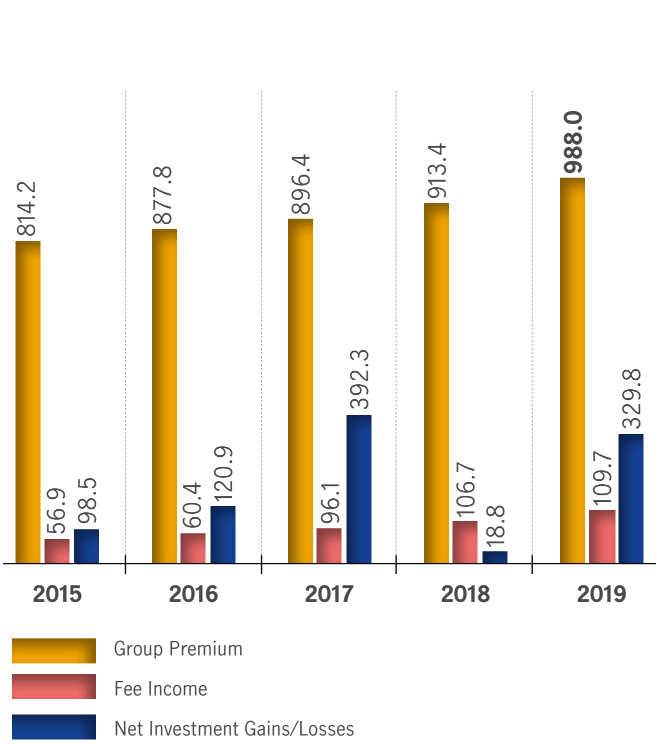
FIVE-YEAR
GROUP FINANCIAL HIGHLIGHTS

	2015	2016	2017	2018	2019
OPERATING RESULTS					
For the financial year ended 31 December (RM'million)					
Group Premiums	814.2	877.8	896.4	913.4	**988.0**
Fee Income	56.9	60.4	96.1	106.7	**109.7**
Net Investment Gains/Losses[1]	98.5	120.9	392.3	18.8	**329.8**
Policyowners Benefit Paid and Payable	598.5	550.9	634.2	657.3	**711.6**
Group Profit Before Taxation	47.9	62.3	41.6	38.2	**38.4**
Group Net Profit Attributable To Shareholders	35.6	46.5	28.0	26.3	**26.1**
KEY BALANCE SHEET DATA					
As at 31 December (RM'million)					
Life Fund Assets	4,169.7	4,368.3	4,765.8	4,705.4	**5,073.4**
General/Shareholder Fund Assets	696.4	744.1	868.2	829.5	**881.7**
Total Assets	4,866.1	5,112.4	5,634.0	5,534.9	**5,955.1**
Total Liabilities	4,088.8	4,313.2	4,818.7	4,713.0	**5,117.5**
Shareholders' Equity	777.2	799.1	815.3	821.9	**837.6**
SHARE INFORMATION					
Group Basic Earnings Per Share (sen)	17.6	23.0	13.8	13.0	**12.9**
Net Dividend Per Share (sen)	9.0	10.5	8.0	7.0	**7.0**
Group Net Asset Per Share (RM)	3.84	3.95	4.02	4.05	**4.14**
Share Price - High (RM)	3.30	3.20	3.32	3.31	**2.85**
Share Price - Low (RM)	2.65	2.75	3.00	2.30	**2.31**
Share Price As At 31 December (RM)	2.92	3.02	3.30	2.50	**2.48**
Market Capitalisation (RM'million)	590.9	611.2	667.8	505.9	**501.9**
FINANCIAL RATIO (%)					
Return on Equity[2]	4.6	5.9	3.5	3.2	**3.2**
Return on Assets[3]	0.7	0.9	0.5	0.5	**0.5**

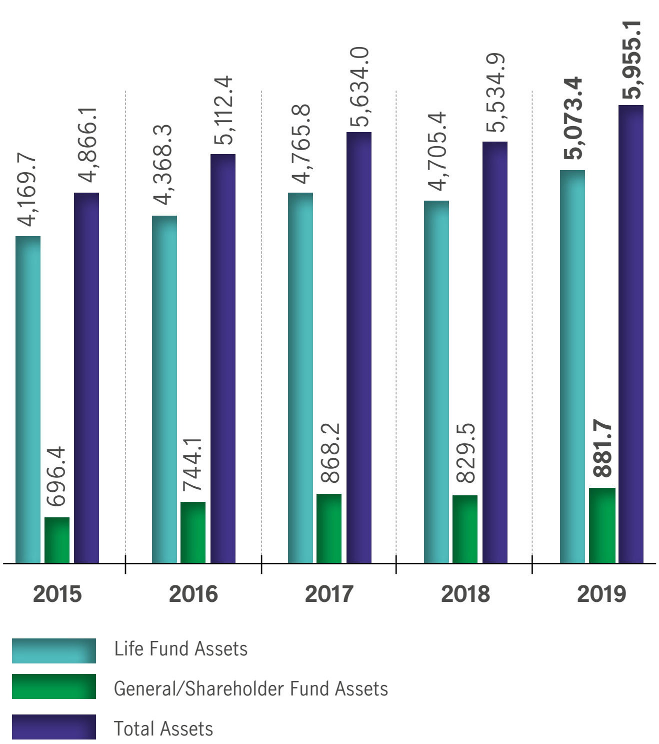
[1] *Comprises Investment income and Net realised/fair value losses, net off Investment expenses*
[2] *Return on Equity = Group Net Profit Attributable To Shareholders / Average Shareholder's Equity*
[3] *Return on Assets = Group Net Profit Attributable To Shareholders / Average Total Assets*

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

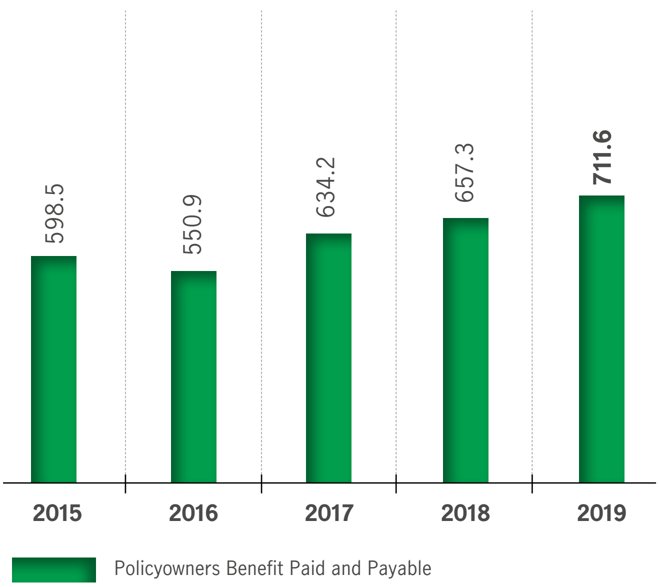
GROUP INCOME
(RM' MIL)



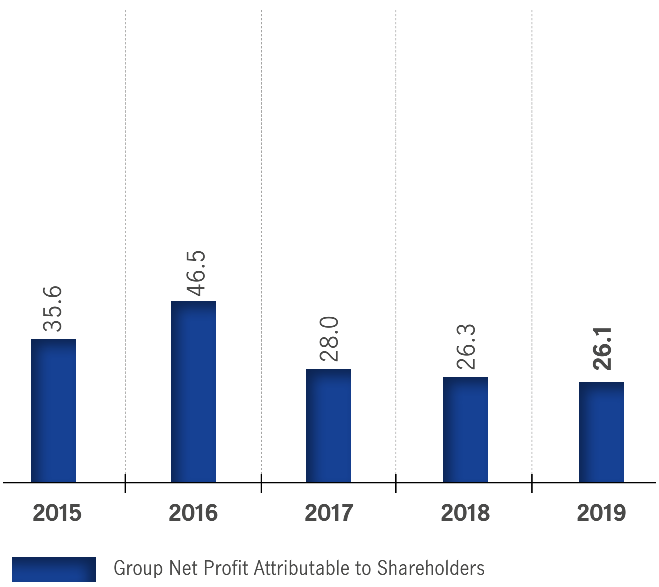
GROUP ASSETS
(RM' MIL)



POLICYOWNERS BENEFIT PAID AND PAYABLE
(RM' MIL)



GROUP NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RM' MIL)



DIRECTORS' PROFILE

Dato' Dr Zaha Rina binti Zahari

Dato' Dr. Zaha Rina binti Zahari received her BA (Hons) Accounting and Finance from Leeds UK and Doctorate in Business Administration from Hull UK focusing on capital markets research and specialising in derivatives.

She was a Consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange (BFX) launched in January 2009. Prior to this, she was with Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. She has more than 25 years experiences in the financial, commodities and securities industry and the development of the Malaysian Capital Market, which includes managing a futures broking company, and was Chief Executive Officer of RHB Securities Sdn Bhd from 2004 to 2006. She has previous Board appointments at the Commodity and Monetary Exchange of Malaysia (COMMEX) from 1993 to 1996, then as the Chief Operating Officer of Kuala Lumpur Options and Financial Futures Exchange (KLOFFE) in 2001, which merged to become Malaysian Derivatives Exchange (MDEX) in June 2001.

She was then appointed head of Exchanges, managing the operations of Kuala Lumpur Stock Exchange ("KLSE"), MESDAQ, MDEX and Labuan International Financial Exchanges (LFX) in September 2003 prior to KLSE's (now known as Bursa Malaysia Securities Berhad) demutualisation. She is also a regular speaker at many international conferences and forums.

She was a Director of Zurich Insurance Malaysia Bhd from 2007 to 2013 prior to being appointed Chairman of Manulife Holdings Berhad in December 2013. She sits on the Board of Hong Leong Industries Bhd since 2012, Hibiscus Petroleum Bhd since 2017 and IGB Berhad since 2018, besides holding directorship in several private limited companies. She is also a member of Market Participants Committee (MPC) of Bursa Malaysia Securities Berhad since July 2014.

She is a Vice-President of Persatuan Chopin Malaysia and Divemaster with National Association of Underwater Instructors (NAUI). She was a member of Global Board of Advisers for XBRL until 2009 and was also on the Board of Trustees for Malaysia AIDS Foundation until May 2010.

Dato' Dr. Zaha Rina is Chairman of the Group Nominating/ Remuneration Committee of the Board of Directors.

Lee Sang Hui

Mr. Lee Sang Hui holds a Master of Business Administration from Thunderbird School of International Management, USA and a Bachelor's Degree from the University of Colorado in Molecular Cellular Developmental Biology.

Mr. Lee has 27 years of experience in the life insurance and asset management industries. Prior to his appointment as Group Chief Executive Officer, Mr. Lee held various senior management roles in American Life Insurance in Japan before joining AIG/ AIA where he had a noteworthy career across Investments, Finance, Marketing and Distribution. Mr. Lee is a seasoned international executive with a proven track record of delivering consistent, high quality results across Thailand, Korea, Hong Kong and Japan.

Mr. Lee also sits on the Boards of Manulife Insurance Berhad and Manulife Investment Management (M) Berhad (formerly known as Manulife Asset Management Services Berhad).

Other information on Directors

Save as disclosed, none of the Directors has any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. None of the Directors has had any convictions for any offences within the past five (5) years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2019.

There were five (5) Board Meetings held during the financial year ended 31 December 2019. The details of attendance of the Directors are as follows:-

Name of Board of Directors	Attendance
Dato' Dr. Zaha Rina binti Zahari	5/5
Datuk Seri Panglima Mohd Annuar bin Zaini	4/5
Mr. Lim Hun Soon @ David Lim	5/5
Mr Lee Sang Hui	5/5
Mrs. Vijayam Nadarajah (appointed w.e.f. 19 April 2019)	3/3
Mr. Matthew Edward Lawrence (appointed w.e.f. 1 January 2020)	Not Applicable
Mr. Kenneth Joseph Rappold (resigned w.e.f. 31 December 2019)	4/5

Datuk Seri Panglima Mohd Annuar bin Zaini

Datuk Seri Panglima Mohd Annuar bin Zaini holds a Master of Arts in Law & Diplomacy from The Fletcher School of Laws & Diplomacy, Tufts University, USA and a Bachelor of Arts with honours in Economics from University Kebangsaan Malaysia.

He began his career as an Administrative and Diplomatic Officer in 1977. He served the Malaysian Government at various ministries and departments and also the Perak State Government until he chose to take an optional retirement from the government service in 1999.

In February 2004, HRH The Sultan of Perak consented his appointment as Member of the Council of Elders to HRH Sultan of Perak. He is currently a Member of the Perak Council of Islamic Religion and Malay Customs and Board Member to the PKEINPK Sdn Bhd. He is also a Member of the Pertubuhan Keselamatan Sosial ("PERKESO") Investment Panel, Chairman of IPOH Sentral Development Sdn Bhd, a Distinguished Fellow to Institute of Strategic and International Studies (ISIS) Malaysia, Fellow Institute of Public Security of Malaysia and Adjunct Professor of Northern Corridor Economic Region Research Centre, Universiti Utara Malaysia.

He was Executive Director of Berjaya Corporation Berhad from 2001 to 2004, Chairman of Malaysian National News Agency (BERNAMA) from February 2004 to January 2010, Advisor and Chief Executive of Northern Corridor Implementation Authority from 2007 to 2009, a Board Member of the Royal Perak Medical College from 2005 to 2011, a Board Member of Malaysian Airline System Berhad from 2005 to 2011, a Board Member of PLUS Expressway Berhad from 2007 to 2012, Tropicana Corporation Berhad from 2010 to 2016, a Board Member of the University of Malaya from 2014 to 2019, Chairman of University of Malaya Specialist Centre from 2015 to 2019 and Chairman of International University of Malaya Wales from 2015 to 2019.

Datuk Seri Panglima Mohd Annuar is a member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/Remuneration Committee of the Board of Directors. He is a Director of the Board of Manulife Insurance Berhad and Manulife Investment Management (M) Berhad (formerly known as Manulife Asset Management Services Berhad). He is also a Chairman of Nominating/Remuneration Committee and is a member of the Audit Committee and Risk Management Committee of the Board of Manulife Insurance Berhad.

Vijayam Nadarajah

Mrs. Vijayam Nadarajah holds a Masters in Business Administration as well as a Bachelor's in Economics (with a major in accounting) from Monash University in Melbourne, Australia. She has also acquired an L.L.B. from University of London, United Kingdom. In terms of professional memberships, she is a Fellow Member of CPA Australia, a Chartered Accountant under the Malaysian Institute of Accountants, and a Fellow Member of the Institute of Internal Auditors Malaysia.

She was the president of Institute of Internal Auditors Malaysia (IIAM) from 1996 to 1997, and was then reappointed as a governor to the Board of Governors of IIAM in 2016. Mrs. Nadarajah co-chaired the taskforce on Guidance for Effective Internal Audit Function.

Mrs. Nadarajah currently holds the position of Independent Non-Executive Director for BNP Paribas Malaysia Berhad and MPI Generali Insurans Berhad. She is a consultant and trainer in topics such as risk management, compliance, internal audit and board governance.

Prior to her appointment to the board of ScotiaBank Berhad, she was a consultant for China Construction Bank Malaysia Berhad. Mrs. Nadarajah was in charge of overseeing the incorporation of a public company to set up the bank in Malaysia, and application for a bank license. During this process, she liaised with Bank Negara Malaysia on matters related to application of license and operational readiness audit. Furthermore, she advised on the structure and nomination of independent directors for the Board, and also drafted the board charter and terms of reference of board committees, on top of other governance policies.

From 2013 to 2016, Mrs. Nadarajah served as a Specialist for the Research and Development/Corporate Program of the Financial Accreditation Agency ("FAA"), which is an initiative supported by Bank Negara Malaysia and the Securities Commission Malaysia. She also served as Financial Controller at CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad, Assistant General Manager of Finance at Oriental Capital Assurance Berhad, as well as senior roles in RHB Bank Berhad and Sime Bank Berhad/UMBC Bank Berhad.

Mrs. Vijayam Nadarajah is the Chairman of the Group Risk Management Committee and a member of the Group Audit Committee and Group Nominating/Remuneration Committee of the Board of Directors. She is also a Director and the Chairman of the Risk Management Committee and a member of the Audit Committee and Nominating/Remuneration Committee of the Board of Manulife Insurance Berhad.

DIRECTORS' PROFILE

Lim Hun Soon @ David Lim

Independent Non-Executive Director

Malaysian, Male
65 years

Date of Appointment:
17 July 2012

Matthew Edward Lawrence

Non Independent Non-Executive Director

United Kingdom, Male
43 years

Date of Appointment:
1 January 2020

Mr. Lim Hun Soon @ David Lim graduated from the University of Leeds with a Bachelor of Arts in Economics in July 1978 and subsequently joined KPMG (formerly known as Peat Marwick Mitchell) in the United Kingdom in 1978. He qualified as a member of the Institute of Taxation, United Kingdom in 1981 and as a member of The Institute of Chartered Accountant in England and Wales ('ICAEW') in 1982. He then returned to Malaysia in 1982 to continue his service with KPMG where he was admitted in 1984 as a member of the Malaysian Association of Certified Public Accountants. Mr. David Lim was admitted as a Partner of the Firm in 1990.

Mr. David Lim has had an extensive career serving as an auditor in KPMG for 33 years. During his career with KPMG, he served in the Management Committee of the Firm from 1997 to 2001 as well as KPMG's Partnership Supervisory Council from 2002 to 2010. He was also the Asian Anchor Practice representative for Marketing in 2000 to 2001 in which he gained extensive and insightful knowledge from KPMG Global counterparts worldwide.

In 2006, he was assigned by KPMG to start up the Malaysian Audit Committee Institute (ACI Malaysia), which was a virtual worldwide initiative sponsored by KPMG to assist Independent Non-Executive Directors in enhancing their awareness and ability to implement effective board processes.

Mr. David Lim actively served as an Examiner for Company Law examinations in the Malaysian Institute of Certified Public Accountants ("MICPA") for over a period of ten (10) years. He was also the Chairman of the MICPA Code of Ethics Committee and a member of the Malaysian Institute of Accountants Code of Ethics Committee from 2002 to 2004. He had also developed an expertise from undertaking the role of Reporting Accountants in initial public offerings ("IPO") and was the audit partner in charge of over 30 IPOs whilst at KPMG. He retired from KPMG in 2011.
In July 2013, Mr. David Lim was appointed as a Council Member of the ICAEW representing South East Asia (Malaysia). His appointment represents a huge accolade for Malaysia, as it's the first time in ICAEW's sterling 130 years history, a Malaysian is represented on ICAEW's Council. In 2015, his term was renewed for a second term of two (2) years. Mr. David Lim appointment was extended for a third term of two years from 2017 till 2019.

Mr. David Lim sits on the Board of a few public listed companies, namely Sasbadi Holdings Berhad, Kawan Food Berhad, Ranhill Holdings Berhad and Press Metal Aluminium Holdings Berhad as an Independent Non-Executive Director. He also sits on the Board on Affin Investment Berhad (In Members' Voluntary Winding-up), Affin Hwang Investment Bank Berhad, Rockwills Trustee Berhad and Fairview Schools Berhad and a few private limited companies.

Mr. David Lim is the Chairman of the Group Audit Committee and is a member of the Group Risk Management Committee and Group Nominating/Remuneration Committee of the Board of Directors. He is also a Director and Chairman of the Audit Committee and is a member of the Risk Management Committee and Nominating/ Remuneration Committee of the Board of Manulife Insurance Berhad.

Matthew Edward Lawrence

Mr. Matthew Edward Lawrence ("Mr. Lawrence") joined Manulife as Regional Controller, Asia, effective 30 June 2019. In this role, he is responsible for the Asia regional finance team, overseeing financial planning & analysis, management reporting, expense management and accounting policy.

Mr. Lawrence has over twenty (20) years of experience in the insurance industry, holding leadership positions in both the corporate and professional services fields that span across North America, Europe and Asia. Prior to joining Manulife, he worked at Prudential where he held a series of progressive roles; most recently as Finance Director of Prudential Assurance Company Singapore, where he was responsible for strategic planning and analysis, financial reporting, finance operations, and finance innovation. Prior to his time with Prudential, he spent many years at KPMG and has experience that covers accounting advisory, audit, and transaction services.

He speaks frequently at industry events on the subject of accounting change for insurance, most recently speaking at events in Singapore, Hong Kong and South Korea.

Mr. Lawrence is a member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/ Remuneration Committee of the Board of Directors.

SENIOR KEY MANAGEMENT PROFILE

1
Lee Sang Hui
Male
Group Chief Executive Officer & Executive Director

Mr. Lee Sang Hui's profile is listed in the Directors' Profile on page 10 of the Annual Report.

2
Jason Chong Soon Min
Male
Chief Executive Officer & Executive Director

Mr. Jason Chong Soon Min, aged 52, Malaysian, joined Manulife Asset Management (Malaysia) Sdn Bhd as Chief Executive Officer (CEO) in February 2010 and commenced employment with Manulife Investment Management (M) Berhad (formerly known as Manulife Asset Management Services Berhad) in July 2012 as Chief Investment Officer. In May 2017, he was promoted to CEO of Manulife Investment Management (M) Berhad.

He holds a Bachelor of Science degree in Economics and Finance (honors) from the University of Southern New Hampshire, USA, as well as a Capital Markets and Services Representative License in Fund Management and Financial Planning in Malaysia.

Mr. Chong has more than 30 years of experience in the investment industry. Before joining Manulife, he was Chief Investment Officer of another asset management company where he was responsible for the management of Malaysian and regional funds totaling approximately RM5 billion. Prior to that, Mr. Chong spent 14 years as an investment analyst covering both local and foreign equities, with his last position as Head of Research at Merrill Lynch/Smith Zain Securities.

Mr. Chong does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

3
Tan Chue Chau
Male
Chief Financial Officer

Mr. Tan Chue Chau, aged 44, a Malaysian, was appointed as the Appointed Actuary of Manulife Insurance Berhad and Manulife Insurance Labuan Limited in February 2019 and was subsequently redesignated to Chief Actuary and Pricing Officer. In March 2020, Mr. Tan was appointed as the Chief Financial Officer of Manulife Insurance Berhad. Mr. Tan graduated from Malaya University with B.Sc Mathematics. He is a fellow member of Society of Actuaries and Actuarial Society of Malaysia.

Mr. Tan Chue Chau was the Chief Actuary for Prudential BSN Takaful Berhad. He built his career firstly in Sunlife Malaysia as Assistant Actuarial Manager before moving on to Tokio Marine Life as Actuarial Manager. He then moved on joining Manulife Insurance Berhad as Appointed Actuary. Mr. Tan was an EXCO member of Prudential BSN Takaful Berhad who was responsible collectively with other members in forming and executive business strategies. At industry level, he was a member of Family Takaful Sub-Committee of Malaysian Takaful Association.

Mr. Tan does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.


1. Lee Sang Hui


2. Jason Chong Soon Min


3. Tan Chue Chau

SENIOR KEY MANAGEMENT PROFILE

4. Alex Tan Cheng Leong

5. John Chow Zeyang

6. Bianca Ilibasic

4 Alex Tan Cheng Leong

Male

Chief Agency Officer

Mr. Alex Tan Cheng Leong is the Chief Agency Officer of Manulife Insurance Berhad. In this role, he oversees all aspects of agency growth, including developing and implementing dynamic initiatives to heighten agency productivity and achieve profitability objectives.

Prior to his current role, Mr. Tan served as the Head of Retail & Retirement Funds (Malaysia & International) for AmFunds Management Berhad, a role in which he led the company's efforts to provide best-in-industry investment solutions to retail unit trust advisors and bank distribution partners.

He has more than 2 decades of experience in the financial sector and has held several senior leadership roles including as the Chief Marketing Officer of Syarikat Takaful Malaysia and Director of Alliance Management, Communication, STAR CLUB & Training (Malaysia & Singapore) for CIMB Principal Asset Management Berhad.

Mr. Tan is a 44 years old Malaysian and holds a degree in Accounting from La Trobe University, Australia. He is also a Fellow of the Life Management Institute of USA, Registered Financial Planner of Malaysia's Financial Planning Council and Registered FIMM member, for both Unit Trust and Private Retirement Scheme certifications.

Mr. Alex Tan does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

5 John Chow Zeyang

Male

Chief Bancassurance Officer

Mr. John Chow Zeyang, aged 40, a Singaporean, appointed as the Chief Bancassurance Officer of Manulife Insurance Berhad on 7 November 2018. He graduated with a Masters in Aeronautical Engineering (1st Class Hons) degree from Imperial College London.

Mr. John Chow was previously Head, Performance Management DBS Regional Partnership for Manulife Asia. He is a seasoned executive with over 10 years of leadership experience with a successful and solid track record of driving the distribution strategy and sales performance management of wealth management products particularly in the affluent market segment.

Mr. Chow built his career in Singapore; following a stint in Singapore Airlines as a Management trainee, he joined the financial services industry in a variety of roles focused on wealth management. Mr. Chow was firstly in HSBC as a frontline financial advisor, before moving on to UOB Bank in Sales Management & Distribution Strategy, for Privilege Banking International. Prior to joining Manulife, Mr. Chow was Head of Bancassurance, OCBC Bank.

Mr. John Chow does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

6 Bianca Ilibasic

Female

Chief Operations & Transformation Officer

Ms. Bianca Ilibasic, aged 44, an Australian, joined Manulife Insurance Berhad as Chief Operating and Transformation Officer in 2019. She holds a Bachelor of Business in Business Administration from RMIT University.

Ms. Ilibasic served as the Head of Transformation for Manulife Asia prior to her appointment, and in her 3 years at Manulife has worked throughout Asia to improve Manulife's delivery capability and benefit realisation through execution, winning international awards for her work.

Prior to joining Manulife, Ms. Ilibasic was the Head of Global Portfolio Management Office at Telstra Global, and has years of experience executing large complex programmes in multi-national companies such as BNP Paribas, Prudential Corporation Asia and AXA.

Ms. Bianca Ilibasic does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. She has had no convictions for any offences within the past five (5) years.

SENIOR KEY MANAGEMENT PROFILE

7 Jason Lim Yeong Tah

Male
Chief Marketing Officer

Mr. Jason Lim Yeong Tah, aged 41, a Malaysian, was appointed as the Chief Marketing Officer ('CMO') of Manulife Insurance Berhad ('MIB') in 2018 and is responsible for the Brand and Communications, Product Development, Customer Centricity, Digital Marketing and Alternative Distribution functions. He holds a Bachelor's Degree in Computer Science and the Fellow, Life Management Institute (FLMI) designation from the Life Office Management Association.

Mr. Jason Lim joined MIB in 2013, and has helmed various senior positions in the organisation, heading the Product Development, Product & Project Implementation and Alternative Distribution units. During this period, he was involved in a wide range of projects across the business covering product management, digitisation and process improvement including the launch of MIB's online insurance distribution platform.

Mr. Jason Lim has over 18 years of experience in the insurance industry and prior to joining Manulife, he held managerial positions in Allianz Life Malaysia and Great Eastern Life Malaysia, covering the area of business development and channel support for Alternative Distribution and Bancassurance distribution channel.

Mr. Jason Lim Yeong Tah does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

8 Jasbender Kaur

Female
Chief Counsel & Corporate Services Officer

Ms. Jasbender Kaur, aged 49, a Malaysian, is the Chief Counsel & Corporate Services Officer of Manulife Holdings Berhad responsible for Group Legal and Corporate Governance. She was appointed as the Principal Officer of Manulife Insurance Labuan Limited in April 2019. Ms. Kaur is an LL.B (Hons) graduate from the University of London and was called to the Malaysian Bar in 1996. She is also a certified Company Secretary and alongside her other roles, serves as Company Secretary to several local subsidiaries of Manulife Holdings Berhad.

Ms. Kaur joined Manulife in 2005 and was appointed Head of Legal, Compliance and Corporate Secretariat in 2011. In addition to her role, Ms. Kaur has headed up several different departments from time to time in the course of her tenure with Manulife.

Ms. Kaur has almost 19 years of experience in the life insurance industry in Malaysia. Prior to joining Manulife, Ms. Kaur served as Legal Officer with a large multinational insurer in Malaysia before being appointed Managing Editor with a world leading provider of professional information solutions.

Ms. Kaur does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. She has had no convictions for any offences within the past five (5) years.

7. Jason Lim Yeong Tah

8. Jasbender Kaur

SENIOR KEY MANAGEMENT PROFILE

9. Aiza Aryati Kasim

10. Tan Yong Nien

11. Lee Tat Fatt

9 Aiza Aryati Kasim

Female

Chief Human Resources Officer

Ms. Aiza Aryati Kasim aged 42, a Malaysian, joined Manulife Holdings Berhad in 2018. She holds Bachelor of Science (BSc) in Business Management from University of Bradford.

Ms. Aiza Aryati Kasim is the Chief Human Resources Officer at Manulife Holdings Berhad.

Prior to joining Manulife, Ms. Kasim served as Head of HR, Business Banking, Wholesale Banking & AmInvestment Bank at AmBank Berhad. She has more than 18 years of experience across the whole spectrum of HR functions such as business partnering, project management, talent management and succession, recruitment, leadership and learning development. Apart from AmBank, Ms. Kasim has worked in established financial institutions such as OCBC Bank (M) Berhad, HSBC Bank (M) Berhad, RHB Bank Berhad and Citibank (M) Berhad as well as an IT company known as Petronas ICT Sdn Bhd.

Ms. Aiza Aryati Kasim does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. She has had no convictions for any offences within the past five (5) years.

10 Tan Yong Nien

Male

Head of Information Technology

Mr. Tan Yong Nien, aged 44, Malaysian, joined Manulife Insurance Berhad as Head of Information Technology ("IT") in January 2017. Mr. Tan holds a Master of Science in Information Systems and Technology from John Hopkins University, USA, and a Bachelor of Science in Computer Science from Iowa State University, USA.

Mr. Tan's primary responsibilities include providing operational and strategic leadership over the areas of Information Technology, Information Risk Management and Business Continuity Management.

Mr. Tan served as Deputy Head of Operation for Manulife Technology and Services Sdn Bhd between April 2016 and December 2016. He has over 21 years of experience in IT working in various industries, including serving as IT Director for Sherwin Williams for the Asia Pacific region and was instrumental in the setup of its IT shared services center in Malaysia.

Prior to joining Manulife, Mr. Tan was the Deputy Director for NCS, a member of Singtel, in its IT outsourcing center in Malaysia. He also worked for Northrop Grumman, based in USA, in the field of software engineering in the earlier part of his career.

Mr. Tan does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

11 Lee Tat Fatt

Male

Head of Customer Solutions

Mr. Lee Tat Fatt, aged 48, a Malaysian, joined Manulife Insurance Berhad in September 2019 as the Head of Customer Solutions responsible for New Business Underwriting, Claims and Operational Excellence. He holds Bachelor's Degree in Political Science and the Fellow, Life Management Institute (FLMI) designation from the Life Office Management Association.

Prior to joining Manulife, Mr. Lee was the Chief Underwriter of AIA Malaysia, and has more than 20 years of experience in the life insurance industry in Malaysia managing the new business underwriting in multi-national companies such as ING, Great Eastern Life and AIA. He built his career firstly in AIA Malaysia as Management Trainee before moving on to ING Insurance Berhad as Underwriting Manager. He then moved on joining Great Eastern Life as VP & Chief Underwriter. Mr. Lee rejoined AIA Berhad as the Director & Chief Underwriter and played an important role during the integration of AIA-ING in 2013.

Mr. Lee does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

12 **Ng Chze How**
Male
Head of Retail Wealth Distribution

Mr. Ng Chze How, aged 48, joined Manulife Investment Management (M) Berhad (formerly known as Manulife Asset Management Services Berhad) in January 2019 as the Head, Retail Wealth Distribution. He is a graduate with Bachelor of Art from University of Strathclyde, UK. Mr. Ng currently holds the Capital Market Services Representative License, and his key functional area includes strategic business development with the agency force, financial advisors and partnership distribution.

Mr. Ng Chze How has more than 20 years of experience in asset management, banking and life insurance industry in Malaysia. Prior to joining Manulife, he was the General Manager and Director of AIA Pension & Asset Management Sdn Bhd. He was subsequently appointed as Chief Agency Officer of the Northern Region at AIA Bhd, and has also held several senior leadership roles with AmFund Bhd, Prudential Funds Bhd and Standard Chartered Bank.

Mr. Ng does not have any family relationship with any director and/or major shareholders of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the company. He has had no convictions for any offences within the past five (5) years.

13 **Ms. Tock Chin Hui**
Female
Head of Total Solutions & Equity Investments

Ms. Tock Chin Hui, aged 47, a Malaysian, is the Head of Total Solutions & Equity Investments of Manulife Investment Management (M) Berhad (formerly known as Manulife Asset Management Services Berhad) responsible for asset allocation and equity strategies of the Company. Ms. Tock holds a Bachelor of Business (Accounting) degree from Monash University and is a Chartered Financial Analyst (CFA) charter holder. She is also a holder of the Capital Markets and Services Representative's License in fund management.

Ms. Tock joined Manulife in 2010 as Head of Equities and was appointed to the current role in 2017. During her tenure with Manulife, the equity funds under management won several accolades under the Edge-Lipper Fund Awards 2015, The Edge Thomson Reuters Lipper Malaysia Fund Awards 2016, 2017 & 2018 as well as The Thomson Reuters Lipper Fund Award Global Islamic 2016 & 2017.

Ms. Tock has more than 20 years of experience in the investment industry. Prior to joining the Manager, she was Deputy Head of Equities of a regional asset management company, managing a range of equity and mixed asset funds.

Ms. Tock does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. She has had no convictions for any offences within the past five (5) years.

12. Ng Chze How

13. Tock Chin Hui

CEO'S REPORT & MANAGEMENT **DISCUSSION AND ANALYSIS**

Lee Sang Hui

Group Chief Executive Officer & Executive Director

DEAR SHAREHOLDERS,

Manulife Holdings Berhad and its subsidiaries ("the Group") is a leading financial services group that helps people make their decisions easier and lives better. The Group provides financial advice, insurance and wealth and asset management solutions for individuals, groups and institutions.

We are pleased to report that the Group recorded a 6.9% growth in operating revenue of RM1,301.4 million in the financial year under review given a challenging market environment. The Group reported a slightly higher profit before tax of RM38.4 million, compared to RM38.2 million in the prior year.

FINANCIAL REVIEW

The Group's Financial Performance at a glance:

	2019	2018	Variance	
	RM' mil	RM' mil	RM' mil	%
Group's Operating Revenue[1]	1,301.4	1,217.2	84.2	6.9%
Gross Premiums	988.0	913.4	74.6	8.2%
Investment Income	203.7	197.1	6.6	3.3%
Fee Income	109.7	106.7	3.0	2.8%
Profit Before Taxation	38.4	38.2	0.2	0.5%
By Business Segment:				
Investment Holding	12.3	1.5	10.8	720%
Life Insurance Business	18.0	32.4	(14.4)	(44.4%)
Asset Management Services	8.1	4.3	3.8	88.4%
Net Profit For The Financial Year	26.1	26.3	(0.2)	(0.8%)
Basic Earnings Per Share (sen)	12.9	13.0	(0.1)	(0.8%)
Total Assets	5,955.1	5,534.9	420.2	7.6%
Total Equity	837.6	821.9	15.7	1.9%
Return On Equity (%)	3.2%	3.2%	-	-
Return On Assets (%)	0.5%	0.5%	-	-
Net Asset Per Share (RM)	4.14	4.05	0.09	2.2%

[1] *The Group uses operating revenue as a measure of the Group's financial performance which consists of gross premiums, investment income and fee income generated by each reportable segment during the year.*

The Group's five-year financial highlights are set out on pages 8 to 9 of this Annual Report.

Lee Sang Hui

Group Chief Executive Officer & Executive Director

The key contributor to the Group's operating revenue was from our life insurance business, which delivered an 8.2% growth in gross premiums over the prior year. The growth in gross premiums was primarily attributable to the strong business growth in our onshore and offshore life insurance business.

Despite the challenging market conditions, the Group maintained a strong financial performance, recording an increase of 0.5% in profit before taxation from RM38.2 million in 2018 to RM38.4 million in 2019.

The Group's total assets stood at RM5,955.1 million while total equity stood at RM837.6 million, delivering a net asset per share of RM4.14 as at 31 December 2019.

There was no capital expenditure commitment and no significant changes to the Group's capital structure and capital resources in 2019, other than as disclosed in the financial statements.

OPERATIONS REVIEW

- **Insurance Business**

  Manulife Insurance Berhad ("MIB") recorded new business Sales of RM182.5mil in 2019, an increase of 43% year on year mainly driven by surge in sales from the Agency and Bancassurance channels.Total MIB market share improved from 2.24% to 2.86%, yoy, reaffirming our share amongst life insurance companies.

  For agency channel, it was an outstanding year with new business of RM136.4mil in comparison to RM 99.8mil in 2018, a growth of 37%. Agency's manpower recorded a positive 73% growth from the previous year, with 1385 new recruits in 2019. Moreover, Agency's market share improved to 3.34%, making it the #6 biggest Agency businesses for year 2019, an improvement of two notches from #8 in the previous year.

  As for Bancassurance channel, we recorded new business sales of RM44.2mil in comparison to RM27.3mil in 2018, recording a whopping 62% growth. This is mainly contributed by higher number of FSC and strengthened collaboration which resulted in more referrals, higher average case size and higher productivity.

  Manulife Insurance Labuan Limited ("MILL"), referred to as Labuan High Net Worth which provides customised insurance solutions to its high net worth customers, recorded RM10.4 mil of new business in 2019. MILL also managed to tie-up with our exclusive bank partner, Standard Chartered Bank and several brokers to distribute this product.

- **Unit Trust and Asset Management Business**

  In 2019, our Asset Management Business continued its growth momentum, in terms of sales as well as profitability. During the year, we also changed our company name from Manulife Asset Management Services Berhad to Manulife Investment Management (M) Berhad ("MIMMB"). This rebranding exercise is to provide greater clarity on Manulife Investment Management's global wealth and investment management expertise, providing bespoke solutions, as well as public and private market asset management capabilities.

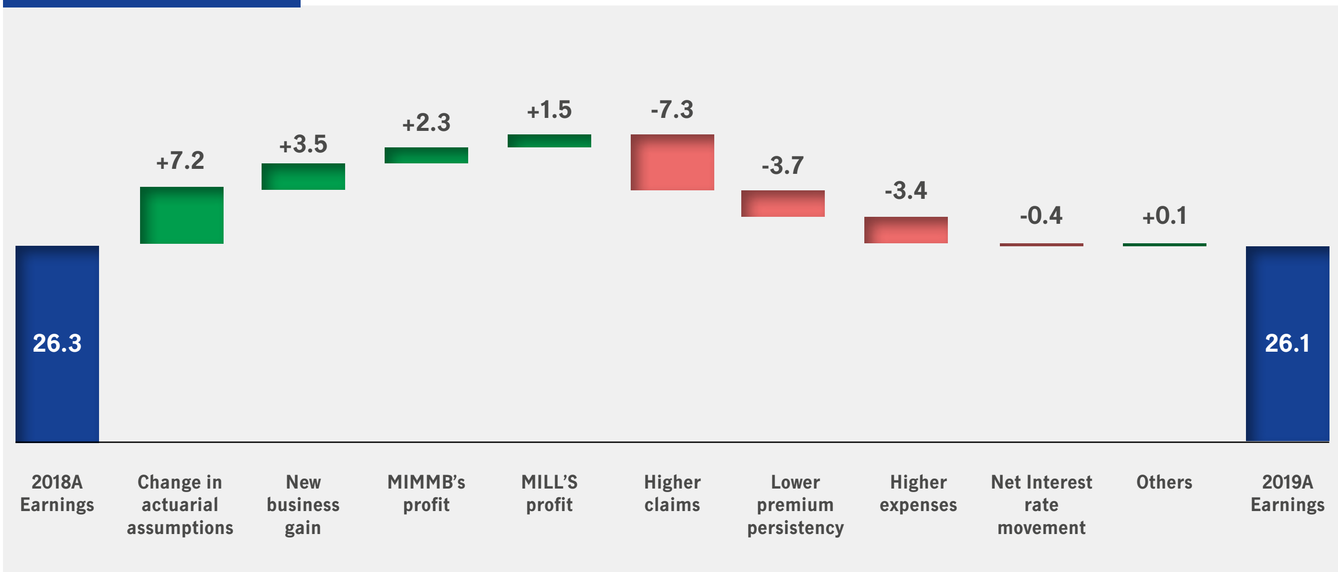
  During the year, MIMMB launched a total of 4 regional and global income solutions. Our top 3 selling funds were - Manulife Shariah Global REIT Fund (the world's first retail shariah-compliant global REIT fund), Manulife Investment Asia-Pacific REIT and Manulife Asia Total Return Bond Fund. MIMMB also launched two new non-core PRS funds where we wrapped our Manulife Shariah Global REIT and Manulife Investment Asia-Pacific REIT Funds with free takaful and conventional insurance plans offered to investors respectively.

- **Group's Earnings**

  Earnings from the Group declined from RM26.3 million in 2018 to RM26.1 million in 2019. In order to clearly articulate the key drivers of our earnings movement from 2018 to 2019, we have compiled an earnings movement analysis below.

  When reading the earnings movement analysis below, please note that an earnings driver having a positive impact to earnings when compared to prior year is highlighted in green and an earnings driver having a negative impact to earnings compared to prior year is highlighted in red.

Earnings Movements



> **Change in actuarial valuation assumptions:** RM2.6mil lower reserve in 2019 mainly due to favorable mortality experience from credit life product and revision of actuarial methodology VS RM4.6mil higher reserve in 2018 mainly due to worsening policy persistency and higher provision for future maintenance expense overrun.

> **Higher new business gains:** Higher new business gains from higher sales of Universal Life product and Credit Life product from MIB.

> **MIMMB's profit:** MIMMB reported a net profit of RM6.5 mil (FYE December 2018 of RM4.2 mil)

> **MILL's profit:** Higher earnings mainly due to higher sales recorded in 2019.

> **Higher claims:** Higher medical and mortality claims.

> **Lower Premium Persistency:** Lower than expected premium persistency, mainly due to premium holiday from universal life product.

> **Higher expenses:** Higher expenses incurred in enhancing IT infrastructure and operational efficiency.

> **Net interest rate movement:** Increase in insurance contract liabilities as a result of decrease in MGS interest rate (10 year tenor MGS yield decreased by 81 bps in 2019 and increased by 19 bps in 2018).

CUSTOMER CENTRICITY

Manulife Malaysia has always been on top of improving customer experience. We use the Net Promoter Score ("NPS") as a continuous tool to gauge the performance of the company and customer's satisfaction through the quarterly survey that is being carried out. With NPS, continuous feedbacks from customers are gathered and we ensure that their comments are addressed on a timely basis.

With this, Manulife Malaysia's customer satisfaction rating has also shown an increase from -17 in 2018 to +12 in 2019. The team has worked with internal departments hand in hand; keeping in mind the 3 major principles which are "Listen, Learn and Act" to have a better understanding on customer's needs in different touchpoints and improve them relatively.

As customers are the core of our business, Manulife Malaysia is exploring into various digital platforms to improve customer experience and better manage customer relationship.

CORPORATE BRANDING

In 2019, Manulife Malaysia established itself as a force to be reckoned with – the company leaped in strides in the way it communicated as a brand. With the guiding principle of 'Life Made Simpler', an amalgamation of Manulife's global brand mission (Decisions Made Easier, Lives Made Better), we constructed brand campaigns that were specifically aimed to resonate with customers – from every walk of life.

Anchored in all communications efforts, 'Life Made Simpler' embodied our look and feel as a brand, the way we expressed ourselves and the platforms we chose to reach out to our stakeholders. In the first quarter and second quarter of 2019, we refreshed all visuals on our MRT assets, Semantan MRT station where we also have naming rights, TTDI, Kajang and Muzium Negara MRT stations, with a clever pairing of cleaner visual treatment and colloquial messaging. We then brought Manulife Malaysia brand to the streets of Klang Valley, by partnering with Grab Malaysia – wrapping 200 Manulife branded cars for 2 months.

To keep the momentum going, Manulife Malaysia dedicated its largest MRT asset, a 653" (w) x 139"(h) wall at Muzium Negara station, to local art and heritage – seeing it as a strategic location to Muzium Negara. Painted by an aspiring local artist, the wall depicts how diverse cultures and ethnicities in Malaysia live harmoniously - in a *kampung* (village) setting. This led to a huge surge of engagement from the social media community – sighting positive sentiments about the wall and an increased awareness of our brand.

We moved to engage further with our social media community by developing an educational video series called *Insurance 101* - a 4-episode video sequel aimed to simplify insurance jargons to Malaysians. Hosted on Manulife Malaysia's social media channels, the video series garnered great traction - with over 2,000 views on Facebook. Seeing its success, we began tailoring our social media efforts to embody a more "educational" approach - from social media postings, to raising awareness about social and health issues such as 'Pinktober' (the month of October dedicated to raising awareness for Breast Cancer) and 'Movember' (the month of November dedicated to raise awareness for men's health and their wellbeing).

Having a more visible brand presence is great, but what we were most proud of was of the bold chances we took in 2019 – showcasing how a nimble brand like Manulife Malaysia, is constantly trying to diversify and strengthen ways to communicate with our stakeholders. Our Agency force,especially, were able to leverage Manulife Malaysia's initiatives as conversation starters - with existing customers, prospective customers and potential new hires.

GROUP INITIATIVES

Global Women's Alliance

Manulife's Global Women's Alliance ("GWA") aims to accelerate the learning, diversity and connect women through advocacy, empowerment and engagement. We support female workforce to reach their full potential and intend to elevate the profile of women across the organisation, inspiring and enabling their full potential. Additional to this, GWA also embraces Diversity & Inclusion as we value everyone regardless of gender, race and age.

Since the establishment of the Malaysian Chapter of GWA on 10 September 2015, Manulife has carried out several activities to show our support towards the global initiatives. Hence, this year we have a few activities and collaboration with HR and Male Allies on the initiatives that were carried out successfully among which includes International Women's Day, Health Awareness Month (Yoga) and Breast Cancer Awareness Day.

In conjunction with the Breast Cancer Awareness Day, Manulife Malaysia GWA has set up an online donation portal that raised a total of RM 10, 662 which was then contributed to the Breast Cancer Welfare Association Malaysia ("BCWA"), a tax-exempted organisation providing peer support for women with breast cancer. Besides the fundraising, the company arranged free breast examination and talks about breast health.

AWARDS AND RECOGNITION

In 2019, Manulife won several accolades that recognised and strengthened various segments of our business:

YEAR 2019

HR Asia Best Companies to Work for in Asia 2019 Award

The award is judged solely by employees who are confidentially surveyed to understand employees' motivation and engagement.

This win affirms the company's mission of making decisions easier and lives better for its employees by employing best practices in creating an excellent workplace and in promoting greater employee engagement.

Lipper Fund Awards from Refinitiv 2019

- Manulife Investment-CM Flexi Fund was awarded the Best Fund Over 3 Years, Mixed Asset MYR Flexible - Malaysia.
- Manulife Investment-HW Flexi Fund was awarded the Best Fund Over 3 Years, Mixed Asset MYR Flexible - Malaysia Pension.
- Manulife Investment Asia-Pacific ex Japan Fund was awarded the Best Fund Over 5 Years, Equity Asia Pacific ex Japan - Malaysia Pension.

FSMOne Recommended Unit Trusts Awards 2019/20

- Manulife India Equity Fund won the Single Country Equity - India Category Award.
- Manulife Global Resources Fund won the Sector Equity - Global Resources Category Award.

CURRENT ECONOMIC SITUATION AND OUTLOOK

The unprecedented prolonged coronavirus (COVID-19) outbreak in early 2020, has affected many countries worldwide. This global problem led to major implications on global economy, various industries and livelihood of people.

The escalation of the global crisis brought upon by the rapid spread of COVID-19 has stalled economic as well as social activities across the world. Notwithstanding mitigating steps taken by governments and central banks, the risk of a global recession is high.

In Manulife Malaysia, since the Covid-19 outbreak became a cause for concern, the company ensured its business remains unaffected. The Business Continuity Plan ("BCP") was well executed and Manulife employees are kept abreast of the situation daily. The Company took precautionary measures by educating them on staying safe, conducting temperature checks and providing hand sanitisers at all entry and exit points of our building, and providing a supply of face masks to all our staff. Work from Home was also activated as part of the BCP.

Our life insurance entity took additional steps to ensure our stakeholders, policyholders and the general public were protected. The Company introduced a special financial assistance for our customers who are diagnosed with COVID-19, waived the 30-day waiting period for medical policies and extended the grace period to 90 days for policyholders who are diagnosed with COVID-19.

INSURANCE AND ASSET MANAGEMENT BUSINESS OUTLOOK

MIB's key insurance strategy was NEXT Manulife, where we articulated and accomplished our goals set under each pillar. This has proven to be successful based on our achievement for 2019. Some key achievements include our 48% APE growth, 73% growth in recruitment, onboarding of many new partners/ distributor, our increase in NPS score, success in kicking off Electronic Point of Sale ("ePOS") for process improvement and increase in our employee engagement score.

Moving into 2020, we intend to accelerate the momentum to increase value of our business and optimize resource utilisation.

Together, we believe we work as one to ensure another breakthrough success in 2020. Among key aims are:

- NEXT Agency: To focus on accelerating sales, recruitment, value and retention
- NEXT Partnership: To grow our 3rd party distribution channel
- NEXT Digital: To maximize our digital capabilities to improve operational efficiency
- NEXT Customer: To enhance customers' experience with Manulife brand via innovative product solutions and services to make their lives better
- NEXT Value up: To optimize value of our business portfolio for all stakeholders
- NEXT Winning Culture: To build a high performing team and culture

The strategies are expected to enhance the operational, services and product capabilities as well as improve distribution reach.

For MIMMB, in the short-term, market weakness and volatility will prevail given the high degree of uncertainty and fluidity of unfolding events. Nevertheless, we are hopeful that investor sentiment will improve once the uncertainty subsides and markets stabilise.

The current market weakness opens opportunities for investments in fundamentally strong and oversold stocks and bonds. Recently announced government stimulus packages, easing bias from central banks and strong domestic liquidity are also expected to help drive economic recovery. Quoting Warren Buffet, "*We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful.*" These are certainly fearful times.

Despite the current economic uncertainties, we are looking to continue strengthening and growing our business, by expanding our innovative product offerings as well as stepping-up digitisation in the way we interact with our customers and keeping them informed of latest market developments.

TECHNOLOGY

The Group is on a digital transformation journey in our aspiration to delight our customers in their everyday actions and experiences which will ultimately create a superior customer experience, engage our employees, and provide new and enhanced revenue opportunities.

The Group will continue to focus on the three (3) core strategic areas in technology for 2019 to 2020:

In 2019, the Group invested in modernising its data center capabilities to leverage on the latest technology and security advancement. We are also progressing with building the core components of our technology foundation and have completed development of an Omni channel data model, which will be center to our data accessibility strategy, and a digital workflow tool to improve operational efficiency. We continue to modernise our workforce in adopting Lean, Agile and Dev Ops practices to build lean and strong delivery capabilities across Information Technology to enable rapid, secure releases of new products and services to respond to customer needs.

RISK MANAGEMENT

As a financial institution offering insurance, wealth and asset management products that help customers with their most significant financial decisions, the Group business activities invariably involve elements of risk taking. When making decisions about risk taking and risk management, the Group places priority on managing and mitigating the foreseeable risks within the context of its enterprise risk management. Within enterprise risk management, Manulife formulated its pre-defined appetite for risk taking activities, which is carefully and closely guided by tangible control mechanism in the form of guided level of tolerance to financial and non-financial exposures. The appetite also serves as means of formulating business plans and allocating capital.

For the financial year under review, Manulife emphasised the importance of addressing strategic, market and operational risks and where required, has put in place specific plans for action.

DIVIDEND

I am pleased to inform that the Board of Directors has recommended, subject to shareholders' approval at the forthcoming Annual General Meeting, a First and Final dividend of 7.0 sen per share amounting to RM14,165,900 for the financial year ended 31 December 2019. The recommendation is made in accordance with the nature of profits arising in 2019.

APPRECIATION

In mitigating the risk of COVID-19, we took steps to protect our people, and to ensure the continuity of our business. Working together with the other insurers within our industry, we are also coming as one to support various initiatives to lighten the burden of our customers who are affected by COVID-19. Ultimately, in such trying times, we continue to help make decisions easier and lives better for everyone.

I would like to take this opportunity to extend my gratitude to our customers, shareholders and business associates for their continued support. My appreciation also goes out to the Board of Directors for their keen insight and guidance to management.

Last but not least, I wish to convey my thankfulness to the Agency force, business partners and employees for their dedication and hard work.

I am hopeful we will continue to enjoy the support and confidence of our stakeholders as we accelerate our way forth for the Group.

LEE SANG HUI
Group Chief Executive Officer
Manulife Holdings Berhad

SUSTAINABILITY STATEMENT

At Manulife, our foundation is built on shared values which defines us and guide our actions. We are a global corporate citizen that embraces our responsibility to create and deliver shareholder value, care for the well-being of our employees, enrich local communities, and minimise our impact on the environment.

SCOPE OF REPORT

Sustainability Context

We have been guided by the United Nations Sustainable Development Goals ("SDGs") in structuring our Sustainability Report. This widely utilised sustainability reporting framework enables the impact of our programmes to be presented in a clear and transparent manner. The information disclosed in this report is in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

Reporting Period / Cycle

1 January 2019 to 31 December 2019 / Annually

Coverage

This sustainability report covers Manulife Holdings Berhad, a public listed entity on Bursa Malaysia, and its subsidiaries; MIB, MIMMB and MILL as these has been prevously abbreviated. References to 'Manulife', 'Manulife Malaysia', 'the Organisation', 'the Company', and 'we' refer to Manulife Holdings Berhad and/or its subsidiaries.

Process

In our continuous effort to manage our **economic, environmental, and social ("EES")** risks and opportunities, we plan to engage our stakeholders over the coming years to conduct a comprehensive materiality assessment, which will help us identify matters that are important to our business and stakeholders.

References

Main Guideline

- Bursa Malaysia's Sustainability Reporting Guide

Secondary Guideline

- United Nations Sustainable Development Goals

Sustainability Governance

We aspire to be a trusted leader within our sector, and believe that sound corporate governance is fundamental to maintaining trust in the Manulife brand, and achieving holistic growth for the Company. In delivering our services and products, we hinge on Manulife's mission; "*Decisions made easier. Lives made better*". This is the foundation of the Company's strategy and ensures that we maintain ethical practices that positively impact all our stakeholder groups.

At the summit, our Board of Directors ("the Board") is responsible for overseeing the sustainability agenda at Manulife; supervising and advising on the Company's corporate governance practices and processes to manage and mitigate challenges posed by the constantly evolving operational landscape.

MANULIFE SUSTAINABILITY GOVERNANCE STRUCTURE

Manulife Sustainability Committee ("MSC") → Group CEO → Board of Directors

United Nations Sustainable Development Goals ("SDGs")

In 2015, the SDGs were adopted at the United Nations Sustainable Development Summit. Calling for action from not only governments, but also corporations and ordinary citizens, 17 SDGs were set to end poverty, protect the planet and ensure prosperity for all by 2030.

Manulife supports the SDGs, and have been considering the ways in which we can contribute to their achievement as we develop our sustainability strategy.

SUSTAINABILITY STATEMENT

REACHING NEW HEIGHTS

OUR PLEDGE

To positively impact – through the Group's business dealings – Malaysia's economy, as well as Manulife's key stakeholders.

METHODOLOGY

- To commence Agency channel transformation via Next Agency
- To return to growth with our Bancassurance partner
- To increase our digital capabilities for improved customer experience and operational efficiency
- To actively manage the expenditure and optimise resource utilisation
- To build a high performing team and culture

IN SUPPORT OF

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

KEY HIGHLIGHTS

- Net Promoter Score of +12 in 2019 in comparison to -17 in 2018
- Launch of our CAO Channel Mobile App
- RM121 million paid out in claims to Manulife customers in 2019

SUSTAINABILITY STATEMENT

REACHING NEW HEIGHTS

At Manulife Malaysia, we endeavour to create long-term stakeholder value through our sustainability management process. Looking back at 2019, we launched Manulife's NEXT initiatives to enhance our operational, services and product capabilities, as well as improve distribution reach and proficiency. The following section highlights how our value-added approaches have benefitted our key stakeholders; in particular our customers, employees and shareholders. We are proud that Manulife is a constructive contributor to the nation's economy.

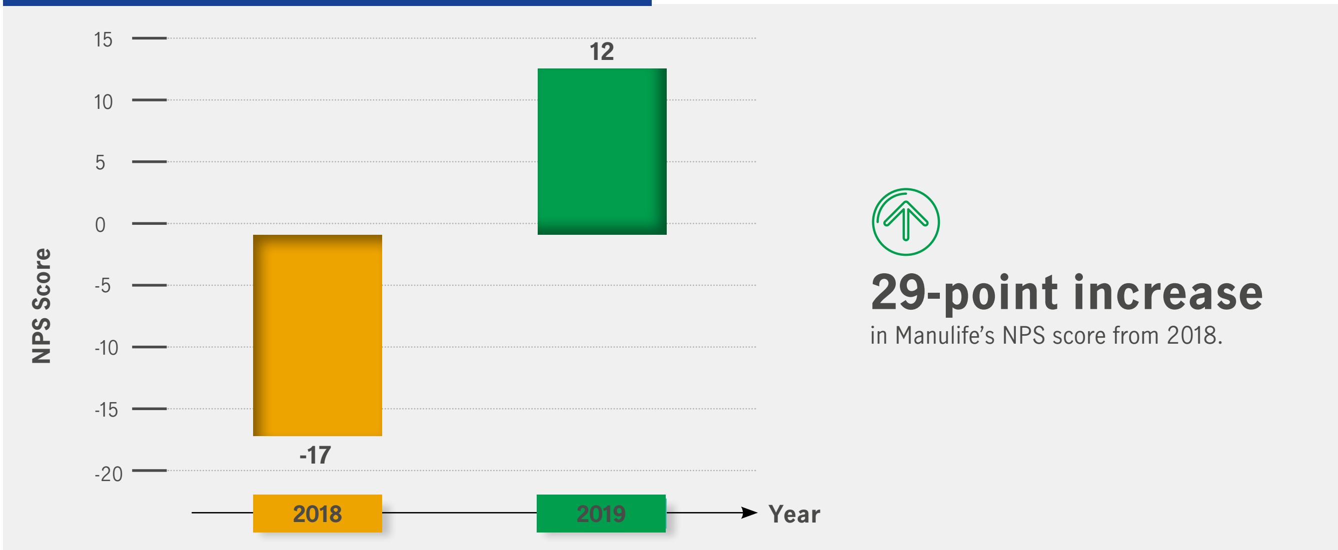
PUTTING OUR CUSTOMERS FIRST

Customer Centricity

We continue to put our customers at the heart of our business by understanding their needs and expectations for our long-term commitment of becoming a digital, customer-centric market leader. In line with this, we continuously measure customer sentiment through the Net Promoter Score / System (NPS), which gives us valuable insights about our services, products and processes that essentially help us to identify and address customer pain points.

In 2019, we managed to set our pace in a customer-focused transformation journey, which is vital in enhancing customer experience and driving a customer-centric mindset within the organisation. By focusing on customer analytics, we leveraged on insights to serve our customers better as well as support our business decisions and growth.

Manulife Net Promoter Score (NPS) Comparison



Closing the Protection Gap

In tandem with Bank Negara Malaysia's ("BNM") efforts to close the insurance protection gap, Manulife has been working tirelessly to expand our distribution channels, as well as improve on existing products while introducing new ones to fulfil our customers' needs according to their life stages. Manulife has also been investing resources to build our online channel to make our digital platform more customer-friendly, whilst working with insurtech and aggregators to offer highly affordable and accessible products to the general public. Concurrently, Manulife has also invested in building a more professional agency force with better training modules to serve and propose quality insurance solutions to Malaysians.

In terms of products, Manulife is always finding ways to improve on existing blocs and innovate with new offerings. In 2019, we introduced improvements to existing products including extending better coverage for critical illness plans with the addition of three more critical illnesses to the existing 36 covered conditions. Moreover, the removal of the outpatient limit associated to medical plans has resulted in our customers' outpatient coverage being refreshed annually. Essentially, this means that their lifetime limit is no longer a concern, and these enhancements are without any additional cost to customers.

SUSTAINABILITY STATEMENT

REACHING NEW HEIGHTS

For new products, Manulink Premier was introduced to appeal to customers seeking a high-protection-cum-savings solution. A maximum 20-year payment term was also introduced for the existing ManuSecure series to encourage Malaysians to save and be protected in an affordable way. Additionally, there were key regulatory changes related to investment-linked plans in the past year, intending to improve the quality and provide a more sustainable customer experience. With an agile response, Manulife introduced a new range of investment-linked plans that is not only competitive but also appealing to Malaysian customers in different life stages.

In Force Management

Persistency Management

Life insurance penetration rate in terms of number of policies over general population for our country remains low at around 55%. One way to increase the penetration rate is to look for ways to maintain existing inforce policies. We have a pro-active approach to doing this by having a Persistency Management committee that looks for ways to keep inforce policies from lapsing pre-maturely. We strive to improve the sustainability of our customers' insurance coverage by promoting electronic payment systems in place of cash payments, which is in line with BNM's direction and regular communications to our customers on policy review for sufficiency of their account values and premiums to sustain the coverages.

Medical Business Management

As a life insurance provider, we are obliged to promote a healthy lifestyle to our stakeholders whilst providing long-term medical insurance to protect our customers. With our offering of medical insurance products, we also provide accessibility to private healthcare providers at an affordable cost, to the low and middle income groups. To avoid the misuse of our medical insurance products, we manage stakeholders such as hospitals, doctors, agents and customers by putting in place proper controls on our claim process, which would otherwise lead to an unnecessary increase in healthcare cost. As a result, this would ultimately reduce Malaysia's National healthcare cost, and repurpose the government's budget to other areas in which funding is needed for the development of the country.

Increased Digital Capabilities for Improved Customer Experience

In line with becoming a digital and customer centric leader, Manulife is continuously improving our service.

We have focused on improving our back office operations to be more digital-centric. This includes automating our underwriting process to provide a straight-through outcome from the point of submission, and implementing robotics process automations (RPA) for back office processes, which frees up manpower. In turn, this will allow the team to have more time to focus on serving our customers better.

The Operations and Technology teams created a digital workflow system to track and manage customer applications from submission to issuance, improving our processing times by up to one day. Our Technology team has transitioned our data centre to one that is more suited to a digital infrastructure in the long term. In early 2019, our public website www.manulife.com.my was given a refreshed look that was also mobile-optimised. It is designed to provide a more intuitive user-experience.

In addition, our new ManuMed app has been making lives easier for our customers when it comes to looking up their policy benefits, locating panel hospitals and accessing their e-medical card, on top of benefitting from rewards and privileges provided by our panel hospitals and partners. Manulife is also making it more convenient for our customers to pay their premiums by enabling JomPAY. We are also making the lives of our agency members easier so they can serve our customers better, by launching online learning and communication channels.

Utilisation of Social Media and Applications

'Life Made Simpler' was an overarching campaign that we adopted for Manulife Malaysia's brand in 2019. It is an amalgamation of making decisions easier and lives better, and this message has anchored all communications efforts throughout the year. Our campaigns were primarily aimed to showcase how a nimble brand like Manulife Malaysia is constantly trying to diversify and strengthen ways to communicate with our audiences. We also wanted key stakeholders (especially agency members) to leverage our initiatives as conversation starters - with existing customers, prospective customers and potential new hires.

With this in mind, we began concentrating our efforts in developing an educational series called Insurance 101; a four-episode video sequel aimed to simplify insurance jargons to Malaysians. Hosted on Manulife Malaysia's social media channels, the video series garnered great traction online - with over 2,000 views on Facebook. Seeing its success, we began tailoring our social media efforts to embody an "educational" approach - from social media postings, to raising awareness about social issues such as 'Pinktober' and 'Movember'.

Cumulative efforts throughout other Divisions in the company, paired with the *'Life Made Simpler'* notion, successfully propelled visibility and positive sentiments about Manulife Malaysia. In 2019, the brand was ranked 10th among other life insurance providers, in terms of visibility and presence within the country.

CREATING VALUE & SUPPORTING THE LOCAL ECONOMY

Investments & Expense Efficiency

Cost-fitting & Reinvesting for Our Future Growth

Managing our expenses is high on the agenda for the Company to ensure a sustainable growth for the business. Therefore, the cost-fitting exercise that was carried out in 2019 allowed us to focus on investing our funds where it mattered most; the primary intent being to sustainably enhance our cost competitiveness through improved economies of scale and streamlining our processes to improve the customer, distributor and employee experience. The cost savings exercise also provided an important source of funds to invest in building our digital capabilities, whilst also freeing up funds for our investment pipeline by allocating capital where it is most important to meet our goals. Since the commencement of the roadmap, we have invested significantly in our technological capabilities and digital assets, therefore allowing an improvement in productivity and customer experience.

Optimising Our Investment Yield

In 2018, we reviewed our company's investment asset allocation, with the aim of optimising the portfolio investment yield. The revised asset allocation resulted in better diversification of benefits and was expected to generate more stable investment return this past year. Furthermore, we strengthened the governance on investment management and restructured the investment committee meetings to have more proactive discussions and engagements between the committee members. An independent party was also brought in from our regional office to monitor and review the performance of investment-linked ("IL") funds.

A Check & Balance Procurement Process

Value creations in procurement governance to support corporate strategic priorities were clearly demonstrated through the setup of a dedicated team to oversee and provide oversight for all procurement activities in Manulife. Risks pertaining to procurement are managed, whilst controls are strengthened with the implementation of our procurement policy. Moreover, Manulife's procurement activities are monitored to ensure all vendor purchases deliver the best value for the Company, and that all dealings with vendors are conducted in a manner which is in line with Manulife's Code of Business Conduct and Ethics throughout the procurement life-cycle. We strive to maintain the highest standards of integrity and are committed to fair competition in all dealings with vendors.

Procurement in Creating Value & Supporting the Economy

- Deliver Immediate & Sustained Savings
- Business Alignment & Integration
- Agility & Flexibility
- Risk Management & Compliance
- Partner of Choice

SUSTAINABILITY STATEMENT
REACHING NEW HEIGHTS

Partnerships

2019 marked the first collaboration between MILL and Standard Chartered Bank Malaysia Berhad to distribute our US Dollar-denominated product; Signature Heirloom (III), which is the first of its kind to be made available in Malaysia. The universal life insurance product is specially designed to cater to the needs of high net worth clients to help them grow and transfer their wealth to the next generation.

We commemorated our partnership with Standard Chartered Bank Malaysia through a MOU-signing ceremony.

From left: John Parker, the then Principal Officer of Manulife Insurance Labuan Limited; Sammeer Sharma, Head of Wealth Management of Standard Chartered Malaysia; Lee Sang Hui, Group CEO of Manulife Holdings Berhad; Abrar A. Anwar, Managing Director and CEO of Standard Chartered Malaysia; John Chow, Chief Partnership Officer of Manulife Insurance Berhad.

In collaboration with various distribution partners, MILL organised a series of client events to raise awareness of the concept of Legacy Planning. Over 300 customers heard valuable insights on the importance of legacy planning for future generations and strategies that could be deployed.

INNOVATING OUR APPROACH TO BUSINESS

Technology and New Ways of Working

We are adapting to future ways of working in core areas that are critical in making our customers' lives easier:

- By developing agile workforce practices to launch new technology solutions to market faster, with business experts and Technology teams working closely together to deliver products.
- By implementing LEAN processes across our Operations teams to continuously improve and simplify processes resulting in better and faster outcomes for our customers - the LEAN approach drives a culture of continuous improvement and operational efficiencies where we challenge and change our processes to improve our customer experience.
- Our skills need to evolve constantly to keep up with changes in technology, and we have sent 27% of our engineering staff to Manulife University, where they have gained proficiency in micro-services, angular framework, NoSQL database and DevOps – all key to continuously innovating. This programme will continue into 2020.
- Our Technology teams are using more application programme interfaces (APIs), where we can expose our core products and services to external parties without tailoring an API for each partner, speeding up the development of our digital platforms.

Digital Collaborations

The year 2019 witnessed numerous partnerships with insurtech companies and financial services aggregators to drive online insurance sales and generation of potential leads. This signifies Manulife's commitment to work with and support insurtech and digital developments in making life insurance more accessible and affordable to Malaysians. Recognising the importance of online searches to many Malaysians, we work closely with key aggregators to generate leads for our agency force.

Agency

CAO Channel Mobile App

In harnessing mobile technology to communicate, engage as well as promote campaigns and marketing initiatives, our Agency department launched the CAO Channel mobile app in July 2019. This app provides an effective platform for dissemination of announcements, events and product updates, as well as news from Manulife directly to the agency force. The introduction of the app is also a testament of the company's transformation initiative to lead digital change needed to drive business growth, by offering a differentiated agent experience.

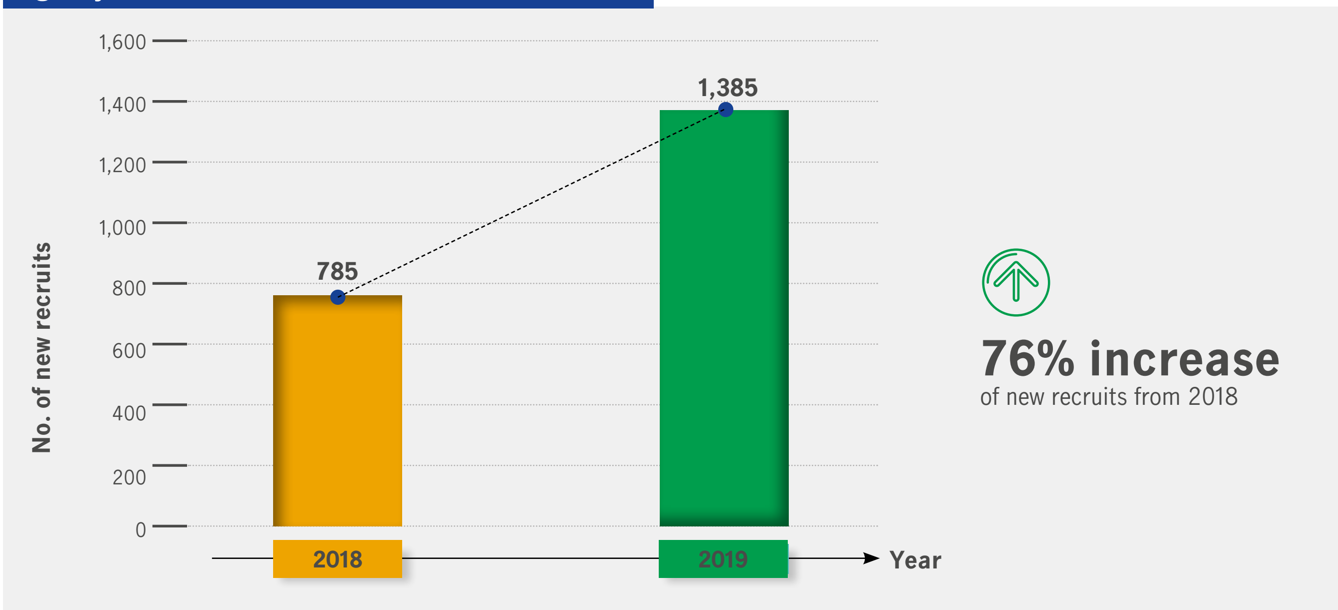
Synergy in Operations

MIB and Manulife IM (Malaysia) collaborated together, embarking on a journey to create synergies across both organisations, to leverage on business opportunities, improve productivity and increase customer satisfaction. The collaboration aims to offer the best of both worlds to all agency members and financial advisors, allowing them the opportunity to diversify and offer a holistic financial solution to our customers.

Recruitment Workshops and Business Opportunity Programmes (BOP)

Despite the challenges in the industry, our Agency department has continued its aggressive recruitment initiatives throughout 2019, recording a 76% growth in new recruits in comparison to the previous year. Its initiatives include recruitment workshops for leaders in all regions and regular Business Opportunity Presentation (BOP) sessions with all the agencies and Agency Leader Corporation (ALC).

Agency Recruitment Statistics – 2018 vs 2019 YTD



PRESERVING THE ENVIRONMENT

OUR PLEDGE

Implementing sustainable practices across our business operations to protect the environment and be responsible stewards of natural resources.

METHODOLOGY

- Reducing our Greenhouse Gas (GHG) emissions and carbon footprint
- Promoting efficient use of resources (electricity and water)
- Responsible waste disposal through recycling

IN SUPPORT OF

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

KEY HIGHLIGHTS

- Ban of single-use plastic in Menara Manulife cafeteria
- Decline of 14.4% in electricity consumption from 2018
- 17.5% reduction in utilisation of ink cartridges across the Company from 2018
- 80% and 58.6% cutback in the usage of A3 and A4 paper from 2018

SUSTAINABILITY STATEMENT

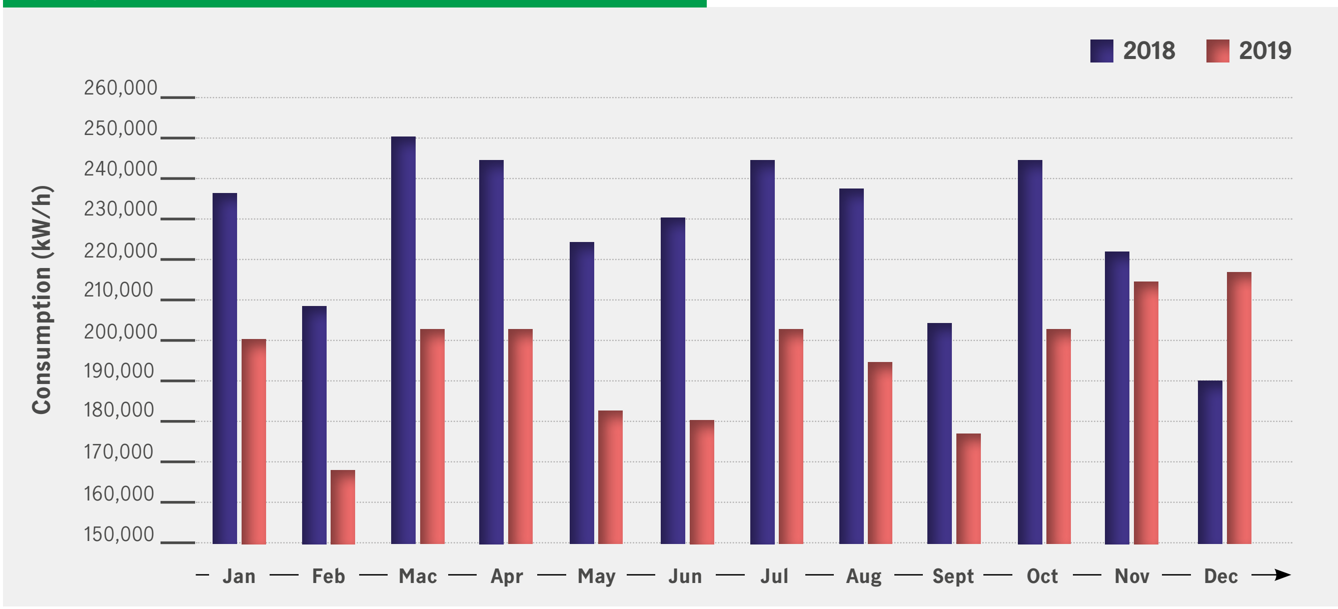
PRESERVING THE ENVIRONMENT

As the global population increases, the demand for natural resources becomes more significant than ever. Manulife is fully aware of the environmental impact caused by our operations, and we are committed to minimising these impacts; from the energy and resources we consume to the waste we generate on a day-to-day basis. As a responsible corporate citizen, we are dedicated to the protection and preservation of the environment, whilst advancing in a sustainable manner. Through our newly formed Sustainability Committee, we constantly promote environmental awareness to our employees and explore new initiatives to lower our carbon footprint. We have set clear objectives and commitment for the efficient use of resources with a particular focus on energy and responsible disposal of waste.

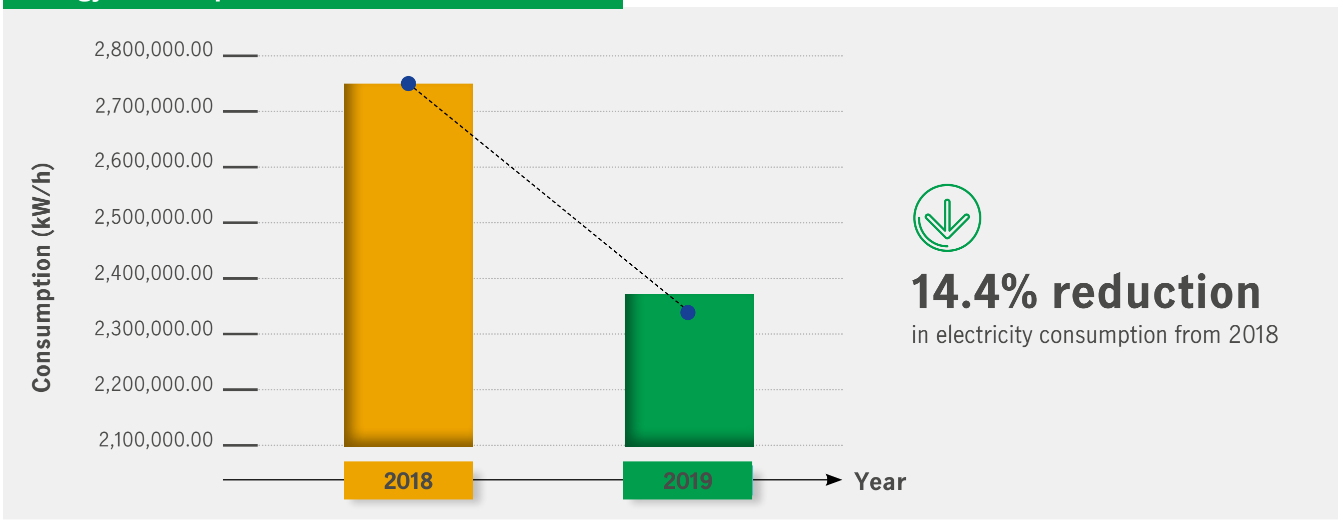
Consciously reducing our consumption of resources

Over the years, we have improved the usage of electricity by implementing various energy-saving practices within our facility. For example, the air-conditioning system in Manulife has been upgraded this past year; we refurbished the cooling towers and chilled water pumps to make it more energy-efficient. The air-conditioning temperature had also been readjusted to an optimal level in common areas such as the main lobby and the 16th floor. In addition, a lamping exercise was conducted to replace old filament lights fittings with low-energy light-emitting diode (LED) bulbs, as well as install light sensors within our offices. As a result, our consumption of electricity was reduced by 14.4% from 2018 (2,742,345 kWh) to 2019 (2,347,260 kWh). A slight discrepancy pertaining to the increase in electricity consumption between December 2018 and 2019 is due to spike in events that were organised in common areas of the building.

Energy Consumption Comparison – 2018 vs 2019 YTD



Energy Consumption Trend – 2018 vs 2019 YTD



Furthermore, all washrooms are currently fitted with water-sensor taps to reduce our consumption of water.

SUSTAINABILITY STATEMENT

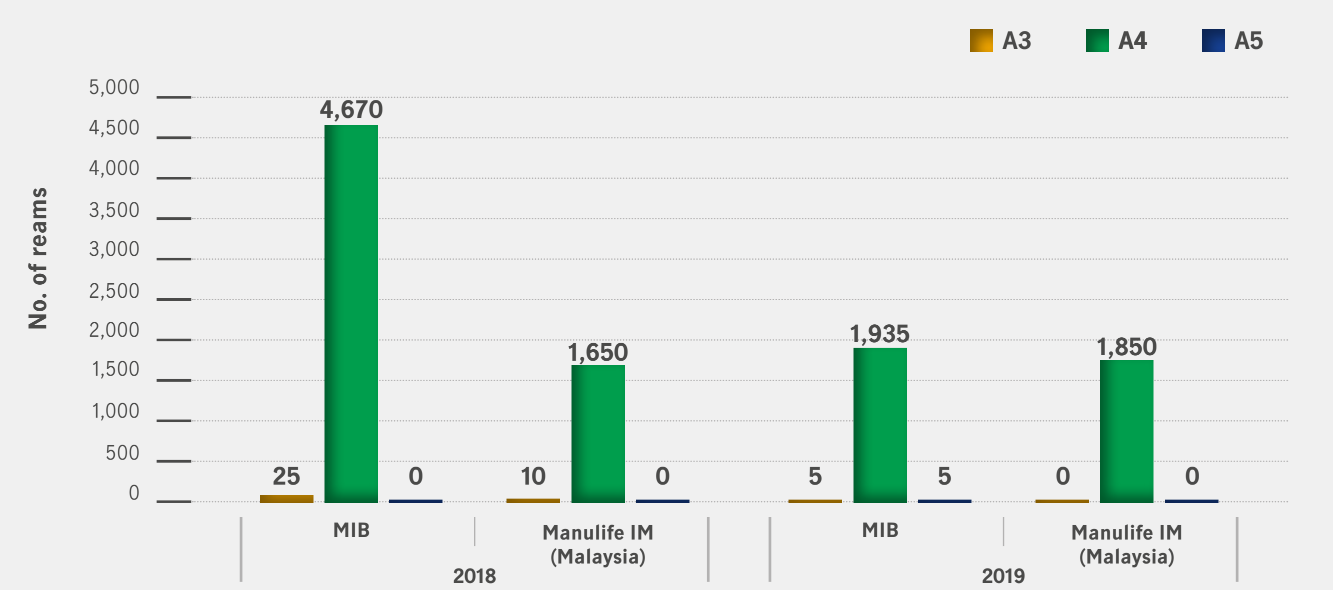
PRESERVING THE ENVIRONMENT

Preserving office supplies

In 2019, the Company implemented a default setting on all our printers to a double-sided, black and white setting. This resulted in an 80% and 58.6% reduction in the utilisation of A3 and A4 paper respectively, between 2018 and 2019 in MIB. During the same period, there was a 100% reduction in the usage of A3 paper in Manulife IM (Malaysia). What appears to be an increase of 200 reams of A4 paper between 2018 and 2019 is attributed to the purchase of 300 reams in December 2019, of which not all were utilised before the year came to a close.

Paper type	2018		2019	
	MIB	Manulife IM (Malaysia)	MIB	Manulife IM (Malaysia)
A3	25 reams	10 reams	5 reams	0
A4	4,670 reams	1,650 reams	1,935 reams	1,850 reams
A5	0	0	5 reams	0

Utilisation of paper between 2018 and 2019



To supplement the Company's reduction in the utilisation of paper, we have also seen a 17.5% cutback in our consumption of ink cartridges between 2018 and 2019. We look forward to further reducing our environmental footprint where possible, in 2020.

Managing our waste ethically

Managing our waste ethically

Considering the economic and population growth that has occurred globally, Malaysia's generation of solid waste is expected to surpass 30,000 tonnes per day in 2020. Less than 5% of waste is reportedly recycled in Kuala Lumpur, with the majority of the waste stream ending up in landfills or even worse, in the ocean. Experts have predicted that by 2050, plastic in the world's oceans will outweigh fishes. In line with SDG 12 - *Responsible Production and Consumption*, Manulife is committed to reducing and disposing our waste in an ethical and environmentally-friendly manner. In January 2020, all Manulife-occupied offices in the building were furnished with recycling bins. To ensure our recycled waste end up being processed correctly and not ending up in the landfill, we engaged a certified waste collector to service our recycle bins on a weekly basis. Employees continue to participate in recycling efforts as much as possible.

In addition to recycling, a campaign to stop the consumption of single-use plastic in our cafeteria was initiated on 1 September 2019. Staff who bring their own takeaway containers enjoy a RM0.30 rebate from all cafeteria vendors.

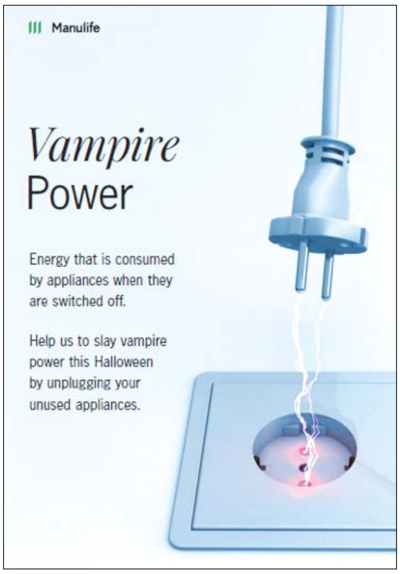
Raising Awareness

In the spirit of Halloween, a regional campaign was initiated to raise awareness about Vampire Power and ways to mitigate it. Our energy-conservation efforts have led to a positive trend whereby our rate of energy consumption has decreased steadily over the past two years.

On 30 March 2019, Manulife joined corporations and millions of individuals in support of Earth Hour; a global movement in tackling climate change. In addition to encouraging the building's tenants to switch their lights off in support of this important cause, Menara Manulife also turned off the façade lighting for an hour between 8:30pm – 9:30pm.

Initiatives in the Pipeline

We are aware of the need to constantly improve; besides continuing with existing efforts, Manulife intends to explore new sustainability initiatives in 2020 to minimise our impact on the environment. In the New Year, we will be removing hand paper towels in all the washrooms and installing energy-efficient jet-dryers. In addition, we will also be assessing the feasibility of installing solar panels and a rainwater harvesting tank on the rooftop of our headquarters, Menara Manulife.



Raising Awareness

INSTILLING A WINNING CULTURE

OUR PLEDGE

Creating engaging employees who will excel and grow with Manulife Malaysia.

METHODOLOGY

- Promoting and embracing diversity and inclusivity
- Fostering fair and equitable workplace conditions
- Nurturing Human Capital by growing workplace capacity and skills
- Bridging the gap through training, on-the-job learning and career development
- Caring for employees through active engagement and encouraging a healthy work-life balance

IN SUPPORT OF

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

KEY HIGHLIGHTS

- HR Asia Best Companies to Work for in Asia 2019 Award - voice of employee matters!
- Employee engagement up 11% from 52% in 2018 to 63% in 2019
- 99.7% of Top Talent Retention

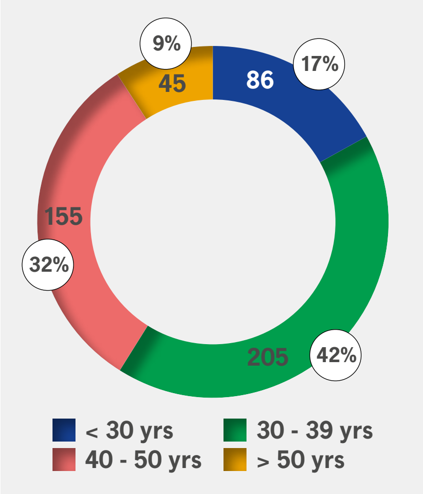
We believe that our employees are our best human capital who will determine our future successes. In order to attract and retain the best and brightest employees, we invest in the development of our people. This is done primarily by investing in employee learning and development, providing opportunities for advancement and growth, competitive compensation and benefits, as well as recognising and rewarding superior performance and fostering teamwork. At Manulife, we are committed to fostering a Winning Culture amongst the workforce to drive employee engagement and positivity for all.

Snapshot of Manulife Malaysia's Demographics

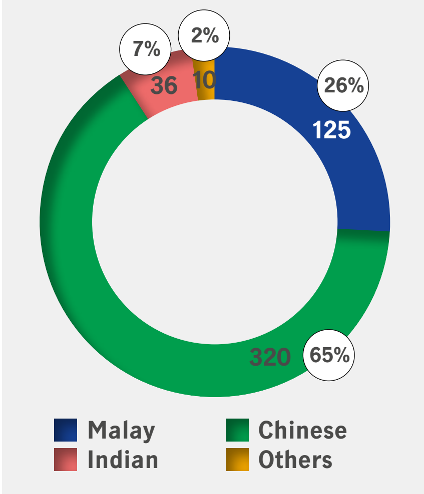
- 53% are millennials

- 49% of total leadership team made up by women

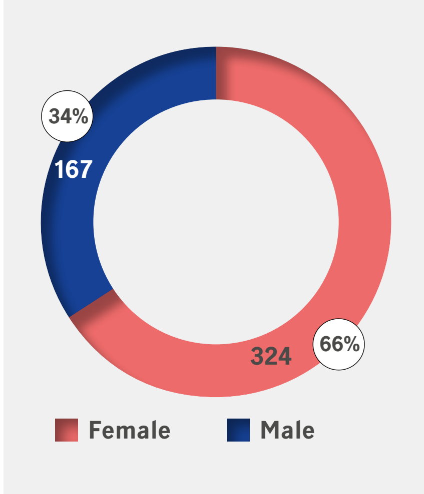
Age profile of our workforce



Ethnicity profile of our workforce



Gender profile of our workforce



EMPLOYEE ENGAGEMENT

An engaged employee is key to helping the Company achieve its desired results. Therefore, we care about our employees' holistic needs, experience and total wellbeing. We focus on two major categories in maintaining our employee's engagement; Employee Wellness and Employee Benefits.

Employee Wellness

Our Company launched its Employee Wellness Programme, *Manugize*, as part of its engagement initiative. It is a holistic employee wellness programme which includes a weekly run with our Group CEO, Yoga, Zumba, as well as mental and financial health talks. Manulife Sports Club is also a part of the Company's initiative to organise out-of-office sports activities that will strengthen the bond and interaction among colleagues whilst exercising.

Weekly yoga sessions are organised for the benefit of employees.

Participants of the Oppa Sang Run in high spirits during the inaugural event of 2019.

SUSTAINABILITY STATEMENT

INSTILLING A WINNING CULTURE

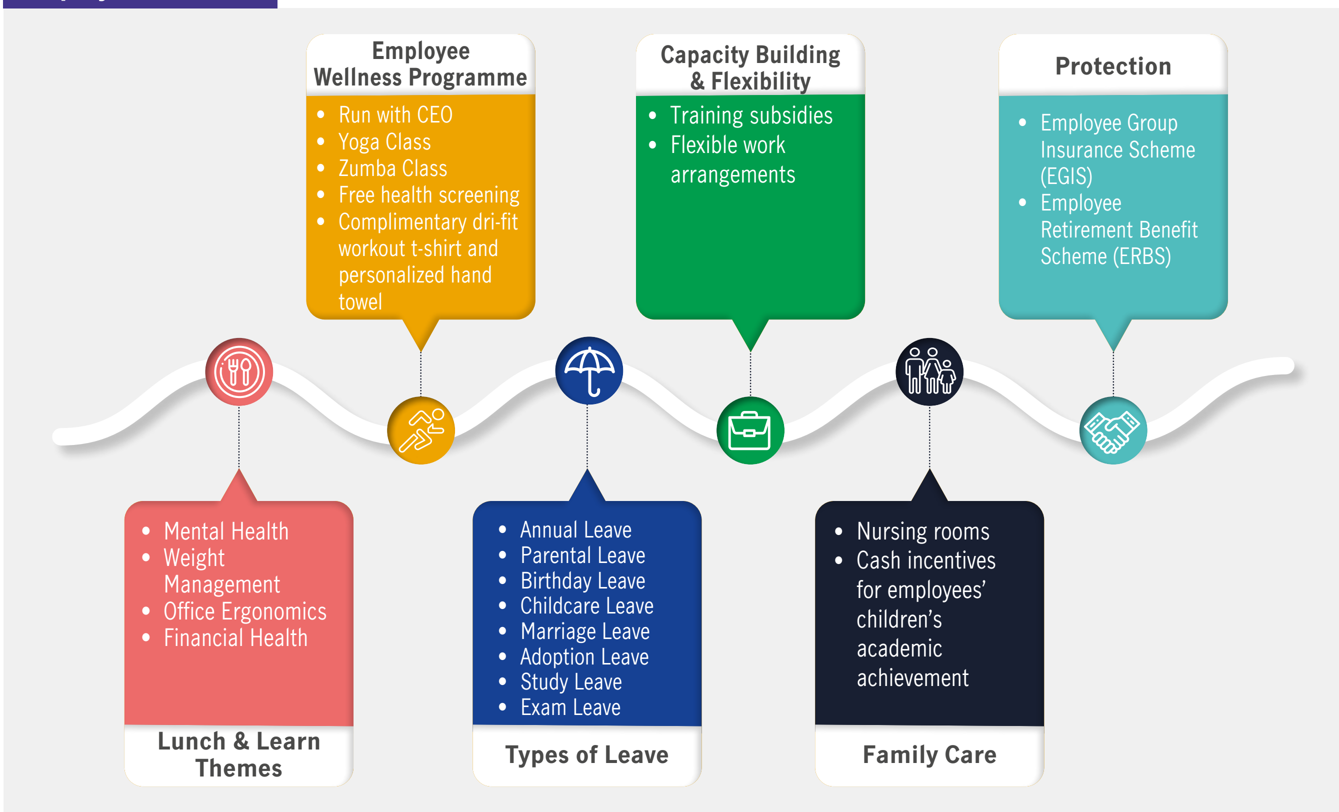
In addition, Manulife employees get to balance their work by attending a series of Lunch & Learn sessions which expose them to knowledge and insights on various topics to improve health and work life. Employees who attend these Lunch & Learn sessions are also provided healthy lunches to stimulate their brain. Manulife also provided dri-fit t-shirts and personalised sports towels to staff to promote a healthy lifestyle. Additionally, annual health screenings were arranged for all staff to keep their health in check.

Part of Manulife's Employee Wellness programme includes a complimentary yearly health screening and Manugize starter kit.

Employee Benefits

Manulife offers competitive remuneration packages to our employees which includes attractive benefits such as various types of leave, Employee Group Insurance Scheme (EGIS), Employee Retirement Benefit Scheme (ERBS), flexible working arrangements, training subsidies, lactation room and a series of cash rewards for children of employees who score remarkable academic achievements.

Employee Benefits



SUSTAINABILITY STATEMENT
INSTILLING A WINNING CULTURE

BRINGING OUR VALUES TO LIFE

To align with Manulife's mission; *"Decisions made easier. Lives made better"*, we are committed to building and maintaining a working environment that breathes the six refreshed core values of the Company.

At Manulife, we always aim to provide the best for our employees who are one of our key stakeholders. Through the **Employee Recognition Programme**, we inculcate the core values to our employees so that they may embody these values in their day to day work lives.

1	**Obsess About Customers**	We predict their needs and do everything in our power to satisfy them.
2	**Do The Right Thing**	We act with integrity and do what we say.
3	**Think Big**	Anything is possible. We can always find a better way.
4	**Get It Done Together**	We're surrounded by an amazing team. We can do it better by working together.
5	**Own It**	We feel empowered to make decisions and take action to deliver our Mission.
6	**Share Your Humanity**	We build a supportive, diverse and thriving workplace.

FOSTERING DIVERSITY, EQUALITY & INCLUSION

Our Company's diversity and inclusion practices have been embedded into our recruitment, talent and performance management processes. Diversity and inclusion has always been important to our long-term sustainability goal. Being a multinational corporation, we strive to be inclusive and welcome ideas and people from different backgrounds. Furthermore, as being part of a multi-cultural society, we celebrate all kinds of local and international festivals.

Hari Raya and Deepavali are some of the local festivals we are proud to celebrate at Manulife.

SUSTAINABILITY STATEMENT

INSTILLING A WINNING CULTURE

Gender equality is an important priority at Manulife. Our aspiration is to exceed industry norms at every level of our Management Team, and seek to leverage the talents, insights and ideas of our employees by recognising the capabilities of both our female and male employees. With that, we launched the Global Women's Alliance (GWA) to support our female employees to reach their full potential. Moreover, the basis of GWA is to also elevate the profile of women across the organisation through various initiatives such as Breast Cancer Awareness Month; of which in 2019, a total of RM10,662 was raised by Manulifers and donated to the Breast Cancer Welfare Association of Malaysia. To celebrate our female employees' hard work, Manulife celebrates International Women's Day annually.

Through Manulife's GWA initiative, a contribution was presented to the Breast Cancer Welfare Association of Malaysia.

In contrast, Manulife's Male Allies; an initiative to advocate gender equality was activated in 2019. The programme is a vital component in the Company's diversity and inclusion efforts, and we look forward to elevating Manulife Malaysia's reputation as a corporate citizen which places gender equality and inclusion in the forefront of its operations.

Global Women's Alliance (GWA)

To support our female workforce to reach their full potential and elevate the profile of women across the organisation through various programmes

Women Empowerment

Celebrating internationally recognised days/months of importance i.e. International Women's Day and Breast Cancer Awareness Month

Promoting inclusivity by celebrating various cultural and religious festivals

Local and International festivals such as Hari Raya, Chinese New Year, Deepavali and Christmas are embraced and observed throughout Manulife

TALENT DEVELOPMENT

We recognise the importance of continuous self-improvement. Therefore, our employees are encouraged to undertake courses for capacity-building, which are in-line with the company's overall business needs and with the insurance and asset management industries' practices.

We constantly make an effort to enable employees to embrace learning by way of enhancing their skills, knowledge and ability to keep up with the volatility, uncertainty, complexity and ambiguity (VUCA) world. The following are some of the initiatives we provide to our employees as support:

Malaysia Training Policy

Ongoing employee development occurs across a spectrum of activities from the formal and structured to the informal; both within and outside the company; for example, external courses, in-house seminars, ad-hoc training, mentoring, online learning and short-term stretched assignments. As long as the training is an occupational requirement, the company will sponsor it.

Global Continuous Learning Policy

Manulife encourages its employees to further their studies by subsidising 30% of the total tuition fees for a diploma, degree or masters course. Employees will not be bonded to the Company if 30% of the fees do not exceed RM20,000.

Life Office Management Association (LOMA)

Manulife encourages its employees to acquire relevant industry knowledge, which can later be utilised to contribute to the company's success. Through LOMA's Insurance Education Programmes, our employees learn about many facets within the life, health and financial services industries.

For permanent employees who successfully passed the LOMA course(s) for the first time, the upfront fees that the company has paid on their behalf will be absorbed by the company.

SUSTAINABILITY STATEMENT

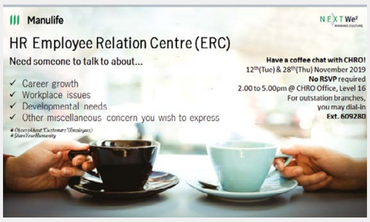
INSTILLING A WINNING CULTURE

PEOPLE PRACTICES

Manulife values its employees as a key stakeholder of the Company. As a result, we encourage an open feedback culture and have moved from managing people for performance to enabling people to perform. Most importantly, Manulife has made a significant effort in helping our employees feel engaged at work.

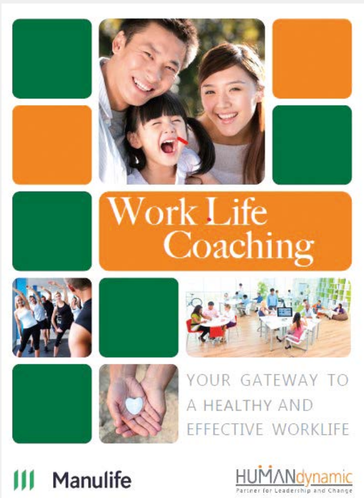
Employee Relation Centre (ERC)

ERC is one of our major employee retention plans. This initiative is aimed at allowing our employees to converse with our Chief Human Resources Officer (CHRO) about matters pertaining to any work-related issues that they do not feel comfortable to share with their line manager. The Company will then evaluate the situation before making a decision on whether any action should be taken to improve our employees' working experience.



Work Life Coaching

Manulife cares about employees' health and well-being and want to help everyone lead a healthier and more balanced life. We have partnered with Human Dynamic, one of the leading consultancy companies globally, to provide a Work Life Coaching Programme to our employees.



Awards and Recognitions

Every year, we recognise our employees by giving out the Long Service Award to those who have served the company for five years or more. In addition, the Stars of Excellence Award is presented to those whose performance has been recognised by our Regional and Global offices. The Spot Award is rewarded to employees who have provided significant contributions over a substantial period of time, as well as those who have gone above and beyond the Business As Usual roles and responsibilities.

BUILDING A TALENT PIPELINE

Manulife Malaysia has been established since 1963. We are proud to have attracted the younger workforce, with 53% of our employees consisting of millennials. This has been achieved by engaging young students and professionals through various Career Fairs and by sharing industry insights on larger platforms.

In October, we participated in the Sunway University Career Fair with the aim of promoting our Company to students and attracting them to apply for an internship or a job with us.

In January, our Executive Management Team (EMT) collaborated with TalentCorp to share industry insights with International university students from the region. During the session, our EMT promoted Manulife as an employer of choice to these students, as well as created a sense of interest for them to join the Company in the future.

TOUCHING LIVES IN THE COMMUNITY

OUR PLEDGE

To create positive, social change in the lives of communities in which we operate.

METHODOLOGY

- Developing future leaders in the classroom through education
- Engaging and collaborating with civil society organisations to reduce socio-economic disparities
- Celebrating festivities and spreading goodness amongst the underprivileged
- Advocating an inclusive society
- Promoting volunteerism among our employees

IN SUPPORT OF

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

KEY HIGHLIGHTS

- Launch of Manulife Malaysia's Flagship Corporate Social Responsibility (CSR) initiative: the Orang Asli Education Support programme; of which, a total of 133 Orang Asli children had access to holistic education
- A total of 662 beneficiaries positively impacted from Manulife Malaysia's community outreach programmes in 2019

SUSTAINABILITY STATEMENT

TOUCHING LIVES IN THE COMMUNITY

Manulife seeks to create better, more financially-secured lives by empowering communities through our various initiatives which support nation-building. To address the long-term needs of the community, we collaborate with civic society organisations and charitable bodies to drive broad positive changes. In embracing our mission of *Life Made Simpler*, our programmes strive to generate long-lasting impact whilst improving the quality of life for all – regardless of race, religion and socio-economic background – with an emphasis on the less fortunate and marginalised. To enrich and inspire our communities, we have streamlined our efforts through three focus areas:

Community Development
Manulife is committed to improving the lives of the underserved. Our goal is to uplift these communities by improving access to education and their livelihoods.

Health & Wellness
A natural extension of our business, we are passionate about providing our employees and stakeholders with the tools and resources needed to make healthy decisions, driving them down the path to optimum health.

Environment
An important cause in this day and age, our goals are; to operate sustainably, leave behind a minimal carbon footprint, and preserve the environment for future generations.

COMMUNITY DEVELOPMENT

Orang Asli Education Support

Our flagship programme was established to provide Orang Asli children access to holistic education, which will enable them to have a brighter future. Our reach consisted of five remote villages in the state of Pahang. With schools located far away, and no public transport available, education is out of reach without constructive intervention. Funding provided by Manulife included transportation to ferry students to and from school, as well as the enablement for after-school tuition classes.

Through the Orang Asli Education Support programme, we were able to empower local tutors to impart knowledge on the younger students.

"The Orang Asli Education Support programme has helped me with understanding more subjects in school. I hope to learn more so that I can find a job and have a brighter future outside my village."

Nataza a/p Nen, 12

The Orang Asli tutors who teach and guide students on their homework during the tuition sessions were given allowance, whilst students were provided with meals to sustain themselves during lessons. This resulted in 133 Orang Asli children having access to the education they deserve, which in the long run will enable them to have a brighter future.

SUSTAINABILITY STATEMENT

TOUCHING LIVES IN THE COMMUNITY

Dear Santa & Incentive Ceremony

In the spirit of Christmas, Team Manulife contributed presents to the Orang Asli students from our flagship CSR programme; Orang Asli Education Support. This year's edition of Dear Santa saw the introduction of an incentive-ceremony which rewarded high-performing students, as well as those who had attended more than 50% of tuition classes in 2019. On the day of celebration, volunteers from Manulife joined our EMT to paint the external walls of the village's community classroom.

In the spirit of Christmas, Team Manulife celebrated the occasion with our adopted Orang Asli community in Kg. Sg. Ruai, Pahang.

Hari Raya Buka Puasa

During the month of Ramadhan, Manulife organised a Buka Puasa event for underprivileged children. Our EMT joined more than 80 orphans from Rumah Permata Hati Ku, Pusat Jagaan Amal Asyura and Rumah Nur Hati to break fast. During the evening, duit raya and small tokens of appreciation were distributed to the children and their caretakers.

During a time of sharing and thanksgiving, duit raya was presented to young people from underserved communities by our EMT.

SUSTAINABILITY STATEMENT
TOUCHING LIVES IN THE COMMUNITY

FINCO Reads

Manulife answered FINCO's (Financial Industry Collective Outreach) request for volunteers to assist with 'FINCO Reads'; a programme aimed at improving English proficiency among primary school students in our public schools. Over the course of two days, volunteers from Manulife assisted at an education fair in SK Kuang and SK Bukit Sentosa. The fair consisted of various booths which encouraged students to converse in English; a total of 247 students benefitted from the programme.

We aspire to positively impact our community through education.

HEALTH & WELLNESS

World Heart Day Celebration 2019 & Meditation Workshop

As a leading international financial services and insurance company, we strive to raise awareness on important causes that are a natural extension of our business. Through our global partnership with the World Heart Federation (WHF), Manulife once again celebrated World Heart Day by bolstering awareness of cardiovascular disease and promoting the importance of living a heart-healthy lifestyle. In conjunction with World Heart Day on 29 September 2019, a meditation workshop was organised for the benefit of our employees, to live longer, healthier lives.

Manulife prioritises the well-being of its employees to ensure a healthy work-life balance.

SUSTAINABILITY STATEMENT

TOUCHING LIVES IN THE COMMUNITY

"Manulife stands for helping people reach their full potential, and championing a healthy lifestyle is one way to do so. I am convinced that Manulife Malaysia has an integral role to play in promoting good health and active living not only to our employees, but also to people around the country."

Lee Sang Hui,
Group Chief Executive Officer of Manulife Holdings Berhad

Manulife Blood Donation Drive

In 2019, Manulife participated in the annual Nationwide Blood Donation Campaign spearheaded by the Life Insurance Association of Malaysia (LIAM), involving all of its member organisations. For the first time, this year's edition saw the campaign organised by Manulife at two different states; one at our headquarters in Kuala Lumpur and another in Johor Bahru where we collaborated with the National Association of Malaysian Life Insurance and Family Takaful Advisors (NAMLIFA).

A total of 182 people donated blood at both locations, and Manulife is extremely proud to contribute towards this worthy cause.


Donors from all walks of life came out in force to support this nationwide campaign.

The Edge Kuala Lumpur Rat Race

The 19th edition of the Kuala Lumpur Rat Race witnessed Manulife's participation for the first time in this annual event organised by The Edge. Manulife is proud to have contributed RM32,000, two teams (of five runners each) for the 5km main race, and included the participation of two of our C-level executives in the 1.5km CEO race.

Since its launch in 2000, Corporate Malaysia has banded together each year to run for a noble cause. The funds raised from each company's participation are disbursed via the philanthropic arm of The Edge; The Edge Education Foundation to selected beneficiaries in Malaysia.

Team Manulife runs for a cause.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board of Directors ("the Board") of Manulife Holdings Berhad ("the Company") is committed to ensure that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to enhance shareholders' value and the financial performance.

As an investment holding company with financial services subsidiaries, the corporate governance model of the Company has been built and enhanced based on the requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia Securities") Main Market Listing Requirements ("Listing Requirements"), the Corporate Governance Code issued by Bank Negara Malaysia, the Malaysian Code on Corporate Governance ("MCCG") and international best practices and standards.

The Board has consistently supported the disclosure requirements and strived to achieve best practices in adopting the principles and recommendations proposed in MCCG.

The MCCG sets out broad principles and specific recommendations on structures and processes which companies may adopt in making good corporate governance as an integral part of business dealings and culture. Unless as otherwise stated, the Board has adopted the recommendations of the MCCG.

THE BOARD

The Board believes that strong corporate governance is essential for delivering sustainable value, enhancing business integrity and maintaining investors' confidence towards achieving the Manulife Holdings Berhad's Group of Companies ("Group")'s corporate objectives and vision.

The Board is the ultimate decision-making body of the Company, with the exception of matters requiring shareholders' approval. It sets the strategic direction and vision of the Company. The Board takes full responsibility in leading, governing, guiding and monitoring the entire performance of the Company and enforces standards of accountability, all with a view to enable Management to execute its responsibilities effectively.

In particular, the Board assumes the following responsibilities as recommended by the MCCG to facilitate the Board in discharging its fiduciary duty and leadership functions:-

1. Reviewing and adopting a strategic plan for the Company.
2. Overseeing the conduct of the Company's business to determine whether the business is being properly managed.
3. Identifying principal risks, setting of risk appetites, and ensuring the implementation of appropriate internal controls and mitigation measures.
4. Succession planning, including ensuring all candidates appointed to senior management positions are of sufficient calibre and programmes are in place to provide for the orderly succession of senior management.
5. Overseeing the development and implementation of shareholder communications policy for the Company.
6. Reviewing the adequacy and the integrity of the Company's management information and internal control systems.

An effective Board leads and controls the Company. Board meetings are held at least once a quarter, with additional meetings convened as necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. Four (4) out of six (6) Directors are Independent Non-Executive Directors.

For the financial year ended 31 December 2019, five (5) Board meetings were held and the attendance of each Director is recorded in the Directors' profile section. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

THE BOARD (CONT'D)

Apart from the aforesaid responsibilities, the Board has also delegated specific responsibilities to three (3) Board Committees, namely, the Group Audit Committee, the Group Risk Management Committee and the Group Nominating/Remuneration Committee. The Terms of Reference of the Board Committees clearly define the duties and obligations of the Board Committees in assisting and supporting the Board. While the Board Committees have the authority to examine specific issues, they will report to the Board with their decisions and/or recommendations and the ultimate responsibility on making decisions in the best interest of the Company lies with the entire Board.

In order to facilitate Board effectiveness, self-evaluations are completed on an annual basis with findings presented to the Group Nominating/Remuneration Committee meeting to address pertinent issues such as leadership, review of existing processes and performance of the Board and Board Committees. An independent assessment is also conducted periodically to increase objectivity and improve efficacy. The last assessment was conducted in November 2016 by the Institute of Corporate Directors Malaysia (ICDM).

The Board is supported by the Company Secretaries in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's Constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidances and legislations. The Company Secretaries also ensure that deliberations at the Board and Board Committees meetings are well captured and minuted, and subsequently communicated to Management for necessary action. The Board is updated by the Company Secretaries on the follow-up or implementation of its decisions/recommendations by Management till their closure. All Directors have access to the advice and services of the Company Secretaries.

GROUP AUDIT COMMITTEE

The Group Audit Committee has four (4) members, comprising three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Group Audit Committee Report for the financial year under review can be found on pages 73 to 76 of the Annual Report.

Members

1. Mr. Lim Hun Soon @ David Lim
   Chairman/Independent Non-Executive Director
2. Datuk Seri Panglima Mohd Annuar bin Zaini
   Member/Independent Non-Executive Director
3. Mrs. Vijayam Nadarajah (appointed w.e.f. 19 April 2019)
   Member/Independent Non-Executive Director
4. Mr. Matthew Edward Lawrence (appointed w.e.f. 1 January 2020)
   Member/Non-Independent Non-Executive Director
5. Mr. Kenneth Joseph Rappold Jr. (resigned w.e.f. 31 December 2019)
   Member/Non-Independent Non-Executive Director

Terms of Reference

The terms of reference of the Group Audit Committee is published in the Company's website at http://www.manulife.com.my.

Meeting Attendance

The attendance of the Group Audit Committee's members for the financial year ended 31 December 2019 is set out under the Group Audit Committee Report on page 73 of the Annual Report.

GROUP RISK MANAGEMENT COMMITTEE

The Group Risk Management Committee has four (4) members, comprising three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

Members

1. Mrs. Vijayam Nadarajah (appointed w.e.f. 19 April 2019)
   Chairman/Independent Non-Executive Director
2. Mr. Lim Hun Soon @ David Lim
   Member/Independent Non-Executive Director
3. Datuk Seri Panglima Mohd Annuar bin Zaini
   Member/Independent Non-Executive Director
4. Mr. Matthew Edward Lawrence (appointed w.e.f. 1 January 2020)
   Member/Non-Independent Non-Executive Director
5. Mr. Kenneth Joseph Rappold Jr. (resigned w.e.f. 31 December 2019)
   Member/Non-Independent Non-Executive Director

Mr. Lim Hun Soon @ David Lim was the Chairman of the Group Risk Management Committee from 17 July 2012 to 25 November 2019, at which date he was redesignated to Member of the Group Risk Management Committee. Mrs. Vijayam Nadarajah was redesignated from Member to Chairman of the Group Risk Management Committee on 25 November 2019.

Terms of Reference

The Group Risk Management Committee is responsible for:-

1. Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;
2. Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
3. Ensuring adequate infrastructure, resources and systems are in place for an effective risk management, i.e. ensuring that staff are responsible for implementing risk management systems and perform these duties independently of the Group's risk taking activities; and
4. Reviewing Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Through the Group Risk Management Committee, the Board oversees the Enterprise Risk Management Framework of the Group. The Group Risk Management Committee advises the Board on areas of high risks faced by the Group and the adequacy of compliance and control throughout the organisation. The Group Risk Management Committee reviews the risk management policies formulated by Management and makes relevant recommendations to the Board for approval.

Meeting Attendance

The attendance of the Group Risk Management Committee's members for the financial year ended 31 December 2019 are as follows:-

Name of Members	Attendance
Mrs. Vijayam Nadarajah (appointed w.e.f. 19 April 2019)	3 out of 3
Mr. Lim Hun Soon @ David Lim	4 out of 4
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 4
Mr. Matthew Edward Lawrence (appointed w.e.f. 1 January 2020)	Not applicable
Mr. Kenneth Joseph Rappold Jr. (resigned w.e.f. 31 December 2019)	1 out of 4

GROUP NOMINATING/REMUNERATION COMMITTEE

The Group Nominating/Remuneration Committee has five (5) members, comprising four (4) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

Members

1. Dato' Dr. Zaha Rina binti Zahari
   Chairman/Independent Non-Executive Director
2. Mr. Lim Hun Soon @ David Lim
   Member/Independent Non-Executive Director
3. Datuk Seri Panglima Mohd Annuar bin Zaini
   Member/Independent Non-Executive Director
4. Mrs. Vijayam Nadarajah (appointed w.e.f. 19 April 2019)
   Member/Independent Non-Executive Director
5. Mr. Matthew Edward Lawrence (appointed w.e.f. 1 January 2020)
   Member/Non-Independent Non-Executive Director
6. Mr. Kenneth Joseph Rappold Jr. (resigned w.e.f. 31 December 2019)
   Member/Non-Independent Non-Executive Director

Terms of Reference

The terms of reference of the Group Nominating/Remuneration Committee is published in the Company's website at http://www.manulife.com.my.

Meeting Attendance

The attendance of the Group Nominating/Remuneration Committee's members for the financial year ended 31 December 2019 are as follows:-

Name of Members	Attendance
Dato' Dr. Zaha Rina binti Zahari	6 out of 6
Mr. Lim Hun Soon @ David Lim	6 out of 6
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 6
Mrs. Vijayam Nadarajah (appointed w.e.f. 19 April 2019)	3 out of 3
Mr. Matthew Edward Lawrence (appointed w.e.f. 1 January 2020)	Not applicable
Mr. Kenneth Joseph Rappold Jr. (resigned w.e.f. 31 December 2019)	3 out of 6

For the financial year ended 31 December 2019, the Group Nominating/Remuneration Committee has undertaken the following activities:-

(i) Reviewed the contribution and performance of each individual Director, the Board as a whole and Board Committees including the Group Audit Committee;
(ii) Reviewed and recommended the re-election of Directors to the Board for recommendation to the shareholders for approval;
(iii) Reviewed the Board nomination process;
(iv) Reviewed the succession plan for senior management; and
(v) Reviewed the training programmes to be attended by the Board.

VARIOUS MANAGEMENT COMMITTEES

Aside from the Board Committees mentioned above, the Company also established various Management Committees to assist the Management. The key Management Committees are the Executive Management Team, Senior Management Team, Asset and Liability Management Committee, Investment Committee, IT Steering Committee, Enterprise Risk Management Committee and Business Continuity Management Committee.

BOARD BALANCE, DUTIES AND RESPONSIBILITIES

Board Composition

The Company's Constitution specifies that the number of Directors shall not be less than five (5) and not more than ten (10). The Board has the authority as governed under the Constitution to appoint a Director to fill a casual vacancy or as an additional Director. In addition, the Board should comprise at least two (2) Independent Non-Executive Directors, and at least one-third (1/3) of the Board should be Independent Non-Executive Directors. The Board Charter also specifies that the Chairman must be a non-executive member of the Board; and in the event the Chairman is not an Independent Non-Executive Director, a majority of the Board should comprise Independent Directors to ensure balance of power and authority on the Board.

The Board currently has six (6) members, comprising four (4) Independent Non-Executive Directors (including the Chairman), a Non-Independent Non-Executive Director and an Executive Director. Together, the Directors bring with them a wealth of experience, and the required mix of skills and core competencies which are necessary to enable the Company to achieve its corporate objectives and fulfill all its fiduciary duties.

Chairman

There is a clear division of responsibility between the Chairman and the Group Chief Executive Officer ("CEO") to ensure that there is a balance of power and authority. The Chairman who is an Independent Non-Executive Director, is responsible for the leadership and management of the Board and ensuring the Board and its Committees function effectively. The Chairman assumes the formal role of a leader and chairs all Board meetings, leads discussions among Directors and provides leadership to the Board in its oversight of management.

The Chairman facilitates the flow of information between Management and the Board, and in consultation with Management, sets the agenda for each Board meeting. Other key roles of the Chairman are to ensure, among others:-

1. Smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;
2. Guidelines and procedures are in place to govern the Board's operations and conduct;
3. All relevant issues are on agenda for Board meeting and all Directors are able to participate in the Board activities;
4. The Board debates strategic and critical issues;
5. The Board receives the necessary information on a timely basis from Management;
6. Avenues are provided for all Directors to participate openly in the discussion;
7. That he/she provides leadership to the Board and is responsible for the developmental needs of the Board; and
8. Leads the Board in oversight of Management.

Dato' Dr. Zaha Rina binti Zahari is the Chairman of the Board and an Independent Non-Executive Director to whom matters concerning the Company may be conveyed.

Group Chief Executive Officer

The Group CEO assumes the overall responsibility for the implementation of the Group's strategy and carrying out the Board's directions, managing the businesses of the Group and driving performance within strategic goals and commercial objectives.

The Group CEO heads the Executive Management Committee, the highest Management Committee in the Group and leads the Management team in carrying out the corporate strategy and vision of the Group. As Group CEO, he is accountable to the Board for the day-to-day management and operations of the Group's businesses.

The key roles of Group CEO include, among others:-

(i) Developing strategic direction;
(ii) Ensuring strategies and corporate policies are effectively implemented;
(iii) Ensuring Board decisions are implemented and Board directions are responded to;
(iv) Providing directions in the implementation of short and long-term business plans;
(v) Providing strong leadership, that is, effectively communicating a vision, management philosophy and business strategy to the employees;
(vi) Keeping the Board fully informed of all important aspects of the Group's operations and ensuring sufficient information is disseminated to Board members;
(vii) Ensuring the day-to-day business affairs of the Group are effectively managed; and
(viii) Together with the Board sets objectives, visions, targets and strategic direction of the Group.

BOARD BALANCE, DUTIES AND RESPONSIBILITIES (CONT'D)

Non-Executive Directors

The Non-Executive Directors are to deliberate and discuss policies and strategies formulated and proposed by Management with the view of the long-term interest of all stakeholders. They contribute to the formulation of policies and decision making using their expertise and experience. They also provide guidance and promote professionalism to Management. The Independent Non-Executive Directors fulfill a pivotal role in corporate accountability by providing independent and unbiased view, advice and judgement to ensure a balanced and unbiased decision making process to ensure that the long-term interest of all stakeholders and the community are well protected.

There is also a balance in the Board because of the presence of Independent Non-Executive Directors of the necessary caliber to carry sufficient weight in the Board's decisions. Although all the Directors have an equal responsibility for the Company's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and examined, and take into account the long-term interests, not only of the shareholders, but also of the customers, employees, suppliers and the communities in which the Company conducts its businesses.

Whilst the Company has a majority shareholder, the interests of minority shareholders are fairly reflected through the Board's representation.

Board Responsibilities

The Board has overall responsibility for putting in place a framework of good corporate governance within the Company, including the processes for financial reporting, risk management and compliance. Board members bring their independent judgement, diverse knowledge and experience in deliberations on issues pertaining to strategy, performance, resources and business conduct. The overall principal responsibilities of the Board are as follows:-

1. Providing clear objectives and policies within which the senior management of the Company is to operate.
2. Ensuring that there are adequate controls and systems in place to facilitate the implementation of the Company's policies.
3. Monitoring Management's success in implementing the approved strategies, plans and budget within the approved risk appetites.
4. Understanding the principal risks of all aspects of the businesses in which the Group is engaged in, setting of risk appetites, and ensuring that systems are in place to effectively monitor and manage these risks with a view to the long-term viability and success of the Group.
5. Monitoring and assessing development which may affect the Group's strategic plans.
6. Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
7. Avoiding conflicts of interest and ensuring appropriate disclosure of possible conflicts of interest.
8. Upholding and observing banking and relevant laws, rules and regulations.

The Board has adopted a schedule of matters specifically reserved for its approval which include, among others, reviewing and approving the following:-

(i) Strategic/business plans and annual budget.
(ii) New investments, divestments, mergers and acquisitions and corporate restructuring, including the establishment of subsidiaries, joint ventures or strategic alliances both locally and abroad.
(iii) Acquisition and disposal of significant assets of the Company.
(iv) Annual financial statements and the quarterly financial results prior to release to Bursa Malaysia Securities.
(v) Appointment of new Directors, CEO and other senior management positions based on recommendations of the Group Nominating/ Remuneration Committee.
(vi) Related party transactions and capital financing.

Foster Commitment

The Directors are able to devote sufficient time commitment to their role and responsibilities as Directors of the Company. All Directors attended at least 75% of all Board and Board Committees meetings in 2019 (except for Mr. Matthew Edward Lawrence who was only appointed on 1 January 2020 and Mr. Kenneth Joseph Rappold Jr. who has resigned with effect from 31 December 2019). The quorum of all Board meetings were met with attendance of not less than two (2) Directors present for all the purposes. This is evidenced by the attendance record for the financial year ended 31 December 2019 as set out under the Directors' Profile on page 10 of the Annual Report.

BOARDROOM DIVERSITY

The Board at all times promotes and welcomes diversity and gender mix in its composition and gives due recognition to the financial, technical and business experience of the Directors. The Board believes the presence of diverse nationalities and gender mix on the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities as well as aid the Board in its decision-making process.

The Board aspires at all times to achieve the right balance in terms of gender and skills mix that best serve the needs of the Group and its shareholders.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company's Code of Business Conduct and Ethics governs the standards of ethics and good conduct expected of its Directors and employees respectively. The Code of Business Conduct and Ethics provides standards for ethical behaviour when representing the Company to the public and performing services for and on behalf of the Company. In addition to an annual review and certification, Directors and employees are required to complete a training module of the Code of Business Conduct and Ethics annually.

The Code of Business Conduct and Ethics provides for the reporting of unethical, unprofessional, illegal, fraudulent or other questionable behaviour by way of calling or writing to Ethics Point, an independent third party ethics hotline service that provides employees with phone and web-based communications tools to confidentially report suspected unethical, unprofessional, illegal or fraudulent activity conducted by others associated with the Company. Anyone reporting concerns about potential or suspected illegal, unprofessional, fraudulent or other unethical behaviour may remain anonymous if he or she so chooses. The Company does not permit retaliation of any kind for good faith reports of illegal or unethical behaviour.

SUPPLY OF INFORMATION

All Directors are provided with the agenda and Board reports at least seven (7) days prior to a Board meeting. This is to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

Management provides the Board and Board Committees with information in a form, within acceptable timeframe and quality that enable them to discharge their duties and responsibilities effectively. Directors are entitled to request and receive additional information they consider necessary in order to make informed decisions, that includes the following:-

1. Obtaining full and unrestricted access to any information pertaining to the Company and its subsidiaries;
2. Obtaining full and unrestricted access to the advice and services of the Company Secretaries; and
3. Obtaining professional independent advice, at the Company's expense.

In this respect, the Company had established a formal procedure for Directors to consult advisers and independent advice in legal, financial, governance or other expert advice in the course of their duties.

BOARD APPOINTMENTS AND SUCCESSION PLANNING OF KEY SENIOR MANAGEMENT

The MCCG endorses as good practice, a formal procedure for appointments to the Board.

The policies and procedures for recruitment and appointment of Directors are set out in a document approved by the Board, called the Nomination Process for Board of Directors.

The Group Nominating/Remuneration Committee identifies and nominates suitable candidates for appointments to the Board for approval, either to fill vacancies or as addition to meet the changing needs of the Group. The Group Nominating/Remuneration Committee undertakes a thorough and comprehensive evaluation of the candidate based on a set of criteria adopted by the Board. The Group Nominating/Remuneration Committee also takes into account the Group's businesses and matches the capabilities and contribution expected for a particular appointment. In addition, the Fit and Proper Policy also outlines the following criteria for assessment of the suitability of the candidate for appointment:-

(i) Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind and fairness;
(ii) Competence and capability, where the candidate must have the skills, working experience, capability and commitment necessary to carry out the role; and
(iii) Financial integrity, where the candidate must manage his debts or financial affairs prudently.

The Directors are also annually assessed in accordance with the procedures set out in the Board Manual.

BOARD APPOINTMENTS AND SUCCESSION PLANNING OF KEY SENIOR MANAGEMENT (CONT'D)

The Company's Constitution requires all Directors to submit themselves for re-election by shareholders at the Annual General Meeting ("AGM") at least once in every three (3) years.

The Group Nominating/Remuneration Committee also oversees the succession planning of key senior management across the Group with a view to build and maintain senior leadership bench strength. Diversity at key senior management level is also taken into consideration.

BOARD CHARTER

A Board Charter was formalised and adopted by the Board on 21 November 2013 and was last reviewed on 27 March 2019. The Board Charter not only sets out the roles and responsibilities of the Board in accordance with applicable rules and regulations but also provides clear delineation of duties of the Chairman and individual Director. The Board Charter aims to promote ethical behaviour among the members and firmly inculcate good governance in the Board's undertakings. The Board Charter will be reviewed from time to time to ensure that it remains not only consistent with the corporate governance standards but also relevant to the Board's objectives and responsibilities.

A copy of the Board Charter is published in the Company's website at http://www.manulife.com.my.

DIRECTORS' TRAINING

The Directors have participated in conferences, seminars and training programmes to keep abreast with the development in the business environment, financial sector issues and challenges as well as the new regulatory and statutory requirements. Several members of the Board have participated in the Financial Institutions Directors Education ("FIDE") programme developed by Bank Negara Malaysia in collaboration with Perbadanan Insurans Deposit Malaysia and the ICLIF Executive Education Centre (formerly known as International Centre for Leadership in Finance). The programme is aimed at promoting high impact boards in the financial institutions.

The training programmes and seminars attended by the Directors during the financial year ended 31 December 2019 are, inter-alia, on areas relating to corporate governance, risk management, role of an effective Board, insurance, banking and finance. The conferences, seminars and training programmes attended by the Directors during the financial year ended 31 December 2019 are as follows:-

Name of Director	Training/Course Attended
Dato' Dr. Zaha Rina binti Zahari	Digital Economy and Capital Market Series: Financial Technology (Fintech), Artificial Intelligence (AI), Big Data and Internet of Things (IOTs) – Organised by CHK Consultancy Sdn Bhd
	Financial Master Class – Current Issues and Trends that Affect Our Capital Market, Economic, Daily Financial Practice and Investment Decision
	Invest Malaysia 2019: The Capital Market Forum
	Tropical Basic Offshore Safety Induction and Emergency Training (BOSIET) and Travel Safety by Boat (OPITO approved)
	Basic Hydrogen Sulphide Training
	Anti-Bribery Management Systems ISO37001:2016 – Conducted by SIRIM STS Sdn Bhd
Datuk Seri Panglima Mohd Annuar bin Zaini	Anti-Money Laundering/Counter Financing of Terrorism – Insurance & Takaful Sector
	MFRS 17: Understanding its impact and consequences
	Understanding Fintech and Its Implications for Insurance Companies

DIRECTORS' TRAINING (CONT'D)

Name of Director	Training Attended
Mr. Lim Hun Soon @ David Lim	FIDE FORUM: Building an Effective Board - Board Selection
	FIDE FORUM: Reading the Signs: The next financial crisis and its potential impact on Asia
	Half day talk on Cryptocurrency & Blockchain
	Dinner Talk – Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions
	BNM-FIDE FORUM: Dialogue with the Deputy Governor on the draft Risk Management in Technology (RMiT) Policy
	Understanding the Evolving Cybersecurity Landscape
	IIC-SIDC Governance Convention 2019: Rising Beyond Principles and Policies
Mr. Lee Sang Hui	Mandatory Accreditation Programme
	Capital Market Director Programme for Fund Management (Modules 1,2B, 3 & 4)
	CNBC Managing Asia: Sustainable Entrepreneurship
	The Financial Institutions Directors' Education (FIDE) Core Programme Module A: Insurance
	Executive Financial Planning Accelerated Program
	The Financial Institutions Directors' Education (FIDE) Core Programme Module B: Insurance
Mrs. Vijayam Nadarajah (appointed on 19 April 2019)	FIDE FORUM: Building an Effective Board - Board Selection
	The Financial Institutions Directors' Education Programme (FIDE) Core Programme Modules A and B by ICLIF Leadership and Governance Center
	Reading the Signs: The Next Financial Crisis and Potential Impact on Asia by FIDE FORUM
	Dinner Talk – Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions by FIDE FORUM
	Audit Committee Conference 2019 by Malaysian Institute of Accountants
	FIDE FORUM: Rethinking Strategy
	2nd PIDM-FIDE FORUM Annual Dialogue with the CEO of PIDM
	FIDE FORUM: Artificial Intelligence and its role in Financial Institutions
	FIDE FORUM-ISRA: Value Based Intermediation – Director's Role
	BNM-FIDE FORUM Dialogue: Key Aspects of Fintech and Regulation
	FIDE FORUM: Digital To The Core
	ICDM International Directors Summit 2019
	Leadership in a Disruptive World by FIDE FORUM
	Securities Commission Malaysia's Audit Oversight Board Conversation With Audit Committees
	Raising Defences: Section 17A, MACC Act by FIDE FORUM
Mr. Matthew Edward Lawrence (appointed on 1 January 2020)	Mr. Matthew Edward Lawrence was appointed to the Board on 1 January 2020.
Mr. Kenneth Joseph Rappold Jr. (resigned on 31 December 2019)	Mandatory Accreditation Programme

The Board will continue to undergo other relevant training programmes and seminars to ensure that they remain well-equipped with the relevant knowledge as well as emergent strategic directions and ideas to discharge their duties effectively.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The remuneration of the Directors for the financial year ended 31 December 2019 is set out below:-

	Fees (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Retirements benefits contribution (RM'000)	Benefits -in-kind (RM'000)	RSU expenses (RM'000)	Others (RM'000)	Totals (RM'000)
COMPANY								
Executive								
Mr. Lee Sang Hui	-	391	51	41	16	-	102	601
Non-Executive								
Dato' Dr. Zaha Rina binti Zahari	124	-	-	-	-	-	-	124
Datuk Seri Panglima Mohd Annuar bin Zaini	81	-	-	-	-	-	-	81
Mr. Lim Hun Soon @ David Lim	86	-	-	-	-	-	-	86
Mrs. Vijayam Nadarajah	61	-	-	-	-	-	-	61
Mr. Matthew Edward Lawrence	-	-	-	-	-	-	-	-
Mr. Kenneth Joseph Rappold Jr.	75	-	-	-	-	-	-	75
GROUP								
Executive								
Mr. Lee Sang Hui	-	1,955	256	204	80	-	508	3,003
Non-Executive								
Dato' Dr. Zaha Rina binti Zahari	168	-	-	-	-	-	-	168
Datuk Seri Panglima Mohd Annuar bin Zaini	202	-	-	-	-	-	-	202
Mr. Lim Hun Soon @ David Lim	183	-	-	-	-	-	-	183
Mrs. Vijayam Nadarajah	133	-	-	-	-	-	-	133
Mr. Matthew Edward Lawrence	-	-	-	-	-	-	-	-
Mr. Kenneth Joseph Rappold Jr.	75	-	-	-	-	-	-	75

The level of remuneration of the Directors is linked to their level of responsibilities and contributions to the overall effective functioning of the Board. The remuneration of the Board is reviewed annually by the Group Nominating/Remuneration Committee.

The Board has in place policies and procedures to determine the remuneration of its Directors as well as its senior management that take into account the demands, complexities and performance of the Group as well as skills and experience required, and these are periodically reviewed. An explanation on the principles and practice of remuneration is available on the Company's website at http://www.manulife.com.my, and the Board deems this explanation is sufficient disclosure of the Group's policies and procedures.

The Board has further deliberated and taken the decision not to disclose its senior management's remuneration as it deems disclosing this sensitive information will put the Group at a competitive disadvantage.

DIRECTORS' INDEPENDENCE

The Board has initiated an annual assessment on the independence of each of the Independent Non-Executive Directors via the Return on Director's Independence based on a set of criteria as per the Practice Note 13 of the Listing Requirements and adopted by the Group Nominating/Remuneration Committee. The same assessment criteria would be used whenever new Independent Non-Executive Directors are appointed to the Board.

As at 31 December 2019, none of the Independent Directors has served as an Independent Non-Executive Directors for more than nine (9) years.

SHAREHOLDERS' COMMUNICATIONS AND INVESTOR RELATIONS POLICY

The Board believes in clear and timely communication with its shareholders. In addition to the various announcements and press releases made during the financial year, the Annual Report and the quarterly financial results provide shareholders and the general public with an overview of the Group's business activities and performance.

The Company has been using the AGM as a means of communication with its shareholders. The Board encourages participation from shareholders by having question and answer sessions during the AGM where members of the Board as well as Management and the external auditors are available to answer questions raised at the AGM. All resolutions are put to vote on a poll as per the Listing Requirements. In addition to AGM, the Company also expeditiously addresses enquiries from shareholders from time to time.

The Group also conducts regular briefings for fund managers and analysts to update them on the Group's progress towards meeting its business objectives. In addition, the Group has established a website at www.manulife.com.my which shareholders can access for information.

The Company advocates the principle of confidentiality in its Code of Business Conduct and Ethics to ensure that confidential information is properly handled by Directors and employees to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced to Bursa Malaysia Securities immediately.

CORPORATE DISCLOSURE

The Board maintains strict confidentiality and employs best efforts to ensure that no disclosure of material information is made selectively to any individual. The Board is advised by Management, the Company Secretaries and the external and internal auditors on the contents and timing of disclosure requirements of the Listing Requirements on the financial results and various announcements.

FINANCIAL REPORTING

In presenting the annual financial statements and quarterly announcements to shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. This also applies to reports to regulators.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board is required by the Companies Act, 2016 to prepare financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year then ended.

In preparing the financial statements, the Board has:-

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence in the foreseeable future.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS (CONT'D)

The Board has the responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 2016.

The Board has overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

RELATIONSHIP WITH AUDITORS

The Group Audit Committee meeting held on 24 February 2020 undertook an annual assessment of suitability and independence of the external auditors. In its assessment, the Group Audit Committee considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of Messrs. Ernst & Young PLT ("EY") and the level of non-audit services to be rendered by EY to the Company for the financial year 2019. Being satisfied with EY's performance, technical competency and audit independence, the Group Audit Committee recommended the re-appointment of EY as external auditors for the financial year ending 31 December 2020. The Board at its meeting held on 26 February 2020 approved the Group Audit Committee's recommendation for the shareholders' approval to be sought at the Forty-Fourth AGM on the re-appointment of EY as external auditors of the Company for the financial year 2020.

The Group Audit Committee meets with the external auditors at least twice (2) a year to discuss their audit plan, audit findings and the Company's financial statements without the presence of any Executive Director or member of the Management team.

The Board has a formal and transparent arrangement for maintaining an appropriate relationship with the Group's external auditors. Policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors are established by the Group Audit Committee. The Group Audit Committee also monitors the independence and qualification of external auditors and obtains written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

RECOGNISE AND MANAGE RISK

The Statement on Risk Management and Internal Control, set out on pages 63 to 66 of the Annual Report provides an overview of the management of risks and state of internal controls within the Group.

INTERNAL AUDIT FUNCTION

The Internal Audit Department carries out the internal audit function and reports directly to the Group Audit Committee. The details of the internal audit function are set out on pages 75 to 76 of the Annual Report.

CORPORATE GOVERNANCE REPORT

This Report is published in the Company's website at http://www.manulife.com.my.

This statement is in accordance with a resolution of the Board dated 26 February 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2019

BOARD'S RESPONSIBILITY

The Board of Directors ("the Board") affirms its overall responsibility for Manulife Holdings Berhad and its subsidiary companies' ("the Group") system of internal controls and risk management practices, and for reviewing the adequacy and integrity of these systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and, accordingly, they can only provide reasonable, and not absolute assurance against material mis-statement or loss.

The Group adopts an enterprise risk management framework whereby enterprise risk taking activities are undertaken with the understanding that risk taking and effective risk management are necessary and integral to achieve strategic objectives and manage business operations to support long term revenue, earnings and shareholders' value growth.

To this end, the Enterprise Risk Policy of the Group ("the Policy") governs all risk taking and risk management activities in the Group, including risk appetite, risk management accountabilities and risk taking authorities, risk identification, risk measurement and assessment, risk monitoring and reporting, and risk control and mitigation. The Policy further facilitates the ongoing process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of the Group's business objectives throughout the year under review and up to the date of this report. This process is regularly reviewed by the Board to ascertain adequacy and effectiveness of risk management and internal controls.

Management assists and provides assurance to the Board via the Group Audit Committee ("the GAC") and the Group Risk Management Committee ("the GRMC") on the implementation of the policies and procedures on risk management and internal control through the implementation of periodic reporting, which contains sufficient information to satisfy them that the Group is in compliance with its risk management policies by identifying, measuring and evaluating the enterprise risk taking activities undertaken to achieve the strategic objectives and managing business operations.

KEY INTERNAL CONTROLS AND RISK MANAGEMENT PROCESSES

Enterprise Risk Management Framework

The Group has a strong risk management culture which supports its risk management practices. Overall, the Group's Board of Directors is accountable for the oversight of risk management, and delegates this through a governance framework which is centered on the 3 lines of defence model and that includes risk oversight committees, risk managers and risk policies and practices.

The Board provides stewardship and Management oversight to ensure that the Management is qualified and competent. Organisational and procedural controls, and policies and procedures for major activities are reviewed, approved and monitored on a periodic basis.

Senior management directs and oversees the effective management of the Group's institutional operations, which includes developing business objectives, strategies, plans, organisational structure and controls and policies for the Board's review and approval. Senior Management executes and monitors the achievement of the Board approved business objectives, strategies, and plans, the effectiveness of the organisational structure and controls and corporate governance practices, culture and ethics.

The GRMC meets at least quarterly to review both the key risks identified by Management and plans for the mitigation of these risks. The key risk areas examined are strategic risk, insurance risk, market and liquidity risk, credit risk and operational risk. A formalised risk assessment is conducted quarterly by the respective risk managers, comprising the heads of business units. For the key risks identified, Management action plans are formulated and implemented. The results of the risk assessments are reviewed by the Enterprise Risk Management ("ERM") Committee before they are reported to the Board via the GRMC, to ensure that the risk management monitoring is independent.

There is a clearly defined assignment of responsibilities to the Committees of the Board and to Management to provide oversight and governance over the Group's activities. The Board, through its GAC and GRMC, is responsible for overseeing the Group's management of its principal risks. The Group Chief Executive officer ("CEO') is directly accountable to the Board for the Group's risk-taking activities and risk management practices. The Board and GRMC delegate accountability for risk taking and risk management to the Group CEO. The Group CEO, supported by the Risk Officers and ERM establish risk policies, guide risk-taking activity, monitor material risk exposures, and develop strategic risk management priorities, thereby continuously shaping and promoting our risk culture throughout the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2019

Internal Audit Services Function

The Charter for Audit Services – Malaysia ("AS-Malaysia") is subject to review and approval by the GAC and Board respectively annually.

The scope of Audit Services Asia - Malaysia' work encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee and Senior Management on the adequacy and effectiveness of Manulife's governance, risk management and internal control processes. Internal audit assessments include evaluating:

- The comprehensiveness, reliability, and integrity of financial and operating information, and the means used to identify, measure, analyse, classify, and report such information;
- The comprehensiveness and appropriateness of policies and procedures;
- The processes that ensure compliance with policies, procedures, laws, and regulations that could have a significant impact on operations, management or financial reporting;
- The means of safeguarding assets against accident, theft, malicious damage or other improper or illegal activities;
- The appropriateness and comprehensiveness of operating standards, the extent to which they are communicated and understood, and whether deviations from standards are identified analysed and communicated; and corrective action taken; and
- Consultation and other services related to audit expertise as needs arise.

The annual audit plan is primarily driven by an independent assessment of inherent risk of the common units across the company and includes consideration of external information published by industry groups, and input from management, Committee GAC members, regulators and other stakeholders. The objective of the inherent risk assessment exercise is to focus annual activity on the most important risks faced by Manulife while providing appropriate audit coverage over other areas over time. The progress of the internal audit plan, a summary of internal audit issues and the status of corrective actions performed to address the internal audit issues are reported to the GAC when it meets.

The GAC reviews audit issues concerning governance, internal controls and risk management as identified by AS-Malaysia, external auditors and regulatory examiners. The GAC annually reviews and approves the internal audit plan and budget to ensure the AS-Malaysia's function operates effectively. The GAC meets at least quarterly to review the internal audit reports tabled by AS-Malaysia. Also, the GAC has active oversight on AS-Malaysia's independence and objectivity in relation to their scope of work.

Other Key Internal Controls

There is a detailed and formalised annual business and budget planning process to ensure that the Group's business objectives are clearly defined. The Board reviews and approves the Group's business plans. Comprehensive management reports are submitted to the Board as and when it meets throughout the year. The Board monitors the Group's performance closely and Management promptly follows up on any variances identified.

For Manulife Insurance Berhad,

An annual review of the current and future financial position of the Group's insurance business is performed by the Appointed Actuary ("AA"), as guided by Policy document issued by Bank Negara Malaysia's (BNM/RH/GL/003-17) Financial Condition Report and (BNM/RH/GL/032-12) Risk Based Capital Framework for Insurers. These include annual assessment on various aspects of the Company's financial condition, quarterly Capital Adequacy Ratio reporting, annual multi-period stress testing and assessing the Group's insurance business' ability to withstand various adverse scenarios as part of the capital assessment procedures. Generally the appointment and duties of the AA is in accordance with BNM/RH/STD 029-5 - Appointed Actuary: "Appointment and Duties".

For Manulife Insurance Labuan Limited,

An annual review of the current and expected future financial position of the Manulife Insurance Labuan Limited's insurance business is performed by the Appointed Actuary ("AA"), as guided by policy document issued by Labuan Financial Services Authority's 'Guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business' (the Guidelines). Generally the appointment and duties of the AA is in accordance with Section 7.0 Appointed Actuary Requirements of the Guidelines.

For Manulife Insurance Labuan Limited, (Cont'd)

The risk and compliance culture of the Group is driven with a strong tone from the top, complemented by the tone from the middle, to embed the expected values and principles of conduct that shape the behaviour and attitude of staff across the Group. Policies and internal standard operating procedures are clearly defined, consistently communicated and continuously reinforced, to embed a culture that cultivates active identification, assessment and mitigation of risk as part of the responsibility of all staff across the Group. As part of the risk and compliance culture, the Group has instilled a compliance culture where the Board, senior management and every employee of the Group is committed to adhere to the requirement of relevant laws, rules, regulations and regulatory guidelines.

The Board recognizes that compliance function forms an integral part of Manulife Holding Berhad's (MHB)'s risk management and internal controls. The compliance function is to identify, assess, monitor the compliance risk of the entity and educate the business and support units to act in accordance with laws and regulations. In ensuring good governance, the Chief Compliance Officer has direct access to the Board with clear reporting lines to the extent permitted by the regulation.

As it is vital to have a robust and effective compliance framework in place, MHB has in place a Compliance Policy that is driven by the Compliance Department in managing compliance risk within the business. The Policy requires all entities within the group to adopt and implement the compliance policies and procedures which are reviewed on a periodic basis or as and when required to reflect current practices and the applicable regulatory requirements.

Using the Three Lines of Defence Model, all business and support unit are required to review and assess its established controls to ensure compliance to applicable laws and regulations. The compliance unit, as part of the second line of defence, will carry out scheduled compliance reviews on business and support units to assess the overall effectiveness of a business's compliance practices and protocols. The respective entity Boards, as well as the MHB's Board, are provided with compliance reports on a regular basis to facilitate the Boards having a holistic and overall view of all compliance matters across the company.

There are internal policies and procedures within the Group for recruitment, termination, rewards & benefits and promotion of staff including continuous training programmes and two (2) reviews conducted at mid-year and year end. In addition, other relevant procedures are in place to ensure that staff are competent, adequately trained in carrying out their roles and responsibilities and focused on achieving the desired results and business objectives. Talent Management review is conducted on an annual basis through a robust process via a Talent Review committee comprises of the CEO and Executive Management team. Succession planning is reviewed on an annual basis leveraging on outcomes of the annual talent review. Successors to key roles are identified in consultation with Senior Management team. Identified high potentials are reflected in the succession plans depending on the role, growth opportunity, personal aspirations and mobility. Several other key initiatives in helping the company in building high performing team include series of employee engagement and employee retention initiatives and continuous education of effective execution of performance management.

A comprehensive business continuity management programme is established and updated continuously to reflect changes in the operating environment to provide enterprise-wide planning and arrangements of key resources and procedures that enable the Group to respond to and continue to operate mission-critical business functions, while considering all functions across a broad spectrum of interruptions to the business arising from internal and external events. Various business continuity tests are performed on an annual basis and covering alternate site tests, table top exercises, call tree tests, integrated simulation disaster recovery tests, etc. Results of the tests performed are presented to the Board via the Group CEO reports for their review as part of its oversight role.

The Information Risk Management function has in place, an existing risk assessment process that covers cyber security risk. The assessment is guided by policies and standards in place, in areas such as network security, encryption standards (for data at rest and in transit), operational security, application security, vulnerability management and logical access control.

There are clearly documented authority limits, policies and procedures that underpin the internal control process, e.g. staff integrity, staff competency, checks and balances, segregation of duties, independent checks and verification processes, system access controls and layers of internal transaction authorisation, which are set out in the policies and procedural manuals, guidelines, and directives issued by the Group and its subsidiaries and updated from time to time.

Risk Policies in Place

The Group's Enterprise Risk Policy sets out the overall ERM framework by defining policies and standards of practice related to risk governance, risk identification, risk measurement, risk monitoring, risk control and mitigation. There are various key risk policies in place to guide specific risk taking and Management activities.

ASSURANCE FROM MANAGEMENT

The Board has received full assurance from the Group CEO and the Group CFO that the Group's risk management and internal control system is operating adequately and effectively, in all material respects, based on the risk management framework adopted by the Group.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer, nor is the Statement factually inaccurate. The external auditors are not required by AAPG 3 to consider, whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk management and control procedures.

CONCLUSION

Based on the above, the Board is of the view that the system of internal control and risk management is in place for the year under review, and up to the date of approval of the Statement, is sound and sufficient to safeguard the Group's assets, as well as the shareholders' investments, the interests of customers, regulators, employees and other stakeholders.

For this financial year under review, there were no material failures or adverse compliance events that have directly resulted in any material loss to the Group.

This Statement was made in accordance with a resolution of the Board of Directors dated 26 February 2020.

ADDITIONAL **COMPLIANCE INFORMATION**

1. Audit Fees and Non-Statutory Audit Fees

The audit fees and non-statutory audit fees for the Group and the Company paid to Messrs. Ernst & Young PLT, the External Auditors and its affiliated companies for the financial year ended 31 December 2019 are as follows:-

Services	Company (RM'000)	Group (RM'000)
Audit Fees	87	613
Non-statutory audit related services	52	107
Total	139	720

2. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and Major Shareholders' interests which are still subsisting as at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

3. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

At the Forty-Third Annual General Meeting ("**AGM**") of the Company held on 31 May 2019, the Company had obtained the Shareholders' Mandate to allow the Group to enter into RRPTs ("**Shareholders' Mandate**").

In accordance with Section 3.1.5 of Practice Note No. 12 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the details of the RRPTs conducted during the financial year ended 31 December 2019 pursuant to the Shareholders' Mandate are disclosed as follows:-

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Interested Related Party
1.	**Provision of various training, advisory and support services from Manulife Asia headquarters**	MHB Group	MFAL^	-	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
2.	**Delegation of fund management of foreign mandate portfolio**	MIMMB	MIMHK¤	-	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#

ADDITIONAL COMPLIANCE INFORMATION

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Interested Related Party
3.	**Marketing and client servicing support to clients/ potential clients seeking offshore investments**	MIMMB	MIMSP¤	-	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
4.	**Outsourcing of asset management subsidiary back office system**	MIMMB	MFC Group~	763	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
5.	**Provision for actuarial services provided by Manulife's Regional Office**	MIB	MFAL^	-	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
6.	**Outsourcing of human resource operations including payroll and back-office processing**	MHB	MFC Group~	380	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#

ADDITIONAL COMPLIANCE INFORMATION

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Interested Related Party
7.	**Provision of treasury system**	MHB Group	MFC Group~	-	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
8.	**Investment management/ advisory and other related services**	MAMSB	MAMSP¤	562	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
9.	**Investment management/ advisory and other related services**	MIMMB	MIMHK¤	1,172	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
10.	**Investment management/ advisory and other related services**	MIMMB	MIMUSø	391	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#

ADDITIONAL COMPLIANCE INFORMATION

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Interested Related Party
11.	**Accounting and finance support**	MIB	MFAL^	110	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
12.	**Provision of application system services and infrastructure support**	MHB Group	MFAL^	6,434	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
13.	**Investment management**	MILL	HCIMø	-	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
14.	**Manulife Centre of Excellence (COE) – Operations and information technology support services**	MIMMB	MFAL^	(438)	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Interested Related Party
15.	**Outsourcing of forex hedging services in respect of foreign currency exposure**	MIB	MFC Group~	-	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
16.	**Provision of trade matching and settlement services**	MIMMB	MIMHK¤	-	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
17.	**Provision of regional reinsurance administrative services**	MILL	MFAL^	7	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
18.	**Provision of reinsurance premium**	MILL	MIL Bermuda^^	43	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#

ADDITIONAL COMPLIANCE INFORMATION

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Interested Related Party
19.	**Provision of social media operational support services**	MIMMB	MDSI#	68	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#
20.	**Provision of back office support for staff claims**	MHB Group	MFAL^	-	Interested Director* • Matthew Edward Lawrence (became interested Director with effect from 1 January 2020) • Kenneth Joseph Rappold Jr. (ceased as Interested Director with effect from 31 December 2019) Interested Major Shareholders • MFC~ • MLIC • MFAL^ • MHBL> • MCHN#

Denote:

HCIM	-	Hancock Capital Investment Management LLC
MIMMB	-	Manulife Investment Management (M) Berhad
MCHN	-	Manulife Century Holdings (Netherlands) B.V.
MFC	-	Manulife Financial Corporation
MFC Group	-	MFC, its subsidiaries and associate companies
MFAL	-	Manulife Financial Asia Limited
MHB	-	Manulife Holdings Berhad
MHB Group	-	MHB, its subsidiaries and associate companies
MHBL	-	Manulife Holdings (Bermuda) Limited
MIB	-	Manulife Insurance Berhad
MLIC	-	The Manufacturers Life Insurance Company
MIMHK	-	Manulife Investment Management (Hong Kong) Limited
MIMSP	-	Manulife Investment Management (Singapore) Pte. Ltd
MIMUS	-	Manulife Investment Management (US) LLC
MILL	-	Manulife Insurance Labuan Limited
MILHK	-	Manulife International Limited (HK)
Manulife Singapore	-	Manulife (Singapore) Private Limited

Notes:

* Representing MCHN to the Board.
\# MCHN's ultimate holding company is MLIC.
~ MFC is the holding company of MLIC.
ø MLIC is the ultimate holding company of MIMUS and HCIM.
¤ MFC is the ultimate holding company of MIMHK and MIMSP.
^ MFAL is the holding company of MCHN and Manulife Singapore.
> MHBL is the holding company of MFAL.

GROUP
AUDIT COMMITTEE REPORT

I. COMPOSITION OF THE GROUP AUDIT COMMITTEE

Mr. Lim Hun Soon @ David Lim *(Independent Non-Executive Director) (Chairman)*
Datuk Seri Panglima Mohd Annuar bin Zaini *(Independent Non-Executive Director)*
Mrs. Vijayam Nadarajah *(Independent Non-Executive Director) (appointed w.e.f. 19 April 2019)*
Mr. Matthew Edward Lawrence *(Non-Independent Non-Executive Director) (appointed w.e.f. 1 January 2020)*
Mr. Kenneth Joseph Rappold Jr. *(Non-Independent Non-Executive Director) (resigned w.e.f. 31 December 2019)*

The details of attendance of each member at the Group Audit Committee meetings held during the year 2019 are as follows:-

Name of Group Audit Committee member	Attendance
Mr. Lim Hun Soon @ David Lim	5 out of 5
Datuk Seri Panglima Mohd Annuar bin Zaini	5 out of 5
Mrs. Vijayam Nadarajah *(appointed w.e.f. 19 April 2019)*	3 out of 3
Mr. Matthew Edward Lawrence *(appointed w.e.f. 1 January 2020)*	0 out of 0
Mr. Kenneth Joseph Rappold Jr. *(resigned w.e.f. 31 December 2019)*	2 out of 5

II. MEETINGS

The Group Audit Committee had five (5) meetings during the year and the details of attendance of each member are stated above. Upon invitation, the Group Chief Executive Officer and members of Senior Management attended all the meetings.

The Group Audit Committee had met up with the External Auditors without the presence of the Executive Board members and employees of the Company twice during the financial year.

III. SUMMARY OF ACTIVITIES

The Group Audit Committee's activities during the year 2019 comprised the following:-

1.1. Financial Reporting

(a) In overseeing Manulife's financial reporting, the Group Audit Committee reviewed the quarterly financial statements for the fourth quarter of 2018 and the Annual Audited Financial Statements of 2018 at its meetings on 20 February 2019 and 18 March 2019 respectively. The quarterly financial statements for the first, second and third quarters of 2019, which were prepared in compliance with the Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting and International Financial Reporting Standard ("IFRS"), were reviewed at the Group Audit Committee meetings on 23 May 2019, 16 August 2019 and 14 November 2019 respectively. All the Group Audit Committee's recommendations were presented for approval at the subsequent Board of Directors' meetings.

(b) To safeguard the integrity of information, the Group Chief Financial Officer had given assurance to the Group Audit Committee that:

i. Appropriate accounting policies had been adopted and applied consistently;
ii. The going concern basis applied in the Annual Audited Financial Statements and Condensed Consolidated Interim Financial Statements was appropriate;
iii. Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs and IFRSs;
iv. Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs;
v. The Annual Audited Financial Statements and Condensed Consolidated Interim Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Company and its subsidiaries ("Manulife Group") and of their financial performance and cash flows for the financial year and period ended in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia, where required.

(c) On 16 August 2019, the Group Audit Committee noted the Review Report on the Condensed Consolidated Interim Financial Information of the Company for the six (6)-month financial period ended 30 June 2019 and Manulife Group's 2019 audit plan presented by the External Auditors, Messrs. Ernst & Young PLT ("EY").

III. SUMMARY OF ACTIVITIES (CONT'D)

1.2 Related Party Transactions

The Group Audit Committee reviewed and verified the related party transactions and conflicts of interest entered into by the Manulife Group and recommended the same to the Board of Directors for review.

1.3 External Audit

Meeting with the External Auditors

On 20 February 2019, the External Auditors presented their Audit Results for 2018 and discussed significant audit matters with the Group Audit Committee. The finalised audit fees for year 2018 was also presented in the Audit Results and deliberated by the Group Audit Committee. In addition, the External Auditors also confirmed to the Group Audit Committee that in accordance with relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2018.

The Group Audit Committee deliberated the Audit Results for 2018 and Management Letter Report for the financial year ended 31 December 2018 during the Group Audit Committee meetings held on 20 February 2019 and 18 March 2019 respectively. During these meetings, the Group Audit Committee together with the External Auditors discussed the audit results and recommendations to improve the accounting procedures and internal control measures in relation to the financial year ended 31 December 2018.

On 16 August 2019, the Group Audit Committee reviewed the list of services for the financial year 2019 presented by EY in the Audit Plan 2019 which comprised audit and audit related services and other services. In considering the nature and scope of services to be provided, the Group Audit Committee was satisfied that those services were not likely to neither create any conflicts of interest nor impair the independence and objectivity of the External Auditors. In the same meeting, the External Auditors also highlighted the areas of audit emphasis for the audit for the financial year 2019. The External Auditors also presented the review report and review results arising from the limited review performed on the quarterly financial statements for the second quarter of 2019 prior to the announcement of the half yearly financial results during the same meeting.

Annual Evaluation and Review of Independence of External Auditors

Mr. Ahmad Hammami Muhyidin and Ms. Ng Sue Ean became the lead audit engagement partner and the audit concurring partner respectively in 2018 and both of them will be rotated off the audit after the 2022 year-end audit. There is a rotation policy of audit partners within the External Auditors team, which is guided by regulatory requirements.

In this respect, the Group Audit Committee carries out an annual review of the performance of the External Auditors, including assessment of their independence in performing their obligations. Based on the annual evaluation of their performance and audit fees conducted by the Group Audit Committee on 20 February 2019, the Group Audit Committee was satisfied with the External Auditors' technical competency and independence for 2018.

Being satisfied with EY's performance, technical competency and audit independence, the Group Audit Committee recommended to the Board for approval of the re-appointment of EY as External Auditors for the financial year ended 31 December 2019 on 20 February 2019.

Auditors' remuneration is disclosed in note 27 to the financial statements.

III. SUMMARY OF ACTIVITIES (CONT'D)

1.4. Oversight of Internal Audit

The Group Audit Committee reviewed the quarterly report presented by the Internal Audit Department during the Group Audit Committee meeting. The quarterly report include highlights of key audit activities, status of audits, updates on progress of annual audit plan and key audit issues.

Annually, the Group Audit Committee also reviewed and approved, where applicable, the annual audit plan and budget, revision to audit charter, performance appraisal of the Head of Internal Audit and assessment of the Internal Audit Department. The areas being assessed were:

(a) Level of understanding of its accountability to and expectations of the Group Audit Committee as well as Manulife Group;
(b) Annual review of internal audit charter;
(c) Competency of Internal Audit staff in regards to educational qualification and professional experience, specialist skills and continuing education programme;
(d) Level of independence of Internal Audit staff;
(e) Administration such as attendance in Group Audit Committee meetings and other related meetings, timeliness and quality of audit report, updating to the Group Audit Committee on key audit activities and changes to annual audit plan, assistance and support provided to the Group Audit Committee and follow-up on outstanding audit issues; and
(f) Quality and achievement of annual audit plan.

The assessment was conducted based on review of the audit charter, organisational chart, self-assessment by the Internal Audit Department, qualifications and experiences records of the Internal Audit staff, staff turnover record which includes reasons for leaving and impact to the Internal Audit Department, training records, audit plan and its achievement, issues follow-up process, customers survey based on responses from auditees and Management evaluation.

For the year 2019, the Group Audit Committee assessed the overall performance of the Internal Audit Department to be strong.

IV. GROUP INTERNAL AUDIT FUNCTION

The Group has a well-established Internal Audit Department known as Audit Services – Malaysia ("AS-Malaysia"), which reports directly to the Group Audit Committee. AS-Malaysia comprises six (6) personnel, and is headed by Mr. Vincent Wong. Mr. Vincent Wong was appointed as the acting Head of AS-Malaysia effective 2 January 2020 and has accumulated more than 12 years' of experience in both external and internal audit. He graduates from Multimedia University, Malaysia with a Bachelor of Accountancy degree. The mandate of AS-Malaysia is to provide independent, objective assurance and consulting services of sufficient scope to add value, improve the operations of the Company, and enable the Board of Directors to satisfy its fiduciary and legal responsibilities. Accordingly, all AS-Malaysia personnel are free from any relationships or conflicts of interest which could impair their objectivity and independence. In addition, the Regional Audit Services Asia team also provides oversight and supports to ensure that AS-Malaysia is staffed and operated to ensure that is consistent with Manulife's values, in accordance with the code of conduct as well as the other mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing.

The Group Audit Committee approves the following year's AS-Malaysia risk-based Internal Audit plan, independence, structure, resources and budget during the last Group Audit Committee meeting each year. Any subsequent significant changes to the audit plan will be submitted to the Group Audit Committee for approval and any resource limitations that impact Manulife Group's internal audit activities are communicated. The Group Audit Committee will also review the skills and qualification of the AS-Malaysia team during the year.

IV. GROUP INTERNAL AUDIT FUNCTION (CONT'D)

The scope of AS-Malaysia covers the audits of all units and operations of the Manulife Group. The annual audit plan is primarily driven by an independent assessment of inherent risk of the common units (i.e. business or functional unit most relevant to senior leaders, the 3 Lines of Defense, Board and Regulators) across the Company. The objective of the risk assessment exercise is to focus annual activity on the most important risks faced by the Company while providing appropriate audit coverage over other areas over time. While still very much risk-based, AS-Malaysia does have a cycle element to its coverage methodology whereby AS-Malaysia targets to cover key elements (i.e. auditable entities) of highest risk units within two (2) years, medium risk over three (3) to five (5) years, and low risk units on a five (5)+ year cycle (or alternate procedures). The key areas reviewed in 2019 covered the following:

1. Anti-Money Laundering and Anti-Terrorism Financing;
2. Insurance Premium:
3. Bancassurance Sales, Marketing and Distribution Management; and
4. Malaysia Data Management and Management Information System Framework.

The scope of AS-Malaysia's work encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Group Audit Committee and Senior Management on the adequacy and effectiveness of the Company's governance, risk management and internal control processes. Internal audit assessments include evaluating:

- The comprehensiveness, reliability, and integrity of financial and operating information, and the means used to identify, measure, analyse, classify, and report such information;
- The comprehensiveness and appropriateness of policies and procedures;
- The processes that ensure compliance with policies, procedures, laws, and regulations that could have a significant impact on operations, management or financial reporting;
- The means of safeguarding assets against accident, theft, malicious damage or other improper or illegal activities;
- The appropriateness and comprehensiveness of operating standards, the extent to which they are communicated and understood, and whether deviations from standards are identified, analysed and communicated; and corrective action taken; and
- Consultation and other services related to audit expertise as needs arise.

The Group Audit Committee receives a detailed audit report after the completion of each audit assignment from AS-Malaysia. AS-Malaysia summarises the audit findings for deliberation at each meeting of the Group Audit Committee together with an update on Management's actions taken to-date pertaining to the audit findings reported. AS-Malaysia also follows up and reports to the Group Audit Committee on Management's actions taken pertaining to any audit findings applicable to Manulife Group which were reported by the Regional Auditors.

A number of internal control weaknesses were identified during the year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the annual report.

The total costs incurred in managing internal audit activities for Manulife Group in year 2019 were RM573,567 (2018: RM760,723).

FINANCIAL STATEMENTS

DIRECTORS' **REPORT**

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is engaged principally in investment holding whilst the principal activities and other information of the subsidiaries are as stated in note 7 to the financial statements.

There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year, other than as disclosed in note 7 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to:		
Owners of the Company	26,134	7,353
Non-controlling interests	11	-
	26,145	7,353

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single-tier dividend of 7.0 sen per share amounting to RM14,165,900 for the financial year ended 31 December 2018.

The directors recommend the payment of a first and final dividend of 7.0 sen per share, amounting to RM14,165,900 for the financial year ended 31 December 2019, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

Material transfers to or from reserves and provisions during the financial year are as disclosed in the financial statements.

SHARE CAPITAL

There were no changes in the issued share capital of the Company during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts, and satisfied themselves that there were no known bad debts to be written off and that adequate allowance for impairment losses had been made.

At the date of this report, the directors are not aware of any circumstances that would render it necessary to write off any bad debts or the amount of allowance for impairment losses in the financial statements of the Group and the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that any current assets, which were unlikely to realise their values as shown in the accounting records of the Group and the Company in the ordinary course of business, have been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Group and the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and the Company to meet their obligations when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events during the financial year are as follows:

(i) British American Investments Pte. Ltd., a wholly-owned subsidiary of the Group, was liquidated on 2 March 2020.

(ii) The e-Software House Sdn. Bhd., a dormant subsidiary of the Group, had on 12 November 2019 been placed under Members' Voluntary Winding Up. The affairs and conduct of the subsidiary is now placed under the control of the Liquidator who will manage the entire process of liquidation. The winding up have no material impact on the financial results on the Group for the financial year ended 31 December 2019.

(iii) The Company had on 27 November 2019 and 30 December 2019 subscribed for additional 1,400,000 and 2,600,000 ordinary shares at an issue price of USD1.00 each, respectively in the capital of Manulife Insurance Labuan Limited ("MILL"), a wholly-owned subsidiary of the Company.

(iv) The Company had on 30 September 2019 subscribed for additional 50,000,000 ordinary shares at an issue price of RM1.00 each in the capital of Manulife Insurance Berhad ("MIB"), a wholly-owned subsidiary of the Company.

PROVISION OF INSURANCE LIABILITIES

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities of the Group's insurance subsidiaries, in accordance with the valuation methods specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia and guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business by Labuan Financial Services Authority.

DIRECTORS

The directors who have held office during the financial year to the date of this report are:

Dato' Dr. Zaha Rina binti Zahari
Datuk Seri Panglima Mohd Annuar bin Zaini
Lim Hun Soon @ David Lim
Lee Sang Hui
Vijayam Nadarajah (appointed on 19 April 2019)
Matthew Edward Lawrence (appointed on 1 January 2020)
Kenneth Joseph Rappold Jr. (resigned on 31 December 2019)

In accordance with Clause 123 of the Company's Constitution, Dato' Dr. Zaha Rina binti Zahari and Mr. Lim Hun Soon @ David Lim shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Clause 106 of the Company's Constitution, Mr. Matthew Edward Lawrence shall retire at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

Other than the Directors of the Company listed above, the following is a list of Directors who held office in the subsidiaries of the Company during the year to the date of this report:

Dato' Md Agil bin Mohd Natt
Wong Boon Choy
Swee Leng Edmond Cheah
Jason Chong Soon Min
Gianni Fiacco
Jasbender Kaur a/p Mehar Singh
Tham Kok Yoke
Lu Kee Hong
Justin David Helferich (resigned on 1 March 2020)
John Delford Allan Parker (resigned on 11 April 2019)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits disclosed as directors' remuneration and benefits in note 34 to the financial statements) by reason of a contract made by the Company or a related company with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the Executive Stock Option Plan of the ultimate holding company.

DIRECTORS' INTERESTS

No directors in office at the end of the financial year held any interest in the shares of the Company or its related corporations during the financial year.

INDEMNITY AND INSURANCE

During the financial year, the indemnity given or insurance effected for any directors and officers of the Group and Company amounts to RM42,500,000 in aggregate with total annual premium of RM213,100 and RM17,920 respectively.

There were no indemnity given to, or insurance effected for auditors of the Group and Company during the financial year.

HOLDING COMPANIES

The directors regard Manulife Century Holdings (Netherlands) BV, a company incorporated in Netherlands, as the Company's immediate holding company, and Manulife Financial Corporation, a corporation incorporated in Canada, as the ultimate holding company.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is disclosed in note 27 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 March 2020.

DATO' DR. ZAHA RINA BINTI ZAHARI
CHAIRMAN

LEE SANG HUI
DIRECTOR

Kuala Lumpur, Malaysia

STATEMENT BY **DIRECTORS**

PURSUANT TO SECTION 251(2) AND SECTION 251(3) OF THE COMPANIES ACT 2016

We, Dato' Dr. Zaha Rina binti Zahari and Lee Sang Hui, being two of the directors of Manulife Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 88 to 196 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 March 2020.

DATO' DR. ZAHA RINA BINTI ZAHARI
CHAIRMAN

LEE SANG HUI
DIRECTOR

Kuala Lumpur, Malaysia

STATUTORY **DECLARATION**

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, Tham Kok Yoke (MIA Membership No: 17299), being the officer primarily responsible for the financial management of Manulife Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 88 to 196 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

THAM KOK YOKE

Subscribed and solemnly declared by the abovenamed Tham Kok Yoke at Kuala Lumpur in Malaysia on 4 May 2020, before me.

COMMISSIONER FOR OATHS
WOON MEE CHIN
No.: W538

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF MANULIFE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Manulife Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of profit or loss and statements of total comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 88 to 196.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

1. Insurance Contract Liabilities of the Group

   The Group's insurance contract liabilities as at 31 December 2019 amounted to RM4.22 billion (as disclosed in Note 15 to the financial statements) or approximately 82% of its total liabilities. These long-term liabilities represent the Group's obligations to policyholders of its insurance subsidiaries, Manulife Insurance Berhad and Manulife Insurance Labuan Limited, and mainly consists of actuarial liabilities and investment-linked policyholders' account.

   The actuarial liabilities amounted to RM2.82 billion and has been estimated based on standard actuarial valuation models used in the insurance industry and considering the requirements stipulated under the Risk-based Capital Framework issued by Bank Negara Malaysia and the Guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business issued by Labuan Financial Services Authority as well as the accounting policy described in Note 2(z) to the financial statements. The investment-linked policyholders' account amounted to RM1.35 billion and represents the Net Asset Value of the investment-linked funds managed by the insurance subsidiary, and is recognised in accordance with the accounting policy described in Note 2(z) to the financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

1. Insurance Contract Liabilities of the Group (continued)

   The complexity of the actuarial valuation models applied to derive the actuarial liabilities may give rise to estimation errors as a result of inadequate or incomplete data, the design and application of the relevant models by the management's expert (i.e. the Appointed Actuary) and the use of inappropriate assumptions. Economic and non-economic assumptions used such as investment yields, discount rates, policyholders' bonus/dividends, expense, mortality/morbidity, critical illnesses and surrenders/lapsation are some of the key inputs used in the valuation models to estimate the actuarial liabilities. Significant professional judgement is applied by the Group in deriving the assumptions (as described in Note 3 to the financial statements) and any significant changes thereon may have a material effect on the insurance contract liabilities.

   We have engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620 : Reliance on the Work of an Auditors' Expert to assist us in performing certain audit procedures on the actuarial liabilities of the Group.

   Our audit procedures were focused on the following key areas:

   - Understanding and documenting the qualifications, objectivity and independence of the Appointed Actuary tasked with estimating the actuarial liabilities of the insurance subsidiaries;

   - Assessing the valuation methodologies applied by the Group to derive the actuarial liabilities in respect of policy benefits promised under life insurance contracts issued by the insurance subsidiaries;

   - Assessing the design and testing the operating effectiveness of key internal controls over the actuarial valuation process with respect to financial reporting, including the bases used by the management of the insurance subsidiaries in determining and approving the key assumptions applied;

   - Assessing the experience analyses of the insurance subsidiaries used during the setting of the key assumptions to derive the actuarial liabilities and challenging the rationale applied by the Appointed Actuary and management in deriving those assumptions. In addition and where appropriate, comparisons have also been made against other industry constituents;

   - Testing the completeness and sufficiency of data used in the valuation of actuarial liabilities including reviewing the data extraction process and reconciliations carried out by management of the insurance subsidiaries. These tests also included control tests performed on selected samples of insurance policies issued by the insurance subsidiaries to ascertain effectiveness of operating controls over quality and accuracy of the underlying data;

   - Performing audit tests on the model review process applied by management of the insurance subsidiaries and independently reviewing the results thereon;

   - Reviewing the Liability Adequacy Test results performed by the insurance subsidiaries;

   - Auditing the fair value of financial assets and adequacy of liabilities of the investment-linked funds;

   - Performing control tests over the creation and cancellation of units of the investment-linked funds as well as calculation of Net Asset Values;

   - Assessing the adequacy of disclosures made in the financial statements in respect of the insurance contract liabilities of the Group.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

2. Management Rights of the Group and Investment in Asset Management subsidiary of the Company

   (a) Management Rights of the Group

   Management rights represent the purchase consideration paid to acquire the rights to manage unit trust funds. The carrying value as at 31 December 2019 amounted to RM86.82 million (as disclosed in Note 6 to the financial statements). This asset, which has an indefinite useful life is tested for impairment annually and whenever there is indication that it is impaired.

   (b) Investment in Asset Management subsidiary of the Company

   The Company's investment in subsidiaries amounted to RM405.87million as of 31 December 2019 (as disclosed in Note 7 to the financial statements). Included in investment in subsidiaries is the cost of investment in its wholly owned asset management subsidiary, Manulife Investment Management (M) Berhad (formerly known as "Manulife Asset Management Services Berhad").

   The Group has performed an impairment assessment to ascertain if the Value-In-Use ("VIU") of the asset management cash generating unit ("CGU") is sufficient to support the carrying values of the management rights of the Group and investment in asset management subsidiary of the Company.

   In testing for impairment, the Group estimated the VIU of the asset management CGU using the discounted cash flow ("DCF") method. The DCF method requires the application of assumptions which are subjective in nature and which requires judgement in its application. The application of such assumptions has impact on the estimated VIU and thus may affect the impairment decisions to be made for the CGU. The key assumptions used in deriving the VIU of the asset management CGU include assets-under-management, gross and net sales growth, terminal value estimates, expenses growth and discount rates. These key assumptions are disclosed in Note 6 to the financial statements and the policy for impairment of non-financial assets is disclosed in Note 2(m).

   Our audit procedures were focused on the following key areas:

   a. Understanding the rationale and considerations used by management in deriving the relevant assumptions underlying the DCF and related VIU estimates;

   b. Challenging the key assumptions which would have the most significant effects on the estimated VIU calculated by the Group and benchmarking these against industry and historical experiences of the Group;

   c. Performing mathematical accuracy calculations on the DCF workings performed by the Group;

   d. Performing appropriate stress-tests on the DCF estimated by the Group to estimate the VIU of the asset management CGU;

   e. Assessing the adequacy of disclosures made in respect of the intangible asset – management rights of the Group and investment in asset management subsidiary.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MANULIFE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MANULIFE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP002760-LCA) & AF: 0039
Chartered Accountants

Ahmad Hammami bin Muhyidin
No. 03313/07/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 March 2020

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Property and equipment	4	40,009	41,072	18,679	19,008
Investment property	5	82,593	82,709	31,303	31,604
Intangible assets	6	132,183	110,040	34	59
Subsidiaries	7	-	-	405,873	348,963
Available-for-sale financial assets	8(a)	3,340,632	3,089,541	-	-
Financial assets at fair value through other comprehensive income	8(b)	-	-	-	134,570
Financial assets at fair value through profit or loss	8(c)	1,742,001	1,561,729	75,942	21,268
Loans and receivables	9	367,901	479,200	12,785	11,891
Reinsurance assets	10	5,938	10,068	-	-
Insurance receivables	11	25,794	24,344	-	-
Right-of-use assets	20	2,707	-	-	-
Deferred tax assets	18	9	-	-	86
Current tax assets		8,226	5,258	-	-
Cash and cash equivalents		207,145	130,893	1,178	1,328
TOTAL ASSETS		5,955,138	5,534,854	545,794	568,777
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES					
Share capital	12	103,069	103,069	103,069	103,069
Retained earnings	13	716,874	704,924	422,010	428,823
Other reserves		17,424	11,788	6,202	15,770
Equity attributable to the owners of the Company		837,367	819,781	531,281	547,662
Non-controlling interests	14	256	2,090	-	-
TOTAL EQUITY		837,623	821,871	531,281	547,662
Insurance contract liabilities	15	4,215,893	3,873,195	-	-
Insurance claims liabilities	16	53,464	55,014	-	-
Financial liability at fair value through profit or loss	17	-	116	-	-
Deferred tax liabilities	18	34,137	16,802	108	-
Current tax liabilities		370	178	26	177
Reinsurance liabilities	10	5,412	-	-	-
Insurance payables	19	602,018	559,159	-	-
Lease liabilities	20	2,864	-	-	-
Other payables	21	203,357	208,519	14,379	20,938
TOTAL LIABILITIES		5,117,515	4,712,983	14,513	21,115
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		5,955,138	5,534,854	545,794	568,777

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

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Premium income					
Gross premiums		988,007	913,371	-	-
Premiums ceded to reinsurers		(69,439)	(47,965)	-	-
Net premiums	22	918,568	865,406	-	-
Investment income	23	203,747	197,088	10,509	109,590
Net realised gains/(loss)	24	50,409	37,746	7,963	(97)
Net fair value gain/(losses)	25	80,806	(211,977)	(258)	(1,213)
Fee income	26	109,663	106,734	1,034	1,195
Other operating income		3,693	2,849	2	2
Total revenue		1,366,886	997,846	19,250	109,477
Gross benefits and claims paid and payable		(735,316)	(671,041)	-	-
Claims ceded to reinsurers		23,766	13,790	-	-
Gross change in insurance contract liabilities		(254,346)	(2,863)	-	-
Change in insurance contract liabilities ceded to reinsurers		(5,690)	1,578	-	-
Net claims		(971,586)	(658,536)	-	-
Fee and commission expenses		(118,554)	(120,842)	-	-
Investment expenses		(5,194)	(4,058)	(2,622)	(2,073)
Management expenses	27	(201,318)	(178,878)	(7,850)	(12,814)
Other operating (expenses)/income	29	(31,845)	2,695	(61)	(11)
Other expenses		(356,911)	(301,083)	(10,533)	(14,898)
Profit before taxation		38,389	38,227	8,717	94,579
Taxation	30	(12,244)	(11,915)	(1,364)	(1,231)
Net profit for the financial year		26,145	26,312	7,353	93,348
Net profit attributable to:					
Owners of the Company		26,134	26,251	7,353	93,348
Non-controlling interests		11	61	-	-
		26,145	26,312	7,353	93,348
Basic and diluted earnings per share (sen)	31	12.91	12.97		

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

STATEMENTS OF
TOTAL COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit for the financial year		26,145	26,312	7,353	93,348
Other comprehensive income/(loss), net of tax:					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Net (loss)/gains on foreign currency translation		(489)	24	(9,248)	9,248
Fair value change of available for sale financial assets:					
- Gross fair value change	8(d)	103,089	(89,388)	-	-
- Deferred tax	18	(7,795)	6,730	-	-
		95,294	(82,658)	-	-
Change in insurance contract liabilities arising from unrealised net fair value change	15	(89,573)	77,975	-	-
Net income/(loss)		5,721	(4,683)	-	-
Fair value change of debt securities at fair value through other comprehensive income					
- Gross fair value change	8(d)	-	-	(724)	956
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		5,232	(4,659)	(9,972)	10,204
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Surplus from revaluation of property:					
- Gross surplus from revaluation		642	419	404	250
		642	419	404	250
Changes in insurance contract liabilities arising from revaluation of property	15	(238)	(169)	-	-
Net income		404	250	404	250
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		404	250	404	250
Other comprehensive income/(loss) for the financial year, net of tax		5,636	(4,409)	(9,568)	10,454
Total comprehensive income/(loss) for the financial year		31,781	21,903	(2,215)	103,802
Total comprehensive income/(loss) attributable to:					
Owners of the Company		31,770	21,842	(2,215)	103,802
Non-controlling interests		11	61	-	-
		31,781	21,903	(2,215)	103,802

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the Company							
			← Non-distributable		→	Distributable			
Group	**Note**	**Share capital RM'000**	**Asset revaluation reserve RM'000**	**Currency translation reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings* RM'000**	**Total RM'000**	**Non-controlling Interests RM'000**	**Total equity RM'000**
At 1 January 2018		103,069	5,548	(786)	11,435	694,863	814,129	1,195	815,324
Changes in ownership interest in a unit trust fund managed by a subsidiary		-	-	-	-	-	-	834	834
Net profit for the financial year		-	-	-	-	26,251	26,251	61	26,312
Other comprehensive income/ (loss) for the financial year		-	250	24	(4,683)	-	(4,409)	-	(4,409)
Total comprehensive income/ (loss) for the financial year		-	250	24	(4,683)	26,251	21,842	61	21,903
Dividend paid	32	-	-	-	-	(16,190)	(16,190)	-	(16,190)
At 31 December 2018/ 1 January 2019		103,069	5,798	(762)	6,752	704,924	819,781	2,090	821,871
Effect on adoption of MFRS 16	40	-	-	-	-	(18)	(18)	-	(18)
At 1 January 2019 (restated)		103,069	5,798	(762)	6,752	704,906	819,763	2,090	821,853
Changes in ownership interest in a unit trust fund managed by a subsidiary		-	-	-	-	-	-	(1,845)	(1,845)
Net profit for the financial year		-	-	-	-	26,134	26,134	11	26,145
Other comprehensive income/ (loss) for the financial year		-	404	(489)	5,721	-	5,636	-	5,636
Total comprehensive income/ (loss) for the financial year		-	404	(489)	5,721	26,134	31,770	11	31,781
Dividend paid	32	-	-	-	-	(14,166)	(14,166)	-	(14,166)
At 31 December 2019		103,069	6,202	(1,251)	12,473	716,874	837,367	256	837,623

* Included in the retained earnings are surplus from Non-participating life fund of the insurance subsidiaries of the Group (net of deferred tax) of approximately RM 68,835,000 (31 December 2018: RM69,495,000) as further disclosed in note 13. These amounts are only distributable upon the actual recommended transfer from the Non-participating life fund to the Shareholder's fund of the insurance subsidiaries of the Group by the Appointed Actuary.

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		← Non-distributable			→	Distributable	
Company	**Note**	**Share capital RM'000**	**Asset revaluation reserve RM'000**	**Fair value reserve RM'000**	**Currency translation reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2018		103,069	5,548	583	-	350,850	460,050
Effect on adoption of MFRS 9		-	-	(815)	-	815	-
At 1 January 2018 (restated)		103,069	5,548	(232)	-	351,665	460,050
Net profit for the financial year		-	-	-	-	93,348	93,348
Other comprehensive income for the financial year		-	250	956	9,248	-	10,454
Total comprehensive income for the financial year		-	250	956	9,248	93,348	103,802
Dividend paid	32	-	-	-	-	(16,190)	(16,190)
At 31 December 2018/1 January 2019		103,069	5,798	724	9,248	428,823	547,662
Net profit for the financial year		-	-	-	-	7,353	7,353
Other comprehensive income/(loss) for the financial year		-	404	(724)	(9,248)	-	(9,568)
Total comprehensive income/(loss) for the financial year		-	404	(724)	(9,248)	7,353	(2,215)
Dividend paid	32	-	-	-	-	(14,166)	(14,166)
At 31 December 2019		103,069	6,202	-	-	422,010	531,281

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

STATEMENTS OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit for the financial year		26,145	26,312	7,353	93,348
Adjustments for non-cash items	33	(285,893)	(9,661)	(15,940)	(106,030)
Operating (losses)/profit before changes in operating assets and liabilities		(259,748)	16,651	(8,587)	(12,682)
Purchase of investments	8(d)	(2,606,220)	(1,936,830)	-	-
Proceeds from disposal and maturity of investments		2,316,526	1,746,600	-	-
Interest income received		141,161	133,939	6,644	3,575
Dividend income received		62,312	57,112	701	100,870
Rental income received		4,600	6,091	4,872	4,520
Increase in insurance receivables		(1,450)	(371)	-	-
Decrease/(increase) in reinsurance assets		9,542	(3,656)	-	-
Decrease in fixed and call deposits		84,619	104,976	504	154
Decrease in loans receivable		4,020	9,383	-	-
Decrease/(increase) in other receivables		19,284	(7,085)	(1,482)	(5,483)
Increase in insurance contract liabilities		252,887	2,879	-	-
Decrease in insurance claims liabilities		(1,550)	(1,475)	-	-
Increase/(decrease) in payables		14,427	(6,539)	(6,800)	13,506
Cash generated from/(used in) operations		40,410	121,675	(4,148)	104,460
Interest paid	20	(68)	-	-	-
Income taxes paid		(27,403)	(32,255)	(1,256)	(557)
Net cash inflow/(outflow) from operating activities		12,939	89,420	(5,404)	103,903
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	4	(2,394)	(1,455)	(91)	(517)
Purchase of intangible assets	6	(3,071)	(1,371)	-	(20)
Purchase of investments	8(d)	(129,463)	(209,483)	(129,463)	(209,483)
Proceeds from disposal and maturity of investments		215,375	119,851	215,375	119,851
Additional investment in a subsidiary	7	-	-	(66,748)	(4,235)
Proceeds from liquidation of subsidiary	7	-	-	347	6,770
Proceeds from disposal of property and equipment		47	314	-	96
Net cash inflow/(outflow) from investing activities		80,494	(92,144)	19,420	(87,538)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to shareholders	32	(14,166)	(16,190)	(14,166)	(16,190)
Changes in non-controlling interests		(1,845)	834	-	-
Payment of lease liabilities	20	(1,170)	-	-	-
Net cash outflow from financing activities		(17,181)	(15,356)	(14,166)	(16,190)
CASH AND CASH EQUIVALENTS					
Net increase/(decrease) during the financial year		76,252	(18,080)	(150)	175
Cash and cash equivalents at 1 January		130,893	148,973	1,328	1,153
Cash and cash equivalents at 31 December		207,145	130,893	1,178	1,328

CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	132,838	105,971	169	979
Short-term deposits*	74,307	24,922	1,009	349
Cash and cash equivalents	207,145	130,893	1,178	1,328

* Short-term deposits with original maturities of less than 3 months.

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

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2019

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The immediate holding company is Manulife Century Holdings (Netherlands) BV, a company incorporated in the Netherlands. The ultimate holding company is Manulife Financial Corporation, a corporation incorporated and domiciled in Canada and listed on the Toronto, New York and Hong Kong Stock Exchanges.

Principal activities

The Company is engaged principally in investment holding whilst the principal activities of the subsidiaries are as stated in note 7 to the financial statements.

There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year, other than as disclosed in note 7 to the financial statements.

Registered office and principal place of business

The registered office and principal place of business of the Company is located at 16th Floor, Menara Manulife, 6 Jalan Gelenggang, Damansara Heights, 50490 Kuala Lumpur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared on a historical cost basis except as disclosed in this summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

(i) Adoption of new pronouncements in the current year

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new pronouncements effective from 1 January 2019 as follows:

Description	Effective for annual periods beginning on or after
MFRS 9 *Prepayment Features with Negative Compensation* (Amendments to MFRS 9)	1 January 2019
MFRS 16 *Leases*	1 January 2019
MFRS 119 *Plan Amendment, Curtailment or Settlement* (Amendments to MFRS 119)	1 January 2019
MFRS 128 *Long-term Interests in Associates and Joint Ventures* (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Adoption of new pronouncements in the current year (continued)

The adoption of the above new pronouncements did not have any significant effect on the disclosures or amounts recognised in the Group and the Company's financial statements, other than as discussed below:

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet).

i. Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

ii. Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

Impact as a result of the adoption of MFRS 16

The Group and the Company adopted MFRS 16 using the modified retrospective approach on initial date of application, 1 January 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application. The Group and the Company will not apply MFRS 16 to contracts previously identified as not containing leases in accordance with MFRS 117 and IFRIC 4.

The Group and the Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less as of date of initial application (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The impacts arising from the adoption of MFRS 16 are disclosed in note 40.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments/improvements to published standards and interpretations that are issued but not yet effective

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company. The Group and the Company intend to adopt these new pronouncements, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 3 *Business Combinations – Definition of a Business*	1 January 2020
Amendments to MFRS 101 *Presentation of Financial Statements*	1 January 2020
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest rate benchmark reform*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The directors expect that the adoption of the above new pronouncements will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 17 Insurance Contracts

MFRS 17 which was issued in August 2018, will replace MFRS 4 Insurance Contracts. MFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects, from recognition and measurement, presentation and disclosure.

MFRS 17 is effective for annual periods beginning on or after 1 January 2023. The Group plans to adopt the new standard on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17 for the insurance subsidiaries. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have significant impact on the total profit and the total equity, as well as changes to the overall presentation and disclosures in the Group's financial statements.

International Accounting Standards Board (IASB) has recommended delaying the effective date of the IFRS 17 insurance contracts accounting standard to 1 January 2023. The Group will continue its implementation plan over the next few years.

Manulife Insurance Berhad ("MIB") applied the temporary exemption under Amendments to MFRS 4 Insurance Contract Liabilities: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts to defer the adoption of MFRS 9 until 1 January 2023, which is in line with the adoption of MFRS 17 Insurance Contracts, as MIB's activities are predominantly connected with insurance, and on the basis of meeting the predominance "insurance related industry" test under Amendments to MFRS 4, whereby the MIB's insurance liabilities is more than 90% of the total MIB's liabilities.

Accordingly, MIB's financial instruments will continue to be measured and classified in accordance with MFRS 139 as set out in note 2(h).

Additional disclosures as required under Amendments to MFRS 4 is included in note 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. A subsidiary is an entity over which the Group has all the following:

(1) Power over the investee;
(2) Exposure or rights to variable returns from its investment with the investee; and
(3) The ability to use its power over the investee to attract its returns.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiaries is stated at cost less any accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount as set out in note 2(m) on impairment.

Gain or loss on disposal of subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any exchange differences which were not previously recognised in the consolidated statement of profit or loss.

(ii) Business combination

Subsidiaries are consolidated using the acquisition method of accounting from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Goodwill arising on consolidation represents the excess of the purchase consideration over the fair value of identifiable net assets of subsidiaries at the date of acquisition. If the fair value of the net assets acquired is in excess of the consideration transferred, the Group reassess whether it has correctly identify all the assets acquired and all the liabilities assumed and reviews the procedures used to measure the amount to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the loss is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

In respect of subsidiaries acquired before 1 January 2006, goodwill on consolidation was written off against retained earnings in the financial year of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(iii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and statement of total comprehensive income as an allocation of the profit or loss for the financial year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Transactions eliminated on consolidation

All inter-company transactions, balances and unrealised gains or losses on transactions between group of companies are eliminated.

(c) Fair value measurement

Fair value of an asset or a liability is measured at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation techniques and categories of fair values of assets and liabilities are further described in note 4, note 5, note 36(b) and note 36(c).

(d) Property and equipment

Property and equipment is stated at cost or valuation, less accumulated depreciation and accumulated impairment losses, if any.

The cost of property and equipment includes expenditure that is directly attributable to the acquisition of the assets. Dismantlement, removal or restoration costs are included as part of the cost of property and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to the property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Land and building, which are substantially occupied by the Group for its operations, are classified under property and equipment.

Land and building are initially stated at cost and subsequently shown at fair value, based on independent valuation of the open market value on the existing use basis carried out by professional valuers less accumulated depreciation and any accumulated impairment losses. These valuations are reviewed annually and a formal valuation by an independent professional valuer is carried out once in every five years or earlier if the carrying values of the revalued asset are materially different from the market values. Professional and qualified external valuer is engaged to perform the formal valuation. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group and the Company decides, after discussions with the external valuer, which valuation techniques and inputs to use. The valuation result is presented to the Board of Directors for approval prior to the adoption of the valuation report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment (continued)

The Group and the Company analyses the movements in the values of the property on an annual basis. Desktop valuation is performed by the Group and the Company in the interim period to obtain an indicative fair value of the property. For this analysis, the Group and the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to the valuation report and other relevant documents. The Group and the Company, in conjunction with the external valuers, also compares the change in the fair value of the property with relevant external sources to determine whether the change is reasonable.

When the land and building are revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

The surplus arising on revaluation is credited to the asset revaluation reserve account except that a surplus, to the extent that such surplus is related to and not greater than a deficit arising on revaluation previously recorded as an expense, is credited to the profit or loss. A deficit arising on revaluation is recognised as an expense except that, to the extent that such a deficit is related to a surplus which was previously recorded as a credit to the asset revaluation reserve account and which has not been subsequently reversed or utilised, it is charged directly to that account.

No depreciation is charged on freehold land. Leasehold building is amortised in equal instalments over the period of their respective leases or earlier if the expected useful life is shorter than the leasehold period.

Work in progress is not depreciated until the asset is ready for its intended use.

All other property and equipment are depreciated on a straight line basis to write off the cost of the assets over their estimated useful lives. The principal annual rates of depreciation used are as follows:

Building	-	50 years (subsequent to revaluation, the revalued amounts are depreciated over the remaining useful lives following the date of the latest valuation)
Furniture, fittings and equipment	-	10% to 20%
Motor vehicles	-	20%
Renovations	-	10%

The residual values and useful lives of property and equipment are reviewed, and adjusted as appropriate, at each reporting date.

At each reporting date, the Group and the Company assesses whether there is any indication of impairment of property and equipment. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount as set out in note 2(m) on impairment of non-financial assets.

On disposal of property and equipment, the difference between net proceeds and the carrying amount is recognised in profit or loss. On disposal of revalued assets, the amounts of any remaining revaluation surplus relating to those assets are transferred to retained earnings.

Repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

(e) Investment property

Investment property comprises land and building held by the Group and the Company which are held for long term rental yields, for capital appreciation or both and are not substantially occupied by the Group and the Company.

Investment property is initially stated at cost including related and incidental expenditure incurred, and is subsequently carried at fair value by the directors based on independent valuation of the open market values on existing use basis carried out by professional valuer. These valuations are reviewed annually and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment property are materially different from the market value. Professional and qualified external valuer is engaged to perform the formal valuation. Selection criteria include market knowledge, reputation, independence and whether profesonal standards are maintained. The Group and the Company decides, after discussions with the external valuer, which valuation techniques and inputs to use. The valuation result is presented to the Board of Directors for approval prior to the adoption of the valuation report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment property (continued)

The Group and the Company analyses the movements in the values of the property on an annual basis. Desktop valuation is performed by the Group and the Company in the interim period to obtain an indicative fair value of the property. For this analysis, the Group and the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to the valuation report and other relevant documents. The Group and the Company, in conjunction with the external valuer, also compares the change in the fair value of the property with relevant external sources to determine whether the change is reasonable.

Any changes in the fair values of investment property are recorded in the profit or loss.

On disposal of investment property, the difference between net proceeds and the carrying amount is recognised in the profit or loss as appropriate.

If an investment property becomes owner-occupied, it is reclassified to property and equipment at its carrying value at the date of transfer.

(f) Intangible assets

(i) Management rights

Management rights, which arose on acquisition of a subsidiary, represent the purchase consideration paid to acquire the rights to manage unit trust funds. Management expects no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The rights are therefore considered to have an indefinite useful life and are not amortised but are instead, tested for impairment annually and whenever there is indication that it is impaired as set out in note 2(m) on impairment.

(ii) Exclusive right

The exclusive right arises from the 10-year exclusive bancassurance agreement entered into between the Manulife Insurance Berhad with Alliance Bank Malaysia Berhad ("ABMB"). The exclusive right is amortised over the duration of the agreement and the annual amortisation amount is calculated with reference to the benefits generated from the partnership (which is defined as the annualised premium equivalent) in which Manulife Insurance Berhad expects to recognise the related revenue.

(iii) Computer software

Cost of software rights acquired or developed are amortised on a straight-line basis over a period of four to five years.

Computer software in progress is not amortised until the asset is ready for its intended use.

At each reporting date, the Group and the Company assesses whether there is any indication of impairment of its intangible assets. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount as set out in note 2(m) on impairment of non-financial assets.

(iv) Distribution agreement

The distribution agreement arises from the 20-year distribution right entered into between Manulife Insurance Berhad ("MIB") and an agency leadership corporation. The distribution agreement is amortised over the duration of the agreement and the annual amortisation amount is calculated based on the consumption pattern of the distribution, which is the contracted number of agents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases

Before 1 January 2019

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance Leases – the Company as Lessee

Useful lives of all leasehold buildings are shorter than the lease term of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Company at the end of their useful lives. All leasehold buildings are therefore classified as finance lease in the financial statements.

Buildings held under finance leases are recognised as assets in the Balance Sheet of the Company and measured in accordance with MFRS 116 *Property, Plant and Equipment* or MFRS 140 *Investment Properties.*

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in note 2(d) or investment properties as described in note 2(e).

(iii) Operating Leases – the Company as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Long term prepaid lease payments refer to leases with an unexpired period of fifty years or more.

(iv) Operating Leases – the Company as Lessor

Assets leased out under operating leases are presented on the balance sheet according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (note 23). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis on the lease term.

After 1 January 2019

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration – i.e. the customer has the right to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

After 1 January 2019 (continued)

(i) As Lessee

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made or before the commencement date, any indirect costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment (see note 4). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

The Company presents its right-of-use assets in 'right-of-use assets' and 'lease liabilities' in the balance sheet.

<u>Short-term leases and leases of low-value assets</u>

The Company has elected not to recognise right-of-use assets and leases liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As Lessor

The Company classifies all leases for which it is a lessor as operating leases, because each of these leases does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term and are reported as rental income. The accounting policy for rental income is set out in note 2(p).

(h) Financial instruments under MFRS 139

The Group deferred the adoption of MFRS 9 as permitted under Amendment to MFRS 4. Accordingly, the Group continues to apply the following policies under MFRS 139 for both current year and prior year.

(i) Classification, recognition and measurement of financial assets

The Group classifies the financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, loans and receivables ("LAR") and available-for-sale ("AFS") financial assets.

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments under MFRS 139 (continued)

(i) Classification, recognition and measurement of financial assets (continued)

(1) FVTPL

Financial assets at FVTPL include financial assets held for trading including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

Derivative financial instruments held by the Group are forward foreign exchange contract to hedge its currency risks. Any fair value gains on these derivative financial instruments are recognised as financial assets.

(2) HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less any allowance for impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(3) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. All transaction costs directly attributable to the acquisition are also included in the cost of the investments. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less any allowance for impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(4) AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial measurement, AFS are remeasured at fair value, with gains or losses recognised in other comprehensive income, except for impairment losses.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

On derecognition, the cumulative fair value gains and losses previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments under MFRS 139 (continued)

(ii) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received or receivable and any accumulated gains or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(iii) Impairment

All financial assets, except for FVTPL, are subject to review for impairment. The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment. The impairment assessment is performed at each reporting date.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced and the impairment loss is recorded in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment losses previously recognised in profit or loss, is transferred from equity or insurance contract liabilities for the insurance subsidiaries of the Group to the profit or loss. Reversal of impairment losses on equity instruments classified as AFS financial assets are not recognised in the profit or loss. Reversal of impairment losses on debt instruments classified as AFS financial assets are reversed through the profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the profit or loss.

(i) Financial instruments under MFRS 9

The Company has adopted MFRS 9 in the year of 2019. Accordingly, the Company has applied the following policies under MFRS 9 for both current year and prior year.

The Group deferred the adoption of MFRS 9 as permitted under Amendment to MFRS 4 as explained in note 2(h).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments under MFRS 9 (continued)

(i) Classification and measurement

The classification of financial assets depends on the Company's business model of managing the financial assets in order to generate cashflows ("business model test") and the contractual cashflow charateristics of the financial instruments ("SPPI test"). The business model test determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The SPPI test determines whether the contractual cash flows are solely for payments of principal and interest.

Financial assets are classified into four categories:

(1) Financial assets at amortised costs

A financial asset is measured at amortised cost if its business model is to hold the asset in order to collect contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

Financial assets at amortised cost are subsequently measured using the effective interest rates and are subject to impairment assessment.

The Company classifies loans and receivables as financial assets measured at amortised cost.

(2) Financial assets at FVOCI (debt instruments)

A financial asset is measured at fair value through other comprehensive income ("FVOCI") if its business model is both to hold the asset to collect contractual cash flows and to sell the financial asset. In addition, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. All fair value adjustments are recognised through OCI. Debt instruments at FVOCI are subject to impairment assessment.

The Company classifies its debt instruments as financial assets at FVOCI.

(3) Financial assets at FVOCI (equities)

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on investment-by-investment basis.

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. All fair value adjustments are recognised through OCI. All equity instruments designated at FVOCI are not subject to impairment assessment.

As at the date of adoption, the Company did not irrevocably designate any equity investments as FVOCI.

(4) Financial assets at FVTPL

Financial assets are classified as FVTPL if the financial assets are held for trading or are managed on a fair value basis (including derivatives). Other financial assets with contractual cash flow that are not solely payments of principal and interest, regardless of its business model are classified as FVTPL.

Certain financial assets that otherwise meets the requirements to be either measured at amortised cost or at FVOCI, may irrevocably be designated at FVTPL on initial recognition, when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments under MFRS 9 (continued)

(i) Classification and measurement (continued)

(4) Financial assets at FVTPL (continued)

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. All subsequent fair value adjustments are recognised through profit or loss.

The Company mandatorily classifies its equity securities, real estate investment trusts and unit trust funds as financial assets at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for management of the financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

(ii) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of financial assets in its entirety, other than for equity instruments which are FVOCI, all gains and losses, (difference between the carrying amount and the sum of consideration received or receivable), if any, is recognised in the profit or loss. Accumulated fair value gains and losses on debt securities at FVOCI which were recognised within OCI will be reclassified from OCI to profit or loss; whilst accumulated fair value gains and losses on equity instruments at FVOCI which were recognised within OCI are directly transferred to retained earnings.

(iii) Impairment of financial assets

Recognition of Expected Credit Loss (“ECL”)

The Company assesses at each reporting date to determine loss allowances for expected credit loss (“ECL”) on financial assets measured at amortised cost and debt securities at FVOCI based on two different approaches as follows:

General approach - three-stage approach

The general approach impairment recognition requires loss allowance to be recognised based on “three-staging” model which reflects the change in credit quality of the financial instrument since initial recognition:

Stage 1: 12-month ECL
For financial assets that have no significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the 12-month ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months) will be recognised in profit or loss.

Stage 2: Lifetime ECL – Non-credit impaired
For financial assets that have significant increase in credit risks since initial recognition but do not have objective evidence of impairment, a lifetime ECL that results from all possible default events over the expected life of the financial assets will be recognised in profit or loss. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments under MFRS 9 (continued)

(iii) Impairment of financial assets (continued)

Recognition of Expected Credit Loss ("ECL") (continued)

Stage 3: Impairment – Credit impaired
Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, impairment will be recognised in profit or loss.

The Company uses the general approach to measure loss allowances for the following:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company considers debt security to have low credit risk when its credit risk rating is a minimum rating of "BBB". The Company also considers all government issued or government guaranteed debt securities to have low credit risk. The Company's fixed deposits with licensed banks are also assessed to have low credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

A significant increase in credit risk since inception may occur in the following:

(i) if the financial assets, either reinsurance assets, or loans receivables are 30 days past due;

(ii) in the case of corporate debt securities or reinsurance assets, if there is a significant deterioration of credit risk rating by 2 ranks from the initial purchase or contract date; or

(iii) significant increase in bond yields due to market's assessment of creditworthiness of those investments.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer, such as lawsuits of similar actions that threaten the financial viability of the counterparty;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Simplified approach

The simplified approach impairment recognition allows for loss allowance to be recognised based on expected lifetime ECL, without considering credit risk.

Loss allowances for trade and other receivables, with no financing component, are always measured at an amount equal to lifetime ECLs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments under MFRS 9 (continued)

(iii) Impairment of financial assets (continued)

Measurement of ECL

ECL is a probability weighted estimate of credit losses over the expected life of a financial asset. The estimated ECL incorporates time value of money and considers historical data, current conditions and forecasts of future economic conditions.

The Company measures the ECL on an individual basis for debts securities that are deemed significant. When estimating ECL, the Company considers the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD").

PD represents the likelihood of a borrower defaulting on its financial obligation at the time of default, either over the next 12 months, or over the remaining lifetime of the obligation. Multi-year PDs (of up to 30 years) are generated, based on proprietary and publicly available ratings data, using statistical methods. PDs representing different economic scenarios are projected, allowing the Company to consider a range of possible outcomes as required under MFRS 9. If a counterparty of exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD.

LGD is the estimated magnitude of the likely loss if there is a default, based on statistical method. LGD is expressed as a percentage per loss per unit of exposure at the time of default and varies by type and seniority of claims, availability of collateral, geographical location and industry of borrower and existing market conditions.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset is its gross carrying amount.

The PDs and LGDs are then applied accordingly to the carrying value of financial assets (debt securities at FVOCI) to obtain an ECL.

When the Company measures ECL on a collective basis, the financial assets are grouped based on shared characteristics such as credit risk rating, type of financial asset, and etc.

Forward looking information and key economic variables are considered while assessing the change in credit risk of an instrument. These economic variables and their associated impact on PD, LGD and EAD vary by financial instruments. Some of the key macroeconomics factors incorporated into the ECL estimation include Gross Domestic Product, current and future interest rates environment, potential economic outlook and forecast collateral values.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not significant to the Company for the year ended 31 December 2019.

(iv) Write off

Financial assets are written off either partially or in full when there is no realistic prospect of recovery. The Company determines this based on the inability of the borrower to pay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date.

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposits/placements and accrued interests/profits. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(k) Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category at inception.

Derivative financial instruments held by the Group and the Company are forward foreign exchange contract to hedge its currency risks. Any fair value losses on these derivative financial instruments are recognised as financial liabilities.

Other financial liabilities are measured at amortised cost using the effective interest method with gains and losses recognised in profit or loss when the instrument is derecognised as well as through the amortisation process. Interest expenses are recognised in the profit or loss.

Financial liabilities are derecognised when the obligation under the liability is extinguished and resulting gains or losses are recognised in profit or loss.

(l) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

(m) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(n) Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, social security contributions and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group and the Company.

(ii) Post-employment benefits

The Group and the Company are required to contribute to the Employees' Provident Fund, a defined contribution plan.

Other than the mandatory contributions to the Employees' Provident Fund, the Group and the Company make contributions to a separately funded defined contribution retirement benefits scheme ("the Scheme"), which is administered by the Trustees of the Scheme, for all employees of the Group. Under the Scheme, the Company and its subsidiary companies shall make contributions to the Scheme at such rate and at such frequency as shall be determined from time to time by the Company and the Trustees of the Scheme, with the advice of an Actuary, provided that the total contribution by the Company and the subsidiary companies to the Scheme and to the Employees' Provident Fund does not exceed 15% of the employees' salary. Actuarial investigation is performed periodically to assess the financial condition of the Scheme.

The contribution payable for the financial year is charged to the profit or loss. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Share-based compensation

The Group and the Company participated in share-based compensation plans granted to certain employees of Manulife Financial Corporation Group as consideration for services rendered. These plans include both equity-settled share-based and cash-settled share-based compensation scheme to eligible employees.

(i) Equity-settled share-based compensation

The fair value of equity-settled share-based compensation granted to employees as at the grant date is recognised in the profit and loss over the vesting periods of the grant. The fair value of the grant is measured using the Black Scholes option pricing model, with the market price or strike price being the closing transaction price of Manulife Financial Corporation ("MFC") shares prior to the grant date. In valuing the share-based payments, no account is taken of any performance conditions, other than conditions linked to the price of the shares of MFC if applicable.

At each date of the statement of financial position, the Group and the Company review its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

(iii) Share-based compensation (continued)

(ii) Cash-settled share-based compensation

Cash-settled share-based compensation relates to the employee services received in exchange for the grant of the share appreciation rights. The fair value of the compensation is recognised in the profit or loss over the vesting periods of the grant with a corresponding increase in liabilities.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights of MFC. At each date of the statement of financial position, the Group and the Company review its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the profit or loss.

The cumulative liability incurred net of any directly attributable transaction costs, will be reversed as cash is paid at the end of the vesting period.

(iv) Deferred remuneration scheme

The Group provides deferred remuneration to certain employees by investing in unit trust funds on behalf of the said employees. The deferred remuneration shall be paid to the employees at the end of 3 years. The Group recognises a liability in respect of these deferred remuneration which reflects its obligation to the said employees, and which takes into account the fair value movements of the underlying unit trust funds and the related dividend income earned thereon.

(p) Other revenue recognition

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Group and the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Other interest income including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the assets.

Dividend income is recognised in the profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease.

Realised gains and losses recorded in the profit or loss on investments include gains and losses on financial assets and investment property. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Charges and fee income are recognised upon allotment of units, net of cost of units sold on unit trusts.

Management fees from the management of unit trust funds and investment funds and outsourcing fee are recognised when the services are provided.

Outsourcing fee income is earned from provision of shared services to the companies within the Group, and are recognised when services are provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Product classification

An insurance contract is a contract under which the insurance subsidiaries of the Group have accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. For purpose of MFRS 4 on "Insurance Contracts", the insurance subsidiaries of the Group define insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract. Based on this definition, all policy contracts issued by the insurance subsidiaries of the Group, including investment-linked contracts, are considered insurance contracts as at the date of the statement of financial position. The investment components of the investment-linked contracts are not unbundled.

Investment contracts are those contracts that do not transfer significant insurance risk, but significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the Company, fund or other entity that issues the contract.

Contracts in the Participating life funds are classified as insurance contracts with DPF and contracts in the Non-participating life funds are classified as insurance contracts without DPF.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

(r) Reinsurance

The insurance subsidiaries of the Group cede insurance risk in the normal course of business for their insurance business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiaries of the Group from their obligations to policyholders. Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiaries of the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurance subsidiaries of the Group will receive from the reinsurer. The impairment loss is recorded in the profit or loss.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Life insurance underwriting results of the insurance subsidiaries of the Group

(i) Gross premiums

Premium income includes premium recognised in the Life fund and the Investment-linked funds. Premium income of the Life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

Premium income of the Investment-linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

(ii) Reinsurance premiums

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relates.

(iii) Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies and net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the profit or loss in the financial year in which they are incurred.

(iv) Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or when the insurer is notified.

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

Benefits and claims for claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

(1) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and

(2) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

(t) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivables are impaired, the insurance subsidiaries of the Group reduce the carrying amount of the insurance receivables accordingly and recognise that impairment loss in the profit or loss. The insurance subsidiaries of the Group gather the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost and impairment loss is calculated under the same method used for these financial assets as set out in note 2(h)(iii) on impairment.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in note 2(h)(ii), have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of all entities in the Group, except for Manulife Insurance Labuan Limited and certain Investment-linked funds of the Manulife Insurance Berhad is Ringgit Malaysia. The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Translation of Group's financial statements

The results and financial position of the Group's entities and Investment-linked funds of Manulife Insurance Berhad that have a functional currency that is different from the presentation currency, are translated into the presentation currency as follows:

(1) Assets and liabilities for the statement of financial position presented are translated at the closing rate at the date of the statement of financial position; and

(2) Income and expenses for profit or loss are translated at average exchange rate unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, in which case income and expenses are translated using the exchange rates at the date of the transactions.

All resulting exchange differences from translating the financial statements of Manulife Insurance Labuan Limited are recognised in other comprehensive income as a foreign currency translation reserve and are subsequently reclassified to profit or loss upon disposal. Differences from translating the foreign Investment-linked funds are included in profit or loss.

(v) Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability in the financial year in which it is declared and approved by the Company's shareholders.

(w) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank balances and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

The Group classifies cash flows from the acquisition and disposal of financial assets of the insurance subsidiaries of the Group as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts underwritten which are classified as operating activities.

(x) Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax is recognised in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Taxation (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or when the deferred tax liability is settled. Deferred tax is recognised in the profit or loss except when it arises from a transaction which is recognised in other comprehensive income or directly in equity or directly in the insurance contract liabilities, in which case, the deferred tax is also charged or credited to other comprehensive income or directly in equity or directly in the insurance contract liabilities.

(y) Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group and the Company do not recognise contingent assets but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

(z) Insurance contract liabilities

(i) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by the gross premium valuation method, a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a Participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of Non-Participating life policies, the guaranteed benefits liabilities of Participating life policies, Non-Participating annuity policies and non-unit liabilities of Investment-linked policies.

The liability in respect of policies of a Participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the insurance subsidiaries of the Group.

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised insurance contract liabilities are adequate, net of present value of in-force business ("PVIF") by using an existing liability adequacy test.

Any inadequacy is recorded in the profit or loss, initially by impairing PVIF and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

(ii) Unallocated surplus

Surpluses of contracts under the Participating life funds are attributable to policyholders and shareholders and the amount and timing of distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statement of financial position and is made in accordance with the provisions of the Financial Services Act, 2013 and policy documents issued by BNM.

Unallocated surplus of Participating life funds, where the amounts of surplus are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

Unallocated surplus for Non-participating life funds is recognised as equity, as the policyholders do not have any rights over this unallocated surplus. The shareholder will ultimately have the rights over this unallocated surplus upon the recommendation of distribution by the Appointed Actuary. Hence, the unallocated surplus represents the residual interest of the shareholder in the assets of the Non-participating life fund after deducting all its liabilities and it is recognised as equity accordingly.

(iii) Fair value reserve

Fair value gains and losses on AFS financial assets of Participating life fund are initially recognised in other comprehensive income. Subsequently, an equivalent amount of adjustment to the insurance contract liabilities is recognised.

(iv) Asset revaluation reserve

Revaluation surplus or deficit of freehold property of Participating life fund is initially recognised in other comprehensive income. Subsequently, an equivalent amount of adjustment to the insurance contract liabilities is recognised.

(v) Net asset value attributable to unit holders

The unit liability of investment-linked policies is equal to the net asset value of the Investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality, morbidity costs and expense charges.

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, the Group and the Company establish estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events and reinsurance premium levels that are believed to be reasonable with the knowledge and information then available. Best estimate assumptions are constantly reviewed to ensure that they remain relevant and valid. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements are as follows:

(i) Valuation of freehold property and investment property – note 4 and note 5
(ii) Impairment of financial assets – note 2(h)(iii) and 2(i)(iii)
(iii) Impairment of intangible assets – note 2(m)
(iv) Recognition of deferred tax assets – note 18

The estimates, assumptions and judgements that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future are discussed below.

Leases

Incremental borrowing rates for leases

The Group uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of the interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Valuation of actuarial liabilities

The valuation of the ultimate liability arising from policy benefits made under life insurance contracts is the Group's insurance subsidiaries' most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, surrender rates (including lapses, Investment-linked premium, persistency and partial withdrawal), policyholders' bonuses/dividends and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgement and therefore, actual experience may be different than the assumptions made by the insurance subsidiaries. Actual experience is monitored to assess whether the assumptions remain appropriate or assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the actuarial liabilities. All contracts are subject to a liability adequacy test, which reflect management's best current estimate.

The key assumptions used in the estimation of actuarial liabilities are as follows:

Interest rate

i. Manulife Insurance Berhad

The discount rates used for the valuation of Non-participating life fund (except for Universal Life Non-participating policy), Non-participating annuity fund, Investment-linked operating fund and the guaranteed benefits liabilities of the Participating life funds under the "Risk-Based Capital Framework for Insurers" are described below:

(i) For cash flows with duration of less than 15 years, Malaysian Government Bond zero coupon spot yields of matching duration are used; and

(ii) For cash flows with duration of 15 years or more, Malaysian Government Bond zero coupon spot yields of 15 years to maturity are used,

where duration is the term to maturity of each future cash flow.

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Valuation of actuarial liabilities (continued)

Interest rate (continued)

i. Manulife Insurance Berhad (continued)

Zero coupon spot yields as at current financial year end are obtained from Bond Pricing Agency Malaysia Sdn Bhd. (a bond pricing agency approved by BNM) and used for the valuation of guaranteed liabilities for all products, except for the US dollar denominated products which used the corresponding US treasury yield as the valuation interest rate.

For the valuation of total benefits liabilities of the Participating life funds and Universal Life Non-participating policy, a suitable discount rate based on the historical yield and future investment outlook of the respective fund is used.

The table below shows the valuation discounting forward yields for the respective life funds after taking into consideration the applicable adjustment on investment expense and investment income tax.

	Resultant Valuation Discounting Yields				
Calendar Year	Ordinary Par	Annuity Par	Non-Par Annuity + Non-Par + IL	Non-Par Universal Life	IL SIP (VA)
2020	4.79%	2.98%	2.98%	4.18%	1.59%
2021	4.89%	3.00%	3.00%	4.14%	1.57%
2022	4.98%	3.20%	3.20%	4.10%	1.70%
2023	5.07%	3.46%	3.46%	4.06%	1.76%
2024	5.16%	3.51%	3.51%	4.03%	1.83%
2025	5.26%	3.65%	3.65%	3.99%	2.11%
2026	5.35%	3.44%	3.44%	3.95%	2.25%
2027	5.44%	3.32%	3.32%	3.91%	2.07%
2028	5.54%	3.23%	3.23%	3.87%	2.13%
2029	5.63%	3.51%	3.51%	3.83%	2.19%
2030	5.72%	4.10%	4.10%	3.79%	2.28%
2031	5.72%	4.24%	4.24%	3.79%	2.35%
2032	5.72%	4.38%	4.38%	3.79%	2.42%
2033	5.72%	4.81%	4.81%	3.79%	2.48%
2034	5.72%	4.38%	4.38%	3.79%	2.55%
2035	5.72%	3.68%	3.68%	3.79%	2.09%
2036+	5.72%	3.68%	3.68%	3.79%	2.09%

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Valuation of actuarial liabilities (continued)

Interest rate (continued)

ii. Manulife Insurance Labuan Limited

The risk-free discount rate was used for all cash flows to determine the liability of a Non-participating Universal Life policy with only guaranteed benefits considered. The subsidiary's product cash flows are denominated in US Dollar currency. Hence, USD treasury yields are used.

The risk-free discount rate was derived from a yield curve, as follows:

- For durations of less than 15 years: zero coupon spot yield of USD treasury yields with matching duration; and
- For durations of 15 years or more: zero coupon spot yield of USD treasury yields with 15 years term to maturity,

where duration is the term to maturity of each future cash flow.

Where total guaranteed and non-guaranteed benefits are considered, the discount rate was derived from a suitable discount rate based on the historical yield and future investment outlook of the funds/invested assets.

For Universal Life Non-Participating policy, the current yield and expected long term (ELT) yield were derived based on weighted average of respective asset mix and returns of the fund / investment portfolio. The total benefits valuation yield is calculated from current yield grading to expected long-term yield.

The table below shows the valuation discounting forward yields for the Life funds, after taking into consideration the applicable adjustment on investment expense.

Universal Life Non-Participating							
Calendar Year	Discounting Yield	Calendar Year	Discounting Yield	Calendar Year	Discounting Yield	Calendar Year	Discounting Yield
2020	3.75%	2035	4.20%	2050	4.65%	2065	5.09%
2021	3.78%	2036	4.23%	2051	4.68%	2066	5.12%
2022	3.81%	2037	4.26%	2052	4.71%	2067	5.15%
2023	3.84%	2038	4.29%	2053	4.74%	2068	5.18%
2024	3.87%	2039	4.32%	2054	4.76%	2069	5.21%
2025	3.90%	2040	4.35%	2055	4.79%	2070	5.24%
2026	3.93%	2041	4.38%	2056	4.82%	2071	5.27%
2027	3.96%	2042	4.41%	2057	4.85%	2072	5.30%
2028	3.99%	2043	4.44%	2058	4.88%	2073	5.33%
2029	4.02%	2044	4.47%	2059	4.91%	2074	5.36%
2030	4.05%	2045	4.50%	2060	4.94%	2075	5.39%
2031	4.08%	2046	4.53%	2061	4.97%	2076	5.42%
2032	4.11%	2047	4.56%	2062	5.00%	2077	5.45%
2033	4.14%	2048	4.59%	2063	5.03%	2078	5.48%
2034	4.17%	2049	4.62%	2064	5.06%	2079+	5.51%

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Valuation of actuarial liabilities (continued)

Mortality, morbidity, critical illness, expenses and surrenders (including lapses, Investment-linked premium, persistency and partial withdrawal)

i. Manulife Insurance Berhad

Assumptions on mortality are derived from the insurance subsidiary's historical experience. For morbidity and critical illness assumptions, they are based on reinsurance premium tables, adjusted where appropriate to reflect the insurance subsidiary's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risks to longevity, prudent allowance is made for expected future mortality improvements.

Assumptions on future expenses are based on current expense levels with appropriate expected expense inflation adjustments.

Assumptions on surrenders (including lapses, Investment-linked premium, persistency and partial withdrawal) are derived from the insurance subsidiary's historical experience.

All assumptions are monitored through regular experience studies to ensure relevance and appropriateness.

For the Non-participating life fund, Non-participating annuity fund, Investment-linked operating fund and the guaranteed benefits liabilities of the Participating life funds, provision of risk for adverse deviation ("PRAD") assumptions are added to the best estimate assumptions.

For the valuation of total benefit liabilities of the Participating life funds, the best estimates assumptions are used.

ii. Manulife Insurance Labuan Limited

Assumptions on mortality are derived based on the best estimate assumptions.

Assumptions on future expenses are based on best estimate assumptions with appropriate expected expense inflation adjustments.

Assumptions on policy persistency (including lapses and surrender) are derived from the best estimate assumptions.

Provision of risk for adverse deviation ("PRAD") assumptions is added to the best estimate assumptions.

All assumptions will be monitored through regular experience studies to ensure relevance and appropriateness.

Participating Policyholders' Bonuses/Dividends

Continuance of current bonus level is assumed in the best estimate valuation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

4. PROPERTY AND EQUIPMENT

Group	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost/valuation							
At 1 January 2018		26,400	1,340	22,897	1,756	10,831	63,224
Additions		-	137	537	711	70	1,455
Disposal		-	-	(549)	(995)	(175)	(1,719)
Transfer to furniture, fittings and equipment		-	(383)	383	-	-	-
Transfer to renovations		-	(849)	-	-	849	-
Transfer to intangible assets	6	-	(3)	-	-	-	(3)
Internal reclassifications and adjustments		-	(56)	900	-	-	844
Revaluation adjustment		(109)	-	-	-	-	(109)
At 31 December 2018/1 January 2019		26,291	186	24,168	1,472	11,575	63,692
Additions		-	1,235	1,109	5	45	2,394
Disposal		-	-	(16)	(160)	-	(176)
Transfer to renovations		-	-	(17)	-	17	-
Transfer to intangible assets	6	-	-	(110)	-	-	(110)
Revaluation adjustment		116	-	-	-	-	116
Write off	27	-	-	(427)	-	(654)	(1,081)
Effect of exchange rate		-	-	1	-	-	1
At 31 December 2019		26,407	1,421	24,708	1,317	10,983	64,836
Comprising assets stated at 31 December 2019:							
Valuation		26,407	-	-	-	-	26,407
Cost		-	1,421	24,708	1,317	10,983	38,429
		26,407	1,421	24,708	1,317	10,983	64,836
Comprising assets stated at 31 December 2018:							
Valuation		26,291	-	-	-	-	26,291
Cost		-	186	24,168	1,472	11,575	37,401
		26,291	186	24,168	1,472	11,575	63,692
Accumulated depreciation							
At 1 January 2018		-	-	17,097	1,309	2,711	21,117
Charge for the financial year	27	528	-	1,701	215	1,109	3,553
Disposal		-	-	(549)	(797)	(176)	(1,522)
Reversal on revaluation		(528)	-	-	-	-	(528)
At 31 December 2018/1 January 2019		-	-	18,249	727	3,644	22,620
Charge for the financial year	27	526	-	1,444	191	1,169	3,330
Disposal		-	-	(14)	(160)	-	(174)
Reversal on revaluation		(526)	-	-	-	-	(526)
Write off	27	-	-	(333)	-	(90)	(423)
At 31 December 2019		-	-	19,346	758	4,723	24,827
Carrying amount							
At 31 December 2019		26,407	1,421	5,362	559	6,260	40,009
At 31 December 2018		26,291	186	5,919	745	7,931	41,072

4. PROPERTY AND EQUIPMENT (CONTINUED)

Company	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost/valuation							
At 1 January 2018		16,049	561	3,294	874	3,643	24,421
Additions		-	-	70	447	-	517
Disposal		-	-	(9)	(391)	-	(400)
Transfer to renovations		-	(505)	-	-	505	-
Transfer to a subsidiary company		-	-	(364)	-	(978)	(1,342)
Internal reclassifications and adjustments		-	(56)	-	-	-	(56)
Revaluation adjustment		(71)	-	-	-	-	(71)
At 31 December 2018/1 January 2019		15,978	-	2,991	930	3,170	23,069
Additions		-	-	86	5	-	91
Revaluation adjustment		84	-	-	-	-	84
Write off	27	-	-	(4)	-	-	(4)
At 31 December 2019		16,062	-	3,073	935	3,170	23,240
Comprising assets stated at 31 December 2019:							
Valuation		16,062	-	-	-	-	16,062
Cost		-	-	3,073	935	3,170	7,178
		16,062	-	3,073	935	3,170	23,240
Comprising assets stated at 31 December 2018:							
Valuation		15,978	-	-	-	-	15,978
Cost		-	-	2,991	930	3,170	7,091
		15,978	-	2,991	930	3,170	23,069
Accumulated depreciation							
At 1 January 2018		-	-	2,419	730	897	4,046
Charge for the financial year	27	321	-	180	87	349	937
Disposal		-	-	(9)	(313)	-	(322)
Transfer to a subsidiary company		-	-	(103)	-	(176)	(279)
Reversal on revaluation		(321)	-	-	-	-	(321)
At 31 December 2018/1 January 2019		-	-	2,487	504	1,070	4,061
Charge for the financial year	27	320	-	97	91	316	824
Reversal on revaluation		(320)	-	-	-	-	(320)
Write off	27	-	-	(4)	-	-	(4)
At 31 December 2019		-	-	2,580	595	1,386	4,561
Net carrying amount							
At 31 December 2019		16,062	-	493	340	1,784	18,679
At 31 December 2018		15,978	-	504	426	2,100	19,008

4. PROPERTY AND EQUIPMENT (CONTINUED)

The net book value of the revalued building had this asset been carried at cost less accumulated depreciation is as follows:

	2019 RM'000	2018 RM'000
Group		
Building	12,055	12,421
Company		
Building	5,988	6,198

The Group and the Company had carried out a valuation on the freehold property based on the income method conducted by an independent qualified valuer, Sr Thong Soo Fun, MRISM, MPEPS, Senior General Manager, Registered Valuer (V 561) of Rahim & Co International Sdn Bhd (201501001265 (1126597-X)). The valuation of this property was adopted for the financial year ended 31 December 2019. The recognised revalued amount was based on the valuation exercise performed as at 31 December 2019.

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

Fair value hierarchy

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

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

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

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fair value as stated in valuation report	26,407	26,291	16,062	15,978

The reconciliation from beginning to ending balances for the freehold property is as disclosed on page 122 to page 123.

4. PROPERTY AND EQUIPMENT (CONTINUED)

Description of valuation techniques used and significant unobservable inputs to valuation of freehold property are as set out below:

	Valuation technique	Significant unobservable inputs	Range
2019 Freehold property	Income method	Term period's net yield	5.75%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.50 – RM4.82 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.70 psf
2018 Freehold property	Income method	Term period's net yield	6.00%
		Reversionary period's net yield	6.25%
		Void factor	5.00%
		Average rental for term period	RM4.40 - RM5.11 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.60 psf
		Outgoings for reversionary period	RM1.60 psf

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

5. INVESTMENT PROPERTY

	Note	2019 RM'000	2018 RM'000
Group			
At 1 January		82,709	82,600
Fair value (loss)/gain	25	(116)	109
At 31 December		82,593	82,709
Represented by:			
Freehold property		82,593	82,709

	Note	2019 RM'000	2018 RM'000
Company			
At 1 January		31,604	31,114
Fair value (loss)/gain	25	(301)	490
At 31 December		31,303	31,604
Represented by:			
Freehold property		31,303	31,604

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

5. INVESTMENT PROPERTY (CONTINUED)

The following are amounts arising from investment property that have been recognised in the profit or loss during the financial year:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental income	3,933	5,197	4,858	4,509
Direct operating expenses arising from investment property that generate rental income	(3,908)	(2,885)	(1,997)	(1,486)
Direct operating expenses arising from investment property that did not generate rental income	(622)	(622)	(300)	(300)

The Group and Company had carried out a valuation on the investment property based on the income method conducted by an independent qualified valuer, Sr Thong Soo Fun, MRISM, MPEPS, Senior General Manager, Registered Valuer (V 561) of Rahim & Co International Sdn Bhd (201501001265 (1126597-X)). The valuation of the investment property was adopted for the financial year ended 31 December 2019. The recognised revalued amount was based on the valuation exercise performed as at 31 December 2019.

The fair value of the investment property is categorised under Level 3 of the fair value hierarchy.

Description of valuation techniques used and significant unobservable inputs to valuation of investment property are as set out below:

	Valuation technique	Significant unobservable inputs	Range
2019 Investment property	Income method	Term period's net yield	5.75%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.50 – RM4.82 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.70 psf
2018 Investment property	Income method	Term period's net yield	6.00%
		Reversionary period's net yield	6.25%
		Void factor	5.00%
		Average rental for term period	RM4.40 – RM5.11 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.60 psf
		Outgoings for reversionary period	RM1.60 psf

A significant increase or decrease in each of the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value of the investment property.

The reconciliation from beginning to ending balances for investment property is as disclosed on page 125.

6. INTANGIBLE ASSETS

Group	Note	Management rights RM'000	Exclusive right RM'000	Computer software RM'000	Computer software in progress RM'000	Distribution agreement RM'000	Total RM'000
Cost							
At 1 January 2018		86,815	40,000	28,545	1,679	-	157,039
Additions		-	-	560	811	-	1,371
Transfer from property and equipment	4	-	-	3	-	-	3
Transfer to computer software		-	-	143	(143)	-	-
At 31 December 2018/1 January 2019		86,815	40,000	29,251	2,347	-	158,413
Additions		-	-	534	891	28,739	30,164
Transfer from property and equipment	4	-	-	110	-	-	110
Transfer to computer software		-	-	22	(22)	-	-
Write off	27	-	-	(169)	-	-	(169)
Effect of exchange rate		-	-	(6)	(6)	-	(12)
At 31 December 2019		86,815	40,000	29,742	3,210	28,739	188,506
Accumulated amortisation							
At 1 January 2018		-	21,589	19,211	-	-	40,800
Amortisation during the financial year	27	-	3,212	3,335	-	-	6,547
At 31 December 2018/1 January 2019		-	24,801	22,546	-	-	47,347
Amortisation during the financial year	27	-	5,249	2,683	-	20	7,952
Effect of exchange rate		-	-	(2)	-	-	(2)
At 31 December 2019		-	30,050	25,227	-	20	55,297
Accumulated impairment							
At 31 December 2018/31 December 2019		-	-	1,026	-	-	1,026
Net carrying amount							
At 31 December 2019		86,815	9,950	3,489	3,210	28,719	132,183
At 31 December 2018		86,815	15,199	5,679	2,347	-	110,040

6. INTANGIBLE ASSETS (CONTINUED)

Company	Note	Computer software RM'000	Computer software in progress RM'000	Total RM'000
Cost				
At 1 January 2018		396	-	396
Additions		20	-	20
Transfer to a subsidiary company		(277)	-	(277)
At 31 December 2018/31 December 2019		139	-	139
Accumulated amortisation				
At 1 January 2018		131	-	131
Amortisation during the financial year	27	71	-	71
Transfer to a subsidiary company		(122)	-	(122)
At 31 December 2018/1 January 2019		80	-	80
Amortisation during the financial year	27	25	-	25
At 31 December 2019		105	-	105
Net carrying amount				
At 31 December 2019		34	-	34
At 31 December 2018		59	-	59

(i) Management rights

The Management rights relate to the investment management agreements arising from the acquisition of a subsidiary. The Group believes that the investment management agreements have an indefinite useful life. In performing the impairment assessment on this intangible asset, the Group compared the recoverable amount against the carrying amount of the intangible asset as of 31 December 2019. The Group is of the opinion that the recoverable amount, based on its value-in-use is higher than the carrying amount, and accordingly there is no allowance for impairment loss to be considered on this intangible asset.

The recoverable amount of the identifiable intangible assets (using value-in-use) is calculated based on the net cash inflow expected to be generated over a 10-year period from managing the total funds acquired using the following assumptions:

2019

Discount rate	: 7%
Sales growth rate	: Average 18% throughout the 10 years projection
Expense growth rate	: Average 10% throughout the 10 years projection
Terminal value	: 1.65% of average Assets Under Management at the 10^{th} year (based on comparable current market transactions)

2018

Discount rate	: 7%
Sales growth rate	: Average 17% throughout the 10 years projection
Expense growth rate	: Average 9% throughout the 10 years projection
Terminal value	: 1.65% of average Assets Under Management at the 10^{th} year (based on comparable current market transactions)

6. INTANGIBLE ASSETS (CONTINUED)

(ii) Exclusive right

The Exclusive right is a definite life intangible asset and relates to a 10-year exclusive bancassurance agreement entered into between Manulife Insurance Berhad and Alliance Bank Malaysia Berhad ("ABMB") on 13 June 2013. The Exclusive right is amortised in accordance with note 2(f)(ii).

(iii) Distribution agreement

The distribution agreement relates to a 20-year distribution right entered into between Manulife Insurance Berhad and an agency leadership corporation, on 23 September 2019 and is amortised in accordance with note 2(f)(iv). The distribution right is partially paid at the end of financial year. The remaining amount payable under the distribution agreement over the contract term is as disclosed in note 21(ii).

7. SUBSIDIARIES

	Company	
	2019 RM'000	**2018 RM'000**
Unquoted shares at cost	412,666	355,756
Accumulated impairment losses	(6,793)	(6,793)
	405,873	348,963

Details of the subsidiaries are as follows:

Name of company	**Country of incorporation**	**Effective interest 2019 %**	**Effective interest 2018 %**	**Principal activities**
Held by the Company:				
Manulife Insurance Berhad*	Malaysia	100	100	Life insurance business
Manulife Investment Management (M) Berhad (Formerly known as "Manulife Asset Management Services Berhad")	Malaysia	100	100	Management of unit trust funds, private retirement schemes, investment and fund management
Manulife Insurance Labuan Limited ("MILL")**	Malaysia	100	100	Labuan life insurance business and life insurance broking business
Britama Properties Sdn. Bhd.	Malaysia	100	100	Property rental and management
The e-Software House Sdn. Bhd.***	Malaysia	100	100	Dormant
British American Investments Pte. Ltd.****	Singapore	100	100	Dormant
Held through subsidiary and the Company:				
Manulife Cash Management Fund *****	Malaysia	99	98	Investment in money market fund
Manulife Wholesale Corporate Bond Fund	Malaysia	100	-	Investment in corporate bonds
Manulife Wholesale Government Bond Fund	Malaysia	100	-	Investment in sovereign bonds

7. SUBSIDIARIES (CONTINUED)

* The Company had on 30 September 2019 subscribed for additional 50,000,000 ordinary shares at an issue price of RM1.00 each in the capital of Manulife Insurance Berhad ("MIB"), a wholly-owned subsidiary of the Company.

** On 19 June 2018, MILL was licensed as Insurance Broker under Labuan Financial Services Authority.

On 30 November 2018, the Company subscribed additional 1,000,000 ordinary shares at an issue price of USD1.00 each in MILL, a wholly-owned subsidiary of the Company for a total consideration of USD1,000,000.

On 27 November 2019 and 30 December 2019, the Company subscribed additional 1,400,000 and 2,600,000 ordinary shares respectively, at an issue price of USD1.00 each in the capital of MILL, a wholly-owned subsidiary of the Company, for a total consideration of USD4,000,000.

*** The e-Software House Sdn. Bhd. had on 12 November 2019 been placed under Members' Voluntary Winding Up. The affairs and conduct of the company is now placed under the control of the Liquidator who will manage the entire process of liquidation. The winding up have no material impact on the financial results of the Group for the financial year ended 31 December 2019.

**** British American Investments Pte. Ltd., a wholly-owned subsidiary of the Group, was liquidated on 2 March 2020. The dissolution of the subsidiary contributed to a realised loss of RM422,000 to the financial results of the Company.

***** Audited by a firm of Chartered Accountants other than Ernst & Young PLT.

8. FINANCIAL ASSETS

(a) Available-for-sale

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Equity securities				
- Quoted in Malaysia	827,752	746,629	-	-
- Quoted outside Malaysia	96,806	109,339	-	-
- Unquoted	2,516	2,516	-	-
Real estate investment trusts	15,569	8,591	-	-
Unit trust funds*	76,546	70,352	-	-
Malaysian Government Securities	374,797	328,043	-	-
Government Investment Issues	251,698	137,236	-	-
Corporate debt securities				
- Unquoted	1,670,365	1,663,045	-	-
Accrued interest	24,583	23,790	-	-
	3,340,632	3,089,541	-	-
Current	1,108,428	1,051,577	-	-
Non-current	2,232,204	2,037,964	-	-
	3,340,632	3,089,541	-	-

* Being investment in a unit trust fund managed by a subsidiary of the company.

8. FINANCIAL ASSETS (CONTINUED)

(b) Fair value through other comprehensive income

	Company	
	2019 RM'000	2018 RM'000
Malaysian Government Securities	-	18,117
Government Investment Issues	-	3,614
Corporate debt securities		
- Unquoted	-	111,406
Accrued interest	-	1,433
	-	134,570
Current	-	7,255
Non-current	-	127,315
	-	134,570

(c) Fair value through profit or loss

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Equity securities				
- Quoted in Malaysia	580,616	493,196	9,209	13,920
- Quoted outside Malaysia	6,987	4,886	-	-
- Unquoted	-	-	572	572
Real estate investment trusts	8,314	5,786	172	160
Unit trust funds*	168,838	125,768	65,989	6,616
Malaysian Government Securities	48,314	34,398	-	-
Government Investment Issues	25,298	23,388	-	-
Corporate debt securities				
- Unquoted	415,097	363,894	-	-
- Quoted	40,735	5,076	-	-
Mutual funds				
- Quoted outside Malaysia	438,118	496,354	-	-
Forward foreign exchange contract (note 17)	3,802	3,958	-	-
Accrued interest	5,882	5,025	-	-
	1,742,001	1,561,729	75,942	21,268
Current	1,309,155	1,222,971	75,942	21,268
Non-current	432,846	338,758	-	-
	1,742,001	1,561,729	75,942	21,268

* Being investment in unit trust funds managed by a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

8. FINANCIAL ASSETS (CONTINUED)

(d) Carrying value of financial assets

The financial assets and its movement are further analysed as follows:

Group	**Note**	**Available-for-sale RM'000**	**Fair value through profit or loss RM'000**	**Total RM'000**
At 1 January 2018		3,090,586	1,536,831	4,627,417
Purchases		1,306,794	839,519	2,146,313
Maturities		(98,250)	(6,750)	(105,000)
Disposals		(1,064,723)	(673,449)	(1,738,172)
Fair value losses recorded in:				
Profit or loss	25	-	(147,595)	(147,595)
Other comprehensive income		(89,388)	-	(89,388)
Allowance for impairment losses	25	(54,622)	-	(54,622)
Net amortisation of premiums	23	(2,619)	(428)	(3,047)
Unrealised exchange gain		-	11,989	11,989
Movement in accrued interest		1,763	1,612	3,375
At 31 December 2018/1 January 2019		3,089,541	1,561,729	4,651,270
Purchases		1,760,260	975,423	2,735,683
Maturities		(64,050)	(6,000)	(70,050)
Disposals		(1,522,942)	(894,581)	(2,417,523)
Fair value gains recorded in:				
Profit or loss	25	-	112,158	112,158
Other comprehensive income		103,089	-	103,089
Allowance for impairment losses	25	(22,301)	-	(22,301)
Net amortisation of premiums	23	(3,758)	(856)	(4,614)
Unrealised exchange loss		-	(6,729)	(6,729)
Movement in accrued interest		793	857	1,650
At 31 December 2019		3,340,632	1,742,001	5,082,633

8. FINANCIAL ASSETS (CONTINUED)

(d) Carrying value of financial assets (continued)

The financial assets and its movement are further analysed as follows (continued):

Company	Note	Available-for-sale RM'000	Fair value through other comprehensive income RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2018		66,357	-	-	66,357
Effect of change in accounting policy		(66,357)	54,300	12,057	-
Purchases		-	87,808	121,675	209,483
Maturities		-	(1,900)	-	(1,900)
Disposals		-	(7,251)	(110,991)	(118,242)
Fair value gains/(loss) recorded in:					
Profit or loss	25	-	-	(1,473)	(1,473)
Other comprehensive income		-	956	-	956
Expected credit loss on debt securities	25	-	(7)	-	(7)
Net amortisation of premiums	23	-	(240)	-	(240)
Movement in accrued interest		-	904	-	904
At 31 December 2018/1 January 2019		-	134,570	21,268	155,838
Purchases		-	12,669	116,794	129,463
Maturities		-	(3,700)	-	(3,700)
Disposals		-	(141,136)	(63,375)	(204,511)
Fair value gains/(loss) recorded in:					
Profit or loss	25	-	-	1,255	1,255
Other comprehensive income		-	(724)	-	(724)
Expected credit loss on debt securities	25	-	9	-	9
Net amortisation of premiums	23	-	(255)	-	(255)
Movement in accrued interest		-	(1,433)	-	(1,433)
At 31 December 2019		-	-	75,942	75,942

9. LOANS AND RECEIVABLES

		Group		Company	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Loans receivable:					
Policy loans		148,872	152,365	-	-
Mortgage loans		1,365	1,598	-	-
Other loans		487	781	1	1
		150,724	154,744	1	1
Allowance for impairment loss		(283)	(135)	-	-
	(i)	150,441	154,609	1	1
Fixed and call deposits with licensed banks in Malaysia		161,340	245,959	997	1,501
Accrued interest		80	460	-	-
	(ii)	161,420	246,419	997	1,501
Other receivables:					
Amount due from subsidiaries (note 34)	(iii)	-	-	10,688	9,305
Amount due from related companies (note 34)	(iii)	2,748	3,617	-	-
Accrued dividend income		953	1,464	6	12
Accrued rental income		13	484	-	14
Deposits		1,494	1,347	359	158
Other debtors		43,026	67,793	1,767	1,974
		48,234	74,705	12,820	11,463
Allowance for impairment loss		(1,365)	(1,365)	(1,075)	(1,075)
	(iv)	46,869	73,340	11,745	10,388
Prepayments	(v)	9,171	4,832	42	1
Total		367,901	479,200	12,785	11,891

9. LOANS AND RECEIVABLES (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(i) Loans receivable:				
Receivable within 12 months	474	691	-	-
Receivable after 12 months	149,967	153,918	1	1
	150,441	154,609	1	1
(ii) Fixed and call deposits with licensed banks in Malaysia:				
Receivable within 12 months	161,420	246,419	997	1,501
	161,420	246,419	997	1,501

(iii) The amounts due from subsidiaries and related companies are unsecured, trade related, interest free and repayable on demand.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(iv) Other receivables:				
Receivable within 12 months	46,869	72,950	11,745	10,388
Receivable after 12 months	-	390	-	-
	46,869	73,340	11,745	10,388
(v) Prepayments:				
Current	6,648	4,832	42	1
Non-current	2,523	-	-	-
	9,171	4,832	42	1

The carrying amounts of other receivables and fixed and call deposits approximate fair values due to the relatively short term maturity of these balances. The carrying amount of loans receivable approximates fair value due to the insignificant impact of discounting.

10. REINSURANCE ASSETS/(LIABILITIES)

	Group	
	2019 RM'000	2018 RM'000
Reinsurance assets on:		
- Insurance contract liabilities	2,536	2,850
- Insurance claims liabilities	3,402	7,218
	5,938	10,068
Reinsurance liabilities on:		
- Insurance contract liabilities	(5,412)	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

11. INSURANCE RECEIVABLES

		Group 2019 RM'000	Group 2018 RM'000
Due premiums including agents' balances		16,733	18,533
Due from reinsurers	(i)	9,968	6,874
		26,701	25,407
Allowance for impairment losses		(907)	(1,063)
		25,794	24,344
Receivable within 12 months		25,794	24,344

The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short term maturity.

(i) Amount due from reinsurers that have been offset against amount due to reinsurers are as follows:

Group	Gross carrying amount RM'000	Gross amount offset RM'000	Net amount reported RM'000
31 December 2019			
Commissions receivables	19,496	-	19,496
Claims recoveries	6,657	-	6,657
Premiums ceded	-	(16,185)	(16,185)
	26,153	(16,185)	9,968
31 December 2018			
Commissions receivables	15,206	-	15,206
Claims recoveries	3,296	-	3,296
Premiums ceded	-	(11,628)	(11,628)
	18,502	(11,628)	6,874

12. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Share Capital				
Issued and fully paid up:				
Ordinary shares:				
At 1 January/31 December	202,370	103,069	202,370	103,069

No new ordinary shares were issued by the Company during the financial year.

13. RETAINED EARNINGS

The retained earnings are classified as distributable and non-distributable as follows:

Group	Note	2019 RM'000	2018 RM'000
Distributable	(i)	648,039	635,429
Non-distributable	(ii)	68,835	69,495
		716,874	704,924

(i) Under the single tier system, the Group is able to frank the payment of dividends out of its entire distributable retained earnings as at the date of the statement of financial position, except for its Manulife Insurance Berhad which also requires the approval by Bank Negara Malaysia under section 51 of the Financial Services Act, 2013.

(ii) Non-distributable retained earnings are surplus arising from the Non-participating life fund, net of deferred tax. These amounts are only distributable upon actual recommended transfer from the Non-participating (including Investment-linked Operating fund) life fund to the Shareholders' fund by the Appointed Actuary.

Company

There are no restrictions on the Company to frank the payment of dividends out of its entire earnings as at the date of the statement of financial position under the single tier system.

14. NON-CONTROLLING INTERESTS

Group	2019 RM'000	2018 RM'000
Non-controlling interests	256	2,090

Non-controlling interests represents the share of minority interest in a unit trust fund managed by the asset management subsidiary which is consolidated by Group. The financial position and the results of the unit trust fund has been consolidated as the Group has the ability to direct the investment strategy of the unit trust fund in a manner that most significantly affects its return.

15. INSURANCE CONTRACT LIABILITIES

Group	Gross		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Actuarial liabilities	2,819,089	2,503,329	2,821,965	2,500,479
Unallocated (deficit)/surplus	(71,285)	35,699	(71,285)	35,699
Fair value reserve	120,462	30,889	120,462	30,889
Asset revaluation reserve	1,887	1,649	1,887	1,649
Investment-linked policyholders' account	1,345,740	1,301,629	1,345,740	1,301,629
	4,215,893	3,873,195	4,218,769	3,870,345
Current	1,379,420	1,427,460	1,380,630	1,427,509
Non-current	2,836,473	2,445,735	2,838,139	2,442,836
	4,215,893	3,873,195	4,218,769	3,870,345

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

	Gross		Net	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January	3,873,195	3,948,122	3,870,345	3,946,850
Inforce reserve movement	78,254	98,292	83,861	97,831
New business reserve	108,427	35,136	108,510	34,019
Discount rate and other changes	130,538	(33,001)	130,538	(33,001)
Unallocated deficit	(106,984)	(4,904)	(106,984)	(4,904)
Effect of movements in exchange rate	(1,459)	16	(1,423)	16
Fair value reserve, net of tax	89,573	(77,975)	89,573	(77,975)
Asset revaluation reserve				
- Revaluation adjustment	32	(38)	32	(38)
- Reversal on revaluation	206	207	206	207
	238	169	238	169
Investment-linked policyholders' account	44,111	(92,660)	44,111	(92,660)
At 31 December	4,215,893	3,873,195	4,218,769	3,870,345

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

For the current year ended 31 December 2019, the applicable estimate changes on the assumptions resulted in higher actuarial liabilities of RM130.5 million (2018: lower actuarial liabilities of RM33.0 million), with a corresponding decrease in unallocated surplus for the participating business of RM102.7 million (2018: increase in unallocated surplus of RM39.2 million) and decrease in net profit before tax of RM27.8 million (2018: decrease in net profit before tax of RM6.2 million).

16. INSURANCE CLAIMS LIABILITIES

Group	Gross		Net	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Provision for outstanding claims	53,464	55,014	50,061	47,796
Current	53,464	55,014	50,061	47,796

17. FINANCIAL ASSET/(LIABILITY) AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives

The table below shows the fair value of derivative financial instruments of the Group, recorded as asset or liability, together with their notional amounts. The notional amount, recorded gross, is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. Derivative financial instruments are recognised as financial asset or financial liability in accordance with the policy described in note 2(h)(i)(1) and note 2(k).

		Fair value gain/(loss) recognised as		
Group	**Notional amount RM'000**	**Financial asset RM'000**	**Financial liability RM'000**	**Net carrying amount RM'000**
31 December 2019				
Hedging derivative:				
Forward foreign exchange contract (note 8(c))				
- Less than 1 year	322,819	3,802	-	3,802
31 December 2018				
Hedging derivative:				
Forward foreign exchange contract (note 8(c))				
- Less than 1 year	362,429	3,958	-	3,958
- more than 1 year	9,193	-	(116)	(116)

18. DEFERRED TAX (LIABILITIES)/ASSETS

Analysis of deferred tax (liabilities)/assets are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(34,137)	(16,802)	(108)	-
Deferred tax assets	9	-	-	86
	(34,128)	(16,802)	(108)	86
Current	(19,680)	4,038	(108)	86
Non-current	(14,448)	(20,840)	-	-
	(34,128)	(16,802)	(108)	86

18. DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

The components of deferred tax (liabilities)/assets as of the date of the statement of financial position are as follows:

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Revaluation - investment property	-	-	(179)	(165)	(179)	(165)
Accelerated depreciation	-	-	(511)	(170)	(511)	(170)
Investments	4,668	5,365	(16,436)	(162)	(11,768)	5,203
Unallocated surplus	-	-	(21,680)	(21,680)	(21,680)	(21,680)
Others	10	10	-	-	10	10
	4,678	5,375	(38,806)	(22,177)	(34,128)	(16,802)
Offsetting	(4,678)	(5,375)	4,678	5,375	-	-
Deferred tax liabilities (after offsetting)	-	-	(34,128)	(16,802)	(34,128)	(16,802)
Company						
Accelerated depreciation	-	-	(108)	86	(108)	86
	-	-	(108)	86	(108)	86
Offsetting	-	-	-	-	-	-
Deferred tax (liabilities)/assets (after offsetting)	-	-	(108)	86	(108)	86

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same entity.

The components and movements of deferred tax (liabilities)/assets during the financial year are as follows:

Group	Note	Revaluation-investment property RM'000	Accelerated depreciation RM'000	Investments RM'000	Unallocated surplus RM'000	Others RM'000	Total RM'000
At 1 January 2018		(195)	(327)	(14,261)	(21,786)	29	(36,540)
Recognised in:							
Profit or loss							
- Other operating expenses	29	30	(32)	12,438	-	(19)	12,417
- Taxation	30	-	189	296	106	-	591
Other comprehensive income							
- Fair value reserve		-	-	6,730	-	-	6,730
At 31 December 2018/1 January 2019		(165)	(170)	5,203	(21,680)	10	(16,802)
Recognised in:							
Profit or loss							
- Other operating expenses	29	(14)	(157)	(9,127)	-	-	(9,298)
- Taxation	30	-	(184)	(49)	-	-	(233)
Other comprehensive income							
- Fair value reserve		-	-	(7,795)	-	-	(7,795)
At 31 December 2019		(179)	(511)	(11,768)	(21,680)	10	(34,128)

18. DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

The components and movements of deferred tax (liabilities)/assets during the financial year are as follows (continued):

Company	Note	Accelerated depreciation RM'000	Total RM'000
At 1 January 2018		(103)	(103)
Recognised in:			
Profit or loss			
- Taxation	30	189	189
At 31 December 2018/1 January 2019		86	86
Recognised in:			
Profit or loss			
- Taxation	30	(194)	(194)
At 31 December 2019		(108)	(108)

Unrecognised deferred tax assets

The amount of unutilised tax losses and other deductible temporary differences for which no deferred tax assets is recognised in the statement of financial position are as follows:

	Group	
	2019 RM'000	2018 RM'000
Unutilised tax losses	1,228	5,127
Other deductible temporary differences	159	111
	1,387	5,238
Deferred tax assets not recognised	333	1,257

Deferred tax assets have not been recognised in respect of the above items as it is not probable that sufficient taxable profits will be available in the foreseeable future in the respective subsidiaries to utilise the said benefits.

The unutilised tax losses above are available for offsetting against future taxable profits of the respective subsidiaries subject to no substantial change in the shareholdings up to year 2025, as per Section 44(5F) and special provision relating to Sections 43 and 44 of the Income Tax Act, 1967.

19. INSURANCE PAYABLES

		Group	
		2019 RM'000	**2018 RM'000**
Due to reinsurers	(i)	2,896	3,787
Due to agents		4,172	5,087
Due to insureds		594,950	550,285
		602,018	559,159
Current		602,018	559,159

The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short-term maturity.

(i) Amount due to reinsurers that have been offset against amount due from reinsurers are as follows:

Group	**Gross carrying amount RM'000**	**Gross amount offset RM'000**	**Net amount reported RM'000**
31 December 2019			
Premiums ceded	6,628	-	6,628
Commissions receivables	-	(511)	(511)
Claims recoveries	-	(3,221)	(3,221)
	6,628	(3,732)	2,896
31 December 2018			
Premiums ceded	4,650	-	4,650
Commissions receivables	-	(117)	(117)
Claims recoveries	-	(746)	(746)
	4,650	(863)	3,787

20. LEASES

(a) Right-of-use assets

	Office Rental RM'000	Total RM'000
Cost		
At 1 January 2019	-	-
Effect of adoption of MFRS 16	1,424	1,424
At 1 January 2019 (restated)	1,424	1,424
Additions	2,551	2,551
At 31 December 2019	3,975	3,975
Accumulated depreciation		
At 1 January 2019	-	-
Charge for the year (note 27)	1,268	1,268
At 31 December 2019	1,268	1,268
Net book value		
At 31 December 2019	2,707	2,707

This note provides information for leases where the Group is a lessee.

The Group has entered into operating lease agreements for office rental. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 3 years.

The Group also has certain leases of office equipment with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	2019 RM'000	2018 RM'000
Amortisation of right-of-use assets (note 27)	1,268	-
Interest expense on lease liabilities (note 27)	68	-
Expense related to short-term leases (note 27)	701	-
Expense related to leases of low-value assets (note 27)	161	-
Total amount recognised in profit or loss	2,198	-

The total cash outflow for leases in 2019 was RM2,032,000.

20. LEASES (CONTINUED)

(b) Lease liabilities

	Office Rental RM'000	Total RM'000
Lease liabilities		
At 1 January 2019	-	-
Effect of adoption of MFRS 16	1,444	1,444
At 1 January 2019 (restated)	1,444	1,444
Increase in lease liabilities	2,522	2,522
Payment of lease liabilities	(1,170)	(1,170)
Interest expense on lease liabilities	68	68
At 31 December 2019	2,864	2,864
Of which are:		
Current lease liabilities	1,185	1,185
Non-current lease liabilities	1,679	1,679
	2,864	2,864

21. OTHER PAYABLES

		Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other creditors		68,569	113,529	1,330	2,055
Accrued liabilities		90,133	74,880	1,883	2,832
Amount due to related companies (note 34)	(i)	17,562	20,110	9,332	14,213
Amount due to subsidiaries (note 34)	(i)	-	-	1,834	1,838
Amount payable under Distribution Agreement	(ii)	27,093	-	-	-
		203,357	208,519	14,379	20,938
Current		181,981	208,519	14,379	20,938
Non-current		21,376	-	-	-
Total other payables		203,357	208,519	14,379	20,938

(i) The amounts due to related companies and subsidiaries are unsecured, trade related, interest free and repayable on demand. The carrying amounts disclosed above approximate their fair values as at the end of the financial year due to their relative short term maturity of these balances. All amounts are payable within one year.

(ii) The amount payable under the Distribution Agreement relates to the remaining unpaid distribution right as disclosed in note 6(iii) and is the expected present value of estimated future cash flows for intangible assets, discounted using the discount rate that reflects the current market assessment of the time value of money.

22. NET PREMIUMS

	Group 2019 RM'000	Group 2018 RM'000
First year premium	148,292	110,166
Renewal year premium	601,455	600,764
Single premium	168,821	154,476
	918,568	865,406

23. INVESTMENT INCOME

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Financial assets at FVTPL				
Interest/profit sharing income	22,563	15,653	-	-
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	18,057	15,633	424	317
- quoted outside Malaysia	108	253	-	-
- unquoted in Malaysia	-	-	70	88
- real estate investment trusts				
- quoted in Malaysia	1,542	271	16	3
- unit trust funds	5,371	3,810	185	434
- mutual funds - outside Malaysia	3,561	6,090	-	-
Net amortisation of premiums (note 8(d))	(856)	(428)	-	-
AFS financial assets				
Interest/profit sharing income	102,677	100,610	-	-
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	25,237	25,271	-	-
- quoted outside Malaysia	2,424	1,902	-	-
- unquoted in Malaysia	978	282	-	-
- real estate investment trusts				
- quoted in Malaysia	953	264	-	-
- unit trust funds	3,570	2,708	-	-
Net amortisation of premiums (note 8(d))	(3,758)	(2,619)	-	-
Sub-total carried forward to the next page	182,427	169,700	695	842

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

23. INVESTMENT INCOME (CONTINUED)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Sub-total brought forward from the previous page	182,427	169,700	695	842
Financial assets at FVOCI				
Interest/profit sharing income	-	-	5,108	4,354
Net amortisation of premiums (note 8(d))	-	-	(255)	(240)
Loans and receivables				
Interest/profit sharing income	16,323	20,018	29	73
Investment properties				
Rental income	4,129	6,370	4,858	4,509
Subsidiaries				
Dividend income	-	-	-	100,000
Cash and cash equivalents				
Interest/profit sharing income	868	1,000	74	52
	203,747	197,088	10,509	109,590

24. NET REALISED GAINS/(LOSS)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Property and equipment				
Realised gains	45	117	-	18
AFS financial assets				
Realised gains:				
Equity securities - quoted in Malaysia	10,464	33,684	-	-
Equity securities - quoted outside Malaysia	-	155	-	-
Real estate investment trusts	868	108	-	-
Debt securities	40,537	2,271	-	-
Realised losses:				
Equity securities - quoted in Malaysia	(1,505)	-	-	-
Debt securities	-	(89)	-	-
Total net realised gains for AFS financial assets	50,364	36,129	-	-
Financial assets at FVOCI				
Realised gain/(loss) on debt securities	-	-	8,385	(68)
Subsidiaries				
Realised gains/(loss) on liquidation (note 7)	-	1,500	(422)	(47)
Total net realised gains/(loss)	50,409	37,746	7,963	(97)

25. NET FAIR VALUE GAINS/(LOSSES)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Investment property				
Unrealised fair value (losses)/gains (note 5)	(116)	109	(301)	490
Financial assets at FVTPL				
Fair value gains:				
- Realised	10,635	1,719	-	-
- Unrealised (note 8(d))	112,199	727	1,255	-
Fair value losses:				
- Realised	(19,570)	(11,588)	(1,221)	(223)
- Unrealised (note 8(d))	(41)	(148,322)	-	(1,473)
Net fair value gains/(losses) on financial assets at FVTPL	103,223	(157,464)	34	(1,696)
AFS financial assets				
Impairment losses on quoted equities (note 8(d))	(22,301)	(54,622)	-	-
Financial assets at FVOCI				
Expected credit loss on debt securities (note 8(d))	-	-	9	(7)
Total net fair value gains/(losses)	80,806	(211,977)	(258)	(1,213)

26. FEE INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fund management fee income	77,671	72,419	-	-
Charges and fee income	31,992	34,315	-	-
Outsourcing fee income	-	-	1,034	1,195
	109,663	106,734	1,034	1,195

27. MANAGEMENT EXPENSES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Staff costs (note 27(a))	95,047	89,602	3,642	7,153
Directors' remuneration (note 34):				
- Fees*	1,131	940	427	356
- Other emoluments	5,996	8,990	601	1,220
Auditors' remuneration:				
- Statutory audit	613	624	87	98
- Audit related services	107	184	52	52
Depreciation of property and equipment (note 4)	3,330	3,553	824	937
Property and equipment written off (note 4)	658	-	-	-
Intangible asset written off (note 6)	169	-	-	-
Amortisation of intangible assets (note 6)	7,952	6,547	25	71
Allowance/(reversal) for impairment loss on loans receivable	148	(231)	-	-
Allowance/(reversal) of impairment loss on insurance receivables	4	(2)	-	-
Depreciation of right-of-use asset (note 20)	1,268	-	-	-
Interest expense on lease liabilities (note 20)	68	-	-	-
Expenses relating to short-term leases:				
- Subsidiary company	-	-	101	-
- Others (note 20)	701	-	-	-
Expenses relating to low-value assets (note 20)	161	-	-	-
Bancassurance service fee	3,000	3,000	-	-
Bancassurance incentives and allowances	12,939	5,689	-	-
Credit card charges	3,190	3,282	-	-
Fund management expenses	9,226	7,322	-	-
Office rental:				
- Subsidiary company	-	-	-	107
- Others	-	2,449	-	1
Goods and services tax	88	1,893	-	114
Information technology outsourcing expenses	11,949	11,080	314	386
Interest on distribution agreement	1,176	-	-	-
Marketing and advertising expenses	6,411	5,196	1	-
Printing and stationery	2,140	1,759	103	85
Postage and courier charges	1,318	1,394	1	2
Professional charges	5,743	4,901	224	281
Provision of finance support	191	192	-	-
Provision of HR support	661	663	-	-
Outsourcing fees expense	2,634	2,156	969	1,130
Software maintenance expenses	9,605	7,136	206	250
Training expenses	1,729	1,159	9	28
Travelling and entertainment expenses	3,786	2,882	97	163
Utilities and office maintenance expenses	3,492	2,892	125	257
Other expenses	4,687	3,626	42	123
	201,318	178,878	7,850	12,814

* Included in total Group directors' fees of RM1,131,000 (2018: RM940,000) are Investment Committee members' fees of RM146,850 (2018: RM142,500) which are borne by the unit trust funds managed by the asset management subsidiary. The amounts recharged to the unit trust funds are included in the unit trust funds' other expenses.

27. MANAGEMENT EXPENSES (CONTINUED)

(a) Staff costs

		Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Staff costs		75,486	69,829	3,082	5,996
Retirement benefits contributions	(i)	11,065	9,055	294	614
RSU expenses	(ii)	791	642	117	143
Other staff related expenses		7,705	10,076	149	400
Total staff costs		95,047	89,602	3,642	7,153

(i) The retirement benefits contributions of the Group and the Company were made to the defined contribution plan as mentioned in note 2(o)(ii) to the financial statements.

(ii) Share-based payments incurred during the financial year relates to the share-based compensation granted to employees as mentioned in note 2(o)(iii) to the financial statements.

28. SHARE-BASED COMPENSATION

Expenses arising from the share-based payment transactions recognised during the financial year as part of the employee benefit expense were as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
RSU expenses	962	1,028	117	164
	962	1,028	117	164

Restricted share units ("RSU") are granted to certain employees of Manulife Financial Corporation Group as part of the annual performance reward cycle and has a vesting period of over 35 months from grant date. Each RSU entitles the recipient to receive payment equal to the market value of one common share, plus credited dividends, at the time of vesting, subject to any performance conditions. These RSU expenses are paid out in cash at the end of the vesting period.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

29. OTHER OPERATING EXPENSES/(INCOME)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Foreign exchange:				
- Realised (gains)/losses	(4,506)	3,908	114	(83)
- Unrealised losses/(gains)	6,587	(12,996)	(53)	94
Interest expense on agent's bond withheld	15	16	-	-
Others	8,535	5,875	-	-
Tax on investment income of Life fund and Investment-linked funds:				
- Current tax	11,917	12,919	-	-
- Deferred tax (note 18)	9,298	(12,417)	-	-
	21,215	502	-	-
	31,845	(2,695)	61	11

The income tax for the Life fund and Investment-linked funds is calculated based on the tax rate of 8% (2018: 8%) of the assessable investment income, net of allowable deductions for the financial year.

30. TAXATION

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
In respect of the profit of the Group and Company:				
Current tax				
Current financial year	12,494	12,654	1,028	1,420
(Over)/under provision in prior financial year	(483)	(148)	142	-
	12,011	12,506	1,170	1,420
Deferred tax (note 18)				
Origination/(reversal) of temporary differences	233	(591)	194	(189)
	12,244	11,915	1,364	1,231

The current income tax for the Group and the Company is calculated based on the tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

30. TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as below:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before taxation	38,389	38,227	8,717	94,579
Taxation at Malaysia statutory tax rate of 24% (2018: 24%)	9,213	9,174	2,092	22,699
Section 110B tax credit set off	(971)	(2,071)	-	-
Income not subject to tax	(2,534)	(2,306)	(2,097)	(24,113)
Expenses not deductible for tax purposes	8,075	8,814	1,227	2,645
Utilisation of prior years unrecognised tax losses	(1,128)	(1,585)	-	-
Changes in unrecognised deferred tax assets	72	37	-	-
	12,727	12,063	1,222	1,231
(Over)/under provision in prior financial year				
- Current tax	(483)	(148)	142	-
Tax expense	12,244	11,915	1,364	1,231

31. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year over the number of ordinary shares of the Company in issue of 202,370,000 (2018: 202,370,000) shares.

	Group	
	2019 RM'000	**2018 RM'000**
Net profit attributable to owners of the Company	26,134	26,251
Basic earnings per share (sen)	12.91	12.97

The Company has no potential dilutive ordinary shares in issue as at the date of the statement of financial position and therefore, diluted earnings per share has not been presented.

32. DIVIDEND PAID

	2019		2018	
Company	**Net dividend per share Sen**	**Amount of dividend RM'000**	**Net dividend per share Sen**	**Amount of dividend RM'000**
Single tier dividend for 2018				
- First and final dividend	7.0	14,166	-	-
Single tier dividend for 2017				
- First and final dividend	-	-	8.0	16,190
	7.0	14,166	8.0	16,190

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

32. DIVIDEND PAID (CONTINUED)

The directors recommend the payment of a first and final dividend of 7.0 sen per share, amounting to RM14,165,900 for the financial year ended 31 December 2019, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

These financial statements do not reflect this final dividend which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2019 when approved by the shareholders.

33. ADJUSTMENTS FOR NON-CASH ITEMS

Non-cash items in the statements of cash flows comprise of:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Interest income	(142,431)	(137,281)	(5,211)	(4,479)
Dividend income	(61,801)	(56,484)	(695)	(100,842)
Rental income	(4,129)	(6,370)	(4,858)	(4,509)
Net amortisation of premiums	4,614	3,047	255	240
Gains on disposal of property and equipment	(45)	(117)	-	(18)
Gains on disposal of AFS financial assets	(50,364)	(36,129)	-	-
(Gains)/loss on disposal of FVOCI financial assets	-	-	(8,385)	68
Losses/(gains) on revaluation of investment property	116	(109)	301	(490)
Fair value (gains)/losses on FVTPL financial assets	(103,222)	157,464	(34)	1,696
Impairment losses on AFS financial assets	22,301	54,622	-	-
Depreciation of property and equipment	3,330	3,553	824	937
Expected credit loss on debt securities	-	-	(9)	7
Property and equipment written off	658	-	-	-
Intangible assets written off	169	-	-	-
Amortisation of intangible assets	7,952	6,547	25	71
Depreciation of ROU Asset	1,268	-	-	-
(Gain)/losses on liquidation of subsidiaries	-	(1,500)	422	47
Allowance/(reversal) of impairment loss on insurance receivables	4	(2)	-	-
Allowance/(reversal) for impairment loss on loans receivables	148	(231)	-	-
Taxation	12,244	11,915	1,364	1,231
Tax on investment income of Life fund and Investment-linked funds	21,215	502	-	-
Realised exchange (gains)/losses	(4,506)	3,908	114	(83)
Unrealised exchange losses/(gains)	6,587	(12,996)	(53)	94
	(285,893)	(9,661)	(15,940)	(106,030)

34. SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Company have related party relationships with its holding companies and subsidiaries of holding companies (as disclosed in note 7). Other related parties of, and their relationship with the Company are as follows:

Name of company	Country of incorporation	Relationship
Manulife Financial Corporation ("MFC")	Canada	Ultimate holding company
The Manufacturers Life Insurance Company	Canada	Penultimate holding company
Manulife Financial Asia Limited ("MFAL")	Hong Kong	Intermediate holding company
Manulife Century Holdings (Netherlands) BV ("MCHN")	Netherlands	Immediate holding company
Manulife Technology and Services Sdn. Bhd. (in liquidation)	Malaysia	Subsidiary of ultimate holding company
Manulife Data Services Inc.	Philippines	Subsidiary of ultimate holding company
John Hancock Life Insurance Company (USA)	United States of America	Subsidiary of ultimate holding company
Manulife (International) Limited (Bermuda)	Bermuda	Subsidiary of ultimate holding company
Manulife Investment Management (US) LLC (Formerly known as Manulife Asset Management (US) LLC)	United States of America	Subsidiary of ultimate holding company
Manulife Investment Management Limited (Formerly known as Manulife Asset Management Limited)	Canada	Subsidiary of ultimate holding company
Manulife Investment Management (Hong Kong) Limited (Formerly known as Manulife Asset Management (Hong Kong) Limited)	Hong Kong	Subsidiary of ultimate holding company
Manulife Investment Management (Singapore) Limited (Formerly known as Manulife Asset Management (Singapore) Limited)	Singapore	Subsidiary of ultimate holding company
Manulife Investment Management International Holdings Limited (Formerly known as Manulife Asset Management International Holdings Limited)	Barbados	Subsidiary of ultimate holding company

In the normal course of business, the Group and the Company undertake various transactions with other companies deemed related parties by virtue of being subsidiaries and associated companies of MFC, collectively known as the MFC Group.

Related parties also include key management personnel. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel of the Group and the Company include the directors and certain members of senior management of the Group and the Company. Total compensation paid to the Company's directors are disclosed on page 155.

The Directors of the Company in office during the financial year were as follows:

Non-executive directors:
Dato' Dr. Zaha Rina binti Zahari
Datuk Seri Panglima Mohd Annuar bin Zaini
Lim Hun Soon @ David Lim
Vijayam Nadarajah (appointed on 19 April 2019)
Matthew Edward Lawrence (appointed on 1 January 2020)
Kenneth Joseph Rappold Jr. (resigned on 31 December 2019)

Executive director:
Lee Sang Hui

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Expenses/(income):				
Penultimate holding company				
Information technology outsourcing expenses	410	766	-	-
Intermediate holding company				
Reimbursement of personnel expenses	6,896	8,149	112	533
Reimbursement of software maintenance expenses	4,065	3,558	129	129
Provision of IT infrastructure support	2,548	2,299	69	83
Subsidiaries of ultimate holding company				
Rental income	-	(91)	-	-
Rebate income	(9,911)	(10,759)	-	-
Management fee expense	2,232	1,499	-	-
Information technology outsourcing expenses	570	566	-	-
Subsidiaries of the Company				
Outsourcing fee income	-	-	(1,033)	(1,166)
Outsourcing fee expense	-	-	968	1,102
Rental income	-	-	(1,937)	(1,605)
Fund management expenses	-	-	251	235
Management fees and maintenance charges	-	-	93	93

Key management personnel

The total compensation paid to the Group and the Company's key management personnel are as follows:

		Group		Company	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Salaries, other short-term employee benefits and other directors' emoluments		21,846	25,856	2,145	4,444
Retirement benefits contribution	(i)	2,122	2,565	227	419
RSU expenses	(ii)	962	1,028	117	164
		24,930	29,449	2,489	5,027

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

Directors

The aggregate amount of emoluments received and receivable by directors of the Company during the financial year as disclosed in note 27 are detailed as follows:

		Group		Company	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Executive directors of the Company:					
Salaries		1,955	2,465	391	493
Bonus		256	-	51	-
Retirement benefits contributions	(i)	204	135	41	27
Benefits in kind		80	339	16	68
RSU expenses	(ii)	-	107	-	21
Tax equalisation	(iii)	-	2,324	-	465
Others		508	730	102	146
		3,003	6,100	601	1,220
Executive directors of the subsidiaries:					
Salaries		1,707	1,672	-	-
Fees		-	33	-	-
Bonus		785	630	-	-
Retirement benefits contributions	(i)	330	309	-	-
RSU expenses	(ii)	171	279	-	-
		2,993	2,923	-	-
Total directors remuneration for Executive directors		5,996	9,023	601	1,220
Non-executive directors of the Company:					
Fees	(iv)	761	552	427	356
Non-executive directors of the subsidiaries:					
Fees	(iv)	370	355	-	-
Total directors remuneration for Non-executive directors		1,131	907	427	356
		7,127	9,930	1,028	1,576

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

Directors (continued)

(i) The retirement benefits contributions were made to the defined contribution plan as mentioned in note 2(o)(ii) to the financial statements.

(ii) The share-based payments incurred during the financial year relates to the share-based compensation granted to employees as mentioned in note 2(o)(iii) to the financial statements.

(iii) In year 2018, tax equalisation refers to the tax incurred by the Group and the Company on behalf of the previous Executive Director who was on international assignment so as to allow him a tax neutral position for working in Malaysia.

(iv) Included in Non-executive directors' fees of RM1,131,000 (2018: RM907,000) are Investment Committee members' fees of RM146,850 (2018: RM142,500) which are borne by the unit trust funds managed by the asset management subsidiary.

Significant related party balances

Related party balances outstanding for the Group and the Company which are included in the notes to the financial statements are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Loans and receivables (note 9)				
- Amount due from related companies	2,748	3,617	-	-
- Amount due from subsidiaries	-	-	10,688	9,305
	2,748	3,617	10,688	9,305
Other payables (note 21)				
- Amount due to related companies	17,562	20,110	9,332	14,213
- Amount due to subsidiaries	-	-	1,834	1,838
	17,562	20,110	11,166	16,051

35. SEGMENTAL REPORTING

The core businesses of the Group are that of life insurance business, management of unit trust funds, private retirement scheme funds, investment and fund management. Segment information is presented in respect of the Group's business segments which are as follows:

Investment holding	:	Investment holding operations and other segments
Life insurance	:	Underwriting of Participating life and Non-participating life insurance and unit-linked products
Asset management services	:	Asset management, unit trust, private retirement scheme funds

(a) Segment reporting

	Investment holding		Life insurance business		Asset management services		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
External revenue								
(a) Premium income								
Gross premiums	-	-	988,007	913,371	-	-	988,007	913,371
Premiums ceded to reinsurers	-	-	(69,439)	(47,965)	-	-	(69,439)	(47,965)
Net premiums	-	-	918,568	865,406	-	-	918,568	865,406
(b) Investment income	13,936	14,446	189,119	181,712	692	930	203,747	197,088
(c) Net realised gains	7,514	1,590	42,539	36,055	356	101	50,409	37,746
(d) Net fair value (losses)/gains	(626)	(581)	81,422	(211,415)	10	19	80,806	(211,977)
(e) Fee income	-	-	-	-	109,663	106,734	109,663	106,734
(f) Other operating income	2	2	2,946	2,382	745	465	3,693	2,849
Total external revenue	20,826	15,457	1,234,594	874,140	111,466	108,249	1,366,886	997,846
Inter-segment revenue								
(a) Rental income	1,937	1,605	793	784	-	-	2,730	2,389
(b) Fee income	1,034	1,195	3,789	4,412	11,972	11,686	16,795	17,293
(c) Dividend income from equity securities	-	-	2,608	3,862	-	-	2,608	3,862
(d) Dividend income from subsidiary	-	100,000	-	-	-	-	-	100,000
(e) Net realised gains	-	-	52	250	-	-	52	250
Total inter-segment revenue	2,971	102,800	7,242	9,308	11,972	11,686	22,185	123,794
Total revenue by segment	23,797	118,257	1,241,836	883,448	123,438	119,935	1,389,071	1,121,640
Profit before taxation	12,344	1,500	17,955	32,426	8,090	4,301	38,389	38,227
Segment assets	1,108,380	729,700	5,615,122	5,096,957	122,629	130,124	6,846,131	5,956,781
Segment liabilities	13,045	19,622	5,047,078	4,613,169	72,248	86,271	5,132,371	4,719,062

35. SEGMENTAL REPORTING (CONTINUED)

(b) Reconciliation of reportable segments

	Group	
	2019 RM'000	2018 RM'000
Total revenue		
Total revenue for reportable segments	1,389,071	1,121,640
Elimination of inter-segment revenue	(22,185)	(123,794)
Total revenue as per statement of profit or loss	1,366,886	997,846
Segment assets		
Total assets for reportable segments	6,846,131	5,956,781
Elimination of inter-segment assets	(890,993)	(421,927)
Total assets as per statement of financial position	5,955,138	5,535,854
Segment liabilities		
Total liabilities for reportable segments	5,132,371	4,719,062
Elimination of inter-segment liabilities	(14,856)	(6,079)
Total liabilities as per statement of financial position	5,117,515	4,712,983

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Available-for-sale ("AFS");
(ii) Fair value through other comprehensive income ("FVOCI");
(iii) Fair value through profit or loss ("FVTPL");
(iv) Loans and receivables excluding prepayments ("LAR"); and
(v) Other financial liabilities measured at amortised cost ("OL").

36. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Group	**AFS RM'000**	**FVTPL RM'000**	**LAR RM'000**	**OL RM'000**	**Total RM'000**
31 December 2019					
Financial assets					
AFS financial assets	3,340,632	-	-	-	3,340,632
Financial assets at FVTPL	-	1,742,001	-	-	1,742,001
Loans and receivables	-	-	358,730	-	358,730
Insurance receivables	-	-	25,794	-	25,794
Cash and cash equivalents	-	-	207,145	-	207,145
	3,340,632	1,742,001	591,669	-	5,674,302
Financial liabilities					
Insurance payables	-	-	-	602,018	602,018
Other payables	-	-	-	203,357	203,357
	-	-	-	805,375	805,375
31 December 2018					
Financial assets					
AFS financial assets	3,089,541	-	-	-	3,089,541
Financial assets at FVTPL	-	1,561,729	-	-	1,561,729
Loans and receivables	-	-	474,368	-	474,368
Insurance receivables	-	-	24,344	-	24,344
Cash and cash equivalents	-	-	130,893	-	130,893
	3,089,541	1,561,729	629,605	-	5,280,875
Financial liabilities					
Financial liabilities at FVTPL	-	116	-	-	116
Insurance payables	-	-	-	559,159	559,159
Other payables	-	-	-	208,519	208,519
	-	116	-	767,678	767,794

36. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Company	FVOCI RM'000	FVTPL RM'000	LAR* RM'000	OL RM'000	Total RM'000
31 December 2019					
Financial assets					
Financial assets at FVTPL	-	75,942	-	-	75,942
Loans and receivables	-	-	12,743	-	12,743
Cash and cash equivalents	-	-	1,178	-	1,178
	-	75,942	13,921	-	89,863
Financial liabilities					
Other payables	-	-	-	14,379	14,379
31 December 2018					
Financial assets					
Financial assets at FVOCI	134,570	-	-	-	134,570
Financial assets at FVTPL	-	21,268	-	-	21,268
Loans and receivables	-	-	11,890	-	11,890
Cash and cash equivalents	-	-	1,328	-	1,328
	134,570	21,268	13,218	-	169,056
Financial liabilities					
Other payables	-	-	-	20,938	20,938

* LAR are measured under amortised costs under MFRS 9.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Determination of fair values

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

(i) The carrying amounts of financial assets and financial liabilities, such as loans and receivables, insurance receivables, cash and cash equivalents, insurance payables and other payables (other than amount payable under Distribution Agreement) are reasonable approximations of their fair values due to the relatively short term maturity of these balances and the immaterial impact of discounting;

(ii) The carrying amount of amount payable under Distribution Agreement which is the remaining present value of the expected future cash flow discounted using the discount rate that reflects the current market assessment of the time value of money, are reasonable approximations of their fair values;

(iii) The fair values of quoted equities and investments in real estate investment trusts are based on quoted market prices as at the reporting date;

(iv) The fair values of Malaysian Government Securities, Government Investment Issues and both quoted and unquoted corporate debt securities are based on indicative market prices;

(v) The fair values of negotiable instruments of deposit are calculated using the discounted cash flow method based on the maturity of the instruments at discount rates representing the average market rates quoted by at least two licensed banks;

(vi) The fair values of investments in mutual funds and unit trust funds are valued based on the net asset values of the underlying funds as at the reporting date; and

(vii) The fair values of forward foreign exchange contracts are based on valuations provided by the financial institutions making reference to quoted market prices.

(c) Fair value hierarchy

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

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

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

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

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

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

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

The following table presents the Group's financial assets that are carried at fair value as at 31 December 2019.

Group	**Carrying amount RM'000**	**Level 1 RM'000**	**Level 2 RM'000**
31 December 2019			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	827,752	827,752	-
- Quoted outside Malaysia	96,806	96,806	-
Real estate investment trusts	15,569	15,569	-
Unit trust funds	76,546	76,546	-
Malaysian Government Securities	374,797	-	374,797
Government Investment Issues	251,698	-	251,698
Corporate debt securities			
- Unquoted	1,670,365	-	1,670,365
Accrued interest	24,583	-	24,583
	3,338,116	1,016,673	2,321,443
Financial assets at FVTPL			
Equity securities			
- Quoted in Malaysia	580,616	580,616	-
- Quoted outside Malaysia	6,987	6,987	-
Real estate investment trusts	8,314	8,314	-
Unit trust funds	168,838	168,838	-
Malaysian Government Securities	48,314	-	48,314
Government Investment Issues	25,298	-	25,298
Corporate debt securities			
- Unquoted	415,097	-	415,097
- Quoted outside Malaysia	40,735	-	40,735
Mutual funds	438,118	438,118	-
Forward foreign exchange contract	3,802	-	3,802
Accrued interest	5,882	-	5,882
	1,742,001	1,202,873	539,128
	5,080,117	2,219,546	2,860,571

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

The following table presents the Group's financial assets that are carried at fair value as at 31 December 2018.

Group	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2018			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	746,629	746,629	-
- Quoted outside Malaysia	109,339	109,339	-
Real estate investment trusts	8,591	8,591	-
Unit trust funds	70,352	70,352	-
Malaysian Government Securities	328,043	-	328,043
Government Investment Issues	137,236	-	137,236
Corporate debt securities			
- Unquoted	1,663,045	-	1,663,045
Accrued interest	23,790	-	23,790
	3,087,025	934,911	2,152,114
Financial assets at FVTPL			
Equity securities			
- Quoted in Malaysia	493,196	493,196	-
- Quoted outside Malaysia	4,886	4,886	-
Real estate investment trusts	5,786	5,786	-
Unit trust funds	125,768	125,768	-
Malaysian Government Securities	34,398	-	34,398
Government Investment Issues	23,388	-	23,388
Corporate debt securities			
- Unquoted	363,894	-	363,894
- Quoted outside Malaysia	5,076	-	5,076
Mutual funds	496,354	496,354	-
Forward foreign exchange contract	3,958	-	3,958
Accrued interest	5,025	-	5,025
	1,561,729	1,125,990	435,739
	4,648,754	2,060,901	2,587,853
Financial liabilities at FVTPL			
Forward foreign exchange contract	116	-	116

Unquoted equity securities of RM2,516,556 (2018: RM2,516,566) of the Group as disclosed in note 8(a) are not disclosed in the fair value hierarchy above as they are measured at cost as fair value is not readily available.

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

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2019 and 31 December 2018.

Company	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2019				
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	9,209	9,209	-	-
- Unquoted*	572	-	-	572
Real estate investment trusts				
- Quoted in Malaysia	172	172	-	-
Unit trust funds	65,989	65,989	-	-
	75,942	75,370	-	572
31 December 2018				
Financial assets at FVOCI				
Malaysian Government Securities	18,117	-	18,117	-
Government Investment Issues	3,614	-	3,614	-
Corporate debt securities				
- Unquoted	111,406	-	111,406	-
Accrued interest	1,433	-	1,433	-
	134,570	-	134,570	-
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	13,920	13,920	-	-
- Unquoted*	572	-	-	572
Real estate investment trusts				
- Quoted in Malaysia	160	160	-	-
Unit trust fund	6,616	6,616	-	-
	21,268	20,696	-	572

* The Company has determined that cost is the best proxy of the fair value of the unquoted equities which are classified as financial assets at FVTPL, as there is no latest market value for these strategic investments and there has been no significant change in the economic environment in which the investee operates in. The reconciliation from beginning to ending balance for unquoted equities will be at cost, as mentioned above.

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

37. RISK MANAGEMENT

(a) Risk management framework

The Board of Directors (the "Board") of the Company has oversight responsibility for risk management. Industry best practices and governance standards for financial institutions require the Board to establish risk management policies and practices and, in delegating this responsibility to management, to ensure that these policies and practices remain adequate, comprehensive and prudent in light of changing circumstances.

The Board, through its Group Risk Management Committee ("GRMC"), is responsible for overseeing the Group's management of its principal risks. The Board and GRMC delegate accountability for risk taking and risk management to the Group Chief Executive Officer ("GCEO"). The GCEO, supported by the Risk Officer and Enterprise Risk Management Committee, established risk policies, guide risk-taking activity, monitor material risk exposures, and develop strategic risk management priorities, thereby continuously shaping and promoting our risk culture throughout the Group and the Company.

Risk management policies and practices form an integral part of the Board and Senior Management's oversight of risks and the Group's financial position. Accordingly, along with capital management and financial management, risk management is one of the three pillars of the Group's prudential framework. As such, the Group's risk policies and practices must be directly aligned with the Group's capital management and financial management frameworks. The amount of risk the Group assumes, and plans to assume, defines its required consolidated risk-based capital. Conversely, the amount of available capital defines the amount of risk it is prudent to assume. This relationship dictates the need for alignment between capital and risk management.

The Group's risk taking activities are undertaken with the understanding that risk taking and effective risk management are necessary and integral to achieving strategic objectives and managing business operations.

The Group seeks to strategically optimise risk taking and risk management to support long term revenue and earnings growth, with the ultimate objective of increasing shareholder value. This is done by:

- Capitalising on business opportunities that are aligned with the Group's overall risk appetite and return expectations;
- Identifying, measuring and assessing, and monitoring and reporting on principal risks taken;
- Proactively executing effective risk controls and mitigation programs.

(b) Regulatory framework

Manulife Insurance Berhad is required to comply with the Financial Services Act, 2013 (Act 758) as well as guidelines and circulars issued by Bank Negara Malaysia ("BNM").

Manulife Insurance Labuan Limited is required to comply with Labuan Financial Services Authority Act, 1996 (LFSAA 1996).

Manulife Investment Management (M) Berhad (formerly known as "Manulife Asset Management Services Berhad") is governed by the Capital Markets and Services Act, 2007 and relevant guidelines issued by the Securities Commission Malaysia.

37. RISK MANAGEMENT (CONTINUED)

(c) Capital management

The Capital Management Plan is developed and endorsed by the Board. The plan lays out the management actions in response to various Capital Adequacy Ratio ("CAR") scenarios. The Group and the Company manages its capital with the following objectives:

- To maintain the required level of stability of the Group, thereby providing a degree of security to policyholders of the insurance subsidiaries;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders of the insurance subsidiaries, regulators and stakeholders;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- To maintain strong and healthy capital ratios in order to support the Group's and the Company's business objectives and maximise shareholders' value.

Manulife Insurance Berhad's internal target solvency range is above the minimum regulatory capital requirement outlined under Risk-Based Capital Framework ("the Framework") prescribed by BNM at 130%.

Manulife Insurance Berhad has fully complied with its internal target solvency range during the reported financial years.

The capital structure of the Manulife Insurance Berhad as at 31 December 2019 and 31 December 2018, as prescribed under the Framework are as follows:

	2019 RM'000	2018 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	200,000	150,000
Retained earnings of Manulife Insurance Berhad*	259,204	246,085
Eligible contract liabilities	442,974	587,546
	902,178	983,631
Eligible Tier 2 Capital		
Eligible reserves	135,088	38,672
Amounts deducted from capital	(43,170)	(20,273)
Total Capital Available	994,096	1,002,030

* Only the distributable retained earnings of Manulife Insurance Berhad are included in the determination of Total Capital Available.

37. RISK MANAGEMENT (CONTINUED)

(c) Capital management (continued)

Manulife Insurance Labuan Limited is regulated by the Labuan Financial Services Authority (LFSA) for both Licensed Life Insurer and Licensed Insurance Broker.

(i) Licensed Life Insurer

A solvency requirement is imposed by LFSA as part of its supervisory activities where solvency margin is calculated at 3% of the latest actuarial valuation of life insurance or RM7.5 million, whichever is greater.

As of the reporting date, the solvency over the required margin is as shown below:

	2019 USD'000	**2018 USD'000**
Required Margin of Solvency	1,832	1,813
Total assets	29,844	6,303
Total liabilities	(23,465)	(3,691)
Excess of assets over liabilities	6,379	2,612
Surplus over the required margin	4,547	799

(ii) Licensed Insurance Broker

Manulife Insurance Labuan Limited was licensed as a Licensed Insurance Broker on 19 June 2018 and has met the minimum capital requirement of RM0.3 million, with a net working fund of RM1.1 million as at 31 December 2019 (2018: RM0.4 million).

Manulife Investment Management (M) Berhad has also met the minimum capital requirement of RM20 million stipulated by the Securities Commission Malaysia with a shareholder's fund of RM50,381,044 (2018: RM43,851,819).

(d) Insurance risk

Insurance risk is the risk of loss due to actual experience emerging differently than assumed when a product was designed and priced with respect to mortality and morbidity claims, policyholders' behaviour and expenses.

The insurance subsidiaries of the Group have implemented product design and pricing policies and underwriting and claims management policies to manage its insurance risks.

Manulife Insurance Berhad limits its exposure to loss within the insurance operations through participation in reinsurance arrangements. For insurance contracts issued in 2019, MIB generally retains a maximum of RM300,000 for mortality risk per life for non-credit related products, RM50,000 for mortality risk per life for credit related products, RM300,000 for accelerated critical illness risk per life and RM200,000 for additional critical illness per life, with the excess being reinsured through surplus treaties, coinsurance treaties and facultative reinsurance treaties. Manulife Insurance Berhad is neither dependent on a single reinsurer at this moment nor are the operations of Manulife Insurance Berhad substantially dependent upon any reinsurance contract.

Manulife Insurance Labuan Limited also limits exposure to loss within the insurance operations through participation in reinsurance arrangements. MILL retains 20% of Net Amount At Risk ("NAAR") up to USD 75,000, with the excess being reinsured through surplus treaties.

37. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

The table below sets out the concentration of the actuarial liabilities of the Group as at the date of the statement of financial position, gross and net of reinsurance, by class of business.

	Gross		Net	
Group	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Whole life	1,088,299	931,415	1,085,763	930,855
Endowment	806,350	691,737	806,350	691,737
Term	67,859	61,264	73,271	58,974
Annuity	238,518	206,181	238,518	206,181
Others	618,063	612,732	618,063	612,732
	2,819,089	2,503,329	2,821,965	2,500,479

Sensitivities

The analysis below is performed on plausible movements in key assumptions (with all other assumptions held constant) with resulting impact on gross and net actuarial liabilities and profit before tax and equity. The correlation of assumptions may have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions are changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current level of economic assumptions.

Group	**Change in assumptions %**	**Impact on gross actuarial liabilities RM'000**	**Impact on net actuarial liabilities RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
		Increase/(decrease)			
31 December 2019					
Mortality/morbidity	+10	22,769	15,776	(15,776)	(12,144)
Discount rate	-1	60,843	59,577	(59,577)	(50,022)
Expenses	+10	7,850	7,850	(7,850)	(5,984)
Lapse and surrender rates	+10	1,356	1,408	(1,408)	(954)
31 December 2018					
Mortality/morbidity	+10	17,502	14,014	(14,014)	(10,662)
Discount rate	-1	30,570	30,071	(30,071)	(22,888)
Expenses	+10	6,527	6,527	(6,527)	(4,962)
Lapse and surrender rates	+10	2,849	2,851	(2,851)	(2,166)

* Impact on equity is stated after considering tax effects.

37. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

Sensitivities (continued)

In the sensitivity analysis above, the impact from the changes in assumptions in the table above to the insurance subsidiaries of the Group's profit before tax and equity arise from Non-participating life fund policies. There is no material impact to the Participating life funds within the range of changes in assumptions as the participating nature of the Participating life funds give Manulife Insurance Berhad the flexibility to adjust the policyholders' bonus or dividends.

The method used and significant assumptions made to derive the sensitivity information did not change from the previous financial year.

(e) Credit risk

Credit risk is the risk of loss due to inability or unwillingness of an issuer or borrower to service its debt obligations. The risk arising from lending and investment activities is monitored regularly with respect to single customer limit, exposure to sector type, credit rating and remaining term to maturity, according to the guidelines and limits approved by the Board and for the insurance subsidiaries of the Group, within the guidelines issued by the regulators.

As at the date of the statement of financial position, the credit exposure of the Group and the Company is within the guidelines and limits approved by the Board. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

The Group and the Company has minimal exposure to credit risk on unrated Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities as these are either issued or guaranteed by the Federal Government of Malaysia. All the remaining unquoted corporate debt securities are issued by companies with minimum rating of BBB, whereas rating of quoted corporate debt securities are rated by international rating agencies.

Policy loans arising from Manulife Insurance Berhad are secured against the surrender value of the policies and carry substantially no credit risk. Mortgage loans and staff loans are secured against the properties charged to the Group.

Credit risk in respect of customer balances incurred on non-payment of premiums arising from the insurance subsidiaries of the Group will only persist during the grace period specified in the policy documents on the expiry of which either the premium is paid or the policy will be terminated.

Fixed and call deposits are placed with financial institutions approved by the Investment Committee of the Group with ratings of 'A' or better.

Reinsurance arrangements for the insurance subsidiaries of the Group are maintained with reinsurers with international ratings of 'A' or better.

There has been no significant change in the credit risk objectives, policies and processes in the current financial year as compared to the previous financial year.

The table below shows the Group's and the Company's maximum exposure to credit risk for the components in the statements of financial position by classifying financial and insurance assets according to the Group's and the Company's credit rating of counterparties, except for the Investment-linked funds' assets of Manulife Insurance Berhad, as the Group does not have any direct exposure to credit risk in those assets as the credit risk is borne by the Investment-linked policyholders.

The Investment-linked funds are the assets of the Investment-linked contracts backing the Investment-linked policyholders' account in the insurance contract liabilities of Manulife Insurance Berhad.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

37. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Group	Neither past-due nor impaired		Not subject to credit risk	Past due but not impaired	Past due and impaired	Investment-linked funds	Total
	Rating (BBB to AAA) RM'000	Not rated RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019							
AFS financial assets							
Equity securities	-	-	927,074	-	-	-	927,074
Real estate investment trusts	-	-	15,569	-	-	-	15,569
Unit trust funds	-	-	76,546	-	-	-	76,546
Malaysian Government Securities	-	374,797	-	-	-	-	374,797
Government Investment Issues	-	251,698	-	-	-	-	251,698
Corporate debt securities	1,277,941	392,424	-	-	-	-	1,670,365
Accrued interest	14,266	10,317	-	-	-	-	24,583
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	-	-	-	-	-	587,603	587,603
Real estate investment trusts	-	-	-	-	-	8,314	8,314
Unit trust funds	-	-	1,623	-	-	167,215	168,838
Malaysian Government Securities	-	48,314	-	-	-	-	48,314
Government Investment Issues	-	25,298	-	-	-	-	25,298
Corporate debt securities	280,939	84,602	-	-	-	90,291	455,832
Mutual funds	-	-	-	-	-	438,118	438,118
Forward foreign exchange contract	-	-	-	-	-	3,802	3,802
Accrued interest	3,069	1,676	-	-	-	1,137	5,882
Loans and receivables							
Loans receivable	-	150,183	-	52	489	-	150,724
Fixed and call deposits	112,337	-	-	-	-	49,083	161,420
Other receivables	-	39,752	-	-	1,365	7,117	48,234
Reinsurance assets	4,288	1,650	-	-	-	-	5,938
Insurance receivables	-	25,794	-	-	907	-	26,701
Cash and cash equivalents	201,723	-	-	-	-	5,422	207,145
Allowance for impairment losses	-	-	-	-	(2,555)	-	(2,555)
	1,894,563	1,406,505	1,020,812	52	206	1,358,102	5,680,240

37. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Group	Neither past-due nor impaired		Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment-linked funds RM'000	Total RM'000
	Rating (BBB to AAA) RM'000	Not rated RM'000					
31 December 2018							
AFS financial assets							
Equity securities	-	-	858,484	-	-	-	858,484
Real estate investment trusts	-	-	8,591	-	-	-	8,591
Unit trust funds	-	-	70,352	-	-	-	70,352
Malaysian Government Securities	-	328,043	-	-	-	-	328,043
Government Investment Issues	-	137,236	-	-	-	-	137,236
Corporate debt securities	1,286,325	376,720	-	-	-	-	1,663,045
Accrued interest	14,919	8,871	-	-	-	-	23,790
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	-	-	-	-	-	498,082	498,082
Real estate investment trusts	-	-	-	-	-	5,786	5,786
Unit trust funds	-	-	1,029	-	-	124,739	125,768
Malaysian Government Securities	-	34,398	-	-	-	-	34,398
Government Investment Issues	-	23,388	-	-	-	-	23,388
Corporate debt securities	215,647	75,373	-	-	-	77,950	368,970
Mutual funds	-	-	-	-	-	496,354	496,354
Forward foreign exchange contract	-	-	-	-	-	3,958	3,958
Accrued interest	2,577	1,564	-	-	-	884	5,025
Loans and receivables							
Loans receivable	-	154,463	-	59	222	-	154,744
Fixed and call deposits	164,271	-	-	-	-	82,148	246,419
Other receivables	-	61,135	-	-	1,365	12,205	74,705
Reinsurance assets	4,719	5,349	-	-	-	-	10,068
Insurance receivables	-	24,344	-	-	1,063	-	25,407
Cash and cash equivalents	120,638	-	-	-	-	10,255	130,893
Allowance for impairment losses	-	-	-	-	(2,563)	-	(2,563)
	1,809,096	1,230,884	938,456	59	87	1,312,361	5,290,943

37. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Company

The following table sets out the credit quality of financial assets measured at amortised cost and FVOCI:

	2019			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loans and receivables at amortised cost:				
- Fixed and call deposits (BBB to AAA)	997	-	-	997

	Rating (BBB to AAA) RM'000	**Not rated RM'000**	**Not subject to credit risk RM'000**	**Total RM'000**
31 December 2019				
Financial assets at FVTPL				
Equity securities	-	-	9,781	9,781
Real estate investment trusts	-	-	172	172
Unit trust funds	-	-	65,989	65,989
Loans and receivables				
Loans receivable	-	1	-	1
Fixed and call deposits	997	-	-	997
Other receivables	-	11,745	-	11,745
Cash and cash equivalents	1,178	-	-	1,178
	2,175	11,746	75,942	89,863

	2018			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loans and receivables at amortised cost:				
- Fixed and call deposits (BBB to AAA)	1,501	-	-	1,501
Financial assets at FVOCI:				
- Malaysian Government Securities (Not rated)	18,117	-	-	18,117
- Government Investment Issues (Not rated)	3,614	-	-	3,614
- Corporate debt securities (BBB to AAA)	80,708	-	-	80,708
- Corporate debt securities (Not rated)	30,707	-	-	30,707
	133,146	-	-	133,146
Loss allowance	(9)	-	-	(9)
Carrying amount	133,137	-	-	133,137

The details of the "three-staging model" are described in note 2(i)(iii).

37. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Company (continued)

The following table sets out the credit quality of financial assets measured at amortised cost and FVOCI: (continued)

	Rating (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Total RM'000
31 December 2018				
Financial assets at FVOCI				
Malaysian Government Securities	-	18,117	-	18,117
Government Investment Issues	-	3,614	-	3,614
Corporate debt securities	80,699	30,707	-	111,406
Accrued interest	844	589	-	1,433
Financial assets at FVTPL				
Equity securities	-	-	14,492	14,492
Real estate investment trusts	-	-	160	160
Unit trust funds	-	-	6,616	6,616
Loans and receivables				
Loans receivable	-	1	-	1
Fixed and call deposits	1,501	-	-	1,501
Other receivables	-	10,388	-	10,388
Cash and cash equivalents	1,328	-	-	1,328
	84,372	63,416	21,268	169,056

Age analysis of financial assets past-due but not impaired (requirements under MFRS 139)

Group	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	Over 180 days RM'000	Total RM'000
31 December 2019						
Loans receivable	-	-	9	-	43	52
31 December 2018						
Loans receivable	-	-	-	-	59	59

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

37. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Impaired financial assets

For assets to be classified as "past due and impaired", contractual payments must be in arrears for more than three months based on objective evidence that an impairment loss has been incurred. The Group records impairment allowance for loans receivable, insurance receivables and other receivables in separate allowance for impairment loss accounts. A reconciliation of the allowance for impairment losses for loans receivable, insurance receivables and other receivables is as follows:

Group	Loans receivable RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
At 1 January 2019	135	1,063	1,365	2,563
Allowance of impairment losses during the financial year*	148	4	-	152
Write off	-	(160)	-	(160)
At 31 December 2019	283	907	1,365	2,555
At 1 January 2018	366	1,065	1,365	2,796
Reversal of impairment losses during the financial year*	(231)	(2)	-	(233)
At 31 December 2018	135	1,063	1,365	2,563

* Allowance for impairment loss arose from individual impairment assessments during the financial year. There was no allowance for impairment loss arising from collective assessments.

Company

The Company assesses at each reporting date to determine loss allowances for expected credit loss on financial assets measured at amortised cost and debt securities at FVOCI as mentioned in note 2(i)(iii).

The following table shows the reconciliations from opening to the closing balance of the loss allowance by class of financial instrument:

Financial assets at FVOCI	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January	9	-	-	9
New financial asset purchased	3	-	-	3
Financial assets that have been derecognised	(12)	-	-	(12)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
At 31 December	-	-	-	-

37. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Company (continued)

Financial assets at FVOCI	**2018**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
At 1 January	2	-	-	2
New financial asset purchased	8	-	-	8
Financial assets that have been derecognised	(1)	-	-	(1)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
At 31 December	9	-	-	9

The following table shows the reconciliations from opening to the closing balance of the loss allowance by class of financial instrument and using simplified approach:

	Other receivables	
Lifetime ECL	**2019 RM'000**	**2018 RM'000**
At 1 January	1,075	1,075
Loss allowance	-	-
At 31 December	1,075	1,075

(f) Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk is managed through the segmentation of product liabilities with similar characteristics and the establishment of investment policies and goals for each segment. The Group's and the Company's investment policies and goals reflect the asset mix, asset quality, sector mix, currency mix, interest rate risk exposure and liquidity targets.

There has been no significant change in the market risk objectives, policies and processes in the current financial year as compared to the previous financial year.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group manages the risk through matching the currency of the assets with the currency of the liabilities which these assets support. The Group has foreign currency denominated related party transactions which are denominated mainly in USD and CAD. The Group does not have other direct exposure to foreign currency risk except for certain foreign currency denominated investments in participating life fund and investment linked-business, of which the foreign currency risk is borne by the policyholders.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

37. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(i) Currency risk (continued)

Exposure to foreign currency risk

The Group and the Company's exposure to the foreign currency (a currency which is other than the functional currency of the Company) risk which are more significant, based on carrying amounts as at the end of the reporting period were:

	2019 Denominated		2018 Denominated	
	USD RM'000	CAD RM'000	USD RM'000	CAD RM'000
Group				
Trade receivables	1,908	-	1,336	-
Amount due from related parties	1,528	-	2,998	-
Amount due to related parties	(6,694)	(2,441)	(5,047)	(1,869)
Cash and cash equivalents	46,205	-	14,171	-
	42,947	(2,441)	13,458	(1,869)
Company				
Amount due to related parties	(1,001)	-	(947)	-

The following table demonstrates the sensitivity to a reasonably possible change in currency, with all other variables held constant:

	Impact on profit before tax/equity Increase/(decrease)	
	2019 RM'000	2018 RM'000
Group		
Changes in foreign currency rates		
USD + 5%	2,147	673
CAD + 5%	(122)	(93)
USD - 5%	(2,147)	(673)
CAD - 5%	122	93
Company		
Changes in foreign currency rates		
USD + 5%	(50)	(47)
USD - 5%	50	47

37. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises due to differences in pricing or tenure of investments and liabilities. For the Group's insurance business, interest rate risk is managed by the liability side, by limiting the interest rate guarantees that are embedded in the insurance plans that are marketed. The interest rate risk is also managed through setting the appropriate asset benchmark reflecting the liability profile and the availability of suitable instruments in the investment market. The participating nature of the Participating life fund gives Manulife Insurance Berhad the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, showing the impact on the Group's and the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit before tax Increase/(decrease)		Impact on equity* Increase/(decrease)	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Group				
Change in variable:				
Interest rate				
+100 basis points	6,041	(570)	4,574	(23,596)
- 100 basis points	(22,727)	(1,319)	(17,390)	25,010
Company				
Change in variable:				
Interest rate				
+100 basis points	-	-	-	(6,738)
- 100 basis points	-	-	-	7,566

* Impact on equity is stated after considering tax effects.

The above impact to the Group's equity arose from the investments in fixed income securities which are classified as AFS and FVTPL financial assets and the actuarial liabilities of the Non-participating funds of the insurance subsidiaries; the impact to the Group's profit before tax arose from fixed income securities which are classified as FVTPL financial assets and the actuarial liabilities of the Non-participating funds. Any adverse impact on the Participating life fund results of Manulife Insurance Berhad arising from changes in interest rate risk will be negated by an equivalent decrease in unallocated surplus in the insurance contract liabilities and vice versa. Hence, the impact arising from changes in interest rate risk to fixed income securities and actuarial liabilities of the Participating life fund of the Group's insurance subsidiaries is retained in the insurance contract liabilities.

The impact to the Company's equity is attributable to the investments in fixed income securities which are classified as FVOCI financial assets.

37. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(iii) Price risk

The Group's and the Company's price risk exposure relates to financial assets and liabilities, whose values will fluctuate as a result of change in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to the individual instruments or their issuers or factors affecting all instruments traded in the market.

The Group and the Company acknowledged the inherent risk of investing in equities. The Board has set internal limits for maximum equity exposure, industry type exposure and individual stock exposure, which for the insurance subsidiaries of the Group, are consistent with BNM's guidelines, and has also imposed daily trading limits. In addition, the Investment Committee at its monthly meeting discussed the economic and market outlook, reviews transactions and deliberates on further equity allocation. The participating nature of the Participating life fund of Manulife Insurance Berhad gives the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low equity returns.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant showing the impact on the Group's and Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit before tax Increase/(decrease)		Impact on equity* Increase/(decrease)	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group				
Change in variable:				
Market price				
+15%	243	154	91,359	35,249
- 15%	(243)	(154)	(91,359)	(35,249)
Company				
Change in variable:				
Market price				
+15%	11,306	3,104	11,306	3,104
- 15%	(11,306)	(3,104)	(11,306)	(3,104)

* Impact on equity is stated after considering tax effects

The above impact to the Group's and the Company's equity arose from the investments in equity securities, unit trust funds and real estate investment trusts which are classified as AFS financial assets and FVTPL, respectively. Any adverse impact on the Participating life fund result of Manulife Insurance Berhad arising from changes in price risk will be negated by the equivalent decrease in unallocated surplus in the insurance contract liabilities and vice versa. Hence, the impact arising from changes in price risk to equity securities, unit trust funds and real estate investment trusts of the Participating life fund of Manulife Insurance Berhad is retained in the insurance contract liabilities.

37. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This risk is managed via a three-year planning process to ascertain operational cash flow requirements and maintaining a reasonable level of liquid assets to meet unexpected cash flow. In addition, the Group and the Company has large holdings of government bonds that can be liquidated at short notice to meet unexpected liquidity needs.

It is unusual for the Group primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amount and maturities in respect of insurance contract liabilities are thus based on management's estimate based on statistical techniques and past experiences.

There has been no significant change in the liquidity risk objectives, policies and processes in the current financial year as compared to the previous financial year.

The table below analyses the Group's and the Company's financial and insurance assets and financial and insurance liabilities into their relevant maturity groups based on the remaining undiscounted contractual obligations.

All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities and amount payable under distribution agreement which are presented with their expected cash flows.

The Investment-linked funds are the assets of the Investment-linked contracts backing the Investment-linked policyholders' account in the insurance contract liabilities. Investment-linked fund liabilities are repayable or transferable upon notice by policyholders and are disclosed separately under the "Investment-linked funds" column.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

37. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
31 December 2019								
Equity securities	1,514,677	-	-	-	-	927,074	587,603	1,514,677
Real estate investment trusts	23,883	-	-	-	-	15,569	8,314	23,883
Unit trust funds	245,384	-	-	-	-	78,169	167,215	245,384
Malaysian Government Securities	423,111	17,690	35,380	35,380	664,701	-	-	753,151
Government Investment Issues	276,996	11,694	23,388	23,388	437,815	-	-	496,285
Corporate debt securities	2,126,197	163,044	479,810	439,209	1,584,193	-	90,291	2,756,547
Mutual funds	438,118	-	-	-	-	-	438,118	438,118
Forward foreign exchange contract	3,802	-	-	-	-	-	3,802	3,802
Accrued interest:								
- AFS financial assets	24,583	24,583	-	-	-	-	-	24,583
- FVTPL financial assets	5,882	4,745	-	-	-	-	1,137	5,882
Loans receivable	150,441	427	571	265	499	148,679	-	150,441
Fixed and call deposits	161,420	117,337	-	-	-	-	49,083	166,420
Other receivables	46,869	39,752	-	-	-	-	7,117	46,869
Reinsurance assets	5,938	5,938	-	-	-	-	-	5,938
Insurance receivables	25,794	25,794	-	-	-	-	-	25,794
Cash and cash equivalents	207,145	201,723	-	-	-	-	5,422	207,145
Total financial and insurance assets	5,680,240	612,727	539,149	498,242	2,687,208	1,169,491	1,358,102	6,864,919
Insurance contract liabilities	4,215,893	125,178	267,213	406,135	5,233,878	-	1,345,740	7,378,144
Insurance claims liabilities	53,464	53,464	-	-	-	-	-	53,464
Reinsurance liabilities	5,412	5,412	-	-	-	-	-	5,412
Insurance payables	602,018	602,018	-	-	-	-	-	602,018
Other payables	203,357	175,391	16,126	8,183	157	-	8,653	208,510
Total financial and insurance liabilities	5,080,144	961,463	283,339	414,318	5,234,035	-	1,354,393	8,247,548

37. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
31 December 2018								
Equity securities	1,356,566	-	-	-	-	858,484	498,082	1,356,566
Real estate investment trusts	14,377	-	-	-	-	8,591	5,786	14,377
Unit trust funds	196,120	-	-	-	-	71,381	124,739	196,120
Malaysian Government Securities	362,441	16,536	32,966	32,966	594,519	-	-	676,987
Government Investment Issues	160,624	7,578	15,156	15,156	259,917	-	-	297,807
Corporate debt securities	2,032,015	193,781	392,606	449,541	1,663,344	-	77,950	2,777,222
Mutual funds	496,354	-	-	-	-	-	496,354	496,354
Forward foreign exchange contract	3,958	-	-	-	-	-	3,958	3,958
Accrued interest:								
- AFS financial assets	23,790	23,790	-	-	-	-	-	23,790
- FVTPL financial assets	5,025	4,141	-	-	-	-	884	5,025
Loans receivable	154,609	662	655	366	695	152,231	-	154,609
Fixed and call deposits	246,419	164,271	-	-	-	-	82,148	246,419
Other receivables	73,340	60,745	-	-	390	-	12,205	73,340
Reinsurance assets	10,068	10,068	-	-	-	-	-	10,068
Insurance receivables	24,344	24,344	-	-	-	-	-	24,344
Cash and cash equivalents	130,893	120,638	-	-	-	-	10,255	130,893
Total financial and insurance assets	5,290,943	626,554	441,383	498,029	2,518,865	1,090,687	1,312,361	6,487,879
Insurance contract liabilities	3,873,195	136,317	231,436	398,773	5,100,473	-	1,301,629	7,168,628
Insurance claims liabilities	55,014	55,014	-	-	-	-	-	55,014
Forward foreign exchange contract	116	-	-	-	-	-	116	116
Insurance payables	559,159	559,159	-	-	-	-	-	559,159
Other payables	208,519	194,664	-	-	-	-	13,855	208,519
Total financial and insurance liabilities	4,696,003	945,154	231,436	398,773	5,100,473	-	1,315,600	7,991,436

37. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Company	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity RM'000	Total RM'000
31 December 2019							
Equity securities	9,781	-	-	-	-	9,781	9,781
Real estate investment trusts	172	-	-	-	-	172	172
Unit trust funds	65,989	-	-	-	-	65,989	65,989
Loans receivable	1	1	-	-	-	-	1
Fixed and call deposits	997	997	-	-	-	-	997
Other receivables	11,745	11,745	-	-	-	-	11,745
Cash and cash equivalents	1,178	1,178	-	-	-	-	1,178
Total financial assets	89,863	13,921	-	-	-	75,942	89,863
Other payables	14,379	14,379	-	-	-	-	14,379
Total financial liabilities	14,379	14,379	-	-	-	-	14,379
31 December 2018							
Equity securities	14,492	-	-	-	-	14,492	14,492
Real estate investment trusts	160	-	-	-	-	160	160
Unit trust funds	6,616	-	-	-	-	6,616	6,616
Malaysian Government Securities	18,117	803	1,606	1,606	29,606	-	33,621
Government Investment Issues	3,614	172	345	345	5,852	-	6,714
Corporate debt securities	111,406	11,238	18,978	26,522	97,435	-	154,173
Accrued interest:							
- FVOCI financial assets	1,433	1,433	-	-	-	-	1,433
Loans receivable	1	1	-	-	-	-	1
Fixed and call deposits	1,501	1,501	-	-	-	-	1,501
Other receivables	10,388	10,388	-	-	-	-	10,388
Cash and cash equivalents	1,328	1,328	-	-	-	-	1,328
Total financial assets	169,056	26,864	20,929	28,473	132,893	21,268	230,427
Other payables	20,938	20,938	-	-	-	-	20,938
Total financial liabilities	20,938	20,938	-	-	-	-	20,938

(h) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, risk management policies and procedures, systems' failures, human performance failures or from external events. The Group and the Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people are in place throughout the Group and the Company. The Group uses an established programme of comprehensive risk self-assessments in conjunction with independent internal audits to monitor and assess inherent operational risks and the effectiveness of internal controls.

38. CAPITAL AND OTHER COMMITMENTS

		Group		Company	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Other commitments					
Exclusive bancassurance agreement					
- Authorised but not provided for	(i)	10,500	13,500	-	-
Distribution agreement					
- Authorised but not provided for	(ii)	8,293	-	-	-

(i) The Group is committed to pay annual fees under the terms of the bancassurance agreement. The annual fees will be expensed off to the profit or loss in the year of settlement.

(ii) The Company is committed to pay annual consultancy fee under the terms of the Distribution Agreement. The annual consultancy fee will be amortised to profit or loss over 20 years.

39. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES

As discussed in note 2(a)(ii), the Group will be deferring the adoption of MFRS 9 as allowed under Amendments to MFRS 4. In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Group's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

For the financial year ended 31 December 2019	**Fair value as at 1 January 2019 RM'000**	**Change in fair value* RM'000**	**Fair value as at 31 December 2019 RM'000**	**Result of the cash flows characteristics test**	**Classification and measurement under MFRS 9**
Financial assets					
Equity securities					
- Quoted in Malaysia	1,239,825	168,543	1,408,368	Non-SPPI	FVTPL
- Quoted outside Malaysia	114,225	(10,432)	103,793	Non-SPPI	FVTPL
- Unquoted	2,516	-	2,516	Non-SPPI	FVTPL
Real estate investment trusts	14,377	9,506	23,883	Non-SPPI	FVTPL
Unit trust funds	196,120	49,264	245,384	Non-SPPI	FVTPL
Malaysian Government Securities	362,441	60,670	423,111	SPPI	FVOCI
Government Investment Issues	160,624	116,372	276,996	SPPI	FVOCI
Corporate debt securities					
- Unquoted	2,026,939	58,523	2,085,462	SPPI	FVOCI
- Quoted outside Malaysia	5,076	35,659	40,735	SPPI	FVOCI
Mutual funds	496,354	(58,236)	438,118	Non-SPPI	FVTPL
Forward foreign exchange contract	3,958	(156)	3,802	Non-SPPI	FVTPL
Accrued interest	28,815	1,650	30,465	SPPI	FVOCI
Loans and receivables	474,368	(115,638)	358,730	SPPI	Amortised cost
Insurance receivables	24,344	1,450	25,794	SPPI	Amortised cost
Cash and cash equivalents	130,893	76,252	207,145	SPPI	Amortised cost
	5,280,875	393,427	5,674,302		

* Includes purchases, disposals, maturities and realised/unrealised gains/(losses).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

39. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)

For the financial year ended 31 December 2018	Fair value as at 1 January 2018 RM'000	Change in fair value* RM'000	Fair value as at 31 December 2018 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Financial assets					
Equity securities					
- Quoted in Malaysia	1,370,239	(130,414)	1,239,825	Non-SPPI	FVTPL
- Quoted outside Malaysia	52,353	61,872	114,225	Non-SPPI	FVTPL
- Unquoted	2,516	-	2,516	Non-SPPI	FVTPL
Real estate investment trusts	14,093	284	14,377	Non-SPPI	FVTPL
Unit trust funds	129,101	67,019	196,120	Non-SPPI	FVTPL
Malaysian Government Securities	565,143	(202,702)	362,441	SPPI	FVOCI
Government Investment Issues	210,798	(50,174)	160,624	SPPI	FVOCI
Corporate debt securities					
- Unquoted	1,635,403	391,536	2,026,939	SPPI	FVOCI
- Quoted outside Malaysia	-	5,076	5,076	SPPI	FVOCI
Mutual funds	618,047	(121,693)	496,354	Non-SPPI	FVTPL
Forward foreign exchange contract	4,284	(326)	3,958	Non-SPPI	FVTPL
Accrued interest	25,440	3,375	28,815	SPPI	FVOCI
Loans and receivables	585,475	(111,107)	474,368	SPPI	Amortised cost
Insurance receivables	23,971	373	24,344	SPPI	Amortised cost
Cash and cash equivalents	148,973	(18,080)	130,893	SPPI	Amortised cost
	5,385,836	(104,961)	5,280,875		

* Includes purchases, disposals, maturities and realised/unrealised gains/(losses).

The following table shows the fair value of financial assets of the Group by credit quality:

As at 31 December 2019	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
Financial assets						
Malaysian Government Securities	-	-	-	-	423,111	423,111
Government Investment Issues	-	-	-	-	276,996	276,996
Corporate debt securities						
- Unquoted	1,045,572	554,206	9,721	-	475,963	2,085,462
- Quoted outside Malaysia*	16,564	-	6,913	16,195	1,063	40,735
Accrued interest	12,986	5,174	118	194	11,993	30,465
Loans and receivables	143,736	2,946	14,738	-	197,310	358,730
Insurance receivables	-	-	-	-	25,794	25,794
Cash and cash equivalents	168,463	7,828	3,800	-	53	180,144
Cash and cash equivalents*	-	27,001	-	-	-	27,001
	1,387,321	597,155	35,290	16,389	1,412,283	3,448,438

* Rated by international rating agencies.

39. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)

The following table shows the fair value of financial assets of the Group by credit quality: (continued)

As at 31 December 2018	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
Financial assets						
Malaysian Government Securities	-	-	-	-	362,441	362,441
Government Investment Issues	-	-	-	-	160,624	160,624
Corporate debt securities						
- Unquoted	985,673	579,224	9,162	-	452,880	2,026,939
- Quoted outside Malaysia*	-	-	2,028	3,048	-	5,076
Accrued interest	12,671	5,549	106	41	10,448	28,815
Loans and receivables	192,927	53,492	-	-	227,949	474,368
Insurance receivables	-	6,797	-	-	17,547	24,344
Cash and cash equivalents	117,502	4,424	8,929	-	38	130,893
	1,308,773	649,486	20,225	3,089	1,231,927	3,213,500

* Rated by international rating agencies.

40. EFFECT ON ADOPTION OF MFRS 16 LEASES

The Group has adopted MFRS 16 on 1 January 2019. The Group applied the standard from its mandatory adoption date, applying the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. The adjustments arising from the new leasing rules are therefore recognised in the opening balances on 1 January 2019.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental financing rate as of 1 January 2019.

Practical expedients applied

In applying MFRS 16 for the first time, the Group has used the following practical expedients as permitted by the standard:

- the use of a single source discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

40. EFFECT ON ADOPTION OF MFRS 16 LEASES (CONTINUED)

Practical expedients applied (continued)

The following table set out the financial impact arising from the adoption of MFRS 16:

	Right-of-use assets RM'000	Lease liabilities RM'000	Deferred tax liabilities RM'000	Retained earnings RM'000
Closing balance 31 December 2018	-	-	(16,802)	(704,924)
Effect on adoption of MFRS 16:				
- Recognition of right-of-use assets	1,424	-	-	(1,424)
- Recognition of lease liabilities	-	(1,444)	-	1,444
- Deferred tax	-	-	2	(2)
	1,424	(1,444)	2	18
Opening balance 1 January 2019	1,424	(1,444)	(16,800)	(704,906)

The recognised right-of-use assets relate to the following types of assets:

	31.12.2019 RM'000	01.01.2019 RM'000
Right-of-use assets		
- Office rental	2,707	1,424
Total right-of-use assets	2,707	1,424

Impact of adoption of MFRS 16

The lease liability as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	RM'000
Operating lease commitment as at 31 December 2018 as per previous financial statements prepared under MFRS 117	2,144
Weighted average incremental borrowing rate as at 1 January 2019	3.53%
Present value of operating lease commitment (discounted using borrowing rate)	2,115
Less: short-term leases recognised on a straight-line basis as expense	(671)
Lease liabilities recognised as at 1 January 2019	1,444

41. LIFE INSURANCE BUSINESS

The Group's insurance subsidiary, Manulife Insurance Berhad's activities are organised by funds and segregated into Life fund, Investment-linked funds and Shareholder's fund in accordance with the Financial Services Act, 2013.

The statement of financial position and statement of profit or loss have been further analysed by funds as follows:

Statement of Financial Position by Funds

31 December 2019	Shareholder's fund RM'000	Insurance funds Life fund RM'000	Insurance funds Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Assets					
Property and equipment	-	16,642	-	-	16,642
Investment properties	-	51,290	-	-	51,290
Intangible assets	38,668	4,871	-	-	43,539
Loans and receivables	98,676	165,148	56,200	(89,867)	230,157
Available-for-sale financial assets	440,613	2,907,240	-	-	3,347,853
Financial assets at fair value through profit or loss	-	402,829	1,296,480	-	1,699,309
Reinsurance assets	-	3,403	-	-	3,403
Insurance receivables	-	25,794	-	-	25,794
Right-of-use assets	1,859	-	-	-	1,859
Current tax assets	9,950	(1,387)	(337)	-	8,226
Cash and cash equivalents	15,225	41,280	5,422	-	61,927
Total assets	604,991	3,617,110	1,357,765	(89,867)	5,489,999
Equity, Policyholders' Funds and Liabilities					
Share capital	200,000	-	-	-	200,000
Retained earnings	327,856	-	-	-	327,856
Fair value reserve	12,763	-	-	-	12,763
Total equity	540,619	-	-	-	540,619
Insurance contract liabilities	-	2,779,586	1,345,740	-	4,125,326
Insurance claims liabilities	-	53,464	-	-	53,464
Deferred tax liabilities	22,089	9,154	3,372	-	34,615
Reinsurance liabilities	-	5,412	-	-	5,412
Insurance payables	-	601,023	-	-	601,023
Lease liabilities	1,999	-	-	-	1,999
Other payables	40,284	168,471	8,653	(89,867)	127,541
Total equity, policyholders' funds and liabilities	604,991	3,617,110	1,357,765	(89,867)	5,489,999

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

41. LIFE INSURANCE BUSINESS (CONTINUED)

Statement of Financial Position by Funds (continued)

31 December 2018	Shareholder's fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Assets					
Property and equipment	-	17,113	-	-	17,113
Investment properties	-	51,105	-	-	51,105
Intangible assets	15,197	4,626	-	-	19,823
Loans and receivables	127,783	171,791	94,353	(121,907)	272,020
Available-for-sale financial assets	346,506	2,713,810	-	-	3,060,316
Financial assets at fair value through profit or loss	-	347,813	1,207,753	-	1,555,566
Reinsurance assets	-	9,508	-	-	9,508
Insurance receivables	-	24,344	-	-	24,344
Current tax assets	2,057	3,323	(122)	-	5,258
Cash and cash equivalents	6,993	36,989	10,255	-	54,237
Total assets	498,536	3,380,422	1,312,239	(121,907)	5,069,290
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	314,737	-	-	-	314,737
Fair value reserve	6,183	-	-	-	6,183
Total equity	470,920	-	-	-	470,920
Insurance contract liabilities	-	2,563,076	1,301,629	-	3,864,705
Insurance claims liabilities	-	55,014	-	-	55,014
Financial liabilities at fair value through profit or loss	-	-	116	-	116
Deferred tax liabilities	21,718	(1,478)	(3,361)	-	16,879
Insurance payables	-	557,957	-	-	557,957
Other payables	5,898	205,853	13,855	(121,907)	103,699
Total equity, policyholders' funds and liabilities	498,536	3,380,422	1,312,239	(121,907)	5,069,290

41. LIFE INSURANCE BUSINESS (CONTINUED)

Statement of Profit or Loss by Funds

2019	Shareholder's fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Premium income					
Gross premiums	-	600,432	294,331	(1,235)	893,528
Premiums ceded to reinsurers	-	(69,173)	-	-	(69,173)
Net premiums	-	531,259	294,331	(1,235)	824,355
Investment income	14,985	141,978	34,693	-	191,656
Net realised gains	19,329	23,262	-	-	42,591
Net fair value losses	(802)	2,919	78,575	-	80,692
Fee income	-	19,246	-	(15,457)	3,789
Other operating income	-	388	2,558	-	2,946
Total revenue	33,512	719,052	410,157	(16,692)	1,146,029
Gross benefits and claims paid and payable	-	(400,095)	(335,221)	-	(735,316)
Claims ceded to reinsurers	-	23,766	-	-	23,766
Gross change in contract liabilities	-	(126,675)	(44,111)	-	(170,786)
Change in insurance contract liabilities ceded to reinsurers	-	(7,702)	-	-	(7,702)
Net claims	-	(510,706)	(379,332)	-	(890,038)
Fee and commission expenses	-	(49,739)	-	-	(49,739)
Investment expenses	(810)	(9,543)	-	-	(10,353)
Management expenses	(14,939)	(125,099)	(20,041)	16,703	(143,376)
Other operating expenses	(8,463)	(10,947)	(10,784)	(11)	(30,205)
Other expenses	(24,212)	(195,328)	(30,825)	16,692	(233,673)
Profit from operations	9,300	13,018	-	-	22,318
Transfer from/(to) revenue account	13,018	(13,018)	-	-	-
Profit before taxation	22,318	-	-	-	22,318
Taxation	(9,188)	-	-	-	(9,188)
Net profit for the financial year	13,130	-	-	-	13,130

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

41. LIFE INSURANCE BUSINESS (CONTINUED)

Statement of Profit or Loss by Funds (continued)

		Insurance funds			
2018	**Shareholder's fund RM'000**	**Life fund RM'000**	**Investment-linked funds RM'000**	**Elimination RM'000**	**Total RM'000**
Premium income					
Gross premiums	-	576,156	327,630	(1,343)	902,443
Premiums ceded to reinsurers	-	(47,927)	-	-	(47,927)
Net premiums	-	528,229	327,630	(1,343)	854,516
Investment income	16,998	136,331	32,812	-	186,141
Net realised gains	326	35,979	-	-	36,305
Net fair value losses	(2,434)	(50,373)	(158,609)	-	(211,416)
Fee income	-	19,423	-	(15,011)	4,412
Other operating income	-	132	2,249	-	2,381
Total revenue	14,890	669,721	204,082	(16,354)	872,339
Gross benefits and claims paid and payable	-	(373,796)	(297,245)	-	(671,041)
Claims ceded to reinsurers	-	13,790	-	-	13,790
Gross change in contract liabilities	-	(87,098)	92,658	-	5,560
Change in insurance contract liabilities ceded to reinsurers	-	1,018	-	-	1,018
Net claims	-	(446,086)	(204,587)	-	(650,673)
Fee and commission expenses	-	(58,825)	-	-	(58,825)
Investment expenses	(851)	(8,632)	-	-	(9,483)
Management expenses	(12,397)	(101,460)	(19,205)	16,417	(116,645)
Other operating (expenses)/income	(4,714)	(12,702)	19,710	(63)	2,231
Other expenses	(17,962)	(181,619)	505	16,354	(182,722)
(Loss)/profit from operations	(3,072)	42,016	-	-	38,944
Transfer from/(to) revenue account	42,016	(42,016)	-	-	-
Profit before taxation	38,944	-	-	-	38,944
Taxation	(10,547)	-	-	-	(10,547)
Net profit for the financial year	28,397	-	-	-	28,397

41. LIFE INSURANCE BUSINESS (CONTINUED)

Information on cash flows by Funds

		Insurance funds		
	Shareholder's fund RM'000	**Life fund RM'000**	**Investment-linked funds RM'000**	**Total RM'000**
2019				
Cash flows from:				
Operating activities	(41,768)	9,667	(4,833)	(36,934)
Investing activities	-	(4,642)	-	(4,642)
Financing activities	50,000	(734)	-	49,266
Net increase/(decrease) in cash and cash equivalents	8,232	4,291	(4,833)	7,690
At beginning of financial year	6,993	36,989	10,255	54,237
At end of financial year	15,225	41,280	5,422	61,927
2018				
Cash flows from:				
Operating activities	96,705	(34,634)	7,359	69,430
Investing activities	-	(1,021)	-	(1,021)
Financing activities	(100,000)	-	-	(100,000)
Net (decrease)/increase in cash and cash equivalents	(3,295)	(35,655)	7,359	(31,591)
At beginning of financial year	10,288	72,644	2,896	85,828
At end of financial year	6,993	36,989	10,255	54,237

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

42. LABUAN LIFE INSURANCE AND LIFE INSURANCE BROKING BUSINESS

The core businesses of the Company are that of Life insurance business and Life insurance broking business. The Company's insurance business segment is managed by funds and segregated into Life fund and Shareholder's fund.

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

Statement of Financial Position by Business Segment

	Life Insurance				
	Shareholder's fund RM'000	**Life fund RM'000**	**Insurance broker RM'000**	**Elimination RM'000**	**Total RM'000**
31 December 2019					
Assets					
Property and equipment	15	2	18	-	35
Intangible assets	515	734	-	-	1,249
Financial assets at fair value through profit or loss	-	41,069	-	-	41,069
Reinsurance assets	-	2,535	-	-	2,535
Loans and receivables	3,129	4	405	(3,528)	10
Cash and cash equivalents	23,207	54,161	2,907	-	80,275
Total assets	26,866	98,505	3,330	(3,528)	125,173
Equity and Liabilities					
Share capital	31,677	-	2,026	-	33,703
Accumulated losses	(4,359)	-	(904)	-	(5,263)
Other reserve	(1,058)	-	23	-	(1,035)
Total equity	26,260	-	1,145	-	27,405
Insurance contract liabilities	-	90,542	-	-	90,542
Insurance payables	-	704	696	(405)	995
Other payables	607	7,258	1,489	(3,123)	6,231
Total equity and liabilities	26,867	98,504	3,330	(3,528)	125,173

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

42. LABUAN LIFE INSURANCE AND LIFE INSURANCE BROKING BUSINESS (CONTINUED)

Statement of Financial Position by Business Segment (continued)

	Life Insurance				
	Shareholder's fund RM'000	Life fund RM'000	Insurance broker RM'000	Elimination RM'000	Total RM'000
31 December 2018					
Assets					
Property and equipment	128	-	19	-	147
Intangible assets	1,084	194	-	-	1,278
Financial assets at fair value through profit or loss	-	5,134	-	-	5,134
Reinsurance assets	-	560	-	-	560
Loans and receivables	1,086	1,823	-	(2,906)	3
Cash and cash equivalents	14,360	5,057	1,143	-	20,560
Total assets	16,658	12,768	1,162	(2,906)	27,682
Equity and Liabilities					
Share capital	15,887	-	1,111	-	16,998
Accumulated losses	(2,836)	-	(733)	-	(3,569)
Other reserve	(596)	-	24	-	(572)
Total equity	12,455	-	402	-	12,857
Insurance contract liabilities	-	8,433	-	-	8,433
Insurance payables	-	1,201	-	-	1,201
Other payables	4,203	3,134	760	(2,906)	5,191
Total equity and liabilities	16,658	12,768	1,162	(2,906)	27,682

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

42. LABUAN LIFE INSURANCE AND LIFE INSURANCE BROKING BUSINESS (CONTINUED)

Statement of Profit or Loss by Business Segment

	Life Insurance				
	Shareholder's fund RM'000	**Life fund RM'000**	**Insurance broker RM'000**	**Elimination RM'000**	**Total RM'000**
31 December 2019					
Premium income					
Gross premiums	-	94,479	-	-	94,479
Premiums ceded to reinsurers	-	(266)	-	-	(266)
Net premiums	-	94,213	-	-	94,213
Fee income	-	-	3,479	(3,479)	-
Investment income	162	679	25	-	866
Net fair value gain	-	730	-	-	730
Total revenue	162	95,622	3,504	(3,479)	95,809
Gross change in insurance contract liabilities	-	(83,560)	-	-	(83,560)
Change in insurance contract liabilities ceded to reinsurers	-	2,012	-	-	2,012
Net claims	-	(81,548)	-	-	(81,548)
Fee and commission expenses	-	(8,703)	(2,748)	3,164	(8,287)
Investment expenses	-	(30)	-	-	(30)
Management expenses	(133)	(5,916)	(923)	314	(6,658)
Other operating expenses	(875)	(102)	(4)	1	(980)
Other expenses	(1,008)	(14,751)	(3,675)	3,479	(15,955)
Loss from operations	(846)	(677)	(171)	-	(1,694)
Transfer from Life fund	(677)	677	-	-	-
Loss before taxation	(1,523)	-	(171)	-	(1,694)
Taxation	-	-	-	-	-
Net loss for the financial year	(1,523)	-	(171)	-	(1,694)

42. LABUAN LIFE INSURANCE AND LIFE INSURANCE BROKING BUSINESS (CONTINUED)

Statement of Profit or Loss by Business Segment (continued)

	Life Insurance				
	Shareholder's fund RM'000	**Life fund RM'000**	**Insurance broker RM'000**	**Elimination RM'000**	**Total RM'000**
31 December 2018					
Premium income					
Gross premiums	-	10,928	-	-	10,928
Premiums ceded to reinsurers	-	(38)	-	-	(38)
Net premiums	-	10,890	-	-	10,890
Investment income	157	55	6	-	218
Net fair value gain	-	38	-	-	38
Total revenue	157	10,983	6	-	11,146
Gross change in insurance contract liabilities	-	(8,423)	-	-	(8,423)
Change in insurance contract liabilities ceded to reinsurers	-	560	-	-	560
Net claims	-	(7,863)	-	-	(7,863)
Fee and commission expenses	-	(1,843)	-	-	(1,843)
Investment expenses	-	(3)	-	-	(3)
Management expenses	(3,559)	(438)	(740)	-	(4,737)
Other operating income/(expenses)	897	(5)	1	-	893
Other expenses	(2,662)	(2,289)	(739)	-	(5,690)
(Losses)/profit from operations	(2,505)	831	(733)	-	(2,407)
Transfer from Life fund	831	(831)	-	-	-
Loss before taxation	(1,674)	-	(733)	-	(2,407)
Taxation	-	-	-	-	-
Net loss for the financial year	(1,674)	-	(733)	-	(2,407)

42. LABUAN LIFE INSURANCE AND LIFE INSURANCE BROKING BUSINESS (CONTINUED)

Information on cash flows by Business Segment

	Insurance funds			
	Shareholder's fund RM'000	Life fund RM'000	Insurance broker RM'000	Total RM'000
2019				
Cash flows from:				
Operating activities	(6,443)	49,157	856	43,570
Investing activities	(15)	(2)	-	(17)
Financing activities	15,442	-	920	16,362
Net increase in cash and cash equivalents	8,984	49,155	1,776	59,915
At beginning of financial year	14,360	5,057	1,143	20,560
Effects of exchange difference	(137)	(51)	(12)	(200)
At end of financial year	23,207	54,161	2,907	80,275
2018				
Cash flows from:				
Operating activities	(516)	5,251	25	4,760
Investing activities	(369)	(194)	(19)	(582)
Financing activities	2,996	-	1,137	4,133
Net increase in cash and cash equivalents	2,111	5,057	1,143	8,311
At beginning of financial year	11,994	-	-	11,994
Effects of exchange difference	255	-	-	255
At end of financial year	14,360	5,057	1,143	20,560

HEAD OFFICE MANAGEMENT

LIST OF OFFICERS

MANULIFE HOLDINGS BERHAD

Group Chief Executive Officer/ Executive Director
LEE SANG HUI
MBA, B.A

Chief Counsel & Corporate Services Officer
JASBENDER KAUR
LLB (Hons), CLP

Chief Human Resource Officer
AIZA ARYATI BINTI KASIM
B.Sc (Business Management)

MANULIFE INSURANCE BERHAD

Chief Financial Officer
TAN CHUE CHAU
B. Sc (Mathematics), FSA, FASM

Chief Agency Officer
ALEX TAN CHENG LEONG
B.Com, FLMI, FIMM

Chief Partnership Officer
JOHN CHOW ZEYANG
M.Eng (Aeronautical Engineering)

Chief Marketing Officer
JASON LIM YEONG TAH
B.A (Computer Science), FLMI

Chief Transformation Officer
BIANCA ILIBASIC
B. BA

Chief Compliance Officer
IDARIAH IDRIS
MSc Management Consultancy

Chief Risk Officer
SYAHRIL NIZAM BIN ABU HASAN
B.A (Accounting)

Head of Information Technology
TAN YONG NIEN
MSc (Information Systems and Technology)

Head of Customer Solutions
LEE TAT FATT
B.A (Political Science), FLMI

MANULIFE INVESTMENT MANAGEMENT (M) BERHAD
(Formerly known as Manulife Asset Management Services Berhad)

Chief Executive Officer
JASON CHONG SOON MIN
B.Sc (Hons)(Economics & Finance)

Head of Product Development
CHERYL LAW CHOR KUN
B.Sc, CFA

Head of Retail Wealth Distribution
NG CHZE HOW
B.A

Head of Compliance
YOOI FOONG HING
LLB (Hons)

Head of Total Solutions & Equity Investments
TOCK CHIN HUI
Bachelor of Business (Accounting), CFA

Head of Fixed Income
ANDY LUK CHEE VUI
ACIS, CFP

MANULIFE INSURANCE LABUAN LIMITED

Principal Officer
JASBENDER KAUR
LLB (Hons), CLP

Chief Partnership Officer
JOHN CHOW ZEYANG
M.Eng (Aeronautical Engineering)

Appointed Actuary
ALSTON GO XUE JI
B. Sc (Actuarial Science), FSA, FASM

LIST OF **PROPERTIES**

PROPERTY AS AT 31 DECEMBER 2019

Location	Land Area (sq.ft)	Built Up Area (sq.ft)	Net Lettable Area (sq.ft)	Tenure	Approx Age of Building (Years)	Net Book Value (RM'000)	Last Revaluation (Year)
Menara Manulife 6, Jalan Gelenggang Damansara Heights 50490 Kuala Lumpur Malaysia (18 storey building)	46,995	236,173	169,500	Freehold	17	109,000	Dec-19

The above property is for office and commercial use.

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2020

Issued Share Capital	:	202,370,000 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per Ordinary Share on poll
No. of shareholders	:	2,122

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
1-99	268	12.63	6,189	0.00
100 to 1,000	576	27.14	411,885	0.20
1,001 to 10,000	975	45.95	3,878,486	1.92
10,001 to 100,000	248	11.69	7,587,969	3.75
100,001 to less than 5% of issued shares	54	2.54	70,174,682	34.68
5% of issued shares and above	1	0.05	120,310,789	59.45
Total	**2,122**	**100.00**	**202,370,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct	%	Indirect	%
Manulife Century Holdings (Netherlands) B.V.	120,310,789	59.45	-	-
Manulife Financial Corporation	-	-	*120,310,789	59.45
The Manufacturers Life Insurance Company	-	-	*120,310,789	59.45
Manulife Financial Asia Limited	-	-	*120,310,789	59.45
Manulife Holdings (Bermuda) Limited	-	-	*120,310,789	59.45
Standard Life Aberdeen Plc	-	-	**11,580,400	5.72
Aberdeen Asset Management Plc	-	-	**11,580,400	5.72

Note:

* Deemed interested by virtue of Section 8(4) of the Companies Act 2016.
** Deemed interested by virtue of its shareholding in its subsidiaries pursuant to Section 8(4) of the Companies Act 2016.

DIRECTORS' SHAREHOLDINGS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

None of the Directors have any direct and deemed interests in the Company.

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2020

30 LARGEST SECURITIES ACCOUNT HOLDERS

	Name	No. of Shareholding	% of Issued Capital
1	HSBC NOMINEES (ASING) SDN. BHD. HSBC (M) TRUSTEE BHD FOR MANULIFE CENTURY HOLDINGS (NETHERLANDS) B.V.	120,310,789	59.45
2	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	9,167,500	4.53
3	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND	9,078,333	4.49
4	AMANAHRAYA TRUSTEES BERHAD PUBLIC SAVINGS FUND	5,018,000	2.48
5	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	4,338,700	2.14
6	HSBC NOMINEES (ASING) SDN. BHD. BPSS LDN FOR ABERDEEN STANDARD ASIA FOCUS PLC	4,200,000	2.08
7	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	3,891,000	1.92
8	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND	3,465,266	1.71
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC DIVIDEND SELECT FUND	2,971,200	1.47
10	AMANAHRAYA TRUSTEES BERHAD PUBLIC GROWTH FUND	2,839,200	1.40
11	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC BALANCED FUND	2,555,000	1.26
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC EQUITY FUND	2,523,500	1.25
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC ENHANCED BOND FUND	2,268,300	1.12
14	AMANAHRAYA TRUSTEES BERHAD PUBLIC SOUTH-EAST ASIA SELECT FUND	2,064,200	1.02

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2020

30 LARGEST SECURITIES ACCOUNT HOLDERS (CONTINUED)

	Name	No. of Shareholding	% of Issued Capital
15	HSBC NOMINEES (ASING) SDN. BHD. BPSS LUX FOR ABERDEEN STANDARD SICAV I - ASIAN SMALLER COMPANIES FUND	1,850,000	0.91
16	YEOH PHEK LENG	1,201,700	0.59
17	CHENG, CHIEN-MING	1,063,600	0.53
18	FU, CHEN SHU-CHEN	1,002,000	0.50
19	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ABERDEEN ASSET MANAGEMENT SDN. BHD. FOR MALAYSIAN TIMBER COUNCIL (OPERATING FUND)	934,500	0.46
20	CHAI BENG HWA	867,600	0.43
21	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HSU, CHUN-TSANG	700,000	0.35
22	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB	600,875	0.30
23	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD	600,000	0.30
24	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	515,300	0.25
25	CHAN SHIEK CHIN @ CHAN SHICK CHIN	431,000	0.21
26	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ABERDEEN ASSET MANAGEMENT SDN. BHD. FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)	404,400	0.20
27	YEO KHEE HUAT	370,000	0.18
28	HUNG, WEN-CHIH	322,000	0.16
29	NG POH CHENG	314,900	0.15
30	CHOO SIEW LIAN	302,134	0.15

This page has been intentionally left blank.

PROXY FORM

MANULIFE HOLDINGS BERHAD [Registration No. 197501003360 (24851-H)]

I/We (full name in block letters), ______________________________

bearing NRIC/Passport/Registration No. ______________________________

of (full address) ______________________________

being a member/members of the abovenamed Company, hereby appoint:-

First Proxy "A"

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings Represented	
		No. of Shares	%
Full Address			

*and

Second Proxy "B"

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings Represented	
		No. of Shares	%
Full Address			

*or THE CHAIRMAN OF THE MEETING as *my/our proxy to attend and vote for *me/us and on *my/our behalf, at the Forty-Fourth Annual General Meeting of the Company to be held on a fully virtual basis at the Broadcast venue at Meeting Room of Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan on Friday, 26 June 2020 at 3.00 p.m. and at any and every adjournment thereof.

*My/Our proxy is to vote on the business before the Meeting as indicated below (if no indication is given *my/our proxy will vote or abstain from voting at his/her discretion):-

Resolution No.	Resolutions	For	Against
1.	Declaration of a First and Final Single-Tier Dividend		
2.	Re-election of Dato' Dr. Zaha Rina binti Zahari		
3.	Re-election of Mr. Lim Hun Soon @ David Lim		
4.	Re-election of Mr. Matthew Edward Lawrence		
5.	Directors' fees in respect of financial year ended 31 December 2019		
6.	Directors' fees in respect of period from 1 January 2020 until the next Annual General Meeting held in 2021		
7.	Directors' benefits from 27 June 2020 until the next Annual General Meeting held in 2021		
8.	Re-appointment of Auditors		
9.	Special Business – Ordinary Resolution 1		
10.	Special Business – Ordinary Resolution 2		

*strike out whichever not applicable

Dated this ______________ day of ______________ 2020

Number of Shares Held	CDS Account No.

____

Signature(s)/Seal of the Shareholder(s)

Fold this flap for sealing

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 19 June 2020 shall be eligible to attend the Meeting.
2. Pursuant to Clauses 96(b) and (c) of the Company's Constitution, a member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. A proxy may but does not need to be a member of the Company and a member entitled to attend and vote at the Meeting may appoint any person to be his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

   As guided by the Securities Commission's Guidance and FAQs on the Conduct of General Meetings for Listed Issuers that was issued on 18 April 2020 and subsequently revised on 14 May 2020, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies shall communicate with the main venue of the Meeting via real time submission of typed texts through a text box within Securities Services e-Portal's platform during the live streaming of the Meeting as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, shareholders and proxies may email their questions to eservices@sshsb.com.my during the Meeting. The questions and/or remarks submitted by the shareholders and/or proxies will be broadcasted and responded by the Chairman/Board/relevant advisers during the Meeting. In the event of any unattended questions and/or remarks submitted, the Company will respond to the said unattended questions and/or remarks after the Meeting via email.
4. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of an officer or attorney duly authorised.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. <u>Appointment of proxy and registration for remote participation and voting</u>

   The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof. The proxy appointment may also be lodged electronically via Securities Services e-Portal at https://www.sshsb.net.my/. All resolutions set out in this notice of meeting are to be voted by poll.

   Should you wish to personally participate at the Meeting remotely, please register electronically via Securities Services e-Portal at https://www.sshsb.net.my/ by the registration cut-off date and time. Please refer to the Administrative Guide on the Conduct of a Fully Virtual General Meeting for further details.

   The Administrative Guide on the Conduct of a Fully Virtual General Meeting is available for download at www.manulife.com.my.
7. The Board wishes to highlight that the Meeting may be re-scheduled and/or postponed in view of the current COVID-19 outbreak and the Malaysia Government's announcements or guidelines made from time to time. Please rest assured that all members/proxies including attendees shall be kept informed in the event any unexpected changes.

Fold Here

AFFIX
STAMP HERE

THE SHARE REGISTRAR
MANULIFE HOLDINGS BERHAD 197501003360 (24851-H)

c/o Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur,
Wilayah Persekutuan

Fold Here

MANULIFE HOLDINGS BERHAD 197501003360 (24851-H)
16th Floor, Menara Manulife
6 Jalan Gelenggang, Damansara Heights
50490 Kuala Lumpur, Malaysia.

T : (603) 2719 9228   F : (603) 2092 2960

www.manulife.com.my