Manulife

MANULIFE HOLDINGS BERHAD
(24851-H)

ANNUAL REPORT

2017

MANULIFE'S VISION & VALUES

VISION

Manulife's vision is to be the most professional financial services organisation in the world, providing strong, reliable, trustworthy and forward-thinking solutions for our clients' most significant decisions.

VALUES

With vision comes values. These values guide everything we do – from strategic planning to day-to-day decision making, to the manner in which we treat our customers and other stakeholders. These values are described by our strategic pillars:

- Unsurpassed customer experience
- Holistic solutions and integrated wealth
- Premium agency
- Optimised bancassurance
- Market-leading digital customer engagement

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Second Annual General Meeting of the Company will be held at Banquet Hall, 1st Floor, TPC Kuala Lumpur, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, Wilayah Persekutuan on Tuesday, 5 June 2018 at 3:00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 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 8.0 sen per share for the financial year ended 31 December 2017. (Resolution 1)

3. To re-elect Mr. Lim Hun Soon @ David Lim who retires pursuant to Article 93(B) of the Company's Articles of Association. (Resolution 2)

4. To approve the payment of Directors' fees of RM408,000.00 for the financial year ended 31 December 2017. (Resolution 3)

5. To approve the payment of Directors' benefits up to an amount of RM100,000.00 from 5 June 2018 until the next Annual General Meeting of the Company held in 2019. (Resolution 4)

6. To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. (Resolution 5)

AS SPECIAL BUSINESS

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

   (a) ORDINARY RESOLUTION 1 (Resolution 6)
   - AUTHORITY TO ISSUE SHARES

   "**THAT** subject always to the Companies Act, 2016 ("**the Act**"), the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("**Bursa 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 percent (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 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)

7. To consider and if thought fit, with or without modifications, to pass the following resolutions:- (cont'd)

(b) ORDINARY RESOLUTION 2 (Resolution 7)

- 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 as described in the Circular to Shareholders dated 30 April 2018 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 it 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."

(c) ORDINARY RESOLUTION 3 (Resolution 8)

- PROPOSED NEW 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 as described in the Circular to Shareholders dated 30 April 2018 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;

AS SPECIAL BUSINESS (CONT'D)

7. To consider and if thought fit, with or without modifications, to pass the following resolutions:- (cont'd)

(c) ORDINARY RESOLUTION 3 (CONT'D)

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 it 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 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."

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Single-Tier Dividend of 8.0 sen per share in respect of the financial year ended 31 December 2017, if approved, will be paid on 20 July 2018 to shareholders whose names appear in the Company's Record of Depositors at the close of business at 5:00 p.m. on 29 June 2018.

FURTHER NOTICE IS HEREBY GIVEN THAT a depositor shall qualify for entitlement to dividend only in respect of:-

(a) shares transferred into the Depositor's Securities Account before 4:00 p.m. on 29 June 2018 in respect of ordinary transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
CHIN MUN YEE (MAICSA 7019243)
Company Secretaries

Kuala Lumpur
Dated: 30 April 2018

NOTES:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 30 May 2018 shall be eligible to attend the Meeting.

2. Pursuant to Article 64 of the Company's Articles of Association, a member entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote in his stead [subject always to a maximum of two (2) proxies at each Meeting]. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy in pursuance of Article 64 of the Company's Articles of Association.

3. A proxy may but does not need to be a member of the Company. A member entitled to attend and vote at the Meeting is entitled to appoint any person as 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.

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 a person 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 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. The instrument appointing a proxy must 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.

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) 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-Second 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-First Annual General Meeting of the Company held on 2 June 2017 (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.

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

The proposed adoption of Resolutions 7 and 8 are to renew the Shareholders' Mandate granted by the shareholders of the Company at the Forty-First Annual General Meeting of the Company held on 2 June 2017 and to obtain new Shareholders' Mandate for new Recurrent Related Party Transactions respectively. Both Proposed Renewal of Shareholders' Mandate and New Shareholders' Mandate will enable the Group to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature 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.

Further information on the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature are set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2017 Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' DR. ZAHA RINA BINTI ZAHARI
D.S.A.P, MBA, DBA
B. of Arts (Hons) in Accounting and Finance, The University of Leeds, UK
PhD 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
BA (Hons) in Economics, University Kebangsaan Malaysia
MA in Law & Diplomacy, Fletcher School of Law & Diplomacy, Tufts University, USA
Independent Non-Executive Director

LIM HUN SOON @ DAVID LIM
B. of Arts (Hons) in Economics, The University of Leeds, UK
Independent Non-Executive Director

MARK STEVEN O'DELL
Completed Chartered Life Underwriter (CLU)
Completed Chartered Financial Consultant (ChFC)
Group Chief Executive Officer/Executive Director

LEUNG ROCKSON LOK-SHUEN
Bachelors of Economics in Macquarie University
Fellow of The Institute of Actuaries of Australia (FIAA)
Fellow of The Financial Services Institute of Australasia (F Fin)
Non-Independent Non-Executive Director

GROUP AUDIT COMMITTEE

LIM HUN SOON @ DAVID LIM
Chairman

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

GROUP RISK MANAGEMENT COMMITTEE

LIM HUN SOON @ DAVID LIM
Chairman

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

LEUNG ROCKSON LOK-SHUEN

GROUP NOMINATING/REMUNERATION COMMITTEE

DATO' DR. ZAHA RINA BINTI ZAHARI
Chairman

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

LIM HUN SOON @ DAVID LIM

LEUNG ROCKSON LOK-SHUEN

JOINT SECRETARY

CHUA SIEW CHUAN (MAICSA 0777689)
CHIN MUN YEE (MAICSA 7019243)

REGISTERED OFFICE

16th Floor, Menara Manulife, 6 Jalan Gelenggang
Damansara Heights, 50490 Kuala Lumpur
Tel : 03 2719 9228 Fax : 03 2095 3804
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 : 03 2084 9000 Fax : 03 2094 9940

PRINCIPAL BANKERS

Malayan Banking Berhad
Public Bank Berhad
OCBC Bank (Malaysia) Berhad
Citibank Berhad
HSBC Bank Malaysia Berhad

AUDITORS

Ernst & Young (No. AF0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur

INVESTOR RELATIONS

Tel : 03 2719 9228 ext : 609740
Email : Eza_Dzulkarnain@manulife.com

AGM HELPDESK

Tel : 03 2719 9260
Email : coco_ling@manulife.com

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad – Main Market

CORPORATE STRUCTURE

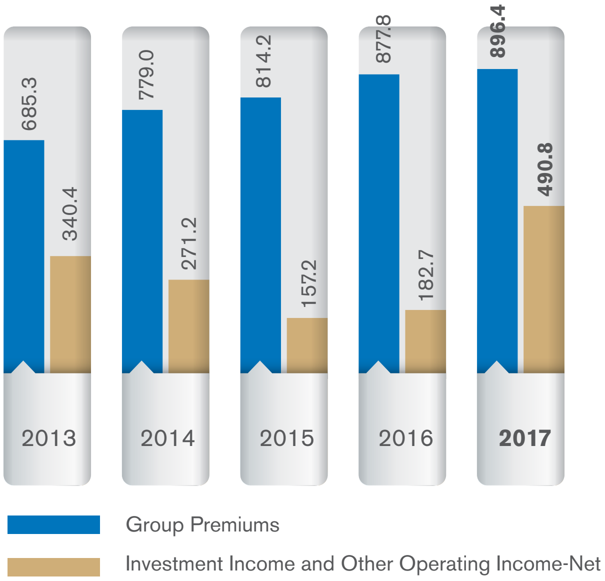
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2013	2014	2015	2016	2017
OPERATING RESULTS					
For the financial year ended 31 December (RM'million)					
Group Premiums	685.3	779.0	814.2	877.8	**896.4**
Investment Income and Other Operating Income - Net[1]	340.4	271.2	157.2	182.7	**490.8**
Policyowners Benefit Paid and Payable	422.7	486.2	598.5	550.9	**634.2**
Group Profit Before Taxation	73.2	49.9	47.9	62.3	**41.6**
Group Net Profit Attributable To Shareholders	58.3	35.7	35.6	46.5	**28.0**
KEY BALANCE SHEET DATA					
As at 31 December (RM'million)					
Life Fund Assets	3,762.3	3,963.8	4,169.7	4,368.3	**4,765.8**
General/Shareholder Fund Assets	672.1	667.7	696.4	744.1	**868.2**
Total Assets	4,434.4	4,631.5	4,866.1	5,112.4	**5,634.0**
Total Liabilities	3,677.1	3,868.6	4,088.8	4,313.2	**4,818.7**
Shareholders' Equity	753.6	762.9	777.2	799.1	**815.3**
SHARE INFORMATION					
Group Basic Earnings Per Share (sen)	28.8	17.6	17.6	23.0	**13.8**
Net Dividend Per Share (sen)	12.5	10.0	9.0	10.5	**8.0**
Group Net Asset Per Share (RM)	3.72	3.76	3.84	3.95	**4.02**
Share Price - High (RM)	3.62	3.85	3.30	3.20	**3.32**
Share Price - Low (RM)	3.06	3.10	2.65	2.75	**3.00**
Share Price As At 31 December (RM)	3.55	3.14	2.92	3.02	**3.30**
Market Capitalisation (RM'million)	718.4	635.4	590.9	611.2	**667.8**
FINANCIAL RATIO (%)					
Return on Equity[2]	7.8	4.7	4.6	5.9	**3.5**
Return on Assets[3]	1.4	0.8	0.7	0.9	**0.5**

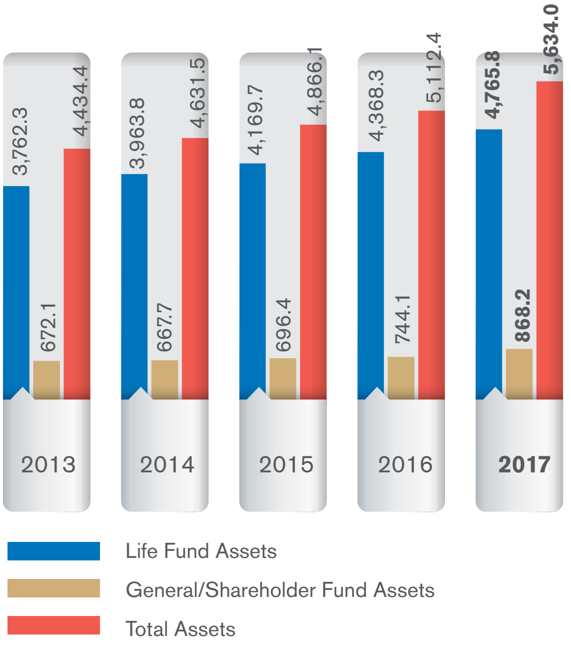
[1] Comprises total revenue excluding net premiums, and net off investment expenses.
[2] Return on Equity = Group Net Profit Attributable To Shareholders / Average Shareholder's Equity
[3] Return on Assets = Group Net Profit Attributable To Shareholders / Average Total Assets

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

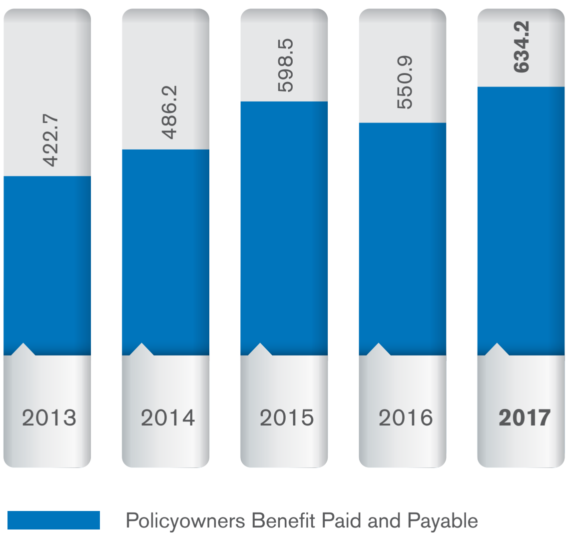
GROUP INCOME
(RM' MIL)



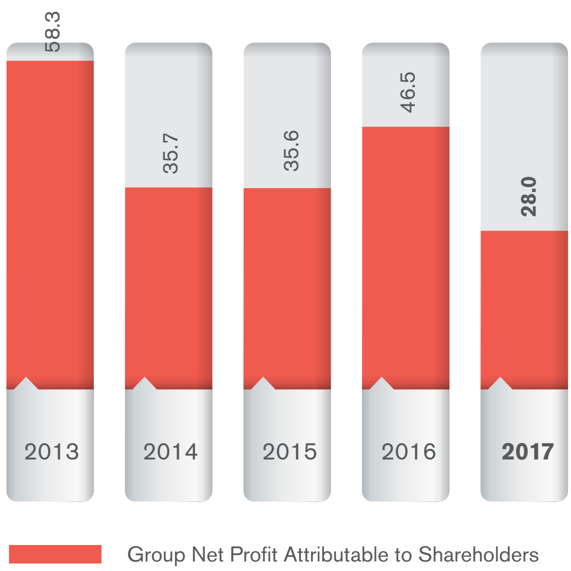
GROUP ASSETS
(RM' MIL)



POLICYOWNERS BENEFIT PAID AND PAYABLE
(RM' MIL)



GROUP NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(RM' MIL)



BOARD OF DIRECTORS

from left to right

LEUNG ROCKSON LOK-SHUEN
Non-Independent Non-Executive Director

MARK STEVEN O'DELL
Group Chief Executive Officer/Executive Director

LIM HUN SOON @ DAVID LIM
Independent Non-Executive Director

DATO' DR. ZAHA RINA BINTI ZAHARI
Chairman/Independent Non-Executive Director

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI
Independent Non-Executive Director

DIRECTORS' PROFILE

DATO' DR. ZAHA RINA BINTI ZAHARI

56 YEARS, MALAYSIAN, FEMALE

Position on the Board :
Chairman/
Independent Non-Executive Director

Appointed to the Board :
12 December 2013

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 Bhd in December 2013. She sits on the Board of Hong Leong Industries Bhd since 2012 and Hibiscus Petroleum Bhd since 2017 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.

MARK STEVEN O'DELL

60 YEARS, AMERICAN, MALE

Position on the Board :
Group Chief Executive Officer/
Executive Director

Appointed to the Board :
18 January 2013

Mr. Mark Steven O'Dell holds both the Chartered Life Underwriter (CLU) and the Chartered Financial Consultant (ChFC) designations from the American College, USA.

Mr. O'Dell has over 38 years of experience in the life insurance business including 23 years in Asia across multiple geographies namely Singapore, Indonesia and Malaysia. Prior to his appointment as Group Chief Executive Officer, Mr. O'Dell served as the President and Chief Executive Officer of Manulife Taiwan since 2008. He was also instrumental in the establishment of Manulife Asset Management Taiwan.

In Asia, Mr. O'Dell has held various senior management roles which included successfully running life insurance companies in Indonesia, Malaysia and Singapore. His areas of expertise cover agency development, partnership distribution including bancassurance, wealth management as well as branch expansion.

Mr. O'Dell has also played an integral role in the development of the life insurance industry in the Asean region. While in Singapore, he served as the President of the Life Insurance Association and Financial Planning Association of Singapore. In 2006, he was named the "Personality of the Year" by the Asia Insurance Review for his contribution to the industry and his leadership in corporate social responsibility. He has served on numerous non-profit Boards, including the Singapore Cancer Society.

Mr. O'Dell sits on the Boards of Manulife Chinabank Life Assurance Corporation, Manulife Financial Plans, Inc, The Manufacturers Life Insurance Co. (Phils), Inc, Manulife Insurance Berhad and Manulife Asset Management Services Berhad.

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

67 YEARS, MALAYSIAN, MALE

Position on the Board :
Independent Non-Executive Director

Appointed to the Board :
5 July 2011

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 Board member of the University of Malaya, Chairman of University of Malaya Specialist Centre, Chairman of International University of Malaya Wales, 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 the Malaysia Airlines System Berhad from 2005 to 2011, a Board member of the PLUS Expressway Berhad from 2007 to 2012 and Tropicana Corporation Berhad from 2010 to 2015.

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 also a Director and member of the Audit Committee of the Board of Manulife Insurance Berhad and a Director of Manulife Asset Management Services Berhad.

LEUNG ROCKSON LOK-SHUEN

46 YEARS, AUSTRALIAN, MALE

Position on the Board :
Non Independent
Non-Executive Director

Appointed to the Board :
2 September 2013

Mr. Leung Rockson Lok-Shuen holds a Bachelor of Economics degree from the Macquarie University of Australia. He is a Fellow member of both the Institute of Actuaries of Australia and Financial Services Institute of Australasia.

Mr. Leung has been appointed Vice President and Chief Financial Officer of Manulife Hong Kong. He oversees the financial functions of Manulife's operations in Hong Kong, including financial reporting, planning and control, capital management and planning, asset-liability management, treasury and other finance-related matters. He also leads the office-support functions and plays an active part in the overall strategy and direction of Manulife Hong Kong.

Mr. Leung joined Manulife Financial in 2010 as Deputy Chief Financial Officer, Asia, in charge of the region's actuarial function, including all external actuarial disclosures and capital management. Since 2014, he held the position of Chief Risk Officer, Asia, responsible for overseeing all risks in the region including those pertaining to enterprise, product, market, operations, insurance and underwriting.

Mr. Leung brings with him 20 plus years of insurance finance and risk management experience in Asia and Australia. He began his career in Australia and returned to Asia in 1999 and had held various positions with ING Asia, including the Chief Insurance Risk Officer of China and the Chief Financial Officer of China. Prior to Manulife, he was the Deputy Chief Executive and Chief Financial Officer of Bank of China Group Life Insurance Company.

Mr. Leung is a member of the Group Risk Management Committee of the Board of Directors. He is also a Director of Manulife Insurance Berhad.

DIRECTORS' PROFILE

LIM HUN SOON @ DAVID LIM

63 YEARS, MALAYSIAN, MALE

Position on the Board :
Independent Non-Executive Director

Appointed to the Board :
17 July 2012

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 Ann Joo Resources Berhad, Sasbadi Holdings Berhad, Kawan Food Berhad and Ranhill 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 Group Risk Management Committee and is a member of the Group Nominating/Remuneration Committee of the Board of Directors. He is also a Director and Chairman of the Audit Committee of the Board of Manulife Insurance 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 2017.

There were six (6) Board Meetings held during the financial year ended 31 December 2017. The details of attendance of the Directors are as follows:-

Name of Board of Directors	Attendance
Dato' Dr. Zaha Rina binti Zahari	6 out of 6
Datuk Seri Panglima Mohd Annuar bin Zaini	6 out of 6
Lim Hun Soon @ David Lim	5 out of 6
Mark Steven O'Dell	6 out of 6
Leung Rockson Lok-Shuen	5 out of 6
Dr. Gopakumar Kurup *(resigned w.e.f 31 March 2018)*	5 out of 6

SENIOR KEY MANAGEMENT PROFILE



Left to right:

MARK STEVEN O'DELL
WONG BOON CHOY
JASON CHONG SOON MIN

1
MARK STEVEN O'DELL (Male)
Group Chief Executive Officer/Executive Director

Mr. Mark Steven O'Dell's profile is listed in the Directors' Profile on page 12 of the Annual Report.

2
WONG BOON CHOY (Male)
Advisor

Mr. Wong Boon Choy, aged 58, a Malaysian, was appointed as an Advisor of Manulife Holdings Berhad on 1 May 2017. He holds the Chartered Accountant Malaysia (CA(M)), Certified Public Accountant (CPA) and Certified Financial Planner (CFP) designations.

Mr. Wong has accumulated more than 29 years of experience in the Malaysian unit trust industry. Prior to his current appointment, he was the Chief Executive Officer and Executive Director of Manulife Asset Management Services Berhad from September 2014 to 30 April 2017 and MAAKL Mutual Berhad from May 2004 to August 2014. He also served as the Senior General Manager of Public Mutual (formerly known as KL Mutual) in 1988 to 2004. Before joining Public Mutual, he was with an international accounting firm for eight (8) years.

Mr. Wong 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
JASON CHONG SOON MIN (Male)
Chief Executive Officer/Executive Director

Mr. Jason Chong Soon Min, aged 50, Malaysian, joined Manulife Asset Management (Malaysia) Sdn Bhd as Chief Executive Officer (CEO) in February 2010 and commenced employment with Manulife Asset Management Services Berhad ("MAMSB") in July 2012 as Chief Investment Officer. In May 2017 has was promoted to CEO of MAMSB.

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 in Malaysia.

Mr. Chong has more than 29 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.

SENIOR KEY MANAGEMENT PROFILE

Left to right:

JUSTIN DAVID HELFERICH
HILLMAN SIU-WAH AU
CHITRA KARAN A.P MUKUNDAN

4

JUSTIN DAVID HELFERICH (Male)

Chief Financial Officer

Mr. Justin D. Helferich, aged 38, an American, joined Manulife Insurance Berhad ("MIB") as Chief Financial Officer in November 2016. He holds B.S. in Accounting from the University of Connecticut, Storrs and Certified Public Accountant (CPA) license both from USA.

Mr Helferich has 14 years' experience within the financial services sector in both United States & Asia. Since becoming employed by Manulife in 2010, Mr. Helferich has held various positions within Manulife including Director of Accounting Policy, Boston and AVP, Operational Risk Management, Asia Division. Prior to his appointment as the Chief Financial Officer of MIB, he was the Chief Financial Officer of Manulife Cambodia from 2014 to 2016. Before joining Manulife, he was a Senior Manager within the KPMG audit/ advisory practice, serving primarily insurance companies.

Mr Helferich 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

HILLMAN SIU-WAH AU (Male)

Chief Agency Officer

Mr. Hillman Siu-Wah Au, aged 58, a Canadian, joined to Manulife Insurance Berhad as Chief Agency Officer in February 2016. He holds the Fellow, Life Management Institute (FLMI) designation from the Life Office Management Association.

Mr. Au has 31 years of experience in the life insurance business in Hong Kong and Canada. He was the Head of Field Training and Development of Manulife Hong Kong from 1988 to 1993 and was the Regional Marketing Consultant and Mutual Funds Branch Manager of Manulife Vancouver Oriental Branch from 1993 to 2000.

Prior to his appointment as Chief Agency Officer, Mr. Au was the Agency Director of Manulife Hong Kong since 2004. His areas of expertise cover agency training and development and agency management.

Mr. Au 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

CHITRA KARAN A.P MUKUNDAN (Male)

Head of Partnership Distribution

Mr. Chitra Karan A.P Mukundan, aged 55, a Malaysian, joined Manulife Insurance Berhad in January 2013 as Senior Vice President, Partnership Distribution. He holds an MBA in Marketing from Central Queensland University, Australia.

Mr. Chitra Karan has more than 28 years of experience in insurance and financial services. Prior to joining Manulife, Mr. Chitra Karan worked in Allianz Thailand as Head of Partnership. He also held various Senior Management positions in AIA Malaysia for over 10 years including the Head of Partnership Distribution and Customer Marketing, Head of Asia where he oversees several key business markets for AIA. Prior to joining AIA, Mr. Chitra Karan spent 10 years in American Express in both local and regional capacity as the Head of Card Sales.

Mr. Chitra Karan 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.

SENIOR KEY MANAGEMENT PROFILE



Left to right:

PAUL LOW HONG CEONG
PATRICK NGE KOH NGUONG
GHO HAN JAA

7
PAUL LOW HONG CEONG (Male)
Chief Executive Manulife Wealth Advisors

Mr. Paul Low Hong Ceong, aged 56, a Malaysian, joined Manulife Holdings Berhad in 2015. He holds the MBA degree from USA and is a Certified Financial Planner.

Mr. Paul Low is the Chief Executive of Manulife Wealth Advisors at Manulife Holdings Berhad. He took up another responsibility in 2017 as Chief Success Officer in setting up Manulife Centre for Success.

Prior to joining Manulife, Mr. Paul Low was the Chief Executive Officer ("CEO") of Amlife/Am Metlife Insurance Berhad and CEO of BHLB Pacific Trust/SBB Mutual Berhad. He has acquainted himself in various sectors, namely insurance, mutual funds and wealth management locally and abroad mainly in the United States of America (USA) and China over the last 30 years.

Mr. Paul Low 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
PATRICK NGE KOH NGUONG (Male)
Chief Agency Officer

Mr. Patrick Nge Koh Nguong, aged 61, a Malaysian, appointed as the Chief Agency Officer of Manulife Asset Management Services Berhad on 1 September 2014. He graduated from Bristol University, England, in Economics and Accounting and holds the Certified Financial Planner designation.

Mr. Nge has more than 31 years of experience in the Malaysian unit trust industry. Prior to his current appointment, he was the Senior General Manager of MAAKL Mutual Berhad since 2004 and was subsequently promoted to the position of Chief Operating Officer in 2011. Before joining MAAKL Mutual Berhad, he was the General Manager (Sales & Training) of Public Mutual (formerly known as KL Mutual) since 1999.

Mr. Nge 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.

9
GHO HAN JAA (Female)
Chief Marketing Officer and Pricing Officer

Ms. Gho Han Jaa, aged 40, a Malaysian, was appointed as the Chief Marketing Officer and Pricing Officer of Manulife Insurance Berhad in 2016. She graduated with first class honours from the London School of Economics, UK with a BSc. in Actuarial Science. Ms. Gho holds the professional membership of Fellow Member of the Institute of Actuaries, UK.

Ms. Gho has over 18 years of working experience in the finance and insurance industries, both in Malaysia and Singapore. Ms. Gho joined Manulife in 2011 as the Head of Marketing Actuarial Department and was responsible for the Company's product pricing, new business planning and new business embedded value reporting for all distribution channels. In 2012, she was appointed as Appointed Actuary and played an integral role for all local statutory requirements and reporting including Risk Based Capital valuation, Financial Condition Report, Asset Share Study and Bonus Revision Recommendation. Ms. Gho was promoted to Pricing Officer in 2014, responsible for all products / mutual funds pricing and risk assessment / migration.

Ms. Gho 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

Left to right:

JASBENDER KAUR
SHARANJEET KAUR GILL
TAN YONG NIEN

10
JASBENDER KAUR (Female)
Chief Counsel & Corporate Services Officer

Ms. Jasbender Kaur, aged 47, a Malaysian, is the Chief Counsel & Corporate Services Officer of Manulife Holdings Berhad responsible for Group Legal, Corporate Secretariat and Project Management. 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 17 years' 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.

11
SHARANJEET KAUR GILL (Female)
Senior Vice President, Compliance

Ms. Sharanjeet Kaur Gill, aged 47, a Malaysian, joined Manulife Insurance Berhad in 2011 as Chief Compliance Officer. She graduated from University of London with a LL.B (Hons) Degree and obtained her Certificate in Legal Practice in 1996. She is also a Certified Anti-Money Laundering Specialist as bestowed by the Association of Certified Anti-Money Laundering Specialists in June 2017.

Ms. Gill is primarily responsible for overseeing and managing compliance within Manulife Group. She has over 16 years of legal and compliance experience working in financial institutions, regional and international. Upon being called to the Malaysian Bar, she started her career as a practicing lawyer, specialising in both corporate law and conveyancing.

Prior to joining Manulife, she was the Head of Compliance for OCBC Bank (Malaysia) Berhad and prior to that a Compliance Manager at HSBC Bank Malaysia Berhad.

Ms. Gill 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
TAN YONG NIEN (Male)
Head of Information Services

Mr. Tan Yong Nien, aged 42, Malaysian, joined Manulife Insurance Berhad as Head of Information Services 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 ("IT") and Information Risk 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 20 years of experience in the information technology 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.

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Manulife Holdings Berhad and its subsidiaries ("the Group") is a leading financial services group providing forward thinking solutions to help people achieve their dreams and aspirations. The Group provides financial advice, insurance and wealth and asset management solutions for individuals, groups, and institutions.

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a 5.8% growth in operating revenue of RM1,179.8 million in the financial year under review given a challenging insurance market environment. The Group, however, reported a lower profit before taxation of RM41.6 million, compared to RM62.3 million in the prior year.

FINANCIAL REVIEW

The Group's Financial Performance at a glance:

	2017 RM' mil	2016 RM' mil	Variance RM' mil	%
Group's Operating Revenue[1]	1,179.8	1,114.8	65.0	5.8%
Gross Premiums	896.4	877.8	18.6	2.1%
Investment Income	187.3	176.7	10.6	6.0%
Fee Income	96.1	60.3	35.8	59.4%
Profit Before Taxation	41.6	62.3	(20.7)	(33.2%)
By Business Segment:				
Investment Holding	(4.3)	(1.1)	(3.2)	(290.9%)
Life Insurance Business	48.3	66.6	(18.3)	(27.5%)
Asset Management Services	(2.4)	(3.2)	0.8	25.0%
Net Profit For The Financial Year	28.0	46.5	(18.5)	(39.8%)
Basic Earnings Per Share (sen)	13.8	23.0	(9.2)	(40.0%)
Total Assets	5,634.0	5,112.4	521.6	10.2%
Total Equity	815.3	799.1	16.2	2.0%
Return On Assets (%)	0.5%	0.9%	(0.4%)	(44.4%)
Return On Equity (%)	3.5%	5.9%	(2.4%)	(40.7%)
Net Asset Per Share (RM)	4.02	3.95	0.07	1.8%

Note:

[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.

The strong contributor to the Group's operating revenue came from our asset management business, which reported an increase in fee income by 59.4% as compared to the preceding year. The growth in fee income was primarily attributable to the higher unit trust sales and higher management fee income earned from higher asset under management.

The Group's profit before taxation decreased from RM62.3 million to RM41.6 million in 2017, mainly impacted by our life insurance business which recorded a lower profit before taxation of RM48.3 million in 2017, a decrease of 27.5% from the preceding year, primarily due to lower profit in our insurance segment[2].

The Group's total assets stood at RM5,634.0 million, recorded an increase of 10.2% from the preceding year of RM5,112.4 million and delivered a net asset per share of RM4.02 as at 31 December 2017.

The Group has also set up a new subsidiary, Manulife Insurance Labuan Limited to carry out an off-shore life insurance business, a pioneering initiative in Malaysia. The off-shore life insurance business will give the Group the opportunity to issue policies in USD and capture the lucrative high net worth segment both in Malaysia and in the region.

There was no capital expenditure commitment and no significant changes to the Group's capital structure and capital resources in 2017.

OPERATIONS REVIEW

- **Insurance Business**

Given continuing challenges in 2017, Manulife Insurance Berhad's ("MIB") market share for year to date Quarter 4 2017 was 2.7%, marginally lower than 2.8% in year to date Quarter 4 2016. Overall, the industry grew by 1.7% (excluding group contracts) as compared to 17.5% in the previous year.

MIB recorded new business sales of RM149.0 million in 2017, a drop by 1.6% compared to RM151.4 million in 2017 mainly due to lower contribution from Bancassurance channels. As a result, Manulife's market's rank moved down a notch from 8th to 9th among life insurance companies in Malaysia.

The Agency channel together with the establishment of Manulife Wealth Advisor ("MWA") in 2016 continues to represent the largest share of our distribution portfolio, achieving total sales of RM104.6 million in 2017, compared to prior year of RM97.1 million, a growth of 7.7% compared to the industry contraction of 4.9%.

There was no significant growth in total Agency force in year 2017. As part of our strategic effort to rejuvenate Agency force organically, improve the quality of recruits and increase productivity and retention, MIB launched "Sales Manager #Mission 2K81" program and Leader Development program during the year under review.

The following key initiatives drove growth:-

- Promoting sales by offering guaranteed minimum crediting rate for ManuWealth Assured series and ManuSecure series in the second half of the year;
- Two (2) new investment-linked funds, namely Manulife Dividend Fund and Manulife Asia-Pacific REIT Fund were launched in July 2017 to provide our customers with more fund options to meet their risk-return profile. These are feeder funds that invest into Manulife Asset Management Services Berhad (MAMSB)'s award-winning unit trust funds, and are made available for all our existing investment-linked plans under Agency channel.
- Increase in our product competitiveness and delivering more value to our customers. Particularly, all the investment-linked plans under the Agency channel were enhanced with new features and benefits.
- MWA distribution channel contributed RM9.0 million sales throughout the year with its sales force of 268 advisors.

Note:

[2] *See further explanation under Operations Review of our Insurance Business on page 21 to 22.*

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

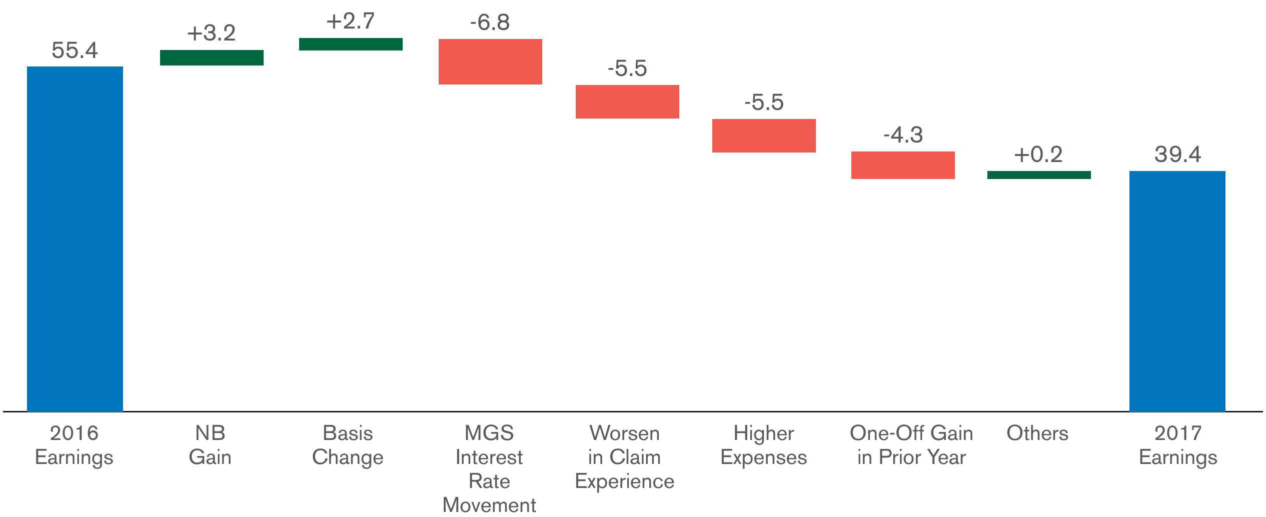
Bancassurance sales posted RM43.81 million, lower than prior year achievement of RM53.57 million. Although volume was lower, our margins improved significantly in 2017. A new annuity fund with Elite Annuity Plan was launched in November 2017. The new product generated total sales of Annual Premium Equivalent ("APE") RM4 million over two (2) months. The momentum for this new Single Premium annuity product is expected to be on an upward trend with the new fund focusing on local and Asia Pacific markets for steady income growth. A build up was seen in regular premium investment-linked sales with Elite Prestige Life. Elite Max Saver and Elite Prestige Life were the other two (2) core regular premium products in Bancassurance channel.

To drive penetration for credit protection, tactical foreign incentive trip for consumer mortgage and personal loans was launched. Small Medium Enterprice ("SME") business unit remains the key contributor to growing credit life business with the bank which has pipeline expansionary plans to aggressively grow market share in the SME space. There was a build-up in regular premium investment-linked sales with Elite Prestige Life, which currently makes up 20% of total regular premium sales with Alliance Bank Malaysia Berhad in Year 5. Elite Max Saver and Elite Prestige Life are the two (2) core regular premium products with the bank.

Earnings from our life insurance segment declined RM16.0 million or 29%, from RM55.4 million in 2016 to RM39.4 million in 2017. In order to clearly articulate the key drivers of our earnings movement from 2016 to 2017, 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



Notes:

New Business Gain ("NB Gain")
Higher year-on-year ("YoY") NB Gain due to shifting of product mix from Participating to Universal Life and Investment-Linked business in 2017.

Basis Change
Favourable Basis change impact is mainly due to an update in mortality assumption in 2017.

Malaysian Government Securities ("MGS") Interest Rate Movement
YoY MGS interest rate movement was unfavourable. For instance, 15-year MGS interest rate movement was -30bps (decreased from 4.83% to 4.52%) for 2017 while the 15-year MGS interest movement was +5bps for 2016 (increased from 4.78% to 4.83%), which resulted in reserve strengthening.

Worsen in Claim Experience
Worsen in YoY claim experience from higher mortality claims in 2017. However, it was still better than the expected assumption.

Higher Expenses
Higher YoY expenses mainly due to the investment in Agency financing programmes.

One-Off Gain in Prior Year
A one-time realised capital gain of RM4.3 million in 2016 due to foreign exchange gain from USD denominated assets.

- **Unit Trust and Asset Management Business**

2017 was a record-breaking year for MAMSB on several fronts. Gross unit trust sales for the year hit a record high of RM1.5 billion, 2.7 times higher than 2016. Agency business was up an impressive 70% YoY while partnership was up 15 fold, albeit coming from a low base. Overall, contributions from our partnership channel has increased from 8% in 2016 to 43% in 2017.

2017 also saw MAMSB receiving a record of 15 awards from various esteemed international and local agencies recognising our strong fund performances and overall company achievements. Most notable were the three (3) house awards which MAMSB won for the first time:

1. Best Overall Award for EPF-Approved Funds by The Edge | Thomson Reuters Lipper Fund Awards

2. The Most Outstanding Islamic Asset Management Company by Kuala Lumpur Islamic Finance Forum - Islamic Finance Awards

3. Top Five Investment Houses In Asian Local Currency Bonds for 2017 by The Asset Benchmark Research 2017 Awards.

MAMSB's strong sales was thanks to a confluence of several factors including:

a. receiving the above awards showcased not only our investment capabilities both locally and regionally, but also instilled confidence in the Manulife Asset Management brand and achievements in the Islamic financial sector;
b. growing its adviser force over the last couple of years broaden our investor-reach;
c. onboarding new bank partners; and
d. revive investors' confidence following two (2) to three (3) years of poor stock market returns in Asia and Malaysia as a whole.

During the year, management re-strategised MAMSB's Private Retirement Scheme business from a Business to Business model to focus more on Business to Customer (Individual) by looking to create more solution-based products to meet customers' needs. In line with the new strategy, management decided to write-off the remaining unamortised Information Technology development expenditure related to our Business to Business model amounting to RM1 million.

CUSTOMER CENTRICITY

In line with Manulife's focus on instilling a customer-centric culture within the Company, the year under review saw the Group continuing its effort in developing strategies involving cross-functional team collaboration in the Company to further enhance customers' experiences with Manulife.

In 2017, we continued a structured approach in gathering customers' feedback and identifying solutions that would improve services rendered. The relationship Net Promoter Score was implemented in 2015 and is an on-going effort on a quarterly basis to measure the success of our efforts.

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

The transactional Voice of Customer helps measure customers' views on different touch points such as claims, contact centre and new business processes. Customer journey mapping was also carried out to further understand the processes and to identify solutions based on customers' feedback. Additionally, an online survey was introduced to understand consumer behaviour in online insurance purchasing. The result of the survey aided the focus group journey that supported the product development efforts including concept development and testing before product design took place.

The Net Promoter System was also introduced in 2017 with the objective of progressively improving customers' experiences through three (3) major principles – Listen, Learn and Act. With this approach in place, we are able to engage and listen to customers, learn from their feedbacks and act to resolve the issues with collaborative effort from cross-functional teams within a stipulated time frame. Digital and traditional communication platforms continue to be essential in reaching out to customers as well as to communicate the latest updates from Manulife. To affect this, improvements are on-going such as simplifying the customer website registration for an easier access.

For the coming year, the customer analytics efforts are in the pipeline and the data from the analytics will further guide us in gaining insights into customers' interests, needs and expectations. This will enable us to serve our customers better while supporting business decisions and growth.

Moving ahead, the Group will strengthen its customer-centric culture within the working sphere. This will continue to be the main driver in the way things are done and reflect our stand of putting our customers "at the centre of everything we do".

CORPORATE BRANDING

A strong brand is about building and maintaining strong perceptions in the minds of customers. A brand identity is most powerful when it evolves and its value proposition strengthens in alignment with the changing lifestyle demands of its audience. It needs to be straightforward while at the same time, forward-thinking.

The corporate branding initiatives for 2017 were strategically planned to gradually increase Manulife's brand awareness that would further accentuate our brand presence and enhance its visibility while positioning our brand as a holistic financial solution provider.

Realising the impact of having out-of-home billboards in high traffic localities within Klang Valley, Penang and Johor Bahru, the effort was continued to increase voice and consumer awareness of the brand. We have also added another medium, a building wrap at the headquarters, to the list. In the same quarter, Manulife launched the "Start Now 60-second pitch" campaign via radio and social media platforms. The campaign proved to be successful as it created the intended buzz and at the same time, played a role in community projects by realising the dreams of the four (4) winners.

The acquisition of naming rights for Mass Rapid Transit (MRT) Manulife Semantan Station in the third quarter added another milestone to the Company. The naming rights not only strengthen our brand presence but also added value to the business. Situated 5-minute walk away from Menara Manulife, the internal façade of the station is Manulife-branded as well as the interior of two (2) trains running along the MRT Sungai Buloh-Kajang Line. The Naming Celebration in July saw several experiential activations held at the Manulife Semantan Station, which include "Manulife Hotspot", a pilot program that brought in collaboration with cafes within the vicinity catered for our Agency partners and customers.

Throughout the year, our branding initiatives were further enhanced with social media campaigns carried out on the Company's Facebook account on quarterly basis and have garnered a fan base of 200,000. In Quarter 2, we launched another social media platform, the Manulife Malaysia Instagram to increase visibility and awareness in the digital space.

GROUP INITIATIVES

- **Global Women's Alliance**

Manulife's Global Women's Alliance ("GWA") supports its female workforce to reach their full potential, and aims to not only elevate the profile of women across the organisation, inspiring and enabling each one to reach their full potential by offering resources for success, but also to provide a network in which women can mentor each other, share their experiences and help each other design fulfilling career paths.

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 initiative including celebrating International Women's Day 2017 and supporting United Nation's effort of eliminating violence against women through sponsorship. This employee-led initiative demonstrates Manulife's commitment to diversity particularly from a gender perspective.

AWARDS AND RECOGNITION:

In 2017, Manulife stood at the forefront of excellence when we were recognised and awarded for our achievements in various segments of our business:

Year	Recognised and Awarded	Achievement
2017	The KLIFF Islamic Finance Awards 2017	The Most Outstanding Islamic Asset Management Company.
2017	The Edge, Thomson Reuters Lipper Malaysia Fund Awards 2017	• Manulife Investment Asia-Pacific REIT Fund was awarded the Best Equity Sector Real Estate Holdings Asia Pacific, 3 years. • Manulife Investment Balanced Fund was awarded the Best Mixed Asset MYR Balanced, 3 years. • Manulife Investment Al-Fauzan was awarded the Best Equity Malaysia Income - Malaysia Islamic, 3 years and Best Equity Malaysia Income - Malaysia Islamic, 5 years. • Manulife Investment Pacific Fund was awarded the Best Equity Asia Pacific Ex-Japan – Malaysia Provident, 3 years and Best Equity Asia Pacific Ex-Japan – Malaysia Provident, 10 years. • Manulife Investment Dividend Fund was awarded the Best Equity Malaysia Income – Malaysia Provident, 10 years. • Best Overall Award – Malaysia Provident.
2017	Fundsupermart's Recommended Unit Trust Awards 2017/2018	Manulife India Equity Fund was awarded the Single Country Equity – India category.
2017	Thomson Reuters Lipper Fund Award – Global Islamic	Manulife Investment Al-Fauzan was awarded the Best Fund Over 3 Years – Equity Malaysia Income Award and Best Fund Over 5 years – Equity Malaysia Income Award.
2017	The Asset Benchmark Research 2017 Awards	• Manulife Investment Al-Fauzan was awarded the Top five investment houses in Asian local currency bonds for 2017. • Mr Andy Luk, Head of Fixed Income was ranked 7th – The most Astute Investors in Asian local currency bonds for 2017. • Mr Oscar Chong, Portfolio Manager & Credit Analyst, Fixed Income was recognised as the Highly Commended – The most Astute Investors in Asian local currency bonds for 2017.

MIB was also awarded the HR Asia Best Companies to Work for in Asia 2017, for the third consecutive year. This prestigious award recognises companies for its best practices that help set the standards and raise the bar for employee engagement and workplace excellence in Asia.

MOVING AHEAD

Moving forward, the Group will continue to explore new opportunities to grow the Group's business in line with Manulife's Asia growth strategy.

- **Life Insurance**

Amidst challenging market environment, positive growth is still expected from the insurance industry. Looking ahead, Manulife expects to execute on several aspirations:

- To see more innovation in holistic product solutions.
- To grow our Agency force in numbers and quality.
- To return to growth with our exclusive Bancassurance partner.
- To further develop our digital capabilities to both acquire and serve our customers better.
- To penetrate the High Net Worth market regionally and in Malaysia through our Labuan entity, Manulife Insurance Labuan Limited.
- To further develop our people via training and courses and continually creating an exciting place to work.

- **Unit Trust and Asset Management**

2017 saw the strongest global Gross Domestic Product ("GDP") growth since 2010; post the 2008 Global Financial Crisis. We expect this strong momentum to sustain into 2018 - thanks to a more synchronised growth i.e. the U.S., Europe & China (the world's top three (3) largest economies) are all enjoying strong growth unlike in 2015-16; where global growth was driven mainly by the U.S.

With the positive macro backdrop, our local stock market is expected to be robust with the implementation of the various mega projects, recovery in commodity prices and the Malaysia General Elections. However, we believe markets are likely to be more volatile due to concerns of rising interest rates, geopolitical risk and valuations.

In view of the above, the Group is cautiously optimistic on our 2018 outlook. The Group's focus will be increase engagements with our business partners and investors with the view to retain asset under management (after the strong fund performances last year) and to increase productivity.

TECHNOLOGY

The Group is embarking on a digital transformation with the "customer at the centre of everything we do". We will be using technology to support 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 three (3) core strategic focus in technology for 2018-2019 will be:

In addition to technology foundation, we will invest to build lean and strong delivery capabilities across Information Technology to support fast and frequent changes at marginal cost, leveraging fully Agile and Dev Ops, which are part of Manulife's transformation to a dynamic ways of working to execute work in iterative, time-boxed periods with cross-functional teams 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 strategy against the anticipated business targets and managing the impact of regulatory change. Manulife has also observed the uncertainty in economic events causing adverse impact to the financial market and where required, it 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 8.0 sen per share amounting to RM16,189,600 for the financial year ended 31 December 2017. The recommendation is made in accordance with the nature of profits arising in 2017.

APPRECIATION

I wish to take this opportunity to extend our thanks and appreciation to our customers, shareholders and business associates for their continued support. I would also like to thank the Board of Directors for their invaluable guidance to management. Last but not least, I wish to convey our gratitude to our Agency force 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 chart the way forth for the Group.

MARK STEVEN O'DELL
Group Chief Executive Officer
Manulife Holdings Berhad

SUSTAINABILITY STATEMENT

As Manulife Holdings Berhad ("Manulife" or "the Company") commences reporting on its sustainability for the first time this year for the period of 1 January 2017 to 31 December 2017 pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, it is in the initial stages of studying the establishment of a formal sustainability approach on a Group wide basis.

Nonetheless, aspects of sustainability are apparent in the day-to-day operations, and especially in the Company's initiatives on customer centricity, employee engagement, ensuring effective compliance framework, risk management culture, adherence to governance principles and awareness of risks associated with the businesses.

At Manulife, we make the significant social impact through our products and services, which help our customers achieve their dreams and aspirations, offer them peace of mind, and provide assistance in times of need.

COMMUNITY INVESTMENT

Giving back to the communities in which we operate is ingrained in our culture and has been throughout Manulife's history. It is part of our commitment as an active and caring corporate citizen in Malaysia to help people lead better and more financially secure lives. Our community investments are primarily focused in areas that are a natural extension of our business and where we can make the greatest contribution to driving broad social change. Rather than being passive donors, we seek to collaborate with community partners and engage our employees.

Manulife encourages the spirit of giving through its employees and this translated into several activities which involved partnership with PeopleGiving – a crowdfunding platform that provides easy, transparent and cost-effective way to raise funds for the cause one cares about. Through PeopleGiving by Manulife, we are actively involved in Corporate Social Responsibility ("CSR") initiatives that are carried out on a quarterly basis in our bid to create life changing experience not only for the less fortunate but also for our employees through volunteering. Manulife supports the non-profitable organisation with a contribution of RM100,000.00 annually. The amount covers their backend operations, which is reflected in the quarterly initiatives and our involvement in them. As an active partner, Manulife plays a huge role not only in ensuring the success of the four initiatives, but also in encouraging employees and the public to participate and contribute to the community. This is further made possible with the assistance of the local media and via campaign pages that are directly linked through our social media platforms such as Facebook and Instagram.

Aside from that, Manulife also ran several initiatives on its own to support and achieve a common goal that contributes to meaningful change among the community as a whole.

Details of Manulife's events throughout 2017 as set out in the table below.

A Bag of Hearts

Priority : Health/Community Fund Raising Event
Date : 25 March 2017

Manulife collaborated with Grub Cycle, winner of the Manulife Sustainability Award, SME Biz Challenge 2016 and PeopleGiving by Manulife to gather 90 bags to be filled with basic necessities to be distributed to 30 impoverished families. Each bag was worth RM60 was able to sustain a family of four for 2 weeks, of which Grub Cycle subsidised a quarter of the overall cost. Total fund raised to support this event was an estimated RM6,800.

Venue : Grace Community Services, Klang
Total volunteers from Manulife : 17

Library of Hope

Priority : Community/Orphan
Date : 20 May 2017

Manulife together with PeopleGiving by Manulife set up a library for the Orang Asli children in a village. The funds for setting up the library were raised crowd-funding and also by generous contributors who also donated books, toys and stationaries. Total funds raised amounting to RM18,000 were used to purchase book shelves and various other items for the library.

Venue : Sungkai, Perak
Total volunteers from Manulife : 30

Walk2Inspire

Priority : Health/Community Fund Raising Event
Date : 13 August 2017

Manulife together with PeopleGiving by Manulife carried out Walk2Inspire in a bid to promote healthy living, by encouraging people to be more active. In this case, by taking up the challenge of completing 10,000 steps for a good cause. There were a total of 450 participants and total fund raised was around RM79,000 which was distributed to 7 NGOs.

Venue : Lake Gardens, Kuala Lumpur
Total volunteers from Manulife : 14

World Heart Day

Priority : Health/Community
Date : 29 September 2017

Created and led by the World Heart Federation, World Heart Day aims to combat the rising number of people with cardiovascular disease, the world's biggest killer, by raising awareness and promoting the importance of living a heart-healthy lifestyle. A yoga session was organised at the Manulife Headquarters with 60 participants.

Venue : Menara Manulife
Total volunteers from Manulife : 6

Box of Joy

Priority : Health/Community Fund Raising Event (Donation drive)
Date : 18 November 2017

Manulife together with PeopleGiving by Manulife brought hope and joy to 136 ill-stricken children; some battling for their lives against cancer. For this event, fund amounting to RM5,300 were used to prepare gift box contains nutritional snacks, educational toys, story books, blankets, neck pillows and socks. Some items included were also sponsored by other parties.

Venue : Pusat Perubatan Universiti Malaya, Lembah Pantai, Kuala Lumpur
Total volunteers from Manulife : 15

Dear Santa

Priority : Health/Community Fund Raising Event (Donation drive)
Date : 14 December 2017

Manulife fulfilled little wishes of 325 children from 10 underprivileged homes across Klang Valley as a way of sharing and spreading the joy of giving during Christmas season. 200 children's wishes were fulfilled by Manulife agents and 125 children's wishes were fulfilled by staff and the members of the public. The 125 gifts totaled about RM12,500. On the day of the event, all contributors presented the gifts to the children personally. A total of 280 guests and children attended the event.

Venue : Kuala Lumpur Performing Arts Centre (KLPac)
Total volunteers from Manulife : 30

Manulife Blood Donation Drive (HR)

Priority : Health/Community
Date : 19, 25 and 26 September 2017

The Health Awareness and Nationwide Blood Donation Campaign 2017 was organised by Life Insurance Association of Malaysia (LIAM) with its member companies and aimed at bringing the life insurance industry closer to the people in Malaysia. A total of 58 donors donated blood, whereby 8 were in Kuching and 50 in Kuala Lumpur.

19 September 2017
Venue : Boulevard Shopping Mall, Kuching, Sarawak

25-26 September 2017
Venue : Menara Manulife
Total volunteers from Manulife : 2

We ended the year with enthusiasm over the positive contribution Manulife can bring to the society in the years to come.

MOVING FORWARD

Moving forward, as we establish our formal sustainability approach, our community investments will be focused on supporting innovative programmes that promote well-being. We will continue to support much-needed community projects outside of this strategic focus on well-being – particularly social programmes that are important to our employees – but the emphasis going forward will be on aligning the majority of our donations with these two priorities:

Healthy, active living

Supporting physical well-being recognises that people are living longer but not necessarily better. We know that simple actions and behavioural changes, such as moving more and eating better, can have significant long-term impacts and improve quality of life. Our emphasis will be on innovative health and wellness programmes that empower people to make better choices, with an eye to prevention rather than treatment.

Financial well-being

Financial well-being focuses on equipping people with the skills, experience and knowledge they need in order to be successful in today's economy. Here too, we will emphasise innovative programmes that motivate people to make changes in their lives, whether the focus is on helping them advance to post-secondary education, increasing their career readiness or improving their financial literacy.

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 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 Directors.

For the financial year ended 31 December 2017, six (6) 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.

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 Memorandum and Articles of Association, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance 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 three (3) members, comprising three (3) Independent Non-Executive Directors. The Group Audit Committee Report for the financial year under review can be found on pages 49 to 52 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. Dr. Gopakumar Kurup *(resigned w.e.f. 31 March 2018)*
   Member/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 2017 is set out under the Group Audit Committee Report on page 49 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. 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. Mr. Leung Rockson Lok-Shuen
   Member/Non-Independent Non-Executive Director
4. Dr. Gopakumar Kurup *(resigned w.e.f. 31 March 2018)*
   Member/Independent Non-Executive Director

THE BOARD (CONT'D)

Group Risk Management Committee (cont'd)

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 Group Audit Committee and 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 2017 are as follows:-

Name of members	Attendance
Mr. Lim Hun Soon @ David Lim	4 out of 4
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 4
Mr. Leung Rockson Lok-Shuen	3 out of 4
Dr. Gopakumar Kurup *(resigned w.e.f. 31 March 2018)*	4 out of 4

Group Nominating/Remuneration Committee

The Group Nominating/Remuneration Committee has four (4) members, comprising three (3) 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. Mr. Leung Rockson Lok-Shuen
   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.

THE BOARD (CONT'D)

Group Nominating/Remuneration Committee (cont'd)

Meeting Attendance

The attendance of the Group Nominating/Remuneration Committee's members for the financial year ended 31 December 2017 are as follows:-

Name of members	Attendance
Dato' Dr. Zaha Rina binti Zahari	4 out of 4
Mr. Lim Hun Soon @ David Lim	4 out of 4
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 4
Mr. Leung Rockson Lok-Shuen	4 out of 4

For the financial year ended 31 December 2017, 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;
(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 Articles of Association 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 Articles of Association 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 Directors, and at least one-third of the Board should be Independent Directors. The Articles of Association also specifies that the Chairman must be a non-executive member of the Board; and in the event the Chairman is not an Independent 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.

BOARD BALANCE, DUTIES AND RESPONSIBILITIES (CONT'D)

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 business.

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 calibre 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 business.

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, 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 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.

BOARD BALANCE, DUTIES AND RESPONSIBILITIES (CONT'D)

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 2017. 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 2017 as set out under the Directors' Profile on page 14 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 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

The Company's Articles of Association 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. 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 International Centre for Leadership in Finance. The programme is aimed at promoting high impact boards in the financial institutions.

DIRECTORS' TRAINING (COND'T)

The training programmes and seminars attended by the Directors during the financial year ended 31 December 2017 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 2017 are as follows:-

Financial and Capital Market

- Financial Master Class – A Simple Yet Practical Financial Plan Tool.
- An Integrated Approach between Currency and Equities Market.
- MFRS 9: Board of Directors and Board of Audit Committee Status Update.
- MFRS 9: Status Update KPMG.
- Common Reporting Standard (CRS) Training.
- Forum To Commerote Just Farland's Contribution to the Socio-Economic Development of Malaysia.
- How to overcome the impact of high inflation and financial crisis.

Role of an Effective Board

- Cyber Security Workshop 2017: Cyber Security Essential for Board of Directors of Capital Market Intermediaries.
- FIDE Forum: 3rd Distinguished Board Leadership Series: Cryptocurrency and Blockchain Technology Viewpoints of an Entrepreneur.
- Half Day Talk to Directors and Senior Management.
- Program Latihan Pengarah (PROLAP) Badan-Badan Berkanun.
- Seminar Pemantapan Tadbir Urus: Lembaga Pengarah Universiti Awam.
- Critical Behavious and Ensuring Your Success.
- Understanding Myself and Our Team.
- Leading in Today's Work Environment.
- Case study workshop for Independent Director.

Corporate Governance (including audit, risk management and internal control)

- Focus Group Session: Discussion in Preparation for Dialogue with BNM's Senior Management.
- Compliance Conference 2017.
- Companies Act 2016 – Key Changes and Implications to Board.
- AMLATFPUAA 2001: Risk Challenges and Vulnerabilities Towards Risk Based Approach.
- Country AML Annual Core Training.
- IFP AML Annual Training (Hong Kong).
- CG Breakfast Series with Directors integrating an innovation mindset with effective governance.

Others

- IT Road Show – Microsoft Azure.
- Seminar Pembiayaan Dan Pembangunan Wakaf IPT 2017.
- Running in the Social Media World.
- Fraud Awareness Training.
- Information Protection 2016.
- 4th Industrial Revolution Impact and Opportunities for Finance and Manufacturing.

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 2017 is set out below:-

	Fees (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Retirement benefits contribution (RM'000)	Benefits-in-kind (RM'000)	RSU expenses (RM'000)	Tax equalisation* (RM'000)	Total (RM'000)
Company								
Executive								
Mark Steven O'Dell	–	453	99	28	107	121	367	1,175
Non-Executive								
Dato' Dr. Zaha Rina Binti Zahari	105	–	–	–	–	–	–	105
Datuk Seri Panglima Mohd Annuar Bin Zaini	79	–	–	–	–	–	–	79
Lim Hun Soon @ David Lim	84	–	–	–	–	–	–	84
Dr. Gopakumar Kurup	68	–	–	–	–	–	–	68
Leung Rockson Lok-Shuen	72	–	–	–	–	–	–	72
Group								
Executive								
Mark Steven O'Dell	–	2,265	496	142	537	606	2,480	6,526
Non-Executive								
Dato' Dr. Zaha Rina Binti Zahari	148	–	–	–	–	–	–	148
Datuk Seri Panglima Mohd Annuar Bin Zaini	160	–	–	–	–	–	–	160
Lim Hun Soon @ David Lim	141	–	–	–	–	–	–	141
Dr. Gopakumar Kurup	122	–	–	–	–	–	–	122
Leung Rockson Lok-Shuen	72	–	–	–	–	–	–	72

Note:

* *Tax equalisation refers to the tax incurred by the Group and the Company on behalf of the Chief Executive Officer who is on international assignment so as to allow him a tax neutral position for working in Malaysia. Included in the current year amount are payments with respect to prior years of RM598,000.*

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 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 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 Directors are appointed to the Board.

As at 31 December 2017, none of the Independent Directors has served as an Independent Director 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. The Chairman informs shareholders of their right to demand a poll vote at the commencement of all general meetings and 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 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 Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year then ended.

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

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.

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 21 February 2018 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 ("EY") and the level of non-audit services to be rendered by EY to the Company for the financial year 2018. 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 2018, with the rotation of audit engagement partner. The Board at its meeting held on 26 February 2018 approved the Group Audit Committee's recommendation for the shareholders' approval to be sought at the Forty-Second AGM on the re-appointment of EY as external auditors of the Company for the financial year 2018.

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 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 43 to 45 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 is set out on page 51 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 March 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2017

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 on-going 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 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 Committee ("ERM") 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 all of Manulife Malaysia'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. The ERM consists of the Group CEO, CEO of Manulife Insurance Berhad, CEO of Manulife Asset Management Services Berhad, Group Chief Financial Officer ("GCFO"), Chief Legal & Compliance Officer, Risk Officers and Chief Human Resources Officer.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2017

KEY INTERNAL CONTROLS AND RISK MANAGEMENT PROCESSES (CONT'D)

Internal Audit Services Function

The Charter for Audit Services – Malaysia ("AS-Malaysia") is reviewed and approved by the GAC annually.

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 GAC and Senior Management on the adequacy and effectiveness of Manulife's governance, risk management and internal control process. The annual audit plan is primarily driven by an independent assessment of inherent risk of the business units across the Company and includes consideration of external information published by industry groups, and input from Management, GAC, regulators and other stakeholders. 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.

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".

The Compliance function ensures that the Group works within the applicable statutory, regulatory and ethical frameworks defined by all applicable laws, regulations and guidelines governing the insurance, asset management and unit trust and private retirement schemes industries. The Business Unit Compliance Officer ensures that any compliance-related matters are reported to the Senior Management and the Board promptly. On a half-yearly basis, assessment and monitoring of the legislative compliance to applicable acts, regulations, internal policies and procedures are carried out to ensure that adequate risk management exists to assist Senior Management in identifying, addressing and integrating significant legislative or regulatory requirements into the Group's business activities through appropriate internal control procedures and risk management practices.

There are proper processes within the Group for hiring, termination and promotion of staff consisting of formal training programmes and quarterly performance reviews including two (2) formal 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. Another key human resource initiative is succession planning. Succession planning is refreshed on an annual basis leveraging on outcomes of the talent review. Key roles are identified in consultation with Senior Management based on its criticality and availability. Identified high potentials are reflected in the succession plans depending on the role, growth opportunity, personal aspirations and mobility.

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, covering alternate site tests, table top exercises, call tree tests, integrated simulation disaster recovery tests and 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.

KEY INTERNAL CONTROLS AND RISK MANAGEMENT PROCESSES (CONT'D)

Other Key Internal Controls (cont'd)

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 GCFO 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 Pratice 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 2018.

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, the External Auditors and its affiliated companies for the financial year ended 31 December 2017 are as follows:-

Services	Company (RM'000)	Group (RM'000)
Audit Fees	91	611
Non-statutory audit related services	52	151
Total	143	762

2. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors and Major Shareholders' interests which were 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-First Annual General Meeting ("AGM") of the Company held on 2 June 2017, the Company had obtained the Shareholders' Mandate to allow the Group to enter into RRPTs.

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 2017 pursuant to the Shareholders' Mandate are disclosed as follows:-

No.	Nature of Transactions	Transacting Party	Class of Related Party	Interested Related Party	Actual Value of Transaction RM'000
1.	Information Technology ("IT") Service Agreement and Shared Resources Agreement	MHB Group	MTSSB	Interested Director* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	426
2.	Rental income**	MHB	MTSSB	Interested Director* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	725

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPTS") (CONT"D)

No.	Nature of Transactions	Transacting Party	Class of Related Party	Interested Related Party	Actual Value of Transaction RM'000
3.	Book-keeping fee and administration fee	MHB	MTSSB	Interested Director* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	3
4.	Provision of sub-management fee	MAMSB	MAMHKΩ	Interested Director* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	355
5.	Provision of sub-management fee	MAMSB	MAMSPΩ	Interested Director* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	342
6.	Outsourcing of asset management subsidiary back office system	MAMSB	MFC Group~	Interested Director* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	1,158

ADDITIONAL COMPLIANCE INFORMATION

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPTS") (CONT"D)

No.	Nature of Transactions	Transacting Party	Class of Related Party	Interested Related Party	Actual Value of Transaction RM'000
7.	Establishment of off shore business	MILL (new subsidiary)	MFC Group~	Interested Director* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	315
8	Investment management/ advisory and other related services	MAMSB	MAMSPΩ	Interested Director* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	176

The details of the RRPTs were not disclosed if there were no transactions conducted during the financial year ended 31 December 2017 pursuant to the Shareholders' Mandate.

Denote:

MAAKL – MAAKL Mutual Berhad
MAMSB – Manulife Asset Management Services Berhad
MCHN – Manulife Century Holdings (Netherlands) B.V.
MCHN Group – MCHN, its subsidiaries and associate companies
MDSI – Manulife Data Services Inc.
MFC – Manulife Financial Corporation
MFC Group – MFC, its subsidiaries and associate Companies
MFAL – Manulife Financial Asia Limited
MHB – Manulife Holdings Berhad
MHB Group – MHB, it subsidiaries and associate companies
MHBL – Manulife Holdings (Bermuda) Limited
MIB – Manulife Insurance Berhad
MLIC – The Manufacturers Life Insurance Company
MTSSB – Manulife Technology & Services Sdn. Bhd. (In Liquidation)
MAMHK – Manulife Asset Management (Hong Kong) Limited
MAMSP – Manulife Asset Management (Singapore) Pte. Ltd.
MILL – Manulife Insurance Labuan Limited

Notes:

* Representing MCHN to the Board of MHB.
# MCHN's ultimate holding company is MLIC, who is also the ultimate holding company of MTSSB and MDSI.
~ MFC is the holding company of MLIC.
^ MFAL is the holding company of MCHN.
> MHBL is the holding company of MFAL.
Ω MFC is the ultimate holding company of MAMHK and MAMSP.
** Income generated by MHB from the lease of property to MTSSB for a tenure of three (3) years, with an option to renew upon the expiry date. Payment of rental is done on a monthly basis.

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)*
Dr. Gopakumar Kurup *(Independent Non-Executive Director) (resigned w.e.f. 31 March 2018)*

The details of attendance of each member at the Group Audit Committee meetings held during the year 2017 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
Dr. Gopakumar Kurup *(resigned w.e.f. 31 March 2018)*	5 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 2017 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 2016 and the Annual Audited Financial Statements of 2016 at its meetings on 22 February 2017 and 20 March 2017 respectively. The quarterly financial statements for the first, second and third quarters of 2017, 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 24 May 2017, 17 August 2017 and 20 November 2017 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 IFRS;
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 and of their financial performance and cash flows for the financial year and period ended in accordance with MFRSs, IFRS and the requirements of Companies Act, 1965 and Companies Act, 2016 in Malaysia, where required.

III. SUMMARY OF ACTIVITIES (CONT'D)

1.1. Financial Reporting (cont'd)

(c) On 17 August 2017, the Group Audit Committee noted the Review Report on the Condensed Consolidated Interim Financial Information of Manulife Holdings Berhad for the six-month financial period ended 30 June 2017 and Manulife Holdings Berhad and its subsidiaries' 2017 Audit Plan presented by the External Auditors, Messrs. Ernst & Young ("EY").

1.2 Related Party Transactions

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

1.3 External Audit

<u>Meeting with the External Auditors</u>
On 22 February 2017, the External Auditors presented their Audit Results for 2016 and discussed significant audit matters with the Group Audit Committee. The finalised audit fees for year 2016 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 2016.

The Group Audit Committee deliberated the External Auditors' Report for the financial year ended 31 December 2016 during the Group Audit Committee meetings held on 22 February 2017 and 20 March 2017. 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 2016.

On 17 August 2017, the Group Audit Committee reviewed the list of services for the financial year 2017 presented by EY in the Annual Plan 2017 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 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 2017. 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 2017 prior to the announcement of the half yearly financial results during the same meeting.

<u>Annual Evaluation and Review of Independence of External Auditors</u>
Mr. Brandon Bruce Sta Maria and Mr. Chan Hooi Lam became the lead audit engagement partner and the audit concurring partner respectively in 2013 and both of them will be rotated off the audit after the 2017 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 22 February 2017, the Group Audit Committee was satisfied with the External Auditors' technical competency and independence for 2016.

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 2017 on 22 February 2017.

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 of 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 2017, 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 and assists the Board in monitoring and evaluating the adequacy and effectiveness of the risk management, internal controls and governance processes. In addition, the Regional Audit Services Asia team also provides oversight and supports to AS-Malaysia to ensure alignment of audit methodology and practices, and compliance with Manulife's audit quality standards as well as the Institute of Internal Auditors' International Professional Practices Framework (IPPF). The Group Audit Committee approves the following year's AS-Malaysia Internal Audit plan and budget during the last Group Audit Committee meeting each year. Any subsequent significant interim changes will be submitted to the Group Audit Committee for approval including any resource limitations that impact Manulife Group's internal audit activities.

The scope of AS-Malaysia covers the audits of all units and operations of the Company and its subsidiaries. The areas to be audited during the year would be selected based on an independent assessment of the inherent risks in each of the auditable areas by AS-Malaysia. The key areas reviewed in 2017 covered the following:-

1. Regulatory requirements including Anti-Money Laundering and Anti-Terrorism Financing Act 2001;
2. Insurance operations;
3. Insurance sales and distribution;
4. Business continuity management; and
5. Outsourced services.

IV. GROUP INTERNAL AUDIT FUNCTION (CONT'D)

In any audit performed, the internal auditors will assess and evaluate the adequacy of the risk management practices, operational controls, compliance with regulatory requirements, Management efficiency and test the effectiveness of the system of internal control, amongst others. These audits ensure that the established system of internal controls and the implemented risk management practices are appropriately and effectively applied and achieve acceptable risk exposures that are consistent with Manulife Group's risk management policy and appetite. AS-Malaysia may also carry out special assignments as directed by the Group Audit Committee.

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 actions taken to-date pertaining to the audit findings reported. AS-Malaysia also follows up and reports to the Group Audit Committee on Management 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 2017 were RM624,659.00 (2016: RM813,714.00).

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 2017.

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/(loss) for the financial year attributable to:-		
Owners of the Company	28,018	(7,742)
Non-controlling interests	35	–
	28,053	(7,742)

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single-tier dividend of 10.5 sen per share amounting to RM21,248,850 for the financial year ended 31 December 2016.

The directors recommend the payment of a first and final dividend of 8.0 sen per share, amounting to RM16,189,600 for the financial year ended 31 December 2017, 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, other than the effect of adoption of Companies Act, 2016 as disclosed in note 12 to the financial statements.

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.

BAD AND DOUBTFUL DEBTS (CONTINUED)

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.

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT EVENTS

Manulife Holdings Berhad had on 20 July 2017, incorporated a wholly-owned subsidiary, Manulife Insurance Labuan Limited in Federal Territory of Labuan, Malaysia under the Labuan Companies Act, 1990 with a fully paid up capital of USD1.00. Subsequently on 30 August 2017, the Company further subscribed for 2,999,999 new ordinary shares at a total consideration of USD2,999,999. The principal activity of Manulife Insurance Labuan Limited is to carry on Labuan life insurance activities. The incorporation of Manulife Insurance Labuan Limited does not have any material effect on the earnings and net assets of the Group for the financial year ended 31 December 2017 as it has not commenced underwriting any business.

Two (2) dormant subsidiaries of the Group, Britama Credit Sdn Bhd and Manulife Asset Management (Malaysia) Sdn Bhd were dissolved on 6 January 2017. The dissolution of the companies did not have any material impact on the financial results of the Group for the financial year ended 31 December 2017. Further disclosures are provided in note 7 to the financial statements.

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 subsidiary company, in accordance with the valuation methods specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.

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
Mark Steven O'Dell
Leung Rockson Lok-Shuen
Dr. Gopakumar Kurup

In accordance with Article 93(B) of the Company's Articles of Association, Mr. Lim Hun Soon @ David Lim and Mr. Mark Steven O'Dell shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves 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
John Delford Allan Parker
Swee Leng Edmond Cheah
Chong Soon Min
Gianni Fiacco
Jasbender Kaur a/p Mehar Singh
Tham Kok Yoke
Lee Wei Hsiung

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 33 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

According to the register of directors' shareholdings, particulars of interests of directors who held office at the end of the financial year in shares and options on shares in the ultimate holding company are as follows:

	Number of option on ordinary shares			
	As at 1.1.2017	**Granted**	**Lapsed/ exercised**	**As at 31.12.2017**
Manulife Financial Corporation				
- Direct interest				
Mark Steven O'Dell	47,375	7,609	(21,162)	33,822

Stock options are granted to selected individuals under Manulife Financial Corporation's ("MFC") Executive Stock Option Plan ("ESOP"). These options provide the holder with the right to purchase common shares of MFC at an exercise price equal to the higher of the prior day or prior 5-day average closing market price of common shares on the Toronto Stock Exchange on the date the options were granted and are valid for 10 years from the grant date.

	Number of deferred/restricted/performance share units			
	As at 1.1.2017	**Granted/ reinvested dividends**	**Vested**	**As at 31.12.2017**
Manulife Financial Corporation				
- Direct interest				
Mark Steven O'Dell	21,913	6,548	(9,693)	18,768
Leung Rockson Lok-Shuen	21,901	5,490	(8,831)	18,560

Deferred share units, restricted share units and performance share units granted to certain employees under Manulife Financial Corporation's ESOP entitle the holder to receive cash payment equal to the value of the same number of common shares plus credited dividends upon retirement or termination of employment or as they are vested, subject to any performance conditions.

Other than as disclosed, no other 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.

By virtue of the above directors' interests in the shares of the ultimate holding company, the said directors are deemed to have an interest in the shares of the Company and its subsidiary companies to the extent that the ultimate holding company has an interest.

DIRECTORS' REPORT (CONTINUED)

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 RM30,000,000 in aggregate with total annual premium of RM188,850 and RM18,924 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, have expressed their willingness to continue in office.

Auditors' remuneration is disclosed in note 26 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 March 2018.

DATO' DR. ZAHA RINA BINTI ZAHARI
CHAIRMAN

MARK STEVEN O'DELL
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 Mark Steven O'Dell, 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 65 to 156 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 2017 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 26 March 2018.

DATO' DR. ZAHA RINA BINTI ZAHARI
CHAIRMAN

MARK STEVEN O'DELL
DIRECTOR

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, Tham Kok Yoke, 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 65 to 156 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 26 March 2018, before me.

COMMISSIONER FOR OATHS
MOHD IBRAHIM BIN YAAKOB
NO: W641

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 2017 of the Group and of the Company, and the statements of profit or loss, 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 65 to 156.

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 2017, 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 ("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 2017 amounted to RM3.95 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 subsidiary, Manulife Insurance Berhad, and mainly consists of actuarial liabilities and investment-linked policyholders' account.

   The actuarial liabilities amounted to RM2.40 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 as well as the accounting policy described in Note 2(x) to the financial statements. The investment-linked policyholders' account amounted to RM1.39 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(x) 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 is 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 subsidiary;
- 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 subsidiary;
- 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 subsidiary in determining and approving the key assumptions applied;
- Assessing the experience analyses of the insurance subsidiary 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 subsidiary. These tests also included control tests performed on selected samples of insurance policies issued by the insurance subsidiary 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 subsidiary and independently reviewing the results thereon;
- Reviewing the Liability Adequacy Test results performed by the insurance subsidiary;
- 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.

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

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 2017 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 RM342.29 million as of 31 December 2017 (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 Asset Management Services Berhad. The asset management subsidiary has been recording losses as reported in Note 34 on Segmental reporting.

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(j).

Our audit procedures were focused on the following key areas:

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

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.

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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- 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.

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
AF: 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
26 March 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Property and equipment	4	42,107	38,143	20,375	15,259
Investment property	5	82,600	88,071	31,114	37,158
Intangible assets	6	115,213	124,034	265	342
Subsidiaries	7	–	–	342,296	329,333
Available-for-sale financial assets	8(a)	3,090,586	2,884,579	66,357	114,432
Financial assets at fair value through profit or loss	8(b)	1,536,831	1,347,826	–	–
Loans and receivables	9	586,605	453,497	6,602	4,053
Reinsurance assets	10	6,412	8,611	–	–
Insurance receivables	11	23,971	28,781	–	–
Current tax assets		686	615	686	615
Cash and cash equivalents		148,973	138,199	1,153	1,814
TOTAL ASSETS		5,633,984	5,112,356	468,848	503,006
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES					
Share capital	12	103,069	101,185	103,069	101,185
Share premium	12	–	1,884	–	1,884
Retained earnings	13	694,863	688,094	350,850	379,841
Other reserves		16,197	7,591	6,131	4,681
Equity attributable to the owners of the Company		814,129	798,754	460,050	487,591
Non-controlling interests	14	1,195	365	–	–
TOTAL EQUITY		815,324	799,119	460,050	487,591
Insurance contract liabilities	15	3,948,122	3,591,411	–	–
Insurance claims liabilities	16	56,489	55,764	–	–
Financial liability at fair value through profit or loss	17	–	549	–	–
Deferred tax liabilities	18	36,540	26,083	103	168
Insurance payables	19	526,936	479,294	–	–
Current tax liabilities		2,456	5,164	–	–
Other payables	20	248,117	154,972	8,695	15,247
TOTAL LIABILITIES		4,818,660	4,313,237	8,798	15,415
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		5,633,984	5,112,356	468,848	503,006

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

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Premium income					
Gross premiums		896,375	877,750	–	–
Premiums ceded to reinsurers		(38,895)	(27,130)	–	–
Net premiums	21	857,480	850,620	–	–
Investment income	22	187,287	176,679	8,630	9,156
Net realised gains	23	50,147	17,223	1,323	1,805
Net fair value gains/(losses)	24	159,291	(69,000)	(882)	(266)
Fee income	25	96,105	60,357	637	890
Other operating income		2,193	1,463	1	1
Total revenue		1,352,503	1,037,342	9,709	11,586
Gross benefits and claims paid and payable		(647,404)	(561,167)	–	–
Claims ceded to reinsurers		13,252	10,260	–	–
Gross change in insurance contract liabilities		(294,323)	(192,072)	–	–
Change in insurance contract liabilities ceded to reinsurers		(3,213)	1,727	–	–
Net claims		(931,688)	(741,252)	–	–
Fee and commission expenses		(120,601)	(98,563)	–	–
Investment expenses		(4,404)	(4,041)	(2,324)	(2,231)
Management expenses	26	(172,962)	(161,358)	(15,531)	(11,969)
Other operating (expenses)/income	28	(81,289)	30,154	326	(895)
Other expenses		(379,256)	(233,808)	(17,529)	(15,095)
Profit/(loss) before taxation		41,559	62,282	(7,820)	(3,509)
Taxation	29	(13,506)	(15,819)	78	(367)
Net profit/(loss) for the financial year		28,053	46,463	(7,742)	(3,876)
Net profit/(loss) attributable to:					
Owners of the Company		28,018	46,445	(7,742)	(3,876)
Non-controlling interests		35	18	–	–
		28,053	46,463	(7,742)	(3,876)
Basic and diluted earnings per share (sen)	30	13.84	22.95		

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

STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Net profit/(loss) for the financial year		28,053	46,463	(7,742)	(3,876)
Other comprehensive income/(loss), net of tax:					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:-					
Net loss on foreign currency translation		(786)	–	–	–
Fair value change of available-for-sale financial assets:					
- Gross fair value change	8(c)	77,276	(13,942)	980	263
- Deferred tax	18	(6,330)	1,218	–	–
		70,946	(12,724)	980	263
Change in insurance contract liabilities arising from unrealised net fair value change	15	(62,024)	6,247	–	–
Net income/(loss)		8,922	(6,477)	980	263
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		8,136	(6,477)	980	263
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:-					
Surplus from revaluation of property:					
- Gross surplus from revaluation		834	619	470	345
		834	619	470	345
Changes in insurance contract liabilities arising from revaluation of property	15	(364)	(274)	–	–
Net income		470	345	470	345
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		470	345	470	345
Other comprehensive income/(loss) for the financial year, net of tax		8,606	(6,132)	1,450	608
Total comprehensive income/(loss) for the financial year		36,659	40,331	(6,292)	(3,268)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		36,624	40,313	(6,292)	(3,268)
Non-controlling interests		35	18	–	–
		36,659	40,331	(6,292)	(3,268)

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to owners of the Company								
		I---------- Non-distributable				----------I Distributable				
Group	Note	Share capital RM'000	Share premium 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 2016		101,185	1,884	4,733	–	8,990	659,862	776,654	592	777,246
Changes in ownership interest in a unit trust fund managed by a subsidiary		–	–	–	–	–	–	–	(245)	(245)
Net profit for the financial year		–	–	–	–	–	46,445	46,445	18	46,463
Other comprehensive income/(losses) for the financial year		–	–	345	–	(6,477)	–	(6,132)	–	(6,132)
Total comprehensive income/(losses) for the financial year		–	–	345	–	(6,477)	46,445	40,313	18	40,331
Dividend paid	31	–	–	–	–	–	(18,213)	(18,213)	–	(18,213)
At 31 December 2016/ 1 January 2017		101,185	1,884	5,078	–	2,513	688,094	798,754	365	799,119
Transition to no-par value regime	12	1,884	(1,884)	–	–	–	–	–	–	–
Changes in ownership interest in a unit trust fund managed by a subsidiary		–	–	–	–	–	–	–	795	795
Net profit for the financial year		–	–	–	–	–	28,018	28,018	35	28,053
Other comprehensive income/(loss) for the financial year		–	–	470	(786)	8,922	–	8,606	–	8,606
Total comprehensive income/(loss) for the financial year		–	–	470	(786)	8,922	28,018	36,624	35	36,659
Dividend paid	31	–	–	–	–	–	(21,249)	(21,249)	–	(21,249)
At 31 December 2017		103,069	–	5,548	(786)	11,435	694,863	814,129	1,195	815,324

* Included in the retained earnings are surplus from Non-participating life fund of the insurance subsidiary of the Group (net of deferred tax) of approximately RM 68,988,000 (31 December 2016: RM69,414,000) 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 subsidiary 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 2017 (continued)

Company	Note	Share capital RM'000	Share premium RM'000	Asset revaluation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
			I-------------- Non-distributable	--------------	--------------I	Distributable	
At 1 January 2016		101,185	1,884	4,733	(660)	401,930	509,072
Net loss for the financial year		–	–	–	–	(3,876)	(3,876)
Other comprehensive income for the financial year		–	–	345	263	–	608
Total comprehensive income/(loss) for the financial year		–	–	345	263	(3,876)	(3,268)
Dividend paid	31	–	–	–	–	(18,213)	(18,213)
At 31 December 2016/ 1 January 2017		101,185	1,884	5,078	(397)	379,841	487,591
Transition to no-par value regime	12	1,884	(1,884)	–	–	–	–
Net loss for the financial year		–	–	–	–	(7,742)	(7,742)
Other comprehensive income for the financial year		–	–	470	980	–	1,450
Total comprehensive income/(loss) for the financial year		–	–	470	980	(7,742)	(6,292)
Dividend paid	31	–	–	–	–	(21,249)	(21,249)
At 31 December 2017		103,069	–	5,548	583	350,850	460,050

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit/(loss) for the financial year		28,053	46,463	(7,742)	(3,876)
Adjustments for non-cash items	32	(294,205)	(125,671)	(8,450)	(8,645)
Operating losses before changes in operating assets and liabilities		(266,152)	(79,208)	(16,192)	(12,521)
Purchase of investments	8(c)	(1,430,212)	(1,547,817)	–	–
Proceeds from disposal and maturity of investments		1,222,192	1,154,868	–	–
Interest income received		125,292	123,530	3,579	4,013
Dividend income received		52,574	44,697	821	966
Rental income received		6,965	7,871	4,859	4,873
Decrease/(increase) in insurance receivables		4,811	(2,442)	–	–
Decrease/(increase) in reinsurance assets		2,199	(4,050)	–	–
(Increase)/decrease in fixed and call deposits		(125,352)	103,321	1,085	5,542
Decrease in loans receivable		10,190	26,523	–	–
(Increase)/decrease in other receivables		(17,741)	(3,274)	(3,808)	5,865
Increase in insurance contract liabilities		294,323	192,072	–	–
Increase in insurance claims liabilities		725	4,129	–	–
Increase/(decrease) in payables		140,425	45,813	(4,780)	3,155
Cash generated from/(used in) operations		20,239	66,033	(14,436)	11,893
Income taxes paid		(34,061)	(22,928)	(58)	(3)
Net cash (outflow)/inflow from operating activities		(13,822)	43,105	(14,494)	11,890
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	4	(1,908)	(5,150)	(280)	(1,704)
Refurbishment costs of investment property	5	–	(309)	–	(145)
Purchase of intangible assets	6	(1,368)	(6,930)	–	(295)
Purchase of investments	8(c)	(98,173)	(92,771)	(98,173)	(92,771)
Proceeds from disposal and maturity of investments		147,944	96,904	147,944	96,904
Acquisition of subsidiary, balance of cash consideration paid		(1,446)	(1,809)	(1,446)	(1,809)
Incorporation of new subsidiary	7	–	–	(12,963)	–
Proceeds from liquidation of subsidiary companies		–	–	–	6,832
Proceeds from disposal of property and equipment		1	44	–	43
Net cash inflow/(outflow) from investing activities		45,050	(10,021)	35,082	7,055

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to shareholders	31	(21,249)	(18,213)	(21,249)	(18,213)
Changes in non-controlling interests		795	(245)	–	–
Net cash outflow from financing activities		(20,454)	(18,458)	(21,249)	(18,213)
CASH AND CASH EQUIVALENTS					
Net increase/(decrease) during the financial year		10,774	14,626	(661)	732
Cash and cash equivalents at 1 January		138,199	123,573	1,814	1,082
Cash and cash equivalents at 31 December		148,973	138,199	1,153	1,814

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	130,643	123,646	815	1,486
Short-term deposits*	18,330	14,553	338	328
Cash and cash equivalents	148,973	138,199	1,153	1,814

* 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 2017

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 under the historical cost convention except as disclosed in these summary of significant accounting policies, and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the provisions 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 2017 as follows:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 107 Disclosures Initiatives	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Amendment to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2017

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.

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 standards and amendments/improvements to published standards and interpretations that are issued but not yet effective up to the financial year end of the Group and the Company are disclosed below. 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
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Amendments to MFRS 1 First-Time Adoption of MFRS (Annual Improvements to MFRS Standard 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 4 Insurance Contract Liabilities (Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts)	1 January 2018
Amendments to MFRS 128 Investments in Associate and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
IC interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	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
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: 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 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective. The five-step model is as follows:-

(i) Identify the contract with the customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to each distinct good or service; and
(v) Recognise the revenue

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 (continued)

MFRS 15 Revenue from Contracts with Customers (continued)

Applying the five-step model, an entity recognises revenue when (or as) a performance obligation is satisfied and provided to the customer, which is when the customer obtains control over the goods or services provided. The point at which revenue is able to be recognised may shift some revenue which is currently recognised at a point in time at the beginning of the contract or at the end of a contract, to be recognised over the contract term and vice versa.

In addition, an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Any bundled goods or services that are distinct must be separately recognised.

The Group and Company has performed the assessment of the impact of MFRS 15 on its business and do not expect significant financial impact to the Group and Company's financial results and financial position, other than additional disclosures upon the adoption of MFRS 15 on 1 January 2018 as most of the revenue streams of the Group and the Company - other than those arising from insurance contracts and financial instruments held, which are scoped out of MFRS 15 – are already recognised in accordance with the principles of MFRS 15.

MFRS 9 Financial Instruments and Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

MFRS 9 Financial Instruments

In July 2014, the Malaysian Accounting Standards Board ("MASB") issued the final version of MFRS 9 Financial Instruments that replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. It is equivalent to IFRS 9 as issued by International Accounting Standards Board ("IASB"), including the effective and issuance dates. MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting as discussed below:-

The changes on financial statements disclosures are summarised below:

(i) Classification and measurement of financial assets

MFRS 9 establishes three primary measurement categories for financial assets: Amortised Cost, Fair Value Through Other Comprehensive Income ("FVOCI") and Fair Value Through Profit or Loss ("FVTPL"). It eliminates the existing MFRS 139 categories of Available-for-sale ("AFS"), Held-to-Maturity ("HTM") and Loans and Receivables ("LAR"). The basis of classification under MFRS 9 depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Amortised Cost
Financial assets are measured at amortised cost if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest. On derecognition, gains or losses are recognised in profit or loss.

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 (continued)

MFRS 9 Financial Instruments and Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (continued)

MFRS 9 Financial Instruments (continued)

The changes on financial statements disclosures are summarised below (continued):

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

Fair Value Through Other Comprehensive Income
Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows which are solely payments of principal and interest and selling the financial assets. Gains or losses on FVOCI financial instruments are recognised in Other Comprehensive Income ("OCI"). On derecognition, cumulative gains or losses in OCI are reclassified to profit or loss.

Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception of the Standard to present changes in OCI. However, such option will result in no reclassification of gains or losses to Profit or Loss upon derecognition but directly to retained earnings. No impairment loss considerations will apply to equity instruments under FVOCI.

Fair Value Through Profit or Loss
Financial assets which are neither held at amortised cost nor FVOCI are measured at FVTPL. Changes in fair value are recognised in profit or loss.

(ii) Classification and measurement of financial liabilities

For financial liabilities, MFRS 9 retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recognised in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

(iii) Impairment

MFRS 9 introduces the Expected Credit Losses ("ECL") model for impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses incurred as at the reporting date. The ECL model will apply to financial assets measured at Amortised cost or FVOCI, except for investments in equity instruments.

Under MFRS 9, allowance for impairment is made based on the simplified approach which is based on Lifetime ECL or the following three-stage approach 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 which is based on the probability of default events occurring within next the 12 months will be recognised in profit or loss.

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 (continued)

MFRS 9 Financial Instruments and Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (continued)

MFRS 9 Financial Instruments (continued)

The changes on financial statements disclosures are summarised below (continued):

(iii) Impairment (continued)

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 is based on results from all possible default events over the expected life of the financial assets will be recognised in profit or loss.

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 assessment of credit risk and estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions, forecasts of future events and economic conditions at the reporting date.

(iv) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

In December 2016, the MASB issued Amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (MFRS 17). Amendments to MFRS 4 is issued by the MASB in respect of its application in Malaysia. It is equivalent to the Amendments to IFRS 4 as issued by the IASB.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if:

(i) It has not previously applied any version of MFRS 9; and
(ii) Its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income, an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

An entity can apply the temporary exemption from MFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

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 (continued)

MFRS 9 Financial Instruments and Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (continued)

Impact as a result of the adoption of MFRS 9 and Amendments to MFRS 4

The Group and the Company have performed assessments on the requirements under MFRS 9 and Amendments to MFRS4, and have reached the following conclusions:-

Group

The Group will be applying the temporary exemption under Amendments to MFRS 4 to defer the adoption of MFRS 9 until 1 January 2021, which is in line with the adoption of MFRS 17 Insurance Contracts, as the Group'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 Group's insurance liabilities is more than 90% of the Group's total liabilities.

Additional disclosures as required under Amendments to MFRS 4 will be included in the financial statements of the Group for periods beginning on or after 1 January 2018.

The insurance subsidiaries, which contribute to the insurance contract liability of the Group, expect to start their assessment of MFRS 9 and MFRS 17 in the financial year ending 31 December 2018.

Company

The Company, which is an investment holding company does not meet the criteria stipulated under the Amendments to MFRS 4 to apply either the temporary exemption or overlay approach. Accordingly, it has adopted MFRS 9 on 1 January 2018. The potential changes and impact upon the adoption of MFRS 9 to the Company's financial statements are as follows:-

(i) Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. The AFS reserve of RM0.8 million related to those securities will be reclassified to retained earnings.

(ii) The equity shares in non-listed companies are intended to be held for the foreseeable future will be classified as FVTPL. No impairment losses were recognised in profit or loss during prior periods for these investments.

(iii) Debt securities which include Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities will continue to be measured at FVOCI as the Company expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

(iv) Loans and receivables which include fixed and call deposits and other receivables are held to collect contractual cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria to be carried at amortised cost under MFRS 9. Therefore, reclassification for these instruments is not required.

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 (continued)

MFRS 9 Financial Instruments and Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (continued)

Impact as a result of the adoption of MFRS 9 and Amendments to MFRS 4 (continued)

(v) Based on the Company's assessment, there are no material impacts relating to the classification of financial liabilities as at 1 January 2018.

(vi) The Company is finalising the impact of application of MFRS 9 impairment requirements using the simplified approach on loans and receivables as well as the three-stage approach on debt securities. It is expected to have insignificant impairment loss to be recognised upon adoption.

(vii) The Company does not apply hedge accounting and hence, there is no impact to the Company arising from the change in hedge accounting requirements.

(viii) The adoption of MFRS 9 will also result in changes to the presentation and disclosures of financial instruments in the financial statements of the Company. Under the new requirements, the disclosure of the financial instruments and its related risks will be more extensive.

In summary, the Company does not expect a significant impact to arise from adoption of MFRS 9, other than the classification of quoted equities from AFS currently to FVTPL under MFRS 9, with the following impact to be adjusted against opening retained earnings as at 1 January 2018:-

1 January 2018	Adjustments	(Decrease)/ increase RM'000
Equity		
AFS reserves	(i)	(817)
Retained earnings	(i)	817

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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).

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 (continued)

MFRS 16 Leases (continued)

(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.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. The Group and the Company are currently assessing the financial impact of adopting MFRS 16 and plans to adopt the new standard on the required effective date.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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(j)(ii) 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 combinations

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 gain 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 35(b) and note 35(c).

(d) Property and equipment

Property and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment (continued)

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(j)(ii) 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 or 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 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)

(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(j)(ii) on impairment.

(ii) Exclusive right

The exclusive right arises from the 10-year exclusive bancassurance agreement entered into between the insurance subsidiary of the Group 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 the insurance subsidiary of the Group 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(j)(ii) on impairment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

(i) Classification, recognition and measurement of financial assets

The Group and the Company 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.

(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 and the Company 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 and the Company have 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

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

(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.

(ii) Derecognition and impairment 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 and the Company have 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.

All financial assets, except for FVTPL, are subject to review for impairment as set out in note 2(j)(i) on impairment.

(h) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Fair value of financial instruments (continued)

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.

(i) 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.

(j) Impairment of assets

(i) Financial assets

The Group and the Company 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 and the Company 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 subsidiary 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(ii) 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 is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in the recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

(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.

(l) 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 is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

(ii) Post-employment benefits (continued)

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.

(ii) Cash-settled share-based compensation

The fair value of the employee services received in exchange for the grant of the share appreciation rights 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.

(iii) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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 is 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 financial statements when the right to receive payment is established.

Rental income from investment property is recognised 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.

Initial service fees 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.

(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) Product classification

An insurance contract is a contract under which the insurance subsidiary of the Group has 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 subsidiary of the Group defines 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 subsidiary 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Product classification (continued)

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.

(p) Reinsurance

The insurance subsidiary of the Group cedes insurance risk in the normal course of business for its 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 reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary of the Group from its 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 subsidiary 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 subsidiary 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.

(q) Life insurance underwriting results of the insurance subsidiary 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Life insurance underwriting results of the insurance subsidiary of the Group (continued)

(i) Gross premiums (continued)

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, 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.

(r) 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 receivable is impaired, the insurance subsidiary of the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss. The insurance subsidiary of the Group gathers 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(j)(i) on impairment.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in note 2(g)(ii), have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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 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 the Group's insurance subsidiary 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.

(t) 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.

(u) 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 subsidiary 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.

(v) Taxation

Income tax on profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable profits for the financial year and is measured using the tax rates that have been enacted at the reporting date. Current tax is recognised in the profit or loss.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Taxation (continued)

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.

(w) 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.

(x) 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)

(x) 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 subsidiary 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 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 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(j)(i)
(iii) Impairment of intangible assets – note 2(j)(ii)
(iv) Recognition of deferred tax assets – note 18

Other than the above, 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.

Valuation of actuarial liabilities

The valuation of the ultimate liability arising from policy benefits made under life insurance contracts is the Group's 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 subsidiary of the Group. 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:

<u>Interest rate</u>

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.

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 variable annuity ("VA") 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Valuation of actuarial liabilities (continued)

Interest rate (continued)

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.

Calendar Year	Resultant Valuation Discounting Yields				
	Ordinary Par	Annuity Par	Non-Par + IL	Universal Life	IL SIP (VA)
2018	5.13%	2.91%	2.91%	4.69%	1.73%
2019	5.22%	3.31%	3.31%	4.66%	2.11%
2020	5.31%	3.74%	3.74%	4.63%	2.19%
2021	5.40%	4.12%	4.12%	4.60%	2.37%
2022	5.50%	4.22%	4.22%	4.57%	2.60%
2023	5.59%	4.62%	4.62%	4.54%	2.68%
2024	5.68%	4.73%	4.73%	4.51%	2.70%
2025	5.77%	3.87%	3.87%	4.49%	2.58%
2026	5.87%	3.94%	3.94%	4.46%	2.64%
2027	5.96%	4.04%	4.04%	4.43%	2.60%
2028	6.05%	5.17%	5.17%	4.40%	2.57%
2029	6.05%	5.39%	5.39%	4.40%	2.60%
2030	6.05%	5.74%	5.74%	4.40%	2.63%
2031	6.05%	5.98%	5.98%	4.40%	2.66%
2032	6.05%	6.07%	6.07%	4.40%	2.69%
2033	6.05%	4.52%	4.52%	4.40%	2.49%
2034+	6.05%	4.52%	4.52%	4.40%	2.49%

Mortality, morbidity, critical illness, expenses and surrenders (including lapses, Investment-linked premium persistency and partial withdrawal)

Assumptions on mortality are derived from the insurance subsidiary of the Group's historical experience. For morbidity 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.

Participating Policyholders' Bonuses/Dividends

Continuance of current bonus level is assumed in the best estimate valuation.

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 2016		20,875	3,549	20,688	1,914	6,667	53,693
Additions		89	1,140	1,720	210	1,991	5,150
Disposal		–	–	(3)	(385)	–	(388)
Transfer to furniture, fittings and equipment		–	(1,210)	1,210	–	–	–
Transfer to renovations		–	(535)	–	–	535	–
Transfer to intangible assets	6	–	(1,284)	(74)	–	–	(1,358)
Internal reclassifications and adjustments		–	201	(1,200)	17	464	(518)
Write off		–	(115)	(59)	–	–	(174)
Revaluation adjustment		(35)	–	–	–	–	(35)
At 31 December 2016/ 1 January 2017		20,929	1,746	22,282	1,756	9,657	56,370
Additions		–	638	642	–	628	1,908
Disposal		–	–	(4)	–	–	(4)
Transfer to furniture, fittings and equipment		–	(140)	140	–	–	–
Transfer to renovations		–	(546)	–	–	546	–
Transfer (to)/from intangible assets	6	–	(286)	19	–	–	(267)
Transfer from investment property	5	5,314	–	–	–	–	5,314
Internal reclassifications and adjustments		–	(7)	–	–	–	(7)
Write off		–	(65)	(182)	–	–	(247)
Revaluation adjustment		157	–	–	–	–	157
At 31 December 2017		26,400	1,340	22,897	1,756	10,831	63,224
Comprising assets stated at 31 December 2017:							
Valuation		26,400	–	–	–	–	26,400
Cost		–	1,340	22,897	1,756	10,831	36,824
		26,400	1,340	22,897	1,756	10,831	63,224
Comprising assets stated at 31 December 2016:							
Valuation		20,929	–	–	–	–	20,929
Cost		–	1,746	22,282	1,756	9,657	35,441
		20,929	1,746	22,282	1,756	9,657	56,370

4. PROPERTY AND EQUIPMENT (CONTINUED)

Group (continued)	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
Accumulated depreciation							
At 1 January 2016		–	–	14,166	1,173	741	16,080
Charge for the financial year	26	654	–	1,658	253	921	3,486
Disposal		–	–	(2)	(384)	–	(386)
Internal reclassifications and adjustments		–	–	(250)	–	–	(250)
Write off		–	–	(49)	–	–	(49)
Reversal on revaluation		(654)	–	–	–	–	(654)
At 31 December 2016/ 1 January 2017		–	–	15,523	1,042	1,662	18,227
Charge for the financial year	26	677	–	1,740	267	1,049	3,733
Disposal		–	–	(2)	–	–	(2)
Write off		–	–	(164)	–	–	(164)
Reversal on revaluation		(677)	–	–	–	–	(677)
At 31 December 2017		–	–	17,097	1,309	2,711	21,117
Carrying amount							
At 31 December 2017		26,400	1,340	5,800	447	8,120	42,107
At 31 December 2016		20,929	1,746	6,759	714	7,995	38,143

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 2016		10,545	481	2,635	1,249	2,607	17,517
Additions		48	561	289	–	806	1,704
Disposal		–	–	–	(375)	–	(375)
Transfer to furniture, fittings and equipment		–	(348)	348	–	–	–
Transfer to a subsidiary company		–	(133)	(28)	–	–	(161)
Revaluation adjustment		15	–	–	–	–	15
At 31 December 2016/ 1 January 2017		10,608	561	3,244	874	3,413	18,700
Additions		–	–	50	–	230	280
Transfer from investment property	5	5,314	–	–	–	–	5,314
Revaluation adjustment		127	–	–	–	–	127
At 31 December 2017		16,049	561	3,294	874	3,643	24,421
Comprising assets stated at 31 December 2017:							
Valuation		16,049	–	–	–	–	16,049
Cost		–	561	3,294	874	3,643	8,372
		16,049	561	3,294	874	3,643	24,421
Comprising assets stated at 31 December 2016:							
Valuation		10,608	–	–	–	–	10,608
Cost		–	561	3,244	874	3,413	8,092
		10,608	561	3,244	874	3,413	18,700

4. PROPERTY AND EQUIPMENT (CONTINUED)

Company (continued)	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
Accumulated depreciation							
At 1 January 2016		–	–	2,114	948	282	3,344
Charge for the financial year	26	330	–	143	79	274	826
Disposal		–	–	–	(375)	–	(375)
Transfer to a subsidiary company		–	–	(24)	–	–	(24)
Reversal on revaluation		(330)	–	–	–	–	(330)
At 31 December 2016/ 1 January 2017		–	–	2,233	652	556	3,441
Charge for the financial year	26	343	–	186	78	341	948
Reversal on revaluation		(343)	–	–	–	–	(343)
At 31 December 2017		–	–	2,419	730	897	4,046
Net carrying amount							
At 31 December 2017		16,049	561	875	144	2,746	20,375
At 31 December 2016		10,608	561	1,011	222	2,857	15,259

The net book value of the revalued building had this asset been carried at cost less accumulated depreciation is as follows:

	2017 RM'000	2016 RM'000
Group		
Building	12,787	10,948
Company		
Building	6,408	4,412

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, Chee Kok Thim, FRISM, MRICS, MPEPS, MIPPM, Chartered Valuation Surveyor, Registered Valuer (V325) of Rahim & Co International Sdn Bhd. The valuation of this property was adopted for the financial year ended 31 December 2017. The recognised revalued amount was based on the valuation exercise performed as at 29 December 2017.

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.

4. PROPERTY AND EQUIPMENT (CONTINUED)

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fair value as stated in valuation report	26,400	20,929	16,049	10,608

The reconciliation from beginning to ending balances for the freehold property is as disclosed on page 97 to page 100.

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
2017			
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 - RM5.03 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.60 psf
		Outgoings for reversionary period	RM1.60 psf
2016			
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 - RM5.03 psf
		Average rental for reversionary period	RM4.60 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.70 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

Group	Note	2017 RM'000	2016 RM'000
At 1 January		88,071	88,125
Additions		–	309
Transfer to property and equipment	4	(5,314)	–
Fair value losses	24	(157)	(363)
At 31 December		82,600	88,071
Represented by:			
Freehold property		82,600	88,071

Company	Note	2017 RM'000	2016 RM'000
At 1 January		37,158	36,805
Additions		–	145
Transfer to property and equipment	4	(5,314)	–
Fair value (loss)/gain	24	(730)	208
At 31 December		31,114	37,158
Represented by:			
Freehold property		31,114	37,158

The following are amounts arising from investment property that have been recognised in the profit or loss during the financial year:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental income (note 22)	6,892	6,929	4,724	4,280
Direct operating expenses arising from investment property that generate rental income	(3,346)	(3,036)	(1,808)	(1,664)
Direct operating expenses arising from investment property that did not generate rental income	(622)	(622)	(300)	(300)

5. INVESTMENT PROPERTY (CONTINUED)

The Group and Company had carried out a valuation on the investment property based on the income method conducted by an independent qualified valuer, Chee Kok Thim, FRISM, MRICS, MPEPS, MIPPM, Chartered Valuation Surveyor, Registered Valuer (V325) of Rahim & Co International Sdn Bhd. The valuation of the investment property was adopted for the financial year ended 31 December 2017. The recognised revalued amount was based on the valuation exercise performed as at 29 December 2017.

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
2017			
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 – RM5.03 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.60 psf
		Outgoings for reversionary period	RM1.60 psf
2016			
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 – RM5.03 psf
		Average rental for reversionary period	RM4.60 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.70 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 102.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

6. INTANGIBLE ASSETS

Group	Note	Management rights RM'000	Exclusive right RM'000	Computer software RM'000	Computer software in progress RM'000	Total RM'000
Cost						
At 1 January 2016		86,815	40,000	22,784	356	149,955
Additions		–	–	3,945	2,985	6,930
Transfer from property and equipment	4	–	–	1,358	–	1,358
Transfer to computer software		–	–	160	(160)	–
Internal reclassifications and adjustments		–	–	(2,774)	–	(2,774)
At 31 December 2016/ 1 January 2017		86,815	40,000	25,473	3,181	155,469
Additions		–	–	24	1,344	1,368
Transfer from/(to) property and equipment	4	–	–	286	(19)	267
Transfer to computer software		–	–	2,762	(2,762)	–
Write off		–	–	–	(65)	(65)
At 31 December 2017		86,815	40,000	28,545	1,679	157,039
Accumulated amortisation						
At 1 January 2016		–	10,200	10,752	–	20,952
Amortisation during the financial year	26	–	6,253	4,441	–	10,694
Internal reclassifications and adjustments		–	–	(211)	–	(211)
At 31 December 2016/ 1 January 2017		–	16,453	14,982	–	31,435
Amortisation during the financial year	26	–	5,136	4,229	–	9,365
At 31 December 2017		–	21,589	19,211	–	40,800
Accumulated impairment						
At 1 January 2017		–	–	–	–	–
Impairment during the financial year*	26	–	–	1,026	–	1,026
At 31 December 2017		–	–	1,026	–	1,026
Net carrying amount						
At 31 December 2017		86,815	18,411	8,308	1,679	115,213
At 31 December 2016		86,815	23,547	10,491	3,181	124,034

* Computer software with net book value of RM1,025,539 was fully impaired during the current financial year due to the change of business model, rendering the said assets to be obsolete.

6. INTANGIBLE ASSETS (CONTINUED)

Company	Note	Computer software RM'000	Computer software in progress RM'000	Total RM'000
Cost				
At 1 January 2016		245	–	245
Additions		295	–	295
Transfer to a subsidiary company		(144)	–	(144)
At 31 December 2016/1 January 2017		396	–	396
Additions		–	74	74
Transfer to a subsidiary company		–	(74)	(74)
At 31 December 2017		396	–	396
Accumulated amortisation				
At 1 January 2016		157	–	157
Amortisation during the financial year	26	40	–	40
Transfer to a subsidiary company		(143)	–	(143)
At 31 December 2016/1 January 2017		54	–	54
Amortisation during the financial year	26	77	–	77
At 31 December 2017		131	–	131
Net carrying amount				
At 31 December 2017		265	–	265
At 31 December 2016		342	–	342

(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 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 2017. 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:

Discount rate	:	7%
Sales growth rate	:	17% for first 4 years and 16% for the subsequent 6 years
Expense growth rate	:	7% to 10% throughout the 10 years projections
Terminal value	:	1.65% of average Assets Under Management at the 10th year (based on comparable current market transactions)

(ii) Exclusive right

The Exclusive right is a definite life intangible asset and relates to a 10-year exclusive bancassurance agreement entered into between the insurance subsidiary and Alliance Bank Malaysia Berhad ("ABMB") on 13 June 2014. The Exclusive right is amortised in accordance with note 2(f)(ii).

7. SUBSIDIARIES

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares at cost		
At 1 January	338,969	345,119
Return of capital on members' voluntary winding up	–	(6,150)
Incorporation of new subsidiary*	12,963	–
At 31 December	351,932	338,969
Accumulated impairment losses		
At 1 January	(9,636)	(10,596)
Reversal of impairment loss on members' voluntary winding up	–	960
At 31 December	(9,636)	(9,636)
	342,296	329,333

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest 2017 %	Effective interest 2016 %	Principal activities
Manulife Insurance Berhad	Malaysia	100	100	Life insurance business
Manulife Asset Management Services Berhad	Malaysia	100	100	Management of unit trust funds, private retirement schemes, investment and fund management
Manulife Insurance Labuan Limited*	Malaysia	100	–	Labuan life insurance business
Britama Properties Sdn Bhd	Malaysia	100	100	Property rental and management
British American Investments Pte Ltd	Singapore	100	100	Dormant
The e-Software House Sdn Bhd	Malaysia	100	100	Dormant
MAAKL Mutual Bhd**	Malaysia	100	100	Dormant
Britama Credit Sdn Bhd***	Malaysia	–	100	Dissolved on 6 January 2017
Manulife Asset Management (Malaysia) Sdn Bhd***	Malaysia	–	100	Dissolved on 6 January 2017

* On 20 July 2017, the Company incorporated a wholly-owned subsidiary, Manulife Insurance Labuan Limited in Federal Territory of Labuan, Malaysia under the Labuan Companies Act, 1990 with a fully paid up capital of USD1.00. Subsequently on 30 August 2017, the Company further subscribed for 2,999,999 new ordinary shares at a total consideration of USD2,999,999.

** The company had on 29 December 2016 been placed under Members' Voluntary Winding Up and the affairs and conduct of the company are now placed under the control of the Liquidator who will manage the entire process of liquidation.

*** The winding up process of two subsidiaries, Britama Credit Sdn. Bhd and Manulife Asset Management (Malaysia) Sdn. Bhd, were completed on 19 August 2016. Accordingly, the Liquidator had authorised the distribution of surplus assets amounting to RM6,832,000 to the Company. Gains arising on voluntary liquidation amounting to RM1,642,000 has been recognised in the profit or loss (note 23) of the previous financial year. The companies were subsequently dissolved on 6 January 2017.

8. FINANCIAL ASSETS

(a) Available-for-sale

	Group 2017 RM'000	Group 2016 RM'000
Equity securities		
- Quoted in Malaysia	848,318	762,736
- Quoted outside Malaysia	39,690	–
- Unquoted	2,516	2,516
Real estate investment trusts	6,550	11,116
Unit trust funds*	67,570	64,630
Malaysian Government Securities	524,193	603,306
Government Investment Issues	186,496	207,439
Corporate debt securities		
- Unquoted	1,393,226	1,213,472
Accrued interest	22,027	19,364
	3,090,586	2,884,579
Current	1,085,544	924,773
Non-current	2,005,042	1,959,806
	3,090,586	2,884,579

	Company 2017 RM'000	Company 2016 RM'000
Equity securities		
- Quoted in Malaysia	6,783	16,930
- Unquoted	572	572
Real estate investment trusts	54	175
Unit trust fund*	4,648	5,789
Malaysian Government Securities	12,634	26,223
Government Investment Issues	2,603	10,868
Corporate debt securities		
- Unquoted	38,534	53,033
Accrued interest	529	842
	66,357	114,432
Current	14,507	27,780
Non-current	51,850	86,652
	66,357	114,432

* Being investment in a unit trust fund managed by a subsidiary of the Company

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

8. FINANCIAL ASSETS (CONTINUED)

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

	Group 2017 RM'000	Group 2016 RM'000
Equity securities		
- Quoted in Malaysia	521,921	394,515
- Quoted outside Malaysia	12,663	5,209
Real estate investment trusts	7,543	7,623
Unit trust funds*	61,531	9,276
Malaysian Government Securities	40,950	77,589
Government Investment Issues	24,302	27,381
Corporate debt securities		
- Unquoted	242,177	216,041
Mutual funds		
- Quoted outside Malaysia	618,047	607,312
Forward foreign exchange contract (note 17)	4,284	–
Accrued interest	3,413	2,880
	1,536,831	1,347,826
Current	1,308,080	1,114,916
Non-current	228,751	232,910
	1,536,831	1,347,826

* Being investment in unit trust funds managed by a subsidiary company.

(c) Carrying value of financial assets

The financial assets and its movement are further analysed as follows:-

Group	Available-for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2016	2,718,121	1,156,464	3,874,585
Purchases	893,751	746,839	1,640,590
Maturities	(56,823)	(8,253)	(65,076)
Disposals	(630,657)	(511,578)	(1,142,235)
Fair value losses recorded in:			
Profit or loss (note 24)	–	(37,496)	(37,496)
Other comprehensive loss	(13,942)	–	(13,942)
Allowance for impairment losses (note 24)	(27,007)	–	(27,007)
Net accretion of discounts/(amortisation of premiums) (note 22)	64	(499)	(435)
Unrealised exchange gains	–	2,038	2,038
Movement in accrued interest	1,072	311	1,383
At 31 December 2016/1 January 2017	2,884,579	1,347,826	4,232,405
Purchases	993,683	534,702	1,528,385
Maturities	(63,950)	(8,050)	(72,000)
Disposals	(790,230)	(382,867)	(1,173,097)
Fair value gains recorded in:			
Profit or loss (note 24)	–	107,329	107,329
Other comprehensive income	77,276	–	77,276
Allowance for impairment losses (note 24)	(12,014)	–	(12,014)
Net (amortisation of premiums)/accretion of discounts (note 22)	(1,421)	275	(1,146)
Unrealised exchange loss	–	(62,917)	(62,917)
Movement in accrued interest	2,663	533	3,196
At 31 December 2017	3,090,586	1,536,831	4,627,417

8. FINANCIAL ASSETS (CONTINUED)

(c) Carrying value of financial assets (continued)

Company	Available-for-sale RM'000	Total RM'000
At 1 January 2016	118,754	118,754
Purchases	92,771	92,771
Maturities	(2,900)	(2,900)
Disposals	(93,884)	(93,884)
Fair value gains recorded in:		
Other comprehensive income	263	263
Allowance for impairment losses (note 24)	(474)	(474)
Net amortisation of premiums (note 22)	(155)	(155)
Movement in accrued interest	57	57
At 31 December 2016/1 January 2017	114,432	114,432
Purchases	98,173	98,173
Maturities	(1,448)	(1,448)
Disposals	(145,173)	(145,173)
Fair value gains recorded in:		
Other comprehensive income	980	980
Allowance for impairment losses (note 24)	(152)	(152)
Net amortisation of premiums (note 22)	(142)	(142)
Movement in accrued interest	(313)	(313)
At 31 December 2017	66,357	66,357

9. LOANS AND RECEIVABLES

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans receivable:					
Policy loans		160,741	171,105	–	–
Mortgage loans		1,893	2,108	–	–
Other loans		1,493	1,104	1	1
		164,127	174,317	1	1
Allowance for impairment loss		(366)	(328)	–	–
	(i)	163,761	173,989	1	1
Fixed and call deposits with licensed banks in Malaysia		350,935	225,583	1,655	2,740
Accrued interest		491	341	–	–
	(ii)	351,426	225,924	1,655	2,740
Other receivables:					
Amount due from subsidiaries (note 33)	(iii)	–	–	2,389	–
Amount due from related companies (note 33)	(iii)	2,629	909	601	199
Accrued dividend income		2,092	1,788	40	79
Accrued rental income		205	278	25	160
Deposits		1,354	1,135	161	197
Other debtors		65,373	49,384	2,796	1,715
		71,653	53,494	6,012	2,350
Allowance for impairment loss		(1,365)	(1,362)	(1,075)	(1,075)
	(iv)	70,288	52,132	4,937	1,275
Prepayments		1,130	1,452	9	37
Total		586,605	453,497	6,602	4,053

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

9. LOANS AND RECEIVABLES (CONTINUED)

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(i)	Loans receivable:				
	Receivable within 12 months	582	441	–	–
	Receivable after 12 months	163,179	173,548	1	1
		163,761	173,989	1	1
(ii)	Fixed and call deposits with licensed banks in Malaysia:				
	Receivable within 12 months	351,426	225,924	1,655	2,740
	Receivable after 12 months	–	–	–	–
		351,426	225,924	1,655	2,740

(iii) The amounts due from subsidiaries and related companies are unsecured, trade related, interest free and repayable on demand.

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(iv)	Other receivables:				
	Receivable within 12 months	69,898	51,742	4,937	1,275
	Receivable after 12 months	390	390	–	–
		70,288	52,132	4,937	1,275

The carrying amounts of loans receivables, fixed and call deposits and other receivables approximate their fair values due to the relatively short term maturity of these balances and the immaterial impact of discounting.

10. REINSURANCE ASSETS

	Group	
	2017 RM'000	2016 RM'000
Reinsurance assets on:		
- Insurance contract liabilities	1,272	4,485
- Insurance claims liabilities	5,140	4,126
	6,412	8,611

11. INSURANCE RECEIVABLES

		Group	
		2017 RM'000	2016 RM'000
Due premiums including agents' balances		21,703	23,075
Due from reinsurers	(i)	3,333	6,772
		25,036	29,847
Allowance for impairment losses		(1,065)	(1,066)
		23,971	28,781
Receivable within 12 months		23,971	28,781

The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short term maturity.

11. INSURANCE RECEIVABLES (CONTINUED)

(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 2017			
Commissions receivables	7,420	–	7,420
Claims recoveries	3,728	–	3,728
Premiums ceded	–	(7,815)	(7,815)
	11,148	(7,815)	3,333
31 December 2016			
Commissions receivables	9,932	–	9,932
Claims recoveries	1,398	–	1,398
Premiums ceded	–	(4,558)	(4,558)
	11,330	(4,558)	6,772

12. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company			
	2017		2016	
	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	202,370	101,185	202,370	101,185
Transition to no-par value regime	–	1,884	–	–
At 31 December	202,370	103,069	202,370	101,185
Share Premium				
At 1 January	–	1,884	–	1,884
Transition to no-par value regime	–	(1,884)	–	–
At 31 December	–	–	–	1,884

Pursuant to Section 618(2) of the Companies Act, 2016, any amount standing to the credit of the share premium account shall become part of share capital.

No new ordinary shares were issued by the Company during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

13. RETAINED EARNINGS

The retained earnings are classified as distributable and non-distributable as follows:

Group	Note	2017 RM'000	2016 RM'000
Distributable	(i)	625,875	618,680
Non-distributable	(ii)	68,988	69,414
		694,863	688,094

(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 insurance subsidiary 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	2017 RM'000	2016 RM'000
Non-controlling interests	1,195	365

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

	Gross		Net	
Group	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Actuarial liabilities	2,402,886	2,282,558	2,401,614	2,278,073
Unallocated surplus	40,603	63,402	40,603	63,402
Fair value reserve	108,864	46,840	108,864	46,840
Asset revaluation reserve	1,480	1,116	1,480	1,116
Investment-linked policyholders' account	1,394,289	1,197,495	1,394,289	1,197,495
	3,948,122	3,591,411	3,946,850	3,586,926
Current	1,486,537	1,325,727	1,486,685	1,325,596
Non-current	2,461,585	2,265,684	2,460,165	2,261,330
	3,948,122	3,591,411	3,946,850	3,586,926

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

The insurance contract liabilities and movements in its key components are further analysed as follows:

	Gross		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	3,591,411	3,405,312	3,586,926	3,402,554
Inforce reserve movement	73,841	28,541	73,090	27,338
New business reserve	15,689	26,426	15,485	25,902
Discount rate and other changes	30,798	64,192	34,966	64,192
Unallocated surplus	(22,799)	(99,292)	(22,799)	(99,292)
Fair value reserve, net of tax	62,024	(6,247)	62,024	(6,247)
Asset revaluation reserve				
- Revaluation adjustment	30	(50)	30	(50)
- Reversal on revaluation	334	324	334	324
	364	274	364	274
Investment-linked policyholders' account	196,794	172,205	196,794	172,205
At 31 December	3,948,122	3,591,411	3,946,850	3,586,926

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 2017, the applicable assumption changes resulted in higher actuarial liabilities of RM30.8 million (2016: higher actuarial liabilities of RM64.2 million), with a corresponding decrease in unallocated surplus for the participating business of RM29.1 million (2016: decrease in unallocated surplus of RM62.3 million) and decrease in net profit before tax of RM1.7 million (2016: decrease in net profit before tax of RM1.9 million).

16. INSURANCE CLAIMS LIABILITIES

	Gross		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Provision for outstanding claims	56,489	55,764	51,349	51,638
Current	56,489	55,764	51,349	51,638

17. FINANCIAL ASSET/(LIABILITY) AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives

The table below shows the fair value of derivative financial instruments, recorded as asset or liability, together with their notional amounts. The notional amount, recorded gross, is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. Derivative financial instruments are recognised as financial asset or financial liability in accordance with the policy described in note 2(g)(i)(1) and note 2(k).

		Fair value gain/(loss) recognised as		
	Notional amount RM'000	Financial asset RM'000	Financial liability RM'000	Net carrying amount RM'000
31 December 2017				
Hedging derivative:				
Forward foreign exchange contract (note 8(b))	454,603	4,284	–	4,284
31 December 2016				
Hedging derivative:				
Forward foreign exchange contract	386,222	–	(549)	(549)

18. DEFERRED TAX LIABILITIES

Analysis of deferred tax liabilities are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(36,540)	(26,083)	(103)	(168)
Deferred tax assets	–	–	–	–
	(36,540)	(26,083)	(103)	(168)
Current	(15,495)	(3,539)	(103)	(168)
Non-current	(21,045)	(22,544)	–	–
	(36,540)	(26,083)	(103)	(168)

The components of deferred tax liabilities as of the date of the statement of financial position are as follows:

	Assets		Liabilities		Net	
Group	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revaluation - investment property	–	–	(195)	(149)	(195)	(149)
Accelerated depreciation	–	–	(327)	(245)	(327)	(245)
Investments	3,594	3,669	(17,855)	(7,467)	(14,261)	(3,798)
Unallocated surplus	–	–	(21,786)	(21,920)	(21,786)	(21,920)
Others	29	29	–	–	29	29
	3,623	3,698	(40,163)	(29,781)	(36,540)	(26,083)
Offsetting	(3,623)	(3,698)	3,623	3,698	–	–
Deferred tax liabilities (after offsetting)	–	–	(36,540)	(26,083)	(36,540)	(26,083)
Company						
Accelerated depreciation	–	–	(103)	(168)	(103)	(168)
	–	–	(103)	(168)	(103)	(168)
Offsetting	–	–	–	–	–	–
Deferred tax liabilities (after offsetting)	–	–	(103)	(168)	(103)	(168)

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.

18. DEFERRED TAX LIABILITIES (CONTINUED)

The components and movements of deferred tax liabilities 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 2016		(533)	(159)	(9,020)	(22,470)	–	(32,182)
Recognised in:							
Profit or loss							
- Other operating income/ (expenses)	28	384	(71)	3,924	–	29	4,266
- Taxation	29	–	(15)	80	550	–	615
Other comprehensive income							
- Fair value reserve		–	–	1,218	–	–	1,218
At 31 December 2016/ 1 January 2017		(149)	(245)	(3,798)	(21,920)	29	(26,083)
Recognised in:							
Profit or loss							
- Other operating expenses	28	(46)	(148)	(4,163)	–	–	(4,357)
- Taxation	29	–	66	30	134	–	230
Other comprehensive income							
- Fair value reserve		–	–	(6,330)	–	–	(6,330)
At 31 December 2017		(195)	(327)	(14,261)	(21,786)	29	(36,540)

Company	Note	Accelerated depreciation RM'000	Total RM'000
At 1 January 2016		(154)	(154)
Recognised in:			
Profit or loss			
- Taxation	29	(14)	(14)
At 31 December 2016/1 January 2017		(168)	(168)
Recognised in:			
Profit or loss			
- Taxation	29	65	65
At 31 December 2017		(103)	(103)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

18. DEFERRED TAX LIABILITIES (CONTINUED)

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 2017 RM'000	Group 2016 RM'000
Unutilised tax losses	7,528	7,526
Other deductible temporary differences	4,161	6,409
	11,689	13,935
Deferred tax assets not recognised	2,805	3,344

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 under the Income Tax Act, 1967 and guidelines issued by the tax authority.

19. INSURANCE PAYABLES

		Group 2017 RM'000	Group 2016 RM'000
Due to reinsurers	(i)	2,714	2,383
Due to agents		5,668	6,136
Due to insureds		518,554	470,775
		526,936	479,294
Current		526,936	479,294

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 2017			
Premiums ceded	3,113	–	3,113
Commissions receivables	–	(241)	(241)
Claims recoveries	–	(158)	(158)
	3,113	(399)	2,714
31 December 2016			
Premiums ceded	3,518	–	3,518
Commissions receivables	–	(270)	(270)
Claims recoveries	–	(865)	(865)
	3,518	(1,135)	2,383

20. OTHER PAYABLES

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other creditors		179,956	84,434	2,489	1,971
Accrued liabilities		63,398	57,070	4,340	2,200
Amount due to related companies	(i)	4,739	11,944	–	5,441
Amount due to subsidiaries	(i)	–	–	1,842	4,111
Fees payable to key management personnel of a subsidiary	(ii)				
- Directors		24	1,044	24	1,044
- Other		–	480	–	480
		248,117	154,972	8,695	15,247

(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 fees payable to key management personnel of a subsidiary are unsecured and are paid upon fulfilment of certain performance conditions.

21. NET PREMIUMS

	Group	
	2017 RM'000	2016 RM'000
First year premium	132,074	123,846
Renewal year premium	566,732	513,550
Single premium	158,674	213,224
	857,480	850,620

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

22. INVESTMENT INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets at FVTPL				
- designated upon initial recognition				
Interest/profit sharing income	14,146	14,169	–	–
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	15,013	11,968	–	–
- quoted outside Malaysia	188	124	–	–
- real estate investment trusts				
- quoted in Malaysia	324	137	–	–
- mutual funds - outside Malaysia	6,960	7,780	–	–
Net accretion of discounts/(amortisation of premiums) (note 8(c))	275	(499)	–	–
AFS financial assets				
Interest/profit sharing income	94,714	88,709	3,249	3,931
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	27,275	23,064	348	487
- quoted outside Malaysia	424	–	–	–
- unquoted in Malaysia	282	334	88	139
- real estate investment trusts				
- quoted in Malaysia	314	277	4	6
- unit trust funds	2,098	1,147	342	394
Net (amortisation of premiums)/ accretion of discounts (note 8(c))	(1,421)	64	(142)	(155)
Loans and receivables				
Interest/profit sharing income	19,073	21,004	–	55
Net accretion of discounts	–	484	–	–
Investment properties				
Rental income (note 5)	6,892	6,929	4,724	4,280
Cash and cash equivalents				
Interest/profit sharing income	730	988	17	19
	187,287	176,679	8,630	9,156

23. NET REALISED GAINS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property and equipment				
Realised (loss)/gains	(1)	42	–	43
AFS financial assets				
Realised gains:				
Equity securities - quoted in Malaysia	51,635	9,704	2,061	448
Real estate investment trusts	94	–	5	–
Unit trust funds	–	5,025	–	37
Debt securities	157	2,955	–	–
Realised losses:				
Equity securities - quoted in Malaysia	–	(284)	–	(284)
Real estate investment trusts	–	(79)	–	(2)
Unit trust funds	–	–	(14)	–
Debt securities	(1,738)	(140)	(729)	(79)
Total net realised gains for AFS financial assets	50,148	17,181	1,323	120
Subsidiaries				
Realised gains on liquidation (note 7)	–	–	–	1,642
Total net realised gains	50,147	17,223	1,323	1,805

24. NET FAIR VALUE GAIN/(LOSSES)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Investment property				
Unrealised fair value (losses)/gains (note 5)	(157)	(363)	(730)	208
Financial assets at FVTPL – designated upon initial recognition				
Fair value gains				
- Realised	65,204	14,096	–	–
- Unrealised (note 8(c))	107,329	45	–	–
Fair value losses				
- Realised	(1,071)	(18,230)	–	–
- Unrealised (note 8(c))	–	(37,541)	–	–
Net fair value gains/(losses) on financial assets at FVTPL – designated upon initial recognition	171,462	(41,630)	–	–
AFS financial assets				
Impairment losses on quoted equities (note 8(c))	(12,014)	(27,007)	(152)	(474)
Total net fair value gain/(losses)	159,291	(69,000)	(882)	(266)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

25. FEE INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Management fee income	58,729	46,568	–	–
Initial service fees	37,376	13,789	–	–
Outsourcing fee income	–	–	637	890
	96,105	60,357	637	890

26. MANAGEMENT EXPENSES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Staff costs (note 26(a))	79,417	66,463	8,147	5,780
Directors' remuneration (note 33):				
- Fees*	927	871	408	399
- Other emoluments	10,504	8,744	1,175	1,120
Auditors' remuneration:				
- Statutory audit	611	566	91	88
- Audit related services	151	104	52	52
Office rental:				
- Subsidiary company	–	–	112	106
- Others	1,893	1,795	1	7
Depreciation of property and equipment (note 4)	3,733	3,486	948	826
Property and equipment written off	83	125	–	–
Intangible asset written off	65	–	–	–
Amortisation of intangible assets (note 6)	9,365	10,694	77	40
Allowance of impairment loss on intangible assets (note 6)	1,026	–	–	–
Reversal of impairment loss on insurance receivables	(1)	(162)	–	–
Allowance for impairment loss on other receivables	3	9	–	–
Allowance for impairment loss on loans receivable	38	147	–	–
Bancassurance service fee	3,000	3,000	–	–
Credit card charges	2,911	2,730	–	–
Fund management expenses	6,103	6,833	–	–
Goods and services tax	3,889	3,555	693	909
Information technology outsourcing expenses	11,022	11,210	475	271
Marketing and advertising expenses	14,656	17,025	–	13
Printing and stationery	1,974	1,662	97	68
Postage and courier charges	1,097	1,432	1	–
Professional charges	4,697	2,909	986	157
Outsourcing fees expense	1,907	1,219	1,130	1,069
Software maintenance expenses				
- Paid and payable	5,913	4,318	632	268
- Waiver of prior years' software maintenance expenses by immediate holding company	(3,178)	–	–	–
Training expense	1,601	1,927	80	166
Travelling and entertainment expenses	2,998	3,369	138	149
Utilities and office maintenance expenses	2,778	2,615	234	303
Other expenses*	3,779	4,712	54	178
	172,962	161,358	15,531	11,969

* Included in total Group directors' fees of RM927,000 (2016 : RM871,000) are Investment Committee members' fees of RM107,500 (2016 : RM107,500) 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 Other expenses.

26. MANAGEMENT EXPENSES (CONTINUED)

(a) Staff costs

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Staff costs		64,388	54,417	7,017	4,849
Retirement benefits contributions	(i)	8,416	6,692	617	509
RSU expenses	(ii)	872	497	137	152
Other staff related expenses		5,741	4,857	376	270
Total staff costs		79,417	66,463	8,147	5,780

(i) The retirement benefits contributions of the Group and the Company were made to the defined contribution plan as mentioned in note 2(l)(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(l)(iii) to the financial statements.

27. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
RSU expenses	2,157	1,318	258	291
	2,157	1,318	258	291

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.

28. OTHER OPERATING EXPENSES/(INCOME)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Foreign exchange				
- Realised (gains)/losses	(10,880)	(31,763)	(39)	143
- Unrealised losses/(gains)	63,642	(7,737)	(287)	674
Interest expense on agent's bond withheld	17	17	–	–
Others	6,570	716	–	78
Tax on investment income of Life fund and Investment-linked funds:				
- Current tax	17,583	12,879	–	–
- Deferred tax (note 18)	4,357	(4,266)	–	–
	21,940	8,613	–	–
	81,289	(30,154)	(326)	895

The income tax for the Life fund and Investment-linked funds of the Group's insurance subsidiary is calculated based on the tax rate of 8% (2016: 8%) of the assessable investment income, net of allowable deductions for the financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

29. TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
In respect of the profit of the Group and Company:				
Current tax				
Current financial year	13,870	17,438	–	13
(Over)/under provision in prior financial year	(134)	(1,004)	(13)	340
	13,736	16,434	(13)	353
Deferred tax (note 18)				
(Reversal)/origination of temporary differences	(230)	(615)	(65)	14
	(230)	(615)	(65)	14
	13,506	15,819	(78)	367

The current income tax for the Group and the Company is calculated based on the tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit/(loss) 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(loss) before taxation	41,559	62,282	(7,820)	(3,509)
Taxation at Malaysia statutory tax rate of 24% (2016: 24%)	9,974	14,948	(1,877)	(842)
Section 110B tax credit set off	(2,129)	(2,515)	–	–
Income not subject to tax	(3,781)	(1,480)	(2,417)	(1,659)
Expenses not deductible for tax purposes	10,115	5,844	4,229	2,528
Changes in unrecognised deferred tax assets	(539)	26	–	–
	13,640	16,823	(65)	27
(Over)/under provision in prior financial year				
- Current tax	(134)	(1,004)	(13)	340
Tax expense	13,506	15,819	(78)	367

30. 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 (2016: 202,370,000) shares.

	Group	
	2017 RM'000	2016 RM'000
Net profit attributable to owners of the Company (RM'000)	28,018	46,445
Basic earnings per share (sen)	13.84	22.95

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.

31. DIVIDEND PAID

Company	2017 Net dividend per share Sen	2017 Amount of dividend RM'000	2016 Net dividend per share Sen	2016 Amount of dividend RM'000
Single tier dividend for 2016				
- First and final dividend	10.5	21,249	–	–
Single tier dividend for 2015				
- First and final dividend	–	–	9.0	18,213
	10.5	21,249	9.0	18,213

The directors recommend the payment of a first and final dividend of 8.0 sen per share, amounting to RM16,189,600 for the financial year ended 31 December 2017, 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 2018 when approved by the shareholders.

32. ADJUSTMENTS FOR NON-CASH ITEMS

Non-cash items in the statements of cash flows comprise of:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest income	(128,663)	(124,870)	(3,266)	(4,005)
Dividend income	(52,878)	(44,831)	(782)	(1,026)
Rental income	(6,892)	(6,929)	(4,724)	(4,280)
Net amortisation of premiums /(accretion of discounts)	1,146	(49)	142	155
Loss/(gains) on disposal of property and equipment	1	(42)	–	(43)
Gains on disposal of AFS financial assets	(50,148)	(17,181)	(1,323)	(120)
Losses/(gain) on revaluation of investment property	157	363	730	(208)
Fair value (gain)/loss on FVTPL financial assets	(171,462)	41,630	–	–
Impairment losses on AFS financial assets	12,014	27,007	152	474
Depreciation of property and equipment	3,733	3,486	948	826
Property and equipment written off	83	125	–	–
Intangible asset written off	65	–	–	–
Amortisation of intangible assets	9,365	10,694	77	40
Allowance for impairment of intangible assets	1,026	–	–	–
Gain on liquidation of subsidiaries	–	–	–	(1,642)
Reversal of impairment loss on insurance receivables	(1)	(162)	–	–
Allowance for impairment loss on loans receivables	38	147	–	–
Allowance for impairment loss on other receivables	3	9	–	–
Taxation	13,506	15,819	(78)	367
Tax on investment income of Life fund and Investment-linked funds	21,940	8,613	–	–
Realised exchange (gains)/loss	(10,880)	(31,763)	(39)	143
Unrealised exchange losses/(gains)	63,642	(7,737)	(287)	674
	(294,205)	(125,671)	(8,450)	(8,645)

33. 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. The 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	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 Asset Management (US) LLC	United States of America	Subsidiary of ultimate holding company
Manulife Asset Management Limited	Canada	Subsidiary of ultimate holding company
Manulife Asset Management (Hong Kong) Limited	Hong Kong	Subsidiary of ultimate holding company
Manulife Asset Management (Singapore) Limited	Singapore	Subsidiary of ultimate holding company
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 126.

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
Leung Rockson Lok-Shuen
Dr. Gopakumar Kurup

Executive director:
Mark Steven O'Dell

33. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Expenses/(income):				
Penultimate holding company				
Information technology outsourcing expenses	868	497	–	–
Intermediate holding company				
Reimbursement of personnel expenses	9,978	5,503	1,367	819
Software development services	301	–	–	–
Reimbursement of software maintenance expenses				
- Paid and payable	3,701	3,583	263	–
- Waiver of prior years' software maintenance expenses	(3,178)	–	–	–
Subsidiaries of ultimate holding company				
Rental income	(1,291)	(1,809)	(611)	(1,031)
Rebate income	(3,903)	(1,120)	–	–
Software development services	96	5,740	74	–
Management fee expense	1,151	1,084	–	–
Information technology outsourcing expenses	414	4,244	–	–
Outsourcing fee for health service call center and administrative service	–	295	–	–
Subsidiaries of the Company				
Outsourcing fee income	–	–	(636)	(889)
Outsourcing fee expense	–	–	1,130	1,069
Rental income	–	–	(1,492)	(1,114)
Fund management expenses	–	–	177	236
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	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries, other short-term employee benefits and other directors' emoluments		22,924	20,373	3,730	3,197
Retirement benefits contribution	(i)	2,175	1,979	338	286
RSU expenses	(ii)	2,157	1,318	258	291
		27,256	23,670	4,326	3,774

33. 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 26 are detailed as follows:

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive director of the Company:					
Salaries		2,265	2,040	453	408
Bonus		496	864	99	173
Retirement benefits contributions	(i)	142	127	28	25
Benefits in kind		537	572	107	148
RSU expenses	(ii)	606	693	121	139
Tax equalisation	(iii)	2,480	1,133	367	227
		6,526	5,429	1,175	1,120
Executive directors of the subsidiaries:					
Salaries		2,023	1,844	–	–
Fees		45	15	–	–
Bonus		750	828	–	–
Retirement benefits contributions	(i)	450	429	–	–
Benefits in kind		9	–	–	–
RSU expenses	(ii)	679	128	–	–
Others		46	59	–	–
		4,002	3,303	–	–
Total directors remuneration for Executive directors		10,528	8,732	1,175	1,120
Non-executive directors of the Company:					
Fees	(iv)	643	625	408	399
Non-executive directors of the subsidiaries:					
Fees	(iv)	239	231	–	–
Others		21	27	–	–
		260	258	–	–
Total directors remuneration for Non-executive directors		903	883	408	399
		11,431	9,615	1,583	1,519

33. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

(i) The retirement benefits contributions were made to the defined contribution plan as mentioned in note 2(l)(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(l)(iii) to the financial statements.

(iii) Tax equalisation refers to the tax incurred by the Group and the Company on behalf of the Chief Executive Director who is on international assignment so as to allow him a tax neutral position for working in Malaysia. Included in the current year amount are payments with respect to prior years of RM598,000.

(iv) Included in Non-executive directors' fees of RM882,000 (2016 : RM856,000) are Investment Committee members' fees of RM107,500 (2016 : RM107,500) 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and receivables (note 9)				
- Amount due from related companies	2,629	909	601	199
- Amount due from subsidiaries	–	–	2,389	–
	2,629	909	2,990	199
Other payables (note 20)				
- Amount due to related companies	4,739	11,944	–	5,441
- Amount due to subsidiaries	–	–	1,842	4,111
	4,739	11,944	1,842	9,552

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

34. 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 2017 RM'000	Investment holding 2016 RM'000	Life insurance business 2017 RM'000	Life insurance business 2016 RM'000	Asset management services 2017 RM'000	Asset management services 2016 RM'000	Total 2017 RM'000	Total 2016 RM'000
External revenue								
(a) Premium income								
Gross premiums	–	–	896,375	877,750	–	–	896,375	877,750
Premiums ceded to reinsurers	–	–	(38,895)	(27,130)	–	–	(38,895)	(27,130)
Net premiums	–	–	857,480	850,620	–	–	857,480	850,620
(b) Investment income	11,678	13,264	174,868	162,752	741	663	187,287	176,679
(c) Net realised gains	1,336	126	48,811	17,097	–	–	50,147	17,223
(d) Net fair value (losses)/ gains	(882)	(267)	160,165	(68,733)	8	–	159,291	(69,000)
(e) Fee income	–	–	–	–	96,105	60,357	96,105	60,357
(f) Other operating income	1	9	2,175	1,309	17	145	2,193	1,463
Total external revenue	12,133	13,132	1,243,499	963,045	96,871	61,165	1,352,503	1,037,342
Inter-segment revenue								
(a) Rental income	1,492	1,114	782	746	–	–	2,274	1,860
(b) Fee income	637	889	4,767	3,280	10,751	10,035	16,155	14,204
(c) Dividend income	–	–	3,497	3,753	–	–	3,497	3,753
(d) Net realised (losses)/ gains	–	–	(141)	403	–	–	(141)	403
Total inter-segment revenue	2,129	2,003	8,905	8,182	10,751	10,035	21,785	20,220
Total revenue by segment	14,262	15,135	1,252,404	971,227	107,622	71,200	1,374,288	1,057,562
(Loss)/profit before taxation	(4,377)	(1,070)	48,337	66,578	(2,401)	(3,226)	41,559	62,282
Segment assets	653,145	664,269	5,218,971	4,740,557	193,294	102,040	6,065,410	5,506,866
Segment liabilities	7,750	13,815	4,660,766	4,240,724	153,421	59,623	4,821,937	4,314,162

34. SEGMENTAL REPORTING (CONTINUED)

(b) Reconciliation of reportable segments

	Group	
	2017 RM'000	2016 RM'000
Total revenue		
Total revenue for reportable segments	1,374,288	1,057,562
Elimination of inter-segment revenue	(21,785)	(20,220)
Total revenue as per statement of profit or loss	1,352,503	1,037,342
Segment assets		
Total assets for reportable segments	6,065,410	5,506,866
Elimination of inter-segment assets	(431,426)	(394,510)
Total assets as per statement of financial position	5,633,984	5,112,356
Segment liabilities		
Total liabilities for reportable segments	4,821,937	4,314,162
Elimination of inter-segment liabilities	(3,277)	(925)
Total liabilities as per statement of financial position	4,818,660	4,313,237

35. 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 profit or loss - designated upon initial recognition ("FVTPL");
(iii) Loans and receivables excluding prepayments ("LAR"); and
(iv) Other financial liabilities measured at amortised cost ("OL").

Group	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
31 December 2017					
Financial assets					
AFS financial assets	3,090,586	–	–	–	3,090,586
Financial assets at FVTPL	–	1,536,831	–	–	1,536,831
Loans and receivables	–	–	585,475	–	585,475
Insurance receivables	–	–	23,971	–	23,971
Cash and cash equivalents	–	–	148,973	–	148,973
	3,090,586	1,536,831	758,419	–	5,385,836
Financial liabilities					
Insurance payables	–	–	–	526,936	526,936
Other payables	–	–	–	248,117	248,117
	–	–	–	775,053	775,053

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

35. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Group (continued)	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
31 December 2016					
Financial assets					
AFS financial assets	2,884,579	–	–	–	2,884,579
Financial assets at FVTPL	–	1,347,826	–	–	1,347,826
Loans and receivables	–	–	452,045	–	452,045
Insurance receivables	–	–	28,781	–	28,781
Cash and cash equivalents	–	–	138,199	–	138,199
	2,884,579	1,347,826	619,025	–	4,851,430
Financial liabilities					
Financial liabilities at FVTPL	–	549	–	–	549
Insurance payables	–	–	–	479,294	479,294
Other payables	–	–	–	154,972	154,972
	–	549	–	634,266	634,815

Company	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
31 December 2017					
Financial assets					
AFS financial assets	66,357	–	–	–	66,357
Loans and receivables	–	–	6,593	–	6,593
Cash and cash equivalents	–	–	1,153	–	1,153
	66,357	–	7,746	–	74,103
Financial liabilities					
Other payables	–	–	–	8,695	8,695
31 December 2016					
Financial assets					
AFS financial assets	114,432	–	–	–	114,432
Loans and receivables	–	–	4,016	–	4,016
Cash and cash equivalents	–	–	1,814	–	1,814
	114,432	–	5,830	–	120,262
Financial liabilities					
Other payables	–	–	–	15,247	15,247

35. 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 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 fair values of quoted equities and investments in real estate investment trusts are based on quoted market prices as at the reporting date;

(iii) The fair values of Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities are based on indicative market prices;

(iv) The fair values of negotiable instruments of deposit are calculated using the discounted cash flow method based on the maturity of the instruments at discount rates representing the average market rates quoted by at least two licensed banks;

(v) The fair values of investments in mutual funds and unit trust funds are valued based on the net asset values of the underlying funds as at the reporting date; and

(vi) 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.

35. 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 2017.

Group	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2017			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	848,318	848,318	–
- Quoted outside Malaysia	39,690	39,690	–
Real estate investment trusts	6,550	6,550	–
Unit trust funds	67,570	67,570	–
Malaysian Government Securities	524,193	–	524,193
Government Investment Issues	186,496	–	186,496
Corporate debt securities			
- Unquoted	1,393,226	–	1,393,226
Accrued interest	22,027	–	22,027
	3,088,070	962,128	2,125,942
Financial assets at FVTPL			
Equity securities			
- Quoted in Malaysia	521,921	521,921	–
- Quoted outside Malaysia	12,663	12,663	–
Real estate investment trusts	7,543	7,543	–
Unit trust funds	61,531	61,531	–
Malaysian Government Securities	40,950	–	40,950
Government Investment Issues	24,302	–	24,302
Corporate debt securities			
- Unquoted	242,177	–	242,177
Mutual funds	618,047	618,047	–
Forward foreign exchange contract	4,284	–	4,284
Accrued interest	3,413	–	3,413
	1,536,831	1,221,705	315,126
	4,624,901	2,183,833	2,441,068

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

The following table presents the Group's financial assets/liabilities that are carried at fair value as at 31 December 2016.

Group	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2016			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	762,736	762,736	–
Real estate investment trusts	11,116	11,116	–
Unit trust funds	64,630	64,630	–
Malaysian Government Securities	603,306	–	603,306
Government Investment Issues	207,439	–	207,439
Corporate debt securities			
- Unquoted	1,213,472	–	1,213,472
Accrued interest	19,364	–	19,364
	2,882,063	838,482	2,043,581
Financial assets at FVTPL			
Equity securities			
- Quoted in Malaysia	394,515	394,515	–
- Quoted outside Malaysia	5,209	5,209	–
Real estate investment trusts	7,623	7,623	–
Unit trust funds	9,276	9,276	–
Malaysian Government Securities	77,589	–	77,589
Government Investment Issues	27,381	–	27,381
Corporate debt securities			
- Unquoted	216,041	–	216,041
Mutual funds	607,312	607,312	–
Accrued interest	2,880	–	2,880
	1,347,826	1,023,935	323,891
	4,229,889	1,862,417	2,367,472
Financial liabilities at FVTPL			
Derivative			
- Forward foreign exchange contract	549	–	549

Unquoted equity securities of RM2,516,566 (2016: 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.

35. 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 2017 and 31 December 2016.

Company	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2017			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	6,783	6,783	–
Real estate investment trusts	54	54	–
Unit trust fund	4,648	4,648	–
Malaysian Government Securities	12,634	–	12,634
Government Investment Issues	2,603	–	2,603
Corporate debt securities			
- Unquoted	38,534	–	38,534
Accrued interest	529	–	529
	65,785	11,485	54,300
31 December 2016			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	16,930	16,930	–
Real estate investment trusts	175	175	–
Unit trust fund	5,789	5,789	–
Malaysian Government Securities	26,223	–	26,223
Government Investment Issues	10,868	–	10,868
Corporate debt securities			
- Unquoted	53,033	–	53,033
Accrued interest	842	–	842
	113,860	22,894	90,966

Unquoted equity securities of RM572,122 (31 December 2016: RM572,122) of the Company 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. 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 Audit Committee and 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

The insurance subsidiary of the Group is required to comply with the Financial Services Act 2013 (Act 758) as well as guidelines and circulars issued by Bank Negara Malaysia ("BNM").

The Labuan insurance subsidiary is required to comply with Labuan Financial Services Authority Act 1996 (LFSAA 1996).

The fund management and unit trust management subsidiary is governed by the Capital Markets and Services Act, 2007 and relevant guidelines issued by the Securities Commission Malaysia.

36. 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 subsidiary;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders of the insurance subsidiary, 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.

The insurance subsidiary'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%.

The insurance subsidiary of the Group has fully complied with its internal target solvency range during the reported financial years.

The capital structure of the insurance subsidiary of the Group as at 31 December 2017 and 31 December 2016, as prescribed under the Framework are as follows:

	2017 RM'000	2016 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	150,000	150,000
Retained earnings of the Group's insurance subsidiary*	317,352	277,499
Eligible contract liabilities	634,240	688,334
	1,101,592	1,115,833
Eligible Tier 2 Capital		
Eligible reserves	121,114	50,813
Amounts deducted from capital	(22,217)	(29,088)
Total Capital Available	1,200,489	1,137,558

* Only the distributable retained earnings (Note 13) of the insurance subsidiary of the Group are included in the determination of Total Capital Available.

The asset management subsidiary has also met the minimum capital requirement of RM20 million stipulated by the Securities Commission Malaysia with a shareholder's fund of RM39,872,172 (2016: RM42,417,167)

36. RISK MANAGEMENT (CONTINUED)

(c) Capital management (continued)

The Labuan insurance subsidiary is regulated by the Labuan Financial Services Authority (LFSA). 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:

	2017 USD'000
Required Margin of Solvency	1,853
Total assets	3,182
Total liabilities	(460)
Excess of assets over liabilities	2,722
Surplus over the required margin	869

(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 subsidiary of the Group has implemented product design and pricing policies and underwriting and claims management policies to manage its insurance risks.

The insurance subsidiary of the Group also limits its exposure to loss within the insurance operations through participation in reinsurance arrangements. For insurance contracts issued in 2017, the Company 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. The Company is neither dependent on a single reinsurer at this moment nor are the operations of the Company substantially dependent upon any reinsurance contract.

The table below sets out the concentration of the actuarial liabilities as at the date of the statement of financial position, gross and net of reinsurance, by class of business.

	Gross		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Whole life	910,900	863,740	910,900	863,740
Endowment	598,987	505,323	598,987	505,323
Term	49,426	50,765	48,154	46,280
Annuity	203,212	187,473	203,212	187,473
Others	640,361	675,257	640,361	675,257
	2,402,886	2,282,558	2,401,614	2,278,073

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

36. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

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.

	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 2017					
Mortality/morbidity	+10	12,712	10,174	(10,174)	(7,732)
Discount rate	-1	30,794	30,723	(30,723)	(23,349)
Expenses	+10	6,700	6,700	(6,700)	(5,092)
Lapse and surrender rates	+10	3,098	3,079	(3,079)	(2,340)
31 December 2016					
Mortality/morbidity	+10	14,304	11,917	(11,917)	(9,414)
Discount rate	-1	28,807	28,534	(28,534)	(22,542)
Expenses	+10	5,293	5,293	(5,293)	(4,181)
Lapse and surrender rates	+10	3,241	3,295	(3,295)	(2,603)

* Impact on equity is stated after considering tax effects

In the sensitivity analysis above, the impact from the changes in assumptions in the table above to the insurance subsidiary 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 the insurance subsidiary of the Group 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 subsidiary of the Group, within the guidelines issued by BNM.

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.

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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.

Policy loans arising from the insurance subsidiary of the Group 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 subsidiary 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 international ratings of 'A' or better.

Reinsurance arrangements for the insurance subsidiary 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 the Group's insurance subsidiary, 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 the Group's insurance subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Group	Neither past-due nor impaired Rating (BBB to AAA) RM'000	Neither past-due nor impaired Not rated RM'000	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
31 December 2017							
AFS financial assets							
Equity securities	–	–	890,524	–	–	–	890,524
Real estate investment trusts	–	–	6,550	–	–	–	6,550
Unit trust funds	–	–	67,570	–	–	–	67,570
Malaysian Government Securities	–	524,193	–	–	–	–	524,193
Government Investment Issues	–	186,496	–	–	–	–	186,496
Corporate debt securities	1,017,284	375,942	–	–	–	–	1,393,226
Accrued interest	11,300	10,727	–	–	–	–	22,027
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	–	–	–	–	–	534,584	534,584
Real estate investment trusts	–	–	–	–	–	7,543	7,543
Unit trust funds	–	–	4,326	–	–	57,205	61,531
Malaysian Government Securities	–	40,950	–	–	–	–	40,950
Government Investment Issues	–	24,302	–	–	–	–	24,302
Corporate debt securities	113,377	56,910	–	–	–	71,890	242,177
Mutual funds	–	–	–	–	–	618,047	618,047
Forward foreign exchange contract	–	–	–	–	–	4,284	4,284
Accrued interest	1,281	1,408	–	–	–	724	3,413
Loans and receivables							
Loans receivable	–	163,482	–	56	589	–	164,127
Fixed and call deposits	243,009	–	–	–	–	108,417	351,426
Other receivables	–	54,803	–	–	1,365	15,485	71,653
Reinsurance assets	4,070	2,342	–	–	–	–	6,412
Insurance receivables	–	23,971	–	–	1,065	–	25,036
Cash and cash equivalents	146,077	–	–	–	–	2,896	148,973
Allowance for impairment losses	–	–	–	–	(2,796)	–	(2,796)
	1,536,398	1,465,526	968,970	56	223	1,421,075	5,392,248

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Group	Neither past-due nor impaired Rating (BBB to AAA) RM'000	Neither past-due nor impaired Not rated RM'000	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
31 December 2016							
AFS financial assets							
Equity securities	–	–	765,252	–	–	–	765,252
Real estate investment trusts	–	–	11,116	–	–	–	11,116
Unit trust funds	–	–	64,630	–	–	–	64,630
Malaysian Government Securities	–	603,306	–	–	–	–	603,306
Government Investment Issues	–	207,439	–	–	–	–	207,439
Corporate debt securities	908,317	305,155	–	–	–	–	1,213,472
Accrued interest	9,013	10,351	–	–	–	–	19,364
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	–	–	–	–	–	399,724	399,724
Real estate investment trusts	–	–	–	–	–	7,623	7,623
Unit trust funds	–	–	2,110	–	–	7,166	9,276
Malaysian Government Securities	–	74,661	–	–	–	2,928	77,589
Government Investment Issues	–	24,434	–	–	–	2,947	27,381
Corporate debt securities	105,908	36,062	–	–	–	74,071	216,041
Mutual funds	–	–	–	–	–	607,312	607,312
Accrued interest	906	1,337	–	–	–	637	2,880
Loans and receivables							
Loans receivable	–	173,713	–	64	540	–	174,317
Fixed and call deposits	132,139	–	–	–	–	93,785	225,924
Other receivables	–	37,310	–	3	1,362	14,819	53,494
Reinsurance assets	3,658	4,953	–	–	–	–	8,611
Insurance receivables	–	28,781	–	–	1,066	–	29,847
Cash and cash equivalents	133,528	–	–	–	–	4,671	138,199
Allowance for impairment losses	–	–	–	–	(2,756)	–	(2,756)
	1,293,469	1,507,502	843,108	67	212	1,215,683	4,860,041
Financial liabilities at FVTPL - designated upon initial recognition							
Forward foreign exchange contract	–	–	–	–	–	549	549
	–	–	–	–	–	549	549

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31 DECEMBER 2017 (CONTINUED)

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Company	Neither past-due nor impaired Rating (BBB to AAA) RM'000	Neither past-due nor impaired Not rated RM'000	Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
31 December 2017						
AFS financial assets						
Equity securities	–	–	7,355	–	–	7,355
Real estate investment trusts	–	–	54	–	–	54
Unit trust funds	–	–	4,648	–	–	4,648
Malaysian Government Securities	–	12,634	–	–	–	12,634
Government Investment Issues	–	2,603	–	–	–	2,603
Corporate debt securities	24,062	14,472	–	–	–	38,534
Accrued interest	267	262	–	–	–	529
Loans and receivables						
Loans receivable	–	–	–	1	–	1
Fixed and call deposits	1,655	–	–	–	–	1,655
Other receivables	–	4,937	–	–	1,075	6,012
Cash and cash equivalents	1,153	–	–	–	–	1,153
Allowance for impairment losses	–	–	–	–	(1,075)	(1,075)
	27,137	34,908	12,057	1	–	74,103
31 December 2016						
AFS financial assets						
Equity securities	–	–	17,502	–	–	17,502
Real estate investment trusts	–	–	175	–	–	175
Unit trust funds	–	–	5,789	–	–	5,789
Malaysian Government Securities	–	26,223	–	–	–	26,223
Government Investment Issues	–	10,868	–	–	–	10,868
Corporate debt securities	40,535	12,498	–	–	–	53,033
Accrued interest	376	466	–	–	–	842
Loans and receivables						
Loans receivable	–	–	–	1	–	1
Fixed and call deposits	2,740	–	–	–	–	2,740
Other receivables	–	1,275	–	–	1,075	2,350
Cash and cash equivalents	1,814	–	–	–	–	1,814
Allowance for impairment losses	–	–	–	–	(1,075)	(1,075)
	45,465	51,330	23,466	1	–	120,262

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Age analysis of financial assets past-due but not impaired

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 2017						
Loans receivable	–	–	–	–	56	56
Other receivables	–	–	–	–	–	–
	–	–	–	–	56	56
31 December 2016						
Loans receivable	–	–	–	–	64	64
Other receivables	–	–	–	–	3	3
	–	–	–	–	67	67
Company						
31 December 2017						
Loans receivable	–	–	–	–	1	1
31 December 2016						
Loans receivable	–	–	–	–	1	1

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 and the Company 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 2017	328	1,066	1,362	2,756
Allowance for/(reversal of) impairment losses during the financial year*	38	(1)	3	40
At 31 December 2017	366	1,065	1,365	2,796
At 1 January 2016	181	1,228	1,353	2,762
Allowance for/(reversal of) impairment losses during the financial year*	147	(162)	9	(6)
At 31 December 2016	328	1,066	1,362	2,756

Company	Other receivables 2017 RM'000	Other receivables 2016 RM'000
At 1 January/31 December	1,075	1,075

* Allowance for impairment loss arose from individual impairment assessments during the financial year. There was no allowance for impairment loss arising from collective assessments.

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36. RISK MANAGEMENT (CONTINUED)

(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 investment linked-business, of which the foreign currency risk is borne by the policyholders.

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 was:

	2017 Denominated		2016 Denominated	
	USD RM'000	CAD RM'000	USD RM'000	CAD RM'000
Group				
Trade receivables	1,249	–	1,816	–
Amount due from related parties	5,665	–	3,650	–
Amount due to related parties	(2,191)	(1,604)	(1,941)	(914)
Cash and cash equivalents	27,034	–	30,551	–
	31,757	(1,604)	34,076	(914)
Company				
Amount due to related parties	(898)	–	(1,007)	–

36. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(i) Currency risk (continued)

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) 2017 RM'000	2016 RM'000
Group			
Changes in foreign currency rates			
USD	+ 5%	1,588	1,704
CAD	+ 5%	(80)	(46)
USD	- 5%	(1,588)	(1,704)
CAD	- 5%	80	46
Company			
Changes in foreign currency rates			
USD	+ 5%	(45)	(50)
USD	- 5%	45	50

(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 subsidiary's 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 the insurance subsidiary of the Group the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low interest rate.

36. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(ii) Interest rate risk (continued)

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* (Decrease)/increase	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group				
Change in variable:				
Interest rate				
+100 basis points	6,921	5,550	(16,160)	(16,066)
- 100 basis points	(10,651)	(8,590)	16,032	16,301
Company				
Change in variable:				
Interest rate				
+100 basis points	–	–	(2,945)	(5,229)
- 100 basis points	–	–	3,331	5,954

* 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 subsidiary; 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 the Group's insurance subsidiary 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 subsidiary 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 AFS financial assets.

(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 has 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 subsidiary 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 discusses the economic and market outlook, reviews transactions and deliberates on further equity allocation. The participating nature of the Participating life fund of the Group's insurance subsidiary gives the insurance subsidiary the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low equity returns.

36. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(iii) Price risk (continued)

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)	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group				
Change in variable				
Market price				
+15%	649	317	29,652	26,759
- 15%	(649)	(317)	(29,652)	(26,759)
Company				
Change in variable				
Market price				
+15%	–	–	1,723	3,608
- 15%	–	–	(1,723)	(3,608)

* 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. Any adverse impact on the Participating life fund result of the Group's insurance subsidiary 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 the Group's insurance subsidiary is retained in the insurance contract liabilities.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

36. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities 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 of the Group's insurance subsidiary. Investment-linked fund liabilities are repayable or transferable upon notice by policyholders and are disclosed separately under the "Investment-linked funds" column.

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 2017								
Equity securities	1,425,108	–	–	–	–	890,524	534,584	1,425,108
Real estate investment trusts	14,093	–	–	–	–	6,550	7,543	14,093
Unit trust funds	129,101	–	–	–	–	71,896	57,205	129,101
Malaysian Government Securities	565,143	24,365	48,777	48,724	822,272	–	–	944,138
Government Investment Issues	210,798	9,520	19,463	24,010	304,215	–	–	357,208
Corporate debt securities	1,635,403	180,981	353,364	354,428	1,285,881	–	71,890	2,246,544
Mutual funds	618,047	–	–	–	–	–	618,047	618,047
Forward foreign exchange contract	4,284	–	–	–	–	–	4,284	4,284
Accrued interest:								
- AFS financial assets	22,027	22,027	–	–	–	–	–	22,027
- FVTPL financial assets	3,413	2,689	–	–	–	–	724	3,413
Loans receivable	163,761	760	1,177	758	692	160,374	–	163,761
Fixed and call deposits	351,426	243,009	–	–	–	–	108,417	351,426
Other receivables	70,288	54,413	–	–	390	–	15,485	70,288
Reinsurance assets	6,412	6,412	–	–	–	–	–	6,412
Insurance receivables	23,971	23,971	–	–	–	–	–	23,971
Cash and cash equivalents	148,973	146,077	–	–	–	–	2,896	148,973
Total financial and insurance assets	5,392,248	714,224	422,781	427,920	2,413,450	1,129,344	1,421,075	6,528,794
Insurance contract liabilities	3,948,122	203,275	174,111	358,059	5,381,626	–	1,394,289	7,511,360
Insurance claims liabilities	56,489	56,489	–	–	–	–	–	56,489
Insurance payables	526,936	526,936	–	–	–	–	–	526,936
Other payables	248,117	234,233	–	–	–	–	13,884	248,117
Total financial and insurance liabilities	4,779,664	1,020,933	174,111	358,059	5,381,626	–	1,408,173	8,342,902

36. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Group (continued)	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 2016								
Equity securities	1,164,976	–	–	–	–	765,252	399,724	1,164,976
Real estate investment trusts	18,739	–	–	–	–	11,116	7,623	18,739
Unit trust funds	73,906	–	–	–	–	66,740	7,166	73,906
Malaysian Government Securities	680,895	29,436	58,921	68,341	987,504	–	2,928	1,147,130
Government Investment Issues	234,820	10,410	28,475	29,840	311,707	–	2,947	383,379
Corporate debt securities	1,429,513	144,124	415,290	236,131	1,024,043	–	74,071	1,893,659
Mutual funds	607,312	–	–	–	–	–	607,312	607,312
Accrued interest:								
- AFS financial assets	19,364	19,364	–	–	–	–	–	19,364
- FVTPL financial assets	2,880	2,243	–	–	–	–	637	2,880
Loans receivable	173,989	621	1,067	626	899	170,776	–	173,989
Fixed and call deposits	225,924	132,139	–	–	–	–	93,785	225,924
Other receivables	52,132	36,923	–	–	390	–	14,819	52,132
Reinsurance assets	8,611	8,611	–	–	–	–	–	8,611
Insurance receivables	28,781	28,781	–	–	–	–	–	28,781
Cash and cash equivalents	138,199	133,528	–	–	–	–	4,671	138,199
Total financial and insurance assets	4,860,041	546,180	503,753	334,938	2,324,543	1,013,884	1,215,683	5,938,981
Insurance contract liabilities	3,591,411	177,114	160,881	316,313	5,306,920	–	1,197,495	7,158,723
Insurance claims liabilities	55,764	55,764	–	–	–	–	–	55,764
Forward foreign exchange contract	549	–	–	–	–	–	549	549
Insurance payables	479,294	479,294	–	–	–	–	–	479,294
Other payables	154,972	145,288	–	–	–	–	9,684	154,972
Total financial and insurance liabilities	4,281,990	857,460	160,881	316,313	5,306,920	–	1,207,728	7,849,302

36. 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 2017							
Equity securities	7,355	–	–	–	–	7,355	7,355
Real estate investment trusts	54	–	–	–	–	54	54
Unit trust funds	4,648	–	–	–	–	4,648	4,648
Malaysian Government Securities	12,634	560	1,119	1,119	20,852	–	23,650
Government Investment Issues	2,603	109	217	217	3,072	–	3,615
Corporate debt securities	38,534	3,780	8,865	6,836	34,107	–	53,588
Accrued interest:							
- AFS financial assets	529	529	–	–	–	–	529
Loans receivable	1	1	–	–	–	–	1
Fixed and call deposits	1,655	1,655	–	–	–	–	1,655
Other receivables	4,937	4,937	–	–	–	–	4,937
Cash and cash equivalents	1,153	1,153	–	–	–	–	1,153
Total financial assets	74,103	12,724	10,201	8,172	58,031	12,057	101,185
Other payables	8,695	8,695	–	–	–	–	8,695
Total financial liabilities	8,695	8,695	–	–	–	–	8,695

36. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Company (continued)	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 2016							
Equity securities	17,502	–	–	–	–	17,502	17,502
Real estate investment trusts	175	–	–	–	–	175	175
Unit trust funds	5,789	–	–	–	–	5,789	5,789
Malaysian Government Securities	26,223	1,157	2,313	2,313	41,511	–	47,294
Government Investment Issues	10,868	497	994	994	16,485	–	18,970
Corporate debt securities	53,033	5,970	14,372	8,085	44,044	–	72,471
Accrued interest:							
- AFS financial assets	842	842	–	–	–	–	842
Loans receivable	1	1	–	–	–	–	1
Fixed and call deposits	2,740	2,740	–	–	–	–	2,740
Other receivables	1,275	1,275	–	–	–	–	1,275
Cash and cash equivalents	1,814	1,814	–	–	–	–	1,814
Total financial assets	120,262	14,296	17,679	11,392	102,040	23,466	168,873
Other payables	15,247	15,247	–	–	–	–	15,247
Total financial liabilities	15,247	15,247	–	–	–	–	15,247

(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.

37. CAPITAL AND OTHER COMMITMENTS

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other commitments:-				
Exclusive bancassurance agreement				
- Authorised but not provided for	16,500	19,500	–	–

The insurance subsidiary of 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

38. INSURANCE FUNDS

The Group's insurance subsidiary'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 Group's insurance subsidiary's statement of financial position and statement of profit or loss have been further analysed by funds as follows:

Statement of Financial Position by Funds

	Shareholder's funds RM'000	Insurance funds Life fund RM'000	Insurance funds Investment-linked fund RM'000	Elimination RM'000	Total RM'000
31 December 2017					
Assets					
Property and equipment	–	17,544	–	–	17,544
Investment property	–	51,486	–	–	51,486
Intangible assets	18,410	4,751	–	–	23,161
Loans and receivables	131,563	182,491	123,902	(129,465)	308,491
Available-for-sale financial assets	409,524	2,745,042	–	–	3,154,566
Financial assets at fair value through profit or loss	–	238,228	1,296,442	–	1,534,670
Reinsurance assets	–	6,412	–	–	6,412
Insurance receivables	–	23,971	–	–	23,971
Cash and cash equivalents	10,288	72,644	2,896	–	85,828
Total assets	569,785	3,342,569	1,423,240	(129,465)	5,206,129
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	–	–	–	150,000
Retained earnings	386,340	–	–	–	386,340
Fair value reserve	10,850	–	–	–	10,850
Total equity	547,190	–	–	–	547,190
Insurance contract liabilities	–	2,553,753	1,394,287	–	3,948,040
Insurance claims liabilities	–	56,489	–	–	56,489
Deferred tax liabilities	22,275	6,495	7,656	–	36,426
Insurance payables	–	526,936	–	–	526,936
Current tax liabilities	(2,942)	(2,062)	7,413	–	2,409
Other payables	3,262	200,958	13,884	(129,465)	88,639
Total equity, policyholders' funds and liabilities	569,785	3,342,569	1,423,240	(129,465)	5,206,129

38. INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds (continued)

	Shareholder's funds RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked fund RM'000	Elimination RM'000	Total RM'000
31 December 2016					
Assets					
Property and equipment	–	17,916	–	–	17,916
Investment property	–	50,913	–	–	50,913
Intangible assets	23,546	4,956	–	–	28,502
Loans and receivables	159,686	188,908	108,604	(155,776)	301,422
Available-for-sale financial assets	335,788	2,541,830	–	–	2,877,618
Financial assets at fair value through profit or loss	–	233,305	1,102,408	–	1,335,713
Reinsurance assets	–	8,611	–	–	8,611
Insurance receivables	–	28,781	–	–	28,781
Cash and cash equivalents	9,021	77,389	4,671	–	91,081
Total assets	528,041	3,152,609	1,215,683	(155,776)	4,740,557
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	–	–	–	150,000
Retained earnings	346,913	–	–	–	346,913
Fair value reserve	2,920	–	–	–	2,920
Total equity	499,833	–	–	–	499,833
Insurance contract liabilities	–	2,393,852	1,197,495	–	3,591,347
Insurance claims liabilities	–	55,764	–	–	55,764
Financial liabilities at fair value through profit or loss	–	–	549	–	549
Deferred tax liabilities	21,465	786	3,656	–	25,907
Insurance payables	–	479,294	–	–	479,294
Current tax liabilities	3,297	(2,468)	4,299	–	5,128
Other payables	3,446	225,381	9,684	(155,776)	82,735
Total equity, policyholders' funds and liabilities	528,041	3,152,609	1,215,683	(155,776)	4,740,557

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

38. INSURANCE FUNDS (CONTINUED)

Statement of Profit or Loss by Funds

2017	Shareholder's funds RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked fund RM'000	Elimination RM'000	Total RM'000
Premium income					
Gross premiums	–	553,841	344,037	(1,503)	896,375
Premiums ceded to reinsurers	–	(38,895)	–	–	(38,895)
Net premiums	–	514,946	344,037	(1,503)	857,480
Investment income	17,058	132,690	29,399	–	179,147
Net realised gains	2,150	46,520	–	–	48,670
Net fair value (losses)/gains	(482)	(10,582)	171,229	–	160,165
Fee income	–	18,388	–	(13,621)	4,767
Other operating income	–	137	2,038	–	2,175
Total revenue	18,726	702,099	546,703	(15,124)	1,252,404
Gross benefits and claims paid and payable	–	(376,617)	(270,787)	–	(647,404)
Claims ceded to reinsurers	–	13,252	–	–	13,252
Gross change in insurance contract liabilities	–	(97,529)	(196,792)	–	(294,321)
Change in insurance contract liabilities ceded to reinsurers	–	(3,213)	–	–	(3,213)
Net claims	–	(464,107)	(467,579)	–	(931,686)
Fee and commission expenses	–	(64,241)	–	–	(64,241)
Investment expenses	(887)	(8,710)	–	–	(9,597)
Management expenses	(12,118)	(98,890)	(17,057)	15,108	(112,957)
Other operating expenses	(5,826)	(13,191)	(62,067)	16	(81,068)
Other expenses	(18,831)	(185,032)	(79,124)	15,124	(267,863)
Profit from operations	(105)	52,960	–	–	52,855
Transfer from/(to) revenue account	52,960	(52,960)	–	–	–
Profit before taxation	52,855	–	–	–	52,855
Taxation	(13,428)	–	–	–	(13,428)
Net profit for the financial year	39,427	–	–	–	39,427

38. INSURANCE FUNDS (CONTINUED)

Statement of Profit or Loss by Funds (continued)

2016	Shareholder's funds RM'000	Insurance funds Life fund RM'000	Insurance funds Investment-linked fund RM'000	Elimination RM'000	Total RM'000
Premium income					
Gross premiums	–	522,442	355,308	–	877,750
Premiums ceded to reinsurers	–	(27,130)	–	–	(27,130)
Net premiums	–	495,312	355,308	–	850,620
Investment income	13,259	127,440	26,552	–	167,251
Net realised gains	1,869	17,243	–	(1,612)	17,500
Net fair value losses	(550)	(26,526)	(41,657)	–	(68,733)
Fee income	–	14,876	–	(11,596)	3,280
Other operating income	–	105	1,204	–	1,309
Total revenue	14,578	628,450	341,407	(13,208)	971,227
Gross benefits and claims paid and payable	–	(375,686)	(190,843)	5,362	(561,167)
Claims ceded to reinsurers	–	10,260	–	–	10,260
Gross change in insurance contract liabilities	–	(19,867)	(168,455)	(3,750)	(192,072)
Change in insurance contract liabilities ceded to reinsurers	–	1,727	–	–	1,727
Net claims	–	(383,566)	(359,298)	1,612	(741,252)
Fee and commission expenses	–	(70,927)	–	–	(70,927)
Investment expenses	(677)	(8,211)	–	–	(8,888)
Management expenses	(12,549)	(94,890)	(15,052)	11,596	(110,895)
Other operating (expenses)/income	(567)	(908)	32,943	–	31,468
Other expenses	(13,793)	(174,936)	17,891	11,596	(159,242)
Profit from operations	785	69,948	–	–	70,733
Transfer from/(to) revenue account	69,948	(69,948)	–	–	–
Profit before taxation	70,733	–	–	–	70,733
Taxation	(15,290)	–	–	–	(15,290)
Net profit for the financial year	55,443	–	–	–	55,443

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONTINUED)

38. INSURANCE FUNDS (CONTINUED)

Information on cash flows by Funds

	Shareholder's fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Total RM'000
2017				
Cash flows from:				
Operating activities	1,267	(3,089)	(1,775)	(3,597)
Investing activities	–	(1,656)	–	(1,656)
Net increase/(decrease) in cash and cash equivalents	1,267	(4,745)	(1,775)	(5,253)
At beginning of financial year	9,021	77,389	4,671	91,081
At end of financial year	10,288	72,644	2,896	85,828
2016				
Cash flows from:				
Operating activities	(114)	31,369	(201)	31,054
Investing activities	–	(4,551)	–	(4,551)
Net (decrease)/increase in cash and cash equivalents	(114)	26,818	(201)	26,503
At beginning of financial year	9,135	50,571	4,872	64,578
At end of financial year	9,021	77,389	4,671	91,081

HEAD OFFICE MANAGEMENT

LIST OF OFFICERS

MANULIFE HOLDINGS BERHAD

Group Chief Executive Officer/ Executive Director
MARK STEVEN O'DELL
(ChFC) (CLU)

Chief Counsel & Corporate Services Officer
JASBENDER KAUR
LLB (Hons), CLP

Chief Executive Manulife Wealth Advisors & Chief Success Officer
PAUL LOW HONG CEONG
MBA, CFP

MANULIFE INSURANCE BERHAD

Chief Financial Officer
JUSTIN DAVID HELFERICH
B.Sc (Accounting), CPA

Appointed Actuary
THOMAS LEE NIM TONG
B. Sc (Actuarial Science), FSA, FASM, CFA

Chief Agency Officer
HILLMAN AU SIU WAH
FLMI, ACS, RFP

Head of Partnership Distribution
CHITRA KARAN A. P. MUKUNDAN
MBA Marketing

Chief Marketing Officer & Pricing Officer
GHO HAN JAA
B. Sc (Actuarial Science), FIA, FASM

Chief Compliance Officer
SHARANJEET KAUR GILL
LLB (Hons), CLP

Chief Risk Officer
SYAHRIL NIZAM BIN ABU HASAN
BA Accounting

Head of Information Services
TAN YONG NIEN
MSc Information Systems and Technology

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

Chief Agency Officer
PATRICK NGE KOH NGUONG
BSC, CFP

Head of Operations
TAN SOO SIONG
Diploma in International Advertising

Head of Partnership & PRS
EDWIN LEE WAI KIDD
B. Business Studies & Management

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

Head of Finance
KENNETH KWONG CHOR WAH
CA(M), FCCA

LIST OF PROPERTY
as at 31 December 2017

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	15	109,000	Dec 2017

The above property is for office and commercial use.

ANALYSIS OF SHAREHOLDINGS
AS AT 2 APRIL 2018

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	:	2,109

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
1-99	253	12.00	6,227	0.00
100 to 1,000	559	26.51	410,642	0.20
1,001 to 10,000	999	47.37	3,942,459	1.95
10,001 to 100,000	244	11.57	7,643,151	3.78
100,001 to less than 5% of issued shares	53	2.51	70,056,732	34.62
5% of issued shares and above	1	0.05	120,310,789	59.45
Total	**2,109**	**100.00**	**202,370,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct	%	Indirect	%
Manulife Century Holdings (Netherlands) BV	120,310,789	59.45	–	–
The Manufacturers Life Insurance Company	–	–	*120,310,789	59.45
Manulife Financial Corporation	–	–	*120,310,789	59.45
Manulife Financial Asia Limited	–	–	*120,310,789	59.45
Manulife Holdings (Bermuda) Limited	–	–	*120,310,789	59.45

Note:

* Deemed interested by virtue of 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 interest in the Company.

ANALYSIS OF SHAREHOLDINGS
AS AT 2 APRIL 2018

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	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND	9,260,733	4.58
3	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	9,167,500	4.53
4	AMANAHRAYA TRUSTEES BERHAD PUBLIC SAVINGS FUND	5,052,200	2.50
5	AMANAHRAYA TRUSTEES BERHAD PUBLIC GROWTH FUND	4,993,166	2.47
6	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	4,338,700	2.14
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	3,018,300	1.49
10	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC BALANCED FUND	2,555,000	1.26
11	AMANAHRAYA TRUSTEES BERHAD PUBLIC EQUITY FUND	2,523,500	1.25
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC ENHANCED BOND FUND	2,268,300	1.12
13	HSBC NOMINEES (ASING) SDN. BHD. BNP PARIBAS SECS SVS PARIS FOR ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC	2,115,600	1.05
14	AMANAHRAYA TRUSTEES BERHAD PUBLIC SOUTH-EAST ASIA SELECT FUND	2,076,100	1.03
15	HSBC NOMINEES (ASING) SDN. BHD. BPSS LUX FOR ABERDEEN GLOBAL - ASIAN SMALLER COMPANIES FUND	1,900,000	0.94

30 LARGEST SECURITIES ACCOUNT HOLDERS (CONTINUED)

	Name	No. of Shareholding	% of Issued Capital
16	YEOH PHEK LENG	1,260,000	0.62
17	CHENG WEN-YIH	1,040,600	0.51
18	FU, CHEN SHU-CHEN	1,000,000	0.49
19	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ABERDEEN ASSET MANAGEMENT SDN. BHD. FOR MALAYSIAN TIMBER COUNCIL (OPERATING FUND)	909,300	0.45
20	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ABERDEEN ASSET MANAGEMENT SDN. BHD. FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)	770,000	0.38
21	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR ARSHAD BIN AYUB	600,875	0.30
22	CHAI BENG HWA	581,000	0.29
23	HSBC NOMINEES (ASING) SDN. BHD. BPSS SIN FOR ABERDEEN MALAYSIAN EQUITY FUND	511,000	0.25
24	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	490,300	0.24
25	CHAN SHIEK CHIN @ CHAN SHICK CHIN	431,000	0.21
26	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HSU, CHUN-TSANG	400,000	0.20
27	YEO KHEE HUAT	370,000	0.18
28	HUNG, WEN-CHIH	322,000	0.16
29	HSU,CHUN-TSANG	300,000	0.15
30	WONG YU @ WONG WING YU	299,800	0.15

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PROXY FORM

Manulife

MANULIFE HOLDINGS BERHAD (24851-H)

I/We ____
(FULL NAME IN BLOCK LETTERS)

NRIC/Passport/Company No. ____

of ____
(ADDRESS)

being a member/members of the abovenamed Company, hereby appoint

____________________ NRIC No. (New) ____________________ (Old) ____________________

or failing him/her, ____________________ NRIC No. (New) ____________________ (Old) ____________________

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf, at the Forty-Second Annual General Meeting of the Company to be held at Banquet Hall, 1st Floor, TPC Kuala Lumpur, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, Wilayah Persekutuan on Tuesday, 5 June 2018 at 3:00 p.m. and at any and every adjournment thereof. My/Our proxy is to vote on the business before the meetings 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 Mr. Lim Hun Soon @ David Lim		
3.	Directors' fees in respect of financial year ended 31 December 2017		
4.	Directors' benefits from 5 June 2018 until the next Annual General Meeting held in 2019		
5.	Re-appointment of Auditors		
6.	Special Business – Ordinary Resolution 1		
7.	Special Business – Ordinary Resolution 2		
8.	Special Business – Ordinary Resolution 3		

Dated this __________ day of ________________ 2018

Number of Shares Held	CDS Account No.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:		
	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		**100%**

____
Signature(s)/Seal of the Shareholder(s)

NOTES:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 30 May 2018 shall be eligible to attend the Meeting.
2. Pursuant to Article 64 of the Company's Articles of Association, a member entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote in his stead [subject always to a maximum of two (2) proxies at each Meeting]. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy in pursuance of Article 64 of the Company's Articles of Association.
3. A proxy may but does not need to be a member of the Company. A member entitled to attend and vote at the Meeting is entitled to appoint any person as 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.
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 a person 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 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. The instrument appointing a proxy must 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.

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AFFIX
STAMP

THE COMPANY SECRETARIES
MANULIFE HOLDINGS BERHAD (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

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MANULIFE HOLDINGS BERHAD (24851-H)

16th Floor, Menara Manulife
6 Jalan Gelenggang, Damansara Heights
50490 Kuala Lumpur, Malaysia.

T : 603 - 2719 9228 F : 603 - 2095 3804

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