



Annual Report

2013

MANULIFE HOLDINGS BERHAD
(24851-H)



Manulife's Vision & Values

Manulife Financial'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 financial decisions.

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 the acronym **PRIDE**:

Professionalism

Read Value to Our Customers

Integrity

Demonstrated Financial Strength

Employer of Choice





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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Eighth Annual General Meeting of the Company will be held at Ballroom 2 (1st Floor) Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 27 June 2014 at 3:00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 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 10.0 sen per share and a Special Single-Tier dividend of 2.5 sen per share for the financial year ended 31 December 2013. **(Resolution 1)**
3. To re-elect the following Directors who retire pursuant to Article 93(B) of the Company's Articles of Association:-
 - (a) Mr. Philip John Hampden-Smith; and **(Resolution 2)**
 - (b) Datuk Seri Panglima Mohd Annuar Bin Zaini. **(Resolution 3)**
4. To re-elect the following Directors who retire pursuant to Article 98 of the Company's Articles of Association:-
 - (a) Mr. Rockson Leung Lok-Shuen; and **(Resolution 4)**
 - (b) Dato' Dr. Zaha Rina Binti Zahari. **(Resolution 5)**
5. To approve the payment of Directors' remuneration for the financial year ended 31 December 2013. **(Resolution 6)**
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 7)**

As Special Business

7. To consider and if thought fit, with or without modifications, to pass the following resolutions:-
 - (a) **ORDINARY RESOLUTION 1** **(Resolution 8)**
 - **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being; **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; **AND THAT** such authority shall continue 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 9)

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

"THAT, subject to the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and 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 4 June 2014 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 next 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 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) 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 and/or any of them be and are hereby 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."

(c) ORDINARY RESOLUTION 3

(Resolution 10)

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

"THAT, subject to the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and 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 4 June 2014 with the related parties mentioned therein **PROVIDED THAT:**



NOTICE OF ANNUAL GENERAL MEETING

As Special Business (cont'd)

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

- (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 next 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 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) 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 and/or any of them be and are hereby 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 DIVIDENDS ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Single-Tier dividend of 10.0 sen per share and a Special Single-Tier dividend of 2.5 sen per share in respect of the financial year ended 31 December 2013, if approved, will be paid on 16 July 2014 to shareholders whose names appear in the Company's Record of Depositors and/or Register of Members at the close of business at 5:00 p.m. on 30 June 2014.

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

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 June 2014 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 : 4 June 2014

NOTICE OF ANNUAL GENERAL MEETING

NOTES :-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 June 2014 ("General Meeting Record of Depositors") 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 and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. 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 not less than 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 Group'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 PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965

The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act 1965 at the Thirty-Eighth 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 Thirty-Seventh Annual General Meeting of the Company held on 26 June, 2013 (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 the Resolution 8 is to renew the Shareholders' Mandate granted by the shareholders of the Company at the Thirty-Seventh Annual General Meeting of the Company held on 26 June, 2013. 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 2013 Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' DR. ZAHA RINA BINTI ZAHARI

D.S.A.P, MBA, DBA

Chairperson/Independent Non-Executive Director

(Appointed on 12 December 2013)

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

DSA, SPDK, SPMP, DPMP, DJMK, PMP, AMP

BA (Hons) in Economics, National University Malaysia

MA in Law & Diplomacy, Fletcher School of Law & Diplomacy, Tufts University, USA

Independent Non-Executive Director

DATO' DR. NIK NORZRUL THANI BIN N. HASSAN THANI

Ph.D (London), Barrister-at-Law (Lincoln's Inn), Dip. Syariah Law & Practice

Independent Non-Executive Director

LIM HUN SOON @ DAVID LIM

B. of Aris (Hons) in Economics, The University of Leeds, 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

ROBERT ALLEN COOK

BA (University of Calgary), MBA (University of Toronto)

Non-Independent Non-Executive Director

PHILIP JOHN HAMPDEN-SMITH

Graduate of The Royal Military Academy, Sandhurst

Non-Independent Non-Executive Director

ROCKSON LEUNG 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

(Appointed on 2 September 2013)

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM

PSM, JMN, KMN, DSDK

BA (Hons), MA, Diploma in Eco. Development

Chairman/Independent Non-Executive Director

(Retired on 26 June 2013)

GIANNI FIACCO

B. Comm, CA

Non-Independent Non-Executive Director

(Retired on 26 June 2013)

JOINT SECRETARIES

CHUA SIEW CHUAN (MAICSA 0777689)

CHIN MUN YEE (MAICSA 7019243)

COMMITTEES OF THE BOARD

• EXECUTIVE COMMITTEE

DATO' DR. ZAHA RINA BINTI ZAHARI (Chairperson)
(Appointed on 12 December 2013)

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM
(Retired on 26 June 2013)

PHILIP JOHN HAMPDEN-SMITH

MARK STEVEN O'DELL

• GROUP AUDIT COMMITTEE/GROUP RISK MANAGEMENT COMMITTEE

LIM HUN SOON & DAVID LIM (Chairman)

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

DATO' DR. NIK NORZRUL THANI BIN N. HASSAN THANI

ROCKSON LEUNG LOK-SHUEN
(Appointed on 2 September 2013)

GIANNI FIACCO
(Retired on 26 June 2013)

• GROUP NOMINATING/REMUNERATION COMMITTEE

DATO' DR. ZAHA RINA BINTI ZAHARI (Chairperson)
(Appointed on 12 December 2013)

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM
(Retired on 26 June 2013)

PHILIP JOHN HAMPDEN-SMITH

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

DATO' DR. NIK NORZRUL THANI BIN N. HASSAN THANI

LIM HUN SOON & DAVID LIM

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

Messrs. 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 688
Email : amy_sp_loke@manulife.com

AGM HELPDESK

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

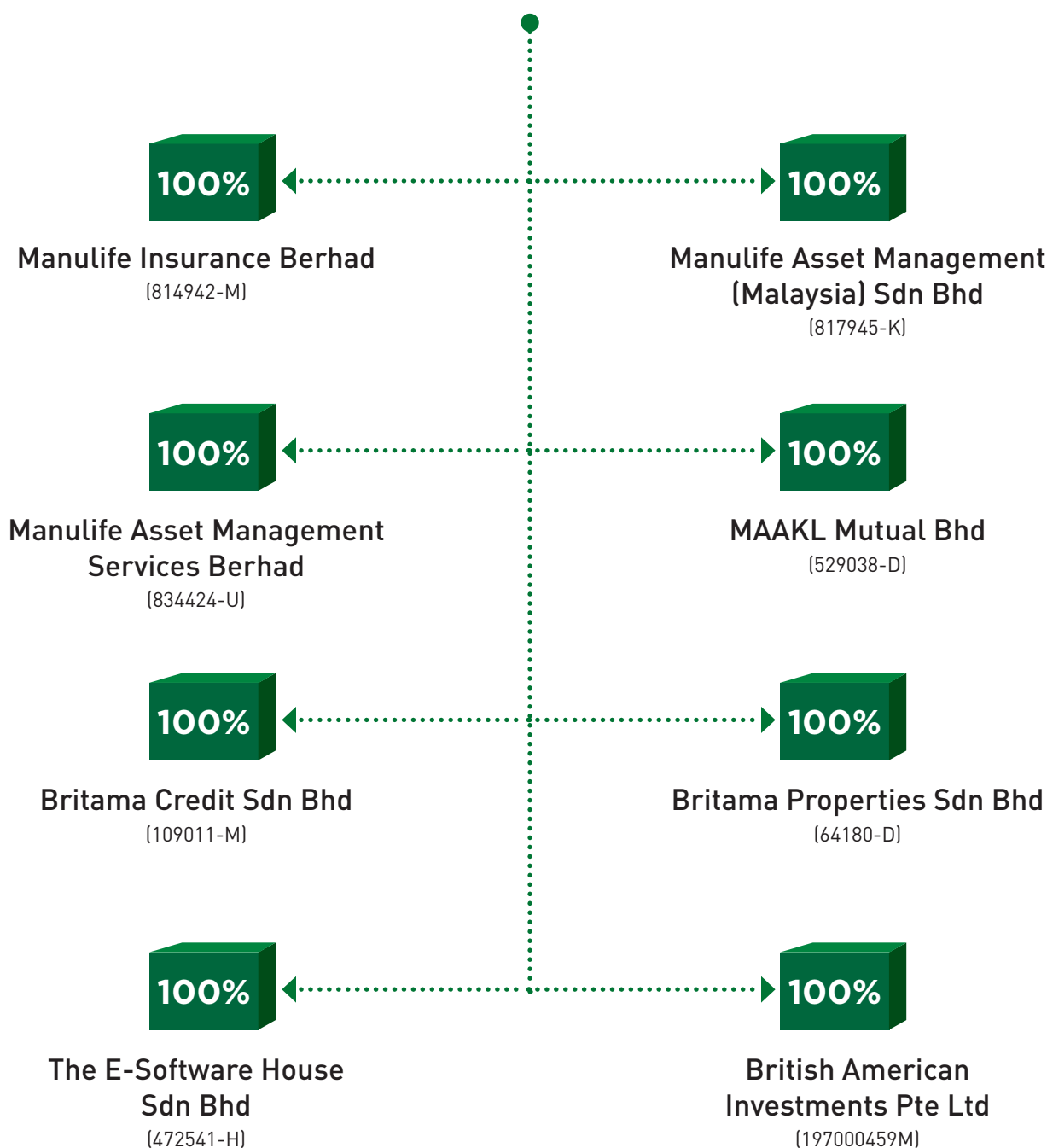
STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad – Main Market

CORPORATE STRUCTURE



Manulife Holdings Berhad
(24851-H)



FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2009*	2010*	2011**	2012**	2013**
OPERATING RESULTS					
For the financial year ended 31 December (RM'million)					
Group Premiums	454.9	467.0	487.9	515.4	685.3
Investment Income and Other Operating Income - Net ¹	207.7	239.5	197.2	261.0	340.4
Policyowners Benefit Paid and Payable	346.7	373.9	419.0	369.6	422.7
Group Profit Before Taxation	79.4	82.2	49.7	56.8	73.2
Group Net Profit Attributable To Shareholders	59.1	64.4	40.9	49.0	58.3
KEY BALANCE SHEET DATA					
As at 31 December (RM'million)					
Life Fund Assets	2,940.4	3,205.1	3,247.1	3,490.7	3,762.3
General/Shareholder Fund Assets	438.0	487.2	532.9	564.2	672.1
Total Assets	3,378.4	3,692.3	3,780.0	4,054.9	4,434.4
Total Liabilities	2,890.2	3,156.8	3,074.9	3,316.0	3,677.1
Shareholders' Equity	488.2	535.5	705.1	738.9	753.6
SHARE INFORMATION					
Group Basic Earnings Per Share (sen)	29.2	31.8	20.2	24.2	28.8
Net Dividend Per Share (sen)	12.8	13.5	13.5	11.3	12.5
Group Net Asset Per Share (RM)	2.41	2.65	3.48	3.65	3.72
Share Price - High (RM)	3.02	3.07	3.25	3.76	3.62
Share Price - Low (RM)	1.71	2.29	2.70	2.98	3.06
Share Price As At 31 December (RM)	3.02	3.00	2.92	3.35	3.55
Market Capitalisation (RM'million)	610.6	607.1	590.9	677.9	718.4
FINANCIAL RATIO (%)					
Return on Equity ²	12.8	12.6	5.9	6.8	7.8
Return on Assets ³	1.8	1.8	1.1	1.2	1.4

* Financial information for years 2009 and 2010 are presented based on Financial Reporting Standards ("FRS").

** Financial information for year 2011 onward are presented based on Malaysian Financial Reporting Standards ("MFRS").

1 Comprises total revenue excluding net premiums, and net off net realised/fair value losses and 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

BOARD OF DIRECTORS



DATO' DR. ZAHA RINA BINTI ZAHARI

Chairperson/Independent Non-Executive Director
(Appointed on 12 December 2013)



MARK STEVEN O'DELL

Group Chief Executive Officer/Executive Director



ROCKSON LEUNG LOK-SHUEN

Non-Independent Non-Executive Director
(Appointed on 2 September 2013)



PHILIP JOHN HAMPDEN-SMITH

Non-Independent Non-Executive Director

BOARD OF DIRECTORS



Manulife



**DATUK SERI PANGLIMA MOHD ANNUAR
BIN ZAINI**

Independent Non-Executive Director



**DATO' DR. NIK NORZRUL THANI
BIN N. HASSAN THANI**

Independent Non-Executive Director



LIM HUN SOON @ DAVID LIM

Independent Non-Executive Director



ROBERT ALLEN COOK

Non-Independent Non-Executive Director

DIRECTORS' PROFILE



DATO' DR. ZAHA RINA BINTI ZAHARI

Chairperson/Independent Non-Executive Director

Dato' Dr. Zaha Rina binti Zahari ("Dato' Dr. Zaha Rina"), aged 53, a Malaysian, was appointed to the Board on 12 December 2013. She holds BA (Hons) Accounting and Finance from Leeds UK, MBA from Hull UK and a Doctorate in Business Administration, focusing on capital markets research and specialising in derivatives, Hull UK. International Centre for Leadership in Finance (ICLIF) Global Leadership Programme, Harvard Business School and Columbia Business School, July 2005.

Dato' Dr. Zaha Rina was Consultant to Financial Technologies Middle East for the set up of Bahrain Financial Exchange (BFX) launched in January 2009. Prior to this, Dato' Dr. Zaha Rina was with RBS Group in Singapore from August 2007 to May 2008. Dato' Dr. Zaha Rina has more than 20 years of experience 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). Dato' Dr. Zaha Rina has previous Board appointments at the Commodity and Monetary Exchange of Malaysia (COMMEM) from 1993 to 1996, then as the Chief Operating Officer ("COO") of Kuala Lumpur and Financial Futures Exchange (KLOFFE) in 2001.

Dato' Dr. Zaha Rina was instrumental in the merger of COMMEM and KLOFFE which ultimately led to the creation of Malaysian Derivatives Exchange (MDEX) and the subsequent appointment as COO of MDEX in June 2001. Dato' Dr. Zaha Rina was then appointed Head Exchanges, managing the operations of Kuala Lumpur Stock Exchange (KLSE), MESDAQ, MDEX and Labuan International Financial Exchanges in September 2003 prior to KLSE's (now known as Bursa Malaysia Berhad) demutualisation.

A regular speaker at many international conferences and forums, Dato' Dr. Zaha Rina has presented in the International Islamic Finance Forum held annually in Dubai in 2004 and 2005, and Bahrain in 2007, Malaysian Investors Forum 2006 and 2007, OECD Conference Japan 2005 on Capital Market Reform, World Federation of Exchanges Conference Beijing 2005 on Islamic Financial Services and Emerging Markets Forum, Jakarta 2006. A keen promoter of Islamic products launched the Dow Jones RHB Islamic Index 2005 for Malaysia. Published Islamic Finance Encyclopedia 2009.

Dato' Dr. Zaha Rina sits on the Board of Hong Leong Industries Berhad, Pacific & Orient Berhad, Tanah Makmur Berhad and several private limited companies.

Dato' Dr. Zaha Rina is a Chairperson of the Executive Committee and Group Nominating/Remuneration Committee of the Board of Directors. She is also a director on the Board of Manulife Asset Management Services Berhad and MAAKL Mutual Bhd respectively.

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

Independent Non-Executive Director

Datuk Seri Panglima Mohd Annuar bin Zaini ("Datuk Seri Panglima Mohd Annuar"), aged 63, a Malaysian, was appointed to the Board on 5 July 2011. He 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.

Datuk Seri Panglima Mohd Annuar 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 optional retirement from the government service in 1999.

Datuk Seri Panglima Mohd Annuar was the Chairman of Malaysian National News Agency (BERNAMA) from February 2004 to January 2010. In February 2004, HRH The Sultan of Perak consented his appointment as Member of the Council of Elders to HRH Sultan of Perak. He was Advisor and Chief Executive of Northern Corridor Implementation Authority from 2007 to 2009. He is a Member of the Perak Council of Islamic Religion and Malay Customs and the Board Member to the PKEINPK Sdn Bhd. He is also a Distinguished Fellow to the Institute of Strategic and International Studies (ISIS) Malaysia and Adjunct Professor of Northern Corridor Economic Region Research Centre, Universiti Utara Malaysia and Honorary Consultant to Office of Vice Chancellor, Universiti Teknologi Mara.

Datuk Seri Panglima Mohd Annuar sits on the Board of Tropicana Corporation Berhad and several private limited companies.

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 on the Board of Manulife Asset Management Services Berhad.



MARK STEVEN O'DELL

Group Chief Executive Officer/Executive Director

Mr. Mark Steven O'Dell ("Mr. O'Dell"), aged 56, an American, was appointed to the Board on 18 January 2013. He holds both the Chartered Life Underwriter (CLU) and the Chartered Financial Consultant (ChFC) designations from the American College, USA.

Mr. O'Dell has over 32 years of experience in the life insurance business including 18 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 is a member of the Executive Committee of the Board of Directors and a director on the Board of Manulife Insurance Berhad and Manulife Asset Management Services Berhad respectively. He also sits on the Boards of Manulife Chinabank Life Assurance Corporation and Manulife Financial Plans, Inc and The Manufacturers Life Insurance Co. (Phils), Inc.



DIRECTORS' PROFILE



DATO' DR. NIK NORZRUL THANI BIN N. HASSAN THANI

Independent Non-Executive Director

Dato' Dr. Nik Norzrul Thani bin N. Hassan Thani ("Dato' Dr. Nik"), aged 54, a Malaysian, was appointed to the Board on 5 July 2011. Dato' Dr. Nik holds a Ph.D in Law from the School of Oriental and African Studies (SOAS), University of London and a Masters in Law from Queen Mary College, University of London. He read law at the University of Buckingham, United Kingdom.

Dato' Dr. Nik also holds a post-graduate Diploma in Syariah Law and Practice (with distinction) from the International Islamic University Malaysia. He is a Barrister of Lincoln's Inn and an Advocate and Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and

to the Malaysian Bar in 1986. He was a Visiting Fulbright Scholar, Harvard Law School from 1996 to 1997, and was formerly the Acting Dean/Deputy Dean of the Faculty of Laws, International Islamic University Malaysia. Dato' Dr. Nik is also a Fellow of the Financial Services Institute of Australasia (FINSIA).

Currently, Dato' Dr. Nik is the Chairman and Senior Partner of Zaid Ibrahim & Co. (a member of ZICOlaw). Prior to joining Zaid Ibrahim & Co., Dato' Dr. Nik was with Baker & McKenzie (International Lawyers), Singapore.

Dato' Dr. Nik sits on the Board of Al Rajhi Banking & Investment Corporation (Malaysia) Berhad, Fraser & Neave Holdings Berhad, UMW Holdings Berhad, Konsortium Logistik Berhad and MSIG Insurance Berhad.

Dato' Dr. Nik 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 Audit Committee of the Board of Manulife Insurance Berhad and a director on the Board of MAAKL Mutual Bhd.



ROBERT ALLEN COOK

Non Independent Non-Executive Director

Mr. Robert Allen Cook ("Mr. Cook"), aged 60, Canadian, was appointed to the Board on 4 October 2007. He holds a Master Degree in Business Administration from the University of Toronto and a Bachelors' Degree in Pure Mathematics from University of Calgary.

Mr. Cook is Senior Executive Vice President and General Manager, Asia, responsible for Manulife Financial's insurance and wealth management operations in Japan, China, Hong Kong, Indonesia, the Philippines, Singapore, Taiwan, Vietnam, Malaysia, Thailand and Cambodia. Previously, he was Executive Vice President, US Insurance Group with overall general management responsibility for

the John Hancock Life Insurance, John Hancock Long-Term Care and John Hancock Financial Network business units.

Mr. Cook has been involved in the Life Insurance Industry since 1978 and has held management positions in Manulife's U.S., Canadian, International and corporate divisions. His experience spans a number of areas including strategic planning, product management for insurance & annuities, sales and marketing.

Mr. Cook is a director on the Board of Manulife Insurance Berhad.

Mr. Cook is a representative of the Company's largest shareholder, Manulife Century Holdings (Netherlands) B.V, whose ultimate holding company is Manulife Financial Corporation, where he is a member of the Executive Committee and Management Committee.

PHILIP JOHN HAMPDEN-SMITH Non Independent Non-Executive Director



Mr. Philip John Hampden-Smith ("Mr. Hampden-Smith"), aged 56, from the UK, was appointed to the Board on 5 January 2006. He is currently the Chief Marketing Officer for Manulife Asia, a role he took up in February 2013. He is also a member of Manulife's Global Management Committee.

Mr. Hampden-Smith first joined Manulife in 1996 as founder and Chief Executive Officer of the Company's first investment operations in Asia, based in Hong Kong. He served concurrently as Manulife's Vice President of Marketing and Communications. While in Hong Kong, Mr. Hampden-Smith was elected board member of the Hong Kong Investment Funds Association and was also a member of the Hong Kong Securities Institute.

In 1999, Mr. Hampden-Smith moved to Indonesia, where he was President Director and Head of Manulife's Indonesian operations, a position he held until 2002. During this period, Mr. Hampden-Smith oversaw a four-fold increase in the assets of this business, a performance recognised in Manulife Indonesia being voted 'Best Insurance Company in Asia' in 2002. Mr. Hampden-Smith was also a Patron of the Indonesia Canadian Chamber of Commerce and the first foreigner to be elected to the Indonesian Insurance Industry's representative committee.

In 2003, Mr. Hampden-Smith became General Manager of Manulife Singapore, where he oversaw the integration of John Hancock Singapore into Manulife's operations. In 2006, Mr. Hampden-Smith became Executive Vice President and General Manager of Manulife's South East Asian Operations, responsible for Manulife's businesses throughout the region, namely Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. In 2010, Mr. Hampden-Smith became a founder member of the Canadian-ASEAN Business Council.

Mr. Hampden-Smith has 30 years' experience in the financial services industry. Born in Japan and educated in Asia and the UK, he is an Officer Graduate of The Royal Military Academy, Sandhurst, and for 5 years was a professional soldier in the British Army.

Mr. Hampden-Smith is a member of the Executive Committee and Group Nominating/Remuneration Committee of the Board of Directors.

Mr. Hampden-Smith is a representative of the Company's largest shareholder, Manulife Century Holdings (Netherlands) B.V, whose ultimate holding company is Manulife Financial Corporation, where he is a member of the Management Committee.

ROCKSON LEUNG LOK-SHUEN Non Independent Non-Executive Director



Mr. Rockson Leung Lok-Shuen ("Mr. Leung"), aged 42, Australian, was appointed to the Board on 2 September 2013. He 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 Actuary, Asia, Manulife Financial. He is responsible for all actuarial matters across the region, including financial report and capital management.

Mr. Leung brings with him 18 years of insurance finance and risk management experience in Asia and Australia. He began his career with Tower Life Australia as an actuarial analyst. Before joining Manulife, he was the Deputy Chief Executive and Chief Financial Officer ("CFO") of Bank of China Group Life. Prior to this, he was with ING Asia/Pacific as the CFO China.

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

DIRECTORS' PROFILE



LIM HUN SOON @ DAVID LIM
Independent Non-Executive Director

Mr. Lim Hun Soon @ David Lim ("Mr. David Lim"), aged 58, a Malaysian, was appointed to the Board on 17 July 2012. He 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 (ICAEW) in England and Wales 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 under KPMG spanning 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 from 2000 to 2001 in which he gained extensive and insightful knowledge from KPMG Global counterparts worldwide.

In 2006, Mr. David Lim 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 Directors in enhancing their awareness and ability to implement effective board processes. After 5 years of relentless groundwork, the ACI Malaysia is now a source of information for which Non-Executive Directors can turn to if they require information to help them in the discharge of their duties and responsibilities.

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 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 was the first time in ICAEW's sterling 130 years history, a Malaysian is represented on ICAEW's Council.

Mr. David Lim sits on the Board of Affin Investment Bank Berhad, Ann Joo Resources Berhad, IJM Land Berhad, Rockwills Trustee Berhad and Sasbadi Holdings Berhad and a few private limited companies.

Mr. David Lim is a 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 have any family relationship with any Director and/or major shareholders 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 10 years.

There were 6 Board Meetings held during the financial year ended 31 December 2013. The details of attendance of the Directors are as follows:-

Name of Board of Directors	Attendance
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	3 out of 3
Datuk Seri Panglima Mohd Annuar bin Zaini	6 out of 6
Dato' Dr. Nik Norzrul Thani bin N. Hassan Thani	6 out of 6
Lim Hun Soon @ David Lim	6 out of 6
Robert Allen Cook	6 out of 6
Philip John Hampden-Smith	6 out of 6
Gianni Fiacco	3 out of 3
Rockson Leung Lok-Shuen	2 out of 2
Mark Steven O'Dell	6 out of 6

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2013.

GROUP'S FINANCIAL POSITION

As at 31 December 2013, the Group's total assets registered a record of RM4,434.4 million, which was a 9.4% increase from the preceding year of RM4,054.9 million and the Group's net asset per share increased by 7 sen from RM3.65 to RM3.72 in the year under review, mainly in line with the growth in our life insurance business during the year.

REVIEW OF OPERATIONS

Insurance Business

Manulife Insurance Berhad ("Manulife Insurance") continued to register good results, with a 25% growth in new business annualised premium to RM90.12 million. This is a significant achievement as the life insurance industry's new business annualised premium contracted by about (-)2.86%, partly due to consolidation of industry players' operations and new players having yet to gain full traction.

Manulife Insurance's commendable result is largely attributed to successful implementation of key strategic initiatives to boost the sales productivity of Manulife Insurance's multi distribution channel which led to enlarged market share for Manulife Insurance and further strengthened its foothold in the industry.

The tied agency force remained the largest contributor, making up more than 80% of new business sales. This channel also grew 5.10% and while investment-linked plan remained the key focus, Manulife Insurance launched 'ManuCash', a participating savings plan on a tactical basis for agency channel to help meet needs of differing customer segment.

Following quick activation of the bancassurance partnership with ABMB with a range of products from savings, investment-linked plans to medical plans that cater to different customer segments, new sales contribution from the bancassurance channel leaped to 18% as compared to slightly less than 3% in the year before. ABMB's wide network and existing base of customers also allowed Manulife Insurance to effectively increase its reach in East Malaysia.

REVIEW OF RESULTS

The Group uses operating revenue as one of the Group's financial performance measures which consists of gross premiums, investment income and fee income generated by each reportable segment during the year.

Despite the weak and challenging external environment on the back of uncertain global economy and the Quantitative Easing tapering in the US, 2013 was a positive year for Manulife Group. The Group successfully embarked on significant new business alliance and opportunities to execute its growth plan to the fullest.

The Group registered a strong 26.9% growth in operating revenue of RM857.0 million in the current year, as compared to RM675.4 million reported in the preceding year. This is primarily attributed to the new preferred bancassurance partnership between the Group's life insurance business and Alliance Bank Malaysia Berhad ("ABMB"), which has enlarged the Group's distribution channel in selling life insurance products. With this strategic business undertaking and improvement in the market interest rate, coupled with the positive equity market performance during the year, the Group's profit before taxation reported an increase of RM16.4 million, from RM56.8 million to RM73.2 million.

The Group's profit after tax and earnings per share grew by 19.1% to RM58.3 million and 28.78 sen respectively compared to the prior year results of RM49.0 million and 24.19 sen. Included in this year's profit after tax is an exceptional amount of RM14 million related to the rise in the yield of Malaysian Government Securities.

CHAIRMAN'S STATEMENT



REVIEW OF OPERATIONS (CONT'D)

Insurance Business (cont'd)

Moving forward, Manulife Insurance maintains its key strategic thrust for a robust and balanced multi distribution channels. Recruitment and retention continues to be the key focus in driving the agency channel and at the same time focus on developing alternative distribution channels, particularly deepening its relationship with ABMB and establish other direct marketing and tactical partnership initiatives.

Unit Trust and Asset Management Business

Manulife Asset Management Services Berhad ("Manulife Asset Management") entered its second year as one of the eight Private Retirement Scheme ("PRS") providers in Malaysia with the launch of its Manulife Shariah PRS NESTEGG Series consisting of Manulife Shariah PRS-Growth Fund, Manulife Shariah PRS-Moderate Fund and Manulife Shariah PRS-Conservative Fund.

Manulife Asset Management also declared its inaugural dividend distribution for two (2) funds under PRS. As at 29 November 2013, the Manulife PRS – Growth Fund had generated a total return of 7.54% since its inception on 20 November 2012 while Manulife PRS – Moderate Fund had generated a total return of 5.06% from the same inception period.

The year 2013 also saw Manulife Holdings accelerating the scale of its unit trust operations with the acquisition of 100 per cent share capital of MAAKL Mutual Bhd ("MAAKL"), one of Malaysia's successful unit trust companies. The acquisition of MAAKL is considered highly complementary to the existing Manulife Asset Management's operation. The legal merger of MAAKL business with Manulife Asset Management is expected to complete by 3rd quarter of 2014, subject to regulatory's approval.

This transaction yielded a captive agency force of more than 1,100 professional unit trust advisers. In addition, with combined unit trust assets of exceeding RM3.1 billion as at 31 December 2013, Manulife Asset Management is now firmly placed in the top 10 Unit Trust providers in Malaysia. In total an additional 27 funds were added to the product platforms with total Assets Under Management ("AUM") growing by 90% to over RM6.4 billion.

These new funds mean we now manage the full range of investment strategies from low risk assets (local and foreign bond funds) to moderate risk equity income funds to high risk growth and small cap funds. Most of these strategies sit on both our conventional and Islamic platforms thus significantly expanding the depth and breadth of our distribution capability.

It is our intention to double the size of the current agency of 1,100 unit trust advisers over the next ten (10) years as MAAKL targets the mass affluent retail segment of the market.

I would like to provide an update on our first year as one of the eight PRS product providers. Much was anticipated from this exciting product line, however, to date sales have been disappointing across the industry with Manulife placed 7th out of 8 product providers with AUM of RM8.5 million. Manulife is committed in delivering improved sales and will focus on developing the corporate market and continues to educate companies on the benefit of retirement solutions for employees.

Additional PRS funds were added to the product suite with the launch of the Manulife PRS NESTEGG Islamic Series, it is anticipated that Islamic funds will be a significant growth vehicle for the Company as we further penetrate the corporate market. The PRS market still lacks of public awareness and Manulife continues to expand its activity in the education of the Malaysian population, new initiatives by the industry in the corporate and youth markets are expected to see PRS awareness improve significantly during the next few years.



CORPORATE SOCIAL RESPONSIBILITY

Staff of Manulife Malaysia had also capped the year off with a great show of generosity, making a cumulative contribution of over RM25,000 in aid for Typhoon Haiyan victims in the Philippines. The amount was donated to the Red Crescent Society Malaysia, and on a regional level, Manulife Financial matched the individual donations from each of the territories in Asia.

Manulife Malaysia also continued its sponsorship of the Terry Fox Run 2013, an initiative that the Company has supported for over 7 years. The Terry Fox Run represents one of the world's largest coordinated awareness-building and fund-raising efforts for cancer research.

2013 saw Ipoh-based Manulife agents being involved in a Pink Ribbon Walk-A-Thon coordinated and co-organised by Pantai Hospital Ipoh, Perak Women for Women, Persatuan Pink Champion Perak and Majlis Bandaraya Ipoh to raise awareness of breast cancer.

RISK MANAGEMENT

A strong risk culture allows individuals and groups to make better risk-return decisions which align with our overall risk appetite, strategic objectives and the Group's customers' needs, as well as improve the efficiency of its capital allocation across the Group. It also enables the Group to capitalise on its opportunities, benefit from early identification of risk factors, and deal with them appropriately to help prevent major risk incidents.

Manulife Malaysia continues to propagate a risk aware culture, where individuals and groups are encouraged, feel comfortable and proactive in making transparent, and balanced risk-return decisions that are in long term interests of the Company. Risk culture encompasses the following:

- Motivation – Alignment of individual and corporate objectives;
- Proactive – Identifying and escalating risks before they become issues;
- Respect – A cooperation approach that enables appropriate risk taking;
- Transparency – Ensuring transparency in identifying, communicating and tracking risks; and
- Acknowledgement – Systematically acknowledging and surfacing material risks.

MARKET TREND & BUSINESS DEVELOPMENT

Life Insurance

According to the Life Insurance Association of Malaysia, the life insurance industry is expected to grow an average of 8% per annum right until 2025, despite slowing down in the first part of year 2013 due to the portfolio restructuring undertaken by certain industry players. The growth in the coming years is expected to be fuelled by a growing upper middle class segment, and fairly favourable economic conditions.

Significant opportunity also lies with the overall low penetration of life insurance amongst Malaysians, with approximately 41.22% of the population owning at least one life policy. Investment-linked policies appear to remain popular for the perceived flexibility and the ability to earn investment returns, with approximately 52% of policies being investment-linked, and the remainder being traditional life policies.

2013 saw the implementation of the new Financial Services Act 2013 and Islamic Financial Services Act 2013. Overall, the new framework were positively accepted, as the Acts served to further protect consumers' interests, further articulate grey areas in the previous Acts, as well as ensure more operational transparency, accountability and better governance amongst insurers.

CHAIRMAN'S STATEMENT



MARKET TREND & BUSINESS DEVELOPMENT (CONT'D)

Life Insurance (cont'd)

Also on the regulatory front, the "Life Insurance & Family Takaful Framework Concept Paper" was issued by Bank Negara Malaysia ("BNM") focusing on professionalism and ensuring that good advice is disseminated to the customers. The concept paper had also put forth a few ideas including the liberalisation of commission of investment-linked products, pure protection products and emphasis on direct distribution channel for customers. At this juncture, the views and feedbacks from industry players have been sought and points of this paper are still under review. All in, the said paper bodes well for consumers' interest, aligned with the intent to increase life insurance penetration of Malaysians.

The internet has become a new frontier, and increasingly important in reaching out to customers. This alternative channel is expected to grow even further in the future, underpinning the need for technology and database management as a key differentiating and competitive factors amongst insurers. Manulife looks to expand its online presence with offer of simpler life and critical illness products through such platforms.

Unit Trust and Asset Management

Equities

Global equity markets rallied in 2013 on the back of fading risk perceptions. With both the US and European economies showing more promising signs of a sustainable recovery, increased investor confidence would likely see the positive market momentum continuing into 2014. That said, we feel Asia will only feel the impact of developed-markets recovery in the second half of this year. Given this recovery is expected to be at a modest pace, it would take time for domestic demand to exceed domestic supply and suppliers having to resort to imports from Asia.

Malaysia has managed to sustain the economic growth at a healthy pace since the 2008 Global Financial Crisis through various forms of domestic pump-priming. Now that developed economies are on a stronger footing, 2014 marks the start of a period of economic consolidation (i.e. subsidies rationalisation and etc) for the country. Though short term pain is inevitable, such fiscal reforms will eventually re-rate Malaysia. The KLCI has scaled new highs last year and small-mid cap counters have out-performed the broader market. Nonetheless, there are growth opportunities and values in Malaysian equities in 2014.

At this stage of the economic cycle, exporters and sectors are expected to benefit from large investment spending (eg, oil & gas [RAPID Project] and high electricity consuming projects in Sarawak) to drive corporate earnings. The Group's investment strategy would be to focus on internationally competitive companies and those with strong visible growth prospects.

Fixed Income

On the fixed market, the Group expects tapering of the Fed's bond-buying programme to continue in 2014 which in turn would result in bond yields inching upwards (or bond prices coming down). Nevertheless, the Fed should remain accommodative and stay attune to any unwarranted tightening in financial conditions. This is anticipated to result in a gradual and data-dependent tapering process.

Similar to the previous year, the local bond market will be heavily influenced by development on the external front, including the monetary policies and economic conditions in the US, China and Eurozone. Apart from external market development, the Group's will be vigilant on the inflation trajectory in Malaysia. The rolling-back of Government subsidies has translated to higher inflation. If the inflation trend continues to rise, it may support the argument for a hike in domestic interest rates sometime in second half of 2014 - if the "Round-2" impact is large i.e. merchants trying to profiteer by raising their prices for their goods and services beyond the actual increase in cost.

MARKET TREND & BUSINESS DEVELOPMENT (CONT'D)

Unit Trust and Asset Management (cont'd)

Fixed Income (cont'd)

The world including Malaysia has enjoyed a prolonged period of ultra low interest rates. As global economies are now on a stronger footing, global interest rates will likely be on an uptrend going forward. A rising interest rate environment would translate to a more challenging bond market. To mitigate this risk, the Group would look to keep our duration short and diversify its investments to regional markets where possible.

CURRENT YEAR PROSPECTS

The effect of tapering Quantitative Easing measure in US has increased the bond yield in Malaysia which consequently improved the overall financial results of insurance business. This is expected to be a temporary transition in monetary policy whilst the Malaysia economy is forecasted to grow at a moderate rate. The Group remains cautious about the change in the market and economic environment as our business expansion plan is rolled out and rides on various initiatives undertaken by the Government. The utilisation and allocation of resources will be prudently managed along the growth journey.

With our enlarged wealth management distribution network, we will look to launch more innovative local and foreign funds, leveraging on Manulife Asset Management's global expertise.

The strategic bancassurance partnership with ABMB will continue to create economic benefits to the Group via the distribution of its life insurance products to ABMB's customers, not to mention the diversification of sales channel will enhance the economies of scale and profitability. The Group will focus on offering a suite of bespoke products that are suitable for ABMB's customers.

A holistic customer-centric approach will be taken in the Group's forward thinking solutions designed to help its customers' most significant financial decisions. The Group will offer a range of innovative products such as living benefits, integrated wellness programs and retirement solutions that aims to enhance the Group's competitiveness in both the insurance and unit trust industries.

Barring any unforeseen circumstances, the Directors expect the Group's performance to remain satisfactory in the current financial year ending 31 December 2014 as the Group continues on its business expansion.

DIVIDEND

The Board of Directors is pleased to recommend, subject to shareholders' approval at the forthcoming Annual General Meeting, a First and Final Single-Tier dividend of 10.0 sen per share amounting to RM20.2 million and a Special Single-Tier dividend of 2.5 sen per share amounting to RM5.1 million for the financial year ended 31 December 2013. The recommendation is made in accordance with the nature of profits arising in 2013.

BOARD OF DIRECTORS

On behalf of the Board of Directors, I am pleased to welcome Mr Rockson Leung Lok-Shuen, who was appointed to the Board of Manulife Holdings Berhad on 2 September 2013, brings on board valuable expertise and experience. It is also an honour for me to have taken up the appointment as Chairperson to the Board of Manulife Holdings Berhad with effect from 12 December 2013.

ACKNOWLEDGEMENTS

Finally, on behalf of the Board of Directors, I would like to thank our shareholders, policyowners and business associates for their continued support, and our Agency force and staff for their dedication and hard work, I trust that we will continue to benefit from their support in the coming year.

Dato' Dr. Zaha Rina binti Zahari

Chairperson
Kuala Lumpur
21 May 2014

CORPORATE GOVERNANCE STATEMENT

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

As an investment holding company with financial services subsidiaries, including a life insurance company within its Group of Companies, the corporate governance model of the Company has been built and enhanced based on the requirements of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia, the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") 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 2012.

The MCCG 2012 sets out broad principles and specific recommendations on structures and processes which companies may adopt in making good corporate governance an integral part of business dealings and culture. Unless as otherwise stated, the Board has adopted the recommendations of the MCCG 2012.

THE BOARD OF DIRECTORS

An effective Board leads and controls the Company. The Manulife Holdings Berhad Board meeting is 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 eight (8) of the Directors are Independent Directors.

For the financial year ended 31 December 2013, six (6) Board meetings were held and the attendance of each Director is recorded in the Directors' Profile. 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 has delegated specific responsibilities to four (4) Board Committees, namely:

- Executive Committee of the Board
- Group Audit Committee
- Group Risk Management Committee
- 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. The ultimate responsibility for the final decision on all matters 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 constitution, 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 the relevant Management for necessary action. The Board is updated by the Company Secretaries on the follow-up or implementation of its decisions/recommendations by the Management till their closure. All Directors have access to the advice and services of the Company Secretaries.

EXECUTIVE COMMITTEE OF THE BOARD

The Executive Committee has three (3) members, comprises two (2) Non-Executive Directors and one (1) Executive Director.

Members

1. **Dato' Dr. Zaha Rina binti Zahari**, Chairperson/Independent Non-Executive Director *(Appointed on 12 December 2013)*
2. **Tan Sri Dato' Mohd Sheriff bin Mohd Kassim**, Chairman/Independent Non-Executive Director *(Retired on 26 June 2013)*
3. **Mr. Philip John Hampden-Smith**, Member/Non-Independent Non-Executive Director
4. **Mr. Mark Steven O'Dell**, Member/Group Chief Executive Officer

Terms of Reference

The Company's Articles of Association provide that the Board may appoint Executive Directors and certain Non-Executive Directors to the Executive Committee, which shall consist of not more than seven (7) members. Further, subject to the express directions of the Board and to any directions which may be given by the Company in a general meeting, the Executive Committee shall manage the business of the Company, and shall be empowered to do on behalf of the Company any act which the Directors may do, except make calls, forfeit shares, borrow money, or fill a casual vacancy on the Board.

CORPORATE GOVERNANCE STATEMENT

GROUP AUDIT COMMITTEE

The Group Audit Committee has four (4) members, comprising three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Report of the Group Audit Committee for the financial year under review can be found on pages 35 to 42 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. **Dato' Dr. Nik Norzrul Thani bin N. Hassan Thani**, Member/Independent Non-Executive Director
4. **Mr. Rockson Leung Lok-Shuen**, Member/Non-Independent Non-Executive Director *(Appointed on 2 September 2013)*
5. **Mr. Gianni Fiacco**, Member/Non-Independent Non-Executive Director *(Retired on 26 June 2013)*

Terms of Reference

The terms of reference of the Group Audit Committee is set out under the Report of the Group Audit Committee on pages 35 to 41 of the Annual Report.

Meeting Attendance

The attendance for the Group Audit Committee's members for the financial year ended 31 December 2013 is found on page 35 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. **Dato' Dr. Nik Norzrul Thani bin N. Hassan Thani**, Member/Independent Non-Executive Director
4. **Mr. Rockson Leung Lok-Shuen**, Member/Non-Independent Non-Executive Director *(Appointed on 2 September 2013)*
5. **Mr. Gianni Fiacco**, Member/Non-Independent Non-Executive Director *(Retired on 26 June 2013)*

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 responsible for implementing risk management systems perform these duties independently of the Group's risk taking activities; and
4. Reviewing the 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 risk 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 for the Group Risk Management Committee's members for the financial year ended 31 December 2013 are as follows:-

Name of members	Attendance
Mr. Lim Hun Soon @ David Lim	4 out of 4
Datuk Seri Panglima Mohd Annuar bin Zaini	3 out of 4
Dato' Dr. Nik Norzrul Thani bin N. Hassan Thani	3 out of 4
Mr. Rockson Leung Lok-Shuen	1 out of 1
Mr. Gianni Fiacco	2 out of 2

GROUP NOMINATING/REMUNERATION COMMITTEE

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

CORPORATE GOVERNANCE STATEMENT

GROUP NOMINATING/REMUNERATION COMMITTEE (CONT'D)

Members

1. **Dato' Dr. Zaha Rina binti Zahari**, Chairperson/Independent Non-Executive Director *(Appointed on 12 December 2013)*
2. **Tan Sri Dato' Mohd Sheriff bin Mohd Kassim**, Chairman/Independent Non-Executive Director *(Retired on 26 June 2013)*
3. **Mr. Lim Hun Soon @ David Lim**, Member/Independent Non-Executive Director
4. **Datuk Seri Panglima Mohd Annuar bin Zaini**, Member/Independent Non-Executive Director
5. **Dato' Dr. Nik Norzrul Thani bin N. Hassan Thani**, Member/Independent Non-Executive Director
6. **Mr. Philip John Hampden-Smith**, Member/Non-Independent Non-Executive Director

Terms of Reference

The Group Nominating Committee's primary objective is to establish a documented formal and transparent procedure for the appointment of Directors and key senior officers and to assess the effectiveness of Directors, the Board as a whole and the various Committees of the Board. The Group Nominating Committee regularly reviews the profile of the required skills and attributes of the Directors to ensure that the Board has the appropriate balance of expertise and ability to discharge its responsibilities according to the relevant requirements of Listing Requirements, Guidelines of Bank Negara Malaysia and the Securities Commission, as the case may be.

The Group Remuneration Committee's primary objective is to establish a formal and transparent procedure for developing a remuneration policy for Directors and key senior officers and ensuring that their compensation is competitive and strategic. Additionally, the Group Remuneration Committee is also responsible for recommending a framework of remuneration, based on the agreed Key Performance Indicators, as well as recommending specific remuneration packages for Directors and key senior officers.

Meeting Attendance

The attendance for the Group Nominating/Remuneration Committee's members for the financial year ended 31 December 2013 are as follows:-

Name of members	Attendance
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	2 out of 2
Mr. Lim Hun Soon @ David Lim	3 out of 3
Datuk Seri Panglima Mohd Annuar bin Zaini	3 out of 3
Dato' Dr. Nik Norzrul Thani bin N. Hassan Thani	3 out of 3
Mr. Philip John Hampden-Smith	3 out of 3

Various Management Committees

The Board has also established various Management Committees. 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

The Board currently has eight (8) members, comprising four (4) Independent Non-Executive Directors (including the Chairman), three (3) Non-Independent Non-Executive Directors and an Executive Director. Together, the Directors bring with them a wealth of experience, the required mix of skills and core competencies which are necessary to enable the Company to achieve its corporate objectives and fulfil all its fiduciary duties.

There is a clear division of responsibility between the Chairman and the Group Chief Executive Officer to ensure that there is a balance of power and authority.

The Chairman is primarily responsible for the orderly conduct of the Board meetings and to ensure effectiveness of the Board. The Group Chief Executive Officer is responsible for the day-to-day operations of the Group including making operational decisions and monitoring the day-to-day running of the business and defining the limits of the Management's responsibilities.

The Non-Executive Directors are to deliberate and discuss policies and strategies formulated and proposed by Management with the view of long-term interest of all stakeholders. They contribute to the formulation of policies and decision-making using their expertise and experiences. They also provide guidance and promote professionalism to the 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.

CORPORATE GOVERNANCE STATEMENT

There is also a balance in the Board because of the presence of Independent Non-Executive Directors of the calibre necessary 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.

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

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

The Board oversees the overall corporate governance practices and performance of the Group. The responsibilities of the Board include:-

- (i) Reviewing and adopting the Company's annual business plan, and the medium-term and long term strategic plans;
- (ii) Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- (iii) Ensuring that the operating infrastructure, systems of control, systems for risk management, financial and operational controls are in place and properly implemented;
- (iv) Succession planning, including appointing, training and fixing the compensation of Directors and key senior management;
- (v) Investor relations; and
- (vi) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.

The current Directors are able to devote sufficient time commitment to their role and responsibilities as Directors of the Company.

BOARDROOM DIVERSITY

The Board does not have any gender diversity policy or any set measures to meet any target. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based strictly on merit and are not driven by any racial or gender bias.

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.

SUPPLY OF INFORMATION

All Directors are provided with the agenda and Board reports with sufficient time prior to a Board meeting. This is to enable the Directors to obtain further explanation, where necessary, in order to be briefed properly before the meeting.

As and when necessary, the Board, in furtherance of its duties, may seek independent professional advice at the Company's expense.

BOARD APPOINTMENTS AND RE-ELECTIONS

The MCCG 2012 endorses as good practice, a formal procedure for appointments to the Board, with a Group Nominating/Remuneration Committee making recommendations to the Board. The Directors of the Board are also selected, and 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. Further, pursuant to Section 129 of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM.

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 Directors. 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.

CORPORATE GOVERNANCE STATEMENT

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.

The training programmes and seminars attended by the Directors during the financial year ended 31 December 2013 are, inter-alia, on areas relating to corporate governance, risk management, role of an effective Board, insurance, banking and finance. Conferences, seminars and training programmes attended by the Directors during the financial year ended 31 December 2013 are as follows:

Financial Services

- Banking Fundamentals
- Roles of the Board and Committee in Financial Reporting and Strategy
- Financial Risk Management for Public Listed Companies
- Credit Suisse Asian Investment Conference
- Islamic Financial Services Conference 2013
- Innovative Financing for Global Entrepreneurs
- Asian Institute of Finance (AIF) International Symposium 2013

Role of an Effective Board

- Transformation of Security and Fundamental Rights Legislation – Rights and Responsibilities: between Hope and Challenges
- The World Capital Markets Symposium 2013
- International Insurance Society Seminar
- Pacific Insurance Conference
- Canada-ASEAN Business Forum
- Global Leadership Conference

Corporate Governance

- FIDE – 60 mins with David Schmitten

Others

- Wealth Management Forum 2013
- Diploma Course in International Commercial Arbitration
- Islamic Law and Commerce
- P&O Corporate Fraud Detection & Prevention Training
- Women Deliver 2013 Conference – Empowering Women Through Clean Cookstoves and Fuels

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' REMUNERATION

The remuneration of the Directors for the financial year ended 31 December 2013 is set out below:-

- i) The aggregate remuneration of Directors with categorisation into appropriate components distinguishing between the Executive and Non-Executive Directors.

	Executive (RM'000)	Non-executive (RM'000)
Fees	-	461
Salaries	604	-
Bonus	335	-
Retirement benefits contributions	43	-
Benefits-in-kind	480	-
Share option expenses	-	-
RSU expenses	206	-
Meeting allowances	-	-
Total	1,668	461

- ii) The number of Directors whose remuneration falls into each successive band of RM50,000, distinguishing between the Executive and Non-Executive Directors.

	Executive	Non-executive**
RM50,000 and below	-	3
RM50,001 – RM100,000	-	5
RM1,000,001 – RM2,500,000	1	-

Note:

**

- 1) The aforesaid disclosures include the remuneration of two (2) Directors who retired during the financial year 2013.
- 2) Successive bands of RM50,000 are not shown entirely as these are not represented.

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 of the Board.

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.

Enquiries by shareholders are dealt with as promptly as practicable. 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 Meeting. In line with recommendation 8.2 of the MCGG 2012, the Chairman informs shareholders of their right to demand a poll vote at the commencement of all general meetings. All resolutions at the AGM are put to vote on a show of hands unless a request for poll is put forward.

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.

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, 1965 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.

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 Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

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 undertake an annual assessment of suitability and independent of the external auditors. The Group Audit Committee meet with the external auditors at least twice (2) a year to discuss their audit plan, audit finding and the Company financial statements. At least one of the meeting is held without the present 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.

RECOGNISE AND MANAGE RISK

The Statement on Risk Management and Internal Control, set out on pages 28 to 30 of the Annual Report provides an overview of the management of risks and state of internal controls with the Group.

GROUP INTERNAL AUDIT FUNCTION

The Group Internal Audit Department carries out the internal audit function and reports directly to Group Audit Committee. The details of the group internal audit function is set out on page 42.

COMPLIANCE STATEMENT

The Board has taken steps to ensure that the Group has implemented as far as possible the corporate governance best practices and the recommendations of the MCGG 2012.

This statement is in accordance with a resolution of the Board dated 24 March 2014.



STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL FOR THE YEAR 2013

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 provide only 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 achieving strategic objectives and managing business operations to support long term revenue, earnings and shareholders' value growth.

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

The key processes that have been put in place to review the adequacy and integrity of system of internal controls and risk management include the following:

- The process of identifying, evaluating and managing the significant risks has been in place for the year under review and up to date of approval of this statement for inclusion in the Annual Report.
- The Board provides stewardship and management oversight to ensure that the Management is qualified and competent. Organisational and procedural controls, and policies and procedures for major activities are reviewed, approved and monitored on a periodic basis.
- Senior management directs and oversees the effective management of the Group's institutional operations, which include 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 control and corporate governance practices, culture and ethics.
- The GAC reviews audit issues concerning internal controls and risk management as identified by the Audit Services Asia - Malaysia ("AS-Malaysia"), external auditors and regulatory examiners. The GAC annually reviews and approves the internal audit plan and budget to ensure that AS-Malaysia 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 the AS-Malaysia's independence and objectivity on their scope of works.
- 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.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL FOR THE YEAR 2013

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

- The Head of AS-Malaysia reviews the appropriateness of the internal audit methodologies and practices periodically, to ensure that the internal audit function complies with sound internal auditing principles and practices and that there is a process in place to ensure the continued relevance and effectiveness of the methodologies and practices. The Charter for AS-Malaysia is reviewed and approved by the GAC annually.
- AS-Malaysia monitors and evaluates the Group's business risks, monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. A risk-based annual internal audit plan is developed based on AS-Malaysia's annual risk assessment on all identified auditable areas. 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 Compliance function ensures that the Group works within the applicable statutory, regulatory and ethical framework defined by all applicable laws, regulations and guidelines governing the insurance, asset management and unit trust 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 and regulations and 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 their business activities through appropriate internal control procedures and risk management practices.
- 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 plan. 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 any variances.
- An annual review of the current and future financial position of the Group's insurance business is performed by the Appointed Actuary, as guided by Policy document issued by Bank Negara Malaysia's (BNM/RH/GL/003-17), Guidelines on Financial Condition Report and (BNM/RH/GL/003-24) Risk Based Capital Framework for Insurers. These include quarterly Capital Adequacy Ratio reporting, annual dynamic solvency test, semi-annual stress testing and assessing the Group's insurance business ability, to withstand various adverse scenarios as part of the capital assessment procedures. Appointed Actuary is also responsible to review and assess any new life insurance products risk for all 'launch-and-file' regime, pursuant to Bank Negara Malaysia's (BNM/RH/GL/010-14), Guidelines on Introduction of New Products for Insurance Companies and Takaful Operators,
- There are proper processes within the Group for hiring, termination and promotion of staff, formal training programmes for staff, annual and semi-annual performance appraisals and other relevant procedures in place to ensure staff members are competent, adequately trained in carrying out their roles and responsibilities and focused on achieving desired results and business objectives.
- 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 computer disaster recovery tests, pandemic walk-through tests, call tree tests, integrated simulation tests, etc. Results of the tests performed are presented to the Board via the Group Chief Executive Officer ("GCEO") reports for their review as part of its oversight role.



STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL FOR THE YEAR 2013

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

- 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 GCEO is directly accountable to the Board of Directors 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 GCEO. The GCEO, supported by the Risk Officer ("RO") 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 GCEO, Chief Executive Officer of Manulife Insurance Berhad, Chief Executive Officer of Manulife Asset Management Services Berhad, Chief Executive Officer of MAAKL Mutual Bhd, Chief Investment Officer of Manulife Asset Management Services Berhad, Group Chief Finance Officer, Chief Legal & Compliance Officer and Chief Human Resources Officer.
- There are clearly documented authority limits, policies and procedures that underpin the internal control process, e.g. staff integrity, staff competency, check 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.

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 Recommended Practice Guide ("RPG") 5 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 is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of internal control of the Group. The external auditors are not required by RPG 5 to consider, whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

CONCLUSION

Based on the above, the Board believes that the system of internal controls and risk management of the Group is sound and sufficient to safeguard shareholders' investments and the Group's assets.

This statement was made in accordance with a resolution of the Board of Directors dated 27 February 2014.

ADDITIONAL COMPLIANCE INFORMATION

1. NON-STATUTORY AUDIT FEES

The following non-statutory audit fees for the Group and the Company paid to Messrs. Ernst & Young, the Auditors and its affiliated companies for the financial year ended 31 December 2013 amounted to RM94,000.

	Services	RM
Ernst & Young	Non-statutory audit related services	94,000
Total		94,000

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 Thirty-Seventh Annual General Meeting ("AGM") of the Company held on 26 June 2013, the Company had obtained 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 2013 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 Service Agreement and Shared Resources Agreement	MHB Group	MTSSB	<u>Interested Directors*</u> <ul style="list-style-type: none"> - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco - Rockson Leung Lok-Shuen <u>Interested Major Shareholders#</u> <ul style="list-style-type: none"> - MFC - MLIC - MFAL ^ - MHL > - MCHN 	2,294
2.	Outsourcing the Health Services Call Centre	MIB	MDSI	<u>Interested Directors*</u> <ul style="list-style-type: none"> - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco - Rockson Leung Lok-Shuen <u>Interested Major Shareholders#</u> <ul style="list-style-type: none"> - MFC - MLIC - MFAL ^ - MHL > - MCHN 	504

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
3.	Outsourcing of asset management subsidiary back office system	MAMM	MFC Group~	<u>Interested Directors*</u> <ul style="list-style-type: none"> - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco - Rockson Leung Lok-Shuen <u>Interested Major Shareholders#</u> <ul style="list-style-type: none"> - MFC - MLIC - MFAL ^ - MHLB > - MCHN 	675
4.	Rental Income**	MHB	MTSSB	<u>Interested Directors*</u> <ul style="list-style-type: none"> - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco - Rockson Leung Lok-Shuen <u>Interested Major Shareholders#</u> <ul style="list-style-type: none"> - MFC - MLIC - MFAL ^ - MHLB > - MCHN 	1,272
5.	Book-keeping Fee and Administration Fee	MHB	MTSSB	<u>Interested Directors*</u> <ul style="list-style-type: none"> - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco - Rockson Leung Lok-Shuen <u>Interested Major Shareholders#</u> <ul style="list-style-type: none"> - MFC - MLIC - MFAL ^ - MHLB > - MCHN 	18

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
6.	Delivery of Private Retirement Scheme operating system	MAMSB	MTSSB	<u>Interested Directors*</u> <ul style="list-style-type: none"> - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco - Rockson Leung Lok-Shuen <u>Interested Major Shareholders#</u> <ul style="list-style-type: none"> - MFC - MLIC - MFAL ^ - MHLB > - MCHN 	3,036
7.	Outsourcing of Private Retirement Scheme data processing	MAMSB	MDSI	<u>Interested Directors*</u> <ul style="list-style-type: none"> - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco - Rockson Leung Lok-Shuen <u>Interested Major Shareholders#</u> <ul style="list-style-type: none"> - MFC - MLIC - MFAL ^ - MHLB > - MCHN 	-
8.	Provision of various training, advisory and support services from Manulife Asia headquarters	MHB Group	MFAL	<u>Interested Directors*</u> <ul style="list-style-type: none"> - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco - Rockson Leung Lok-Shuen <u>Interested Major Shareholders#</u> <ul style="list-style-type: none"> - MFC - MLIC - MFAL ^ - MHLB > - MCHN 	-

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
9.	Delivery of Mysale, mobile sales application system for insurance business	MIB	MTSSB	<u>Interested Directors*</u> <ul style="list-style-type: none"> - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco - Rockson Leung Lok-Shuen <u>Interested Major Shareholders#</u> <ul style="list-style-type: none"> - MFC - MLIC - MFAL ^ - MHBL > - MCHN 	672
10.	Provision of support services on the delivery of Mysales, mobile sales application system for insurance business	MIB	MFAL	<u>Interested Directors*</u> <ul style="list-style-type: none"> - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco - Rockson Leung Lok-Shuen <u>Interested Major Shareholders#</u> <ul style="list-style-type: none"> - MFC - MLIC - MFAL ^ - MHBL > - MCHN 	-

Denote:-

MAMM	-	Manulife Asset Management (Malaysia) Sdn. Bhd.
MAMSB	-	Manulife Asset Management Services Berhad
MCHN	-	Manulife Century Holdings (Netherlands) B.V.
MDSI	-	Manulife Data Services Inc.
MFC	-	Manulife Financial Corporation
MFAL	-	Manulife Financial Asia Limited
MHB	-	Manulife Holdings Berhad
MHBL	-	Manulife Holdings (Bermuda) Limited
MIB	-	Manulife Insurance Berhad
MLIC	-	The Manufacturers Life Insurance Company
MTSSB	-	Manulife Technology & Services Sdn. Bhd.

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.
- > MLIC is the holding company of MFAL.
- ** 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)
Dato' Dr. Nik Norzrul Thani Bin N. Hassan Thani (Independent Non-Executive Director)
Mr. Rockson Leung Lok-Shuen (Non-Independent Non-Executive Director)
(Appointed on 2 September 2013)
Mr. Gianni Fiacco (Non-Independent Non-Executive Director)
(Retired on 26 June 2013)

The details of attendance of each member at the Group Audit Committee meetings held during 2013 are as follows:

Name of committee member	Attendance
Mr. Lim Hun Soon @ David Lim	6 out of 6
Datuk Seri Panglima Mohd Annuar bin Zaini	6 out of 6
Dato' Dr. Nik Norzrul Thani bin N. Hassan Thani	5 out of 6
Mr. Gianni Fiacco	4 out of 4
Mr. Rockson Leung Lok-Shuen	1 out of 1

II. TERMS OF REFERENCE

1. Establishment

- 1.1 The Board of Directors ("the Board") shall form a committee of directors to perform the role of the Group Audit Committee for Manulife Holdings Berhad and its group of companies (collectively, "Manulife Group") save and except for Manulife Insurance Berhad.
- 1.2 The written terms of reference for the Group Audit Committee shall provide a clear understanding of the Group Audit Committee's role. The terms of reference shall be made available to board members, management and internal auditors of Manulife Group.

2. Composition of the Group Audit Committee

- 2.1 The Group Audit Committee should be composed of no fewer than three (3) non-executive members appointed from the Board.
- 2.2 The members of the Group Audit Committee should be appointed after taking into consideration the recommendations of the Group Nominating/Remuneration Committee. In determining the appropriate size and composition of the Group Audit Committee, the Board should in particular, take into consideration the necessary mix of skills and experience required for the Group Audit Committee to effectively discharge its responsibilities.
- 2.3 The Group Audit Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants or alternatively a person who must have at least three (3) years working experience and have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 ("Schedule") or is a member of one of the associations of accountants specified in Part II of the said Schedule or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- 2.4 The Board shall review the term of office and performance of the Group Audit Committee and each of its members at least once every three (3) years to determine whether such Group Audit Committee and members have carried out their duties in accordance with their Terms of Reference.
- 2.5 If for any reason the number of the Group Audit Committee members at any point in time is reduced to below three (3) and thereby resulting in a breach of the Bursa Securities Main Market Listing Requirements, the vacancy(s) shall be filled within three (3) months from the date of such breach.



GROUP AUDIT COMMITTEE REPORT

II. TERMS OF REFERENCE (CONT'D)

3. Qualification, Experience, Knowledge and Skills

- 3.1 Candidates for the Group Audit Committee should have sound judgement, objectivity, an independent attitude, management experience and adequate knowledge of the insurance, fund management and wealth management industries. They should be committed to the task and demonstrate a keen perception of the internal control environment within Manulife Group and an ability to make probing inquiries.
- 3.2 Collectively, the Group Audit Committee should have a wide range of necessary skills to undertake its duties and responsibilities. All the Group Audit Committee members should be able to understand the financial reporting process and be financially literate. At a minimum, at least one (1) member of the Group Audit Committee should be familiar with accounting, auditing practices and financial reporting requirements. This individual should be a member of a recognised professional accounting body.
- 3.3 In addition, in view of the important role of the Group Audit Committee in ensuring that there are adequate checks and balances within the operations of Manulife Group, all Group Audit Committee members, either individually or collectively, are also expected to be familiar with areas included in the scope of internal insurance, fund management and wealth management audits.

4. Independence of Group Audit Committee Members

- 4.1 All Group Audit Committee members shall be independent. Where this cannot be achieved, the majority of the Group Audit Committee members, including the Chairman of the Group Audit Committee, should be independent. In the absence of the Chairman of the Group Audit Committee, the members of the Group Audit Committee shall elect a Chairman from amongst themselves who shall be an independent non-executive director.
- 4.2 An independent director should comply with Paragraph 1.01 of the Bursa Securities Main Market Listing Requirements and should not:
 - (a) be an executive director within Manulife Group;
 - (b) hold more than 5% equity interest directly or indirectly in any company within Manulife Group;
 - (c) be employed as an officer (except as a non-executive director) of any company within Manulife Group at least two (2) years prior to his appointment date;
 - (d) be a relative of any executive director, officer or major shareholder of any company within Manulife Group or any of its related corporations;
 - (e) act as a nominee or representative of any executive director or major shareholder of any company within Manulife Group or any of its related corporations;
 - (f) be engaged as a professional adviser by any company within Manulife Group or any of its related corporations under such circumstances as prescribed by Bursa Securities or is not presently a partner, director (except as an independent director) or major shareholder, as the case may, of a firm or corporation which provides professional advisory services to any company within Manulife Group or any of its related corporations under such circumstances as prescribed by Bursa Securities; and
 - (g) be engaged in any transaction with any company within Manulife Group or its related corporations under such circumstances as prescribed by Bursa Securities or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of any company within Manulife Group) which has engaged in any transaction with any company within Manulife Group or any related corporation under such circumstances as prescribed by Bursa Securities.

II. TERMS OF REFERENCE (CONT'D)

5. Authority

- 5.1 The Group Audit Committee should have explicit authority to investigate any matter within its terms of reference and full access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of any company within Manulife Group.
- 5.2 The Group Audit Committee should be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by management or the internal audit department. Fraud and irregularities discovered by management should be referred to the internal audit department for investigation.
- 5.3 The Group Audit Committee should have access to copies of audit reports (including interim financial audits) on a timely basis and should be kept regularly informed of corrective actions arising from internal and external audit findings.
- 5.4 The Group Audit Committee should have adequate resources to perform its duties and discharge its responsibilities and should be authorised to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.

6. Meetings

- 6.1 The Group Audit Committee should meet regularly, with due notice of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities.
- 6.2 In addition, the Chairman of the Group Audit Committee should call a meeting of the Group Audit Committee if requested to do so by any Group Audit Committee member, the management or the internal or external auditors.
- 6.3 The quorum for Group Audit Committee meetings should be at least two thirds of the members with independent directors forming the majority. Seven (7) days' notice of Group Audit Committee Meetings shall be given to all Group Audit Committee members unless the Group Audit Committee waives such requirement.
- 6.4 If at any meeting, the Group Audit Committee Chairman is not present within 15 minutes after the time for holding the meeting, the members present may choose one (1) of their member to be the Chairman of the meeting.
- 6.5 The Head of Finance, the Head of Internal Audit should normally attend the Group Audit Committee and a representative of the external auditors to attend the meeting as and when required. Other board members may attend the meeting upon invitation of the Group Audit Committee. While the Group Audit Committee may invite any person to be in attendance to assist it in its deliberations, the Group Audit Committee should ensure that it meets exclusively when necessary.
- 6.6 The Company Secretary should act as Secretary of the Group Audit Committee and should be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to the Group Audit Committee members within a reasonable timeframe prior to each meeting.
- 6.7 The Secretary should also be responsible for keeping the minutes of meetings of the Group Audit Committee, their timely circulation to the Group Audit Committee members and other members of the Board, and following up on outstanding matters in relation to the meetings.
- 6.8 Questions arising at any meeting of the Group Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Group Audit Committee shall have a second or casting vote.



GROUP AUDIT COMMITTEE REPORT

II. TERMS OF REFERENCE (CONT'D)

6. Meetings (cont'd)

- 6.9 A resolution in writing signed by all members of the Group Audit Committee for the time being entitled to receive notice of a meeting of the Audit Committee, shall be as valid and effectual as if it had been passed at the meeting of the Group Audit Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the Group Audit Committee.
- 6.10 The Chairman of the Group Audit Committee should provide written reports to the Board on the deliberations of the Group Audit Committee on a regular basis. In addition, the Chairman should also present a summary of all significant matters (highlighting the risks and implications) and resolutions made by the Group Audit Committee at Board meetings.
- 6.11 The Chairman of the Group Audit Committee should engage on a continuous basis with senior management, such as the Chairman of the Board, the Chief Executive Officer, the Finance Director, the Chief of Internal Audit and the external auditors in order to be kept informed of matters affecting a company within Manulife Group.

7. Duties and Responsibilities

The Group Audit Committee's duties and responsibilities in relation to the internal audit and external audit function should include the following:

7.1 Internal audit

The Group Audit Committee should:-

- (a) Ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives.
- (b) Ensure the effective organisation of the internal audit function, with due regard to the professionalism, capacity and competence of the internal audit personnel.
- (c) Review and approve the audit plan, audit charter and budget required.
- (d) Ensure that reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the internal auditors. In particular, internal audit reports should not be subject to the clearance of a Chief Executive Officer or any executive director.
- (e) Review the internal audit programme and results of the internal audit process.
- (f) The Group Audit Committee should also review the scope of internal audit procedures, in particular:-
 - i. Any restrictions placed on access by the internal auditors to any company's records, assets, personnel or processes which are relevant to the conduct of audits;
 - ii. Appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits, having regard to the nature, size and complexity of a company's operations;
 - iii. Compliance with internal auditing standards; and
 - iv. Coordination between internal and external auditors.

II. TERMS OF REFERENCE (CONT'D)

7. Duties and Responsibilities (cont'd)

7.1 Internal audit (cont'd)

- (g) The Group Audit Committee members should ensure that they are adequately informed of, and understand, the risks and implications of internal audit findings and recommendations. The Group Audit Committee should pay particular attention to internal audit assessments of:-
 - i. Compliance with company policies, relevant laws and regulatory requirements;
 - ii. Effectiveness of internal controls in critical areas of operations (eg accounting, underwriting, claims, investment, derivatives and information technology management); and
 - iii. Management's responsiveness to, and corrective actions taken in respect of internal audit findings and recommendations.
- (h) The Group Audit Committee should ensure that all findings and recommendations are resolved effectively and in a timely manner.
- (i) The Group Audit Committee should note any significant disagreements between the internal auditor and management irrespective of whether they have been resolved in order to identify any impact that this may have on the audit process or findings.
- (j) Resources and staffing. The Group Audit Committee should ensure on an ongoing basis the internal audit department has adequate and competent resources, given the size and complexity of a company's operations. In this respect, the Group Audit Committee should:-
 - i. Review any appraisal or assessment of the performance of members of the internal audit function;
 - ii. Approve any appointment or termination of senior staff members of the internal audit function; and
 - iii. Take cognisance of resignations of internal audit staff members and provide the resignation staff member an opportunity to submit his reasons for resigning.

The Group Audit Committee should ensure that internal audit staff receives necessary training to perform audit work. In this respect, there should be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.

The Head of Internal Audit shall report directly to the Group Audit Committee and shall have direct access to the Chairman of the Group Audit Committee.

7.2 External auditor

- (a) Appointment of external auditor. The Group Audit Committee is responsible for the appointment, resignation or dismissal of the external auditor, having particular regard to the external auditor's objectivity, performance and independence.
- (b) The Group Audit Committee should:
 - i. Review and assess various relationships between the external auditor and the Company or any other entity within Manulife Group that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.
 - ii. Review and assess fees paid to the external auditor, considering economic importance of a company (in terms of total fees paid) to the external auditor; fees paid for non-audit services as a proportion of total fees; and whether an effective, comprehensive and complete audit could be reasonably conducted for the audit fee paid.



GROUP AUDIT COMMITTEE REPORT

II. TERMS OF REFERENCE (CONT'D)

7. Duties and Responsibilities (cont'd)

7.2 External auditor (cont'd)

(b) The Group Audit Committee should: (cont'd)

- iii. Investigate reasons for any request made by management to dismiss the external auditor, or any resignation by the external auditor.
- iv. Approve the provision of any non-audit services by the external auditor. The Group Audit Committee's decisions with respect to the provision of non-audit services should be documented in a statement which outlines whether or not it believes the level of provision of non-audit services by the external auditor is compatible with maintaining the external auditor's independence together with supporting reason.

(c) Audit plan, findings and recommendations. The Group Audit Committee should review:

- with the external auditor the audit plan prior to the commencement of the annual audit, the nature and the scope of audit;
- the quarterly and year end financial statements;
- audit reports issued by the external auditor;
- any significant disagreements between the external auditor and management irrespective of whether they have been resolved in the absence of management where necessary; and
- any other findings, issues or reservations faced by the external auditor arising from the interim review and year end audit results.

The Group Audit Committee should also review and monitor management's responsiveness to and action taken on external audit findings and recommendations. In this regard, the Group Audit Committee should ensure that all findings and recommendations are resolved effectively and in a timely manner.

In order to allow external auditors to express concerns, problems and reservations arising from the financial audits effectively, the Group Audit Committee should meet at least twice a year with the external auditors in the absence of management/executive Board members.

8. Other Responsibilities

The Group Audit Committee should also:

(a) Review:-

- i. The interim financial reports and preliminary announcements;
- ii. Corporate governance disclosures made in the Directors' Report and be satisfied that any departure from the Malaysian Code on Corporate Governance Framework ("Framework") principles and the circumstances justifying such departure are sufficiently explained;
- iii. All representation letters signed by management, and be satisfied that the information provided is complete and appropriate;
- iv. External auditor's management letter and management's response; and
- v. Any related party transactions and conflicts of interest situations that may arise between a company within Manulife Group including any transaction, procedure or conduct that raises questions of management's integrity.

II. TERMS OF REFERENCE (CONT'D)

8. Other Responsibilities (cont'd)

The Group Audit Committee should also: (cont'd)

- (b) Prepare an annual report to the Board that provides a summary of the activities of the Group Audit Committee for inclusion in the Company's annual report.
- (c) Assist the Board of the Company in the following for publication in the Company's annual report: -
 - i. Statement on the Company's application of the principles set out in Part 1 of the Malaysian Code on Corporate Governance ("MCCG");
 - ii. Statement on the extent of compliance with the Best Practices in Corporate Governance set out in Part 2 of the MCCG, specifying reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas; and
 - iii. Statement on the Board's responsibility for preparing the annual audited accounts.
- (d) Ensure that the Company's accounts are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with regular reviews carried out on the adequacy of provisions made.
- (e) Ensure that supervisory issues raised by a regulator concerning a member of the Manulife Group is resolved in a timely manner.
- (f) Report any breaches of the Main Market Listing Requirements, which have not been satisfactorily resolved, to Bursa Securities.
- (g) The Group Audit Committee shall also be responsible for any other functions as may be determined by the Board and reflected in its terms of reference.

9. Minutes

- 9.1 The Secretary shall keep the minutes of the Group Audit Committee meetings at the Company's registered office.
- 9.2 The minutes shall be signed by the Chairman of the meeting at which the proceeding were held or by the Chairman of the next succeeding meeting.
- 9.3 As a reporting procedure, the minutes shall be circulated to all members of the Board.

III. MEETINGS

The Committee had six (6) meetings during the year and the details of attendance of each member are stated on page 35 of the Annual Report. Upon invitation, the Group Chief Executive Officer/Managing Director and members of senior management attended all the meetings.

The Group's external auditors attended two (2) of the meetings during the year.



GROUP AUDIT COMMITTEE REPORT

IV. SUMMARY OF ACTIVITIES

The main activities of the Group Audit Committee during the year were as follows:-

- (i) reviewed the quarterly financial results announcements of Manulife Group prior to the Board's approval, focusing particularly on overall performance and prospects of Manulife Group and compliance with accounting standards and other legal requirements;
- (ii) reviewed the audited financial statements of Manulife Group prior to the Board's approval;
- (iii) reviewed the external auditors' scope of work and audit plans for the year; and
- (iv) reviewed the internal audit reports, audit plan and budget for the year.

V. GROUP INTERNAL AUDIT FUNCTION

The Group has a well-established Internal Audit Department known as Audit Services Asia - 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' (IIA's) 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 Manulife Holdings Berhad 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.

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 carries 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 the 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 Manulife Group's annual report.

The total costs incurred in managing internal audit activities for Manulife Group in year 2013 were RM746,059 (2012: RM522,266).



Financial Statements

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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 2013.

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.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to:-		
Owners of the parent	58,242	206,653
Non-controlling interests	45	-
	58,287	206,653

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final dividend of 15 sen per share, less 25% tax, amounting to RM22,766,625 in respect of the financial year ended 31 December 2012.

The directors recommend the payment of a First and Final Single-Tier Dividend of 10.0 sen per share and a Special Single-Tier Dividend of 2.5 sen per share, amounting to RM20,237,000 and RM5,059,250 respectively for the financial year ended 31 December 2013, 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 and paid up share capital of the Company during the financial year.

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the directors are not aware of any circumstances that would render it necessary to write off any bad debts or the amount of 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

SIGNIFICANT EVENTS

- (i) On 13 June 2013, the insurance subsidiary of the Group signed a 10-year exclusive bancassurance agreement with Alliance Bank Malaysia Berhad ("ABMB").

The total consideration to be paid to ABMB under this exclusive agreement will be up to RM70 million. As of 31 December 2013, RM30 million has been paid and was capitalised as an intangible asset. The remaining balance will be paid over the next 10 years and the committed fees are accordingly disclosed as other commitments in note 36.

Further disclosures are provided in note 2(f)(ii) and note 6 to the financial statements.

- (ii) On 31 December 2013, the Group completed the acquisition of the entire issued and paid-up ordinary share capital of MAAKL Mutual Berhad for a total consideration of RM96,475,000. Further disclosure on the acquisition is 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 year since the date of the last report are:

Philip John Hampden-Smith

Robert Allen Cook

Datuk Seri Panglima Mohd Annuar bin Zaini

Dato' Dr Nik Norzrul Thani bin N. Hassan Thani

Lim Hun Soon @ David Lim

Mark Steven O'Dell

Rockson Leung Lok-Shuen

Dato' Dr. Zaha Rina binti Zahari

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim

Gianni Fiacco

(Appointed on 2 September 2013)

(Appointed on 12 December 2013)

(Retired on 26 June 2013)

(Retired on 26 June 2013)

In accordance with Article 93(B) of the Company's Articles of Association, Mr. Philip John Hampden-Smith and Datuk Seri Panglima Mohd Annuar bin Zaini shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 98 of the Company's Articles of Association, Mr. Rockson Leung Lok-Shuen and Dato' Dr. Zaha Rina binti Zahari shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

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 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.

DIRECTORS' BENEFITS (CONTINUED)

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.

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 of the ultimate holding company are as follows:

	Number of ordinary shares		
	As at 1.1.2013	Acquired	Sold
Manulife Financial Corporation			
- Direct interest			
Robert Allen Cook	10,000	-	-

	Number of option on ordinary shares		
	As at 1.1.2013	Granted	Exercised/ Lapsed
Manulife Financial Corporation			
- Direct interest			
Robert Allen Cook	1,018,277	210,435	(38,000)
Philip John Hampden-Smith	313,077	37,114	-
Mark Steven O'Dell	31,340	15,963	-

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 five day average closing market price of common shares on the Toronto Stock Exchange on the date the options were granted.

	Number of deferred/restricted share units		
	As at 1.1.2013	Granted/ Reinvested	Released/ Lapsed
Manulife Financial Corporation			
- Direct interest			
Robert Allen Cook	129,963	32,303	(10,912)
Philip John Hampden-Smith	62,293	5,623	-
Mark Steven O'Dell	24,097	10,251	(6,981)
Rockson Leung Lok-Shuen	16,739	9,967	(6,316)

Deferred share units and restricted 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.

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.



DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

By virtue of the above directors' interests in the shares the ultimate holding company, they 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.

HOLDING COMPANY

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

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March 2014.

DATO' DR. ZAHA RINA BINTI ZAHARI
CHAIRMAN

Kuala Lumpur, Malaysia

MARK STEVEN O'DELL
DIRECTOR



STATEMENT BY DIRECTORS

Pursuant to section 169(15) of the Companies Act, 1965

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 52 to 139 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 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 2013 and their financial performance and cash flow for the financial year then ended.

In the opinion of the Directors, the information set out in note 39 on page 139 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1 "*Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*" issued by the Malaysian Institute of Accountants on 20 December 2010, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March 2014.

DATO' DR. ZAHA RINA BINTI ZAHARI
CHAIRMAN

MARK STEVEN O'DELL
DIRECTOR

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

Pursuant to section 169(16) of the Companies Act, 1965

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 52 to 139 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 above named Tham Kok Yoke at Kuala Lumpur in Malaysia on 24 March 2014, before me.

COMMISSIONER FOR OATHS
KALASAGAR NAIR
NO: W513



INDEPENDENT AUDITORS' REPORT

To the members of Manulife Holdings Berhad
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Manulife Holdings Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 52 to 139.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and requirements of the Companies Act, 1965 in Malaysia.



INDEPENDENT AUDITORS' REPORT

To the members of Manulife Holdings Berhad
(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 ("the Act") in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in note 7 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 39 to the financial statements on page 139 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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

Kuala Lumpur, Malaysia
24 March 2014

BRANDON BRUCE STA MARIA

No. 2937/09/15(J)

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
ASSETS					
Property and equipment	4	30,371	20,183	11,618	9,550
Investment properties	5	78,622	81,741	33,036	32,844
Intangible assets	6	120,587	2,617	-	
Subsidiaries	7	-	-	303,366	206,891
Available-for-sale financial assets	8(a)	2,568,350	2,550,577	204,199	112,696
Fair value through profit or loss financial assets	8(b)	912,252	714,785	-	-
Loans and receivables	9	637,770	606,890	11,028	12,047
Reinsurance assets	10	1,731	3,268	-	-
Insurance receivables	11	26,969	27,995	-	-
Deferred tax assets	17	84	64	-	-
Current tax assets		11	3	-	-
Cash and cash equivalents		57,657	46,779	1,555	7,041
TOTAL ASSETS		4,434,404	4,054,902	564,802	381,069
EQUITY, POLICYHOLDERS' FUND AND LIABILITIES					
Share capital	12	101,185	101,185	101,185	101,185
Share premium		1,884	1,884	1,884	1,884
Retained earnings	13	634,209	598,734	441,832	257,946
Other reserves		16,353	37,123	1,350	9,686
Equity attributable to the owners of the parent					
		753,631	738,926	546,251	370,701
Non-controlling interests	14	3,669	-	-	-
TOTAL EQUITY		757,300	738,926	546,251	370,701
Insurance contract liabilities					
	15	3,072,828	2,803,687	-	-
Insurance claims liabilities	16	41,001	36,133	-	-
Deferred tax liabilities	17	42,168	47,691	175	118
Insurance payables	18	364,488	348,676	-	-
Current tax liabilities		4,971	13,284	1,866	2,106
Other payables	19	151,648	66,505	16,510	8,144
TOTAL LIABILITIES		3,677,104	3,315,976	18,551	10,368
TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES					
		4,434,404	4,054,902	564,802	381,069

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

STATEMENTS OF PROFIT OR LOSS

For the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Premium income					
Gross premiums		685,265	515,366	-	-
Premiums ceded to reinsurers		(11,013)	(10,499)	-	-
Net premiums	20	674,252	504,867	-	-
Investment income	21	166,093	158,217	213,718	10,628
Net realised gains	22	100,990	68,223	3,927	2,038
Net fair value gains/(losses)	23	69,823	35,487	95	(242)
Fee income	24	5,599	1,775	970	1,330
Other operating income		1,141	949	-	11
Total revenue		1,017,898	769,518	218,710	13,765
Gross benefits and claims paid		(424,253)	(375,286)	-	-
Claims ceded to reinsurers		1,525	5,715	-	-
Gross change in contract liabilities		(322,800)	(169,824)	-	-
Net claims		(745,528)	(539,395)	-	-
Fee and commission expenses		(78,052)	(73,811)	-	-
Investment expenses		(3,244)	(3,605)	(2,054)	(2,012)
Management expenses	25	(106,358)	(77,199)	(9,811)	(6,267)
Other operating expenses	27	(11,484)	(18,706)	-	(34)
Other expenses		(199,138)	(173,321)	(11,865)	(8,313)
Profit before taxation		73,232	56,802	206,845	5,452
Taxation	28	(14,945)	(7,847)	(192)	996
Net profit for the financial year		58,287	48,955	206,653	6,448
Net profit attributable to:					
Owners of the parent		58,242	48,955	206,653	6,448
Non-controlling interests		45	-	-	-
		58,287	48,955	206,653	6,448
Basic earnings per share (sen)	29	28.78	24.19		

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

STATEMENTS OF TOTAL COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net profit for the financial year		58,287	48,955	206,653	6,448
Other comprehensive (loss)/income, net of tax:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:-					
Fair value change of available-for sale financial assets:					
- Gross fair value change	8(c)	(83,894)	39,505	(9,049)	1,892
- Deferred tax	17	8,020	(2,219)	-	985
		(75,874)	37,286	(9,049)	2,877
Change in insurance contract liabilities arising from unrealised net fair value losses/(gains)	15	54,391	(26,084)	-	-
- Net (losses)/gains		(21,483)	11,202	(9,049)	2,877
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(21,483)	11,202	(9,049)	2,877
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:-					
Surplus from revaluation of property:					
- Gross surplus from revaluation		1,354	-	713	-
- Reversal of deferred tax	17	-	949	-	949
		1,354	949	713	949
Changes in insurance contract liabilities arising from revaluation of property		(641)	-	-	-
- Net gains		713	949	713	949
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		713	949	713	949
Other comprehensive (loss)/income for the financial year, net of tax		(20,770)	12,151	(8,336)	3,826
Total comprehensive income for the financial year		37,517	61,106	198,317	10,274
Total comprehensive income attributable to:					
Owners of the parent		37,472	61,106	198,317	10,274
Non-controlling interests		45	-	-	-
		37,517	61,106	198,317	10,274

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

Group	Note	Attributable to owners of the parent						Non-controlling Interest	Total equity
		Share capital	Share premium	Asset revaluation reserve	Fair value reserve	Retained earnings	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012		101,185	1,884	2,846	22,126	577,099	705,140	-	705,140
Net profit for the financial year		-	-	-	-	48,955	48,955	-	48,955
Other comprehensive income for the financial year		-	-	949	11,202	-	12,151	-	12,151
Total comprehensive income for the financial year		-	-	949	11,202	48,955	61,106	-	61,106
Dividends paid	30	-	-	-	-	(27,320)	(27,320)	-	(27,320)
At 31 December 2012		101,185	1,884	3,795	33,328	598,734	738,926	-	738,926
At 1 January 2013		101,185	1,884	3,795	33,328	598,734	738,926	-	738,926
Non-controlling interest arising from business combination		-	-	-	-	-	-	3,624	3,624
Net profit for the financial year		-	-	-	-	58,242	58,242	45	58,287
Other comprehensive income/(loss) for the financial year		-	-	713	(21,483)	-	(20,770)	-	(20,770)
Total comprehensive income/(loss) for the financial year		-	-	713	(21,483)	58,242	37,472	45	37,517
Dividends paid	30	-	-	-	-	(22,767)	(22,767)	-	(22,767)
At 31 December 2013		101,185	1,884	4,508	11,845	634,209	753,631	3,669	757,300

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 RM71,719,000 (1 January 2013/ 31 December 2012: RM 71,719,000; 1 January 2012: RM120,469,000). These amounts are only distributable upon the actual recommended transfer from the Non-participating life fund to the Shareholders' 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 2013

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
At 1 January 2012		101,185	1,884	2,846	3,014	278,818	387,747
Net profit for the financial year		-	-	-	-	6,448	6,448
Other comprehensive income for the financial year		-	-	949	2,877	-	3,826
Total comprehensive income for the financial year		-	-	949	2,877	6,448	10,274
Dividends paid	30	-	-	-	-	(27,320)	(27,320)
At 31 December 2012/ 1 January 2013		101,185	1,884	3,795	5,891	257,946	370,701
Net profit for the financial year		-	-	-	-	206,653	206,653
Other comprehensive income/(loss) for the financial year		-	-	713	(9,049)	-	(8,336)
Total comprehensive income/(loss) for the financial year		-	-	713	(9,049)	206,653	198,317
Dividends paid	30	-	-	-	-	(22,767)	(22,767)
At 31 December 2013		101,185	1,884	4,508	(3,158)	441,832	546,251

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit for the financial year		58,287	48,955	206,653	6,448
Adjustments for non-cash items	31	16,175	(63,945)	(217,025)	(12,846)
Operating profits/(losses) before changes in operating assets and liabilities		74,462	(14,990)	(10,372)	(6,398)
Purchase of investments		(1,759,179)	(1,158,984)	-	-
Proceeds from sale and maturity of investments		1,747,195	1,066,981	-	-
Interest income received		110,803	109,774	7,604	5,712
Dividend income received		40,777	34,297	201,300	881
Rental income received		7,182	6,753	4,343	4,019
(Increase)/decrease in other receivables		(5,072)	(14,026)	947	2,863
Increase in payables		64,161	53,268	8,366	2,631
Increase in insurance claims liabilities		6,496	515	-	-
(Increase)/decrease in fixed and call deposits		(29,458)	(65,352)	981	13,384
Decrease in loans receivable		31,701	13,679	-	-
Cash generated from operations		289,068	31,915	213,169	23,092
Income taxes paid		(41,758)	(25,445)	(1,256)	(991)
Net cash inflow from operating activities		247,310	6,470	211,913	22,101
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(4,797)	(2,096)	(1,877)	(88)
Acquisition of subsidiary, net of cash and cash equivalents acquired	37	(82,778)	-	-	-
Purchase of intangible assets		(33,433)	(1,413)	-	-
Purchase of investments		(271,177)	(26,472)	(271,177)	(26,472)
Proceeds from sale and maturity of investments		174,896	64,930	174,897	64,930
Additional investment in a subsidiary company		-	-	(96,475)	(30,000)
Proceeds from disposal of property and equipment		-	13	-	-
Net cash (outflow)/inflow from investing activities		(217,289)	34,962	(194,632)	8,370

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2013

Note	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to shareholders	(22,767)	(27,320)	(22,767)	(27,320)
Non-controlling interest arising from business combination	3,624	-	-	-
Net cash outflow from financing activities	(19,143)	(27,320)	(22,767)	(27,320)

CASH AND CASH EQUIVALENTS

Net increase/(decrease) during the financial year	10,878	14,112	(5,486)	3,151
Cash and cash equivalents at 1 January	46,779	32,667	7,041	3,890
Cash and cash equivalents at 31 December	57,657	46,779	1,555	7,041

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	54,331	33,819	1,307	1,745
Short-term deposits	3,326	12,960	248	5,296
Cash and cash equivalents	57,657	46,779	1,555	7,041

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2013

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 Netherlands. The ultimate holding company is Manulife Financial Corporation, a corporation incorporated and domiciled in Canada and listed on 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 this summary of significant accounting policies, and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

(i) Adoption of new policies/amendments in the current year

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Description	Effective Date
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Adoption of new policies/amendments in the current year (continued)

Description	Effective Date
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

Adoption of the above standards and interpretations did not have any significant effect on the financial performance or position of the Group and the Company except as described in note 2 (b) and 2(c).

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

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective Date
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

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

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, controls existed when the Group had the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights were considered when such rights were currently exercisable.
- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. Following the adoption of MFRS 10, the Group has consolidated a unit trust fund which is managed by one of the asset management subsidiaries of the Group as disclosed in note 8 to the financial statements.

Investment in subsidiaries is stated at cost less 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(i)(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 purchase 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.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Business combinations (continued)

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.

(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 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 asset, 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.

In accordance with the transitional provision of MFRS 13 Fair Value Measurement, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurement of the Group's assets or liabilities which are carried at fair values, other than for additional disclosures.

The valuation techniques and categories of fair values of assets and liabilities are further described in note 4, note 5, note 6, note 34(b) and note 34(c).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment

Property and equipment are stated at cost or valuation less accumulated depreciation and 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 cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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

Land and buildings 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 accumulated impairment losses. The valuation of land and buildings is carried out once in every five years or earlier if the carrying values of the revalued assets are materially different from the market values.

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

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

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

Work in progress is not depreciable 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 amortised over the remaining useful lives following the date of the latest valuation)
Furniture, fittings and equipment	- 10% to 20%
Motor vehicles	- 20%

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment (continued)

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. 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(i) on impairment.

On disposal of property and equipment, the difference between net proceeds and the carrying amount is recognised in the 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 the profit or loss during the financial year in which they are incurred.

(e) Investment properties

Investment properties comprise land and buildings 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 properties are initially stated at cost including related and incidental expenditure incurred, and are 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 valuers. 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 properties are materially different from the market values. Investment properties are not depreciated.

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

On disposal of investment properties, 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 arise on acquisition of MAAKL Mutual Berhad, 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 and the Company. 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(i)(ii).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(ii) Exclusive right

The exclusive right arises from the 10-year strategic 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 with reference to the benefits generated from the partnership 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 years.

At each reporting date, the Group and the Company assesses whether there is any indication of impairment. 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(i) on impairment.

(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, available-for-sale ("AFS") financial assets and loans and receivables ("LAR").

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 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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

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

(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 allowance for impairment. 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 allowance for impairment. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(4) AFS

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

Fair value gains and losses of these investments are recognised in other comprehensive income.

On derecognition or impairment, the cumulative fair value gains and losses previously recognised in other comprehensive income are transferred to profit or loss as net realised gains on financial assets.

(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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Fair value of financial instruments (continued)

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 using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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

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

(i) Impairment

(i) Financial assets

The Group and the Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the 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 asset is reduced and the impairment loss is recorded in the profit or loss.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(i) Financial assets (continued)

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 loss 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 are not recognised in the profit or loss. Reversal of impairment losses on debt instruments classified as AFS 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.

(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.

(j) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, 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 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)

(j) 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 options 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 Manulife Financial Corporation. 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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Other revenue recognition (continued)

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 properties are 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 properties. 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.

Management fees from the management of unit trust funds and investment funds and outsourcing fee are recognised when the services are provided.

(l) 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 a continuing use.

(m) 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.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Product classification (continued)

- 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 fund are classified as insurance contracts with DPF and contracts in the Non-participating life fund 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.

(n) Reinsurance

The insurance subsidiary of the Group cedes insurance risk in the normal course of business for its insurance businesses. 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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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(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)

(q) 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 Company's functional and presentation currency.

(ii) Transaction 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 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 the profit or loss are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates), in which case income and expenses are translated using the exchange rates at the date of the transactions.

(r) 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.

(s) 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 by the insurance subsidiary of the Group, which are respectively treated under the operating activities.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

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.

(u) 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.

(v) 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 and non-unit liabilities of investment-linked policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

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 zeroisation.

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 contract under the Participating life fund 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 provision of the Financial Services Act, 2013 (which replaced Insurance Act, 1996, effective 30 June 2013) and related regulation by the Group's insurance subsidiary's Appointed Actuary. Unallocated surplus of Participating life fund, 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Insurance contract liabilities (continued)

(iv) Asset revaluation reserve

Revaluation surplus and deficit of self-occupied properties of Participating life fund are 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 policy 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 establishes 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. 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 (including lapse) rates, 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 materially different than the assumptions made by the Company. Actual experience is monitored to assess whether the assumptions remain appropriate and assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the actuarial liabilities. All contracts are subject to a liability adequacy test, which reflect management's best current estimate.

The key assumptions used in the estimation of actuarial liabilities are as follows:

Interest rate

The discount rates used for the valuation of Non-participating life fund, the non-unit liabilities of the Investment-linked operating fund and the guaranteed benefits liabilities of the Participating life fund under the "Risk-Based Capital Framework for Insurers" are described below:-

- (i) For cash flows with duration of less than 15 years, Malaysia Government Bond zero coupon spot yields of matching duration are used; and
- (ii) For cash flows with duration of 15 years or more, Malaysia Government Bond zero coupon spot yields of 15 years to maturity are used

where duration is the term to maturity of each future cash flow.

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**Valuation of actuarial liabilities (continued)*****Interest rate (continued)***

The following are the zero coupon spot yields as at current financial year end which are obtained from Bond Pricing Agency Malaysia Sdn Bhd, a bond pricing agency approved by BNM.

Tenor (Years)	1	2	3	4	5	6	7	8	9	10	11
Zero Coupon Spot Yield	3.03%	3.23%	3.44%	3.68%	3.81%	3.96%	4.04%	4.07%	4.11%	4.20%	4.29%

Tenor (Years)	12	13	14	15+
Zero Coupon Spot Yield	4.39%	4.49%	4.60%	4.65%

The risk free discounting yield will be adjusted downwards by 2.5 basis points per annum to reflect the expense for the levy assessed by Malaysia Deposit Insurance Corporation (or Perbadanan Insurans Deposit Malaysia, "PIDM") based on the most recent assessment in 2013.

For the valuation of total benefits liabilities of the Participating life fund, the net fund based yields are used. The graded net fund based yields as at current financial year end for the ordinary life participating fund and annuity fund respectively follow the interest rate vectors shown below.

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023+
Ordinary Par	5.67%	5.79%	5.90%	6.02%	6.14%	6.25%	6.37%	6.48%	6.60%	6.72%
Annuity Par	5.12%	5.33%	5.54%	5.75%	5.96%	6.16%	6.37%	6.58%	6.79%	7.00%

The graded yields shown above will be adjusted by applying investment income tax of 8% (for ordinary life participating fund) and PIDM levy of 2.5 basis points. Investment income tax is not applicable to Annuity Par since it is tax exempted. As such, the valuation discount rates for total benefits liabilities are computed as follow:

Ordinary Par:	Net fund based yield * (1 – 8%) – 0.025%;
Annuity Par:	Net fund based yield – 0.025%.

Mortality, morbidity, critical illness, expenses and surrenders (including lapses)

The insurance subsidiary of the Group based its mortality and morbidity assumptions on established industry and Malaysian tables which reflect historical experiences, adjusted where appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk 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. The current expense assumption is derived from recent expense study which targets breakeven within the budgeting period. An explicit maintenance expense deficiency reserve (updated annually based on most recent business plan results) has been established to cater for current expected overrun prior to breakeven year. The expense for levy assessed by PIDM (i.e. 2.5 basis points per annum of the actuarial valuation of the insurance contract liabilities) has been implicitly reflected by the 2.5 basis points annual reduction of the valuation yield.

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

Valuation of actuarial liabilities (continued)

Mortality, morbidity, critical illness, expenses and surrenders (including lapses) (continued)

In the current financial year, the insurance subsidiary of the Group has revised its Investment-linked premium lapse assumptions to reflect latest experience from the recent Premium Lapse Study 2013.

For the Non-participating life fund, the non-unit liabilities of the Investment-linked operating fund and the guaranteed benefits liabilities of the Participating life fund, provision for risk of adverse deviation "PRAD" assumptions are added to the best estimate assumptions.

For the valuation of total benefit liabilities of the Participating life fund, the best estimates assumptions are used.

Participating Policyholders' Bonuses/Dividends

Continuance of current bonus level (reflected with Bonus Revision 2012 which was effective from 1 September 2012) 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	Total RM'000
Cost/valuation						
At 1 January 2012		13,574	169	17,277	1,117	32,137
Additions		-	938	1,151	7	2,096
Disposals		-	-	(8)	-	(8)
Write off		-	(119)	(125)	-	(244)
At 31 December 2012/ 1 January 2013		13,574	988	18,295	1,124	33,981
Acquisition through business combination	37	-	-	1,273	429	1,702
Additions		-	3,631	742	424	4,797
Transfer (to)/from furniture, fittings and equipment		-	(911)	911	-	-
Transfer from investment properties	5	4,507	-	-	-	4,507
Write off		-	(77)	(48)	(4)	(129)
Revaluation surplus		596	-	-	-	596
At 31 December 2013		18,677	3,631	21,173	1,973	45,454

NOTES TO THE FINANCIAL STATEMENTS

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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	Total RM'000
Cost/valuation						
Comprising assets stated at 31 December 2013:						
Valuation		18,677	-	-	-	18,677
Cost		-	3,631	21,173	1,973	26,777
		18,677	3,631	21,173	1,973	45,454
Comprising assets stated at 31 December 2012:						
Valuation		13,574	-	-	-	13,574
Cost		-	988	18,295	1,124	20,407
		13,574	988	18,295	1,124	33,981
Accumulated depreciation						
At 1 January 2012		-	-	11,089	847	11,936
Charge for the financial year	25	379	-	1,465	98	1,942
Disposals		-	-	(4)	-	(4)
Write off		-	-	(76)	-	(76)
At 31 December 2012/ 1 January 2013		379	-	12,474	945	13,798
Charge for the financial year	25	379	-	1,549	157	2,085
Write off		-	-	(38)	(4)	(42)
Reversal on revaluation of property		(758)	-	-	-	(758)
At 31 December 2013		-	-	13,985	1,098	15,083
Carrying amount						
At 31 December 2013		18,677	3,631	7,188	875	30,371
At 31 December 2012		13,195	988	5,821	179	20,183

NOTES TO THE FINANCIAL STATEMENTS

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4. PROPERTY AND EQUIPMENT (CONTINUED)

Company

	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost/valuation					
At 1 January 2012	9,237	119	1,047	856	11,259
Additions	-	-	88	-	88
Write off	-	(119)	-	-	(119)
At 31 December 2012/ 1 January 2013	9,237	-	1,135	856	11,228
Additions	-	1,405	48	424	1,877
Write off	-	-	(7)	-	(7)
Revaluation surplus	198	-	-	-	198
At 31 December 2013	9,435	1,405	1,176	1,280	13,296
Comprising assets stated at 31 December 2013:					
Valuation	9,435	-	-	-	9,435
Cost	-	1,405	1,176	1,280	3,861
	9,435	1,405	1,176	1,280	13,296
Comprising assets stated at 31 December 2012:					
Valuation	9,237	-	-	-	9,237
Cost	-	-	1,135	856	1,991
	9,237	-	1,135	856	11,228
Accumulated depreciation					
At 1 January 2012	-	-	499	724	1,223
Charge for the financial year	258	-	122	75	455
At 31 December 2012/ 1 January 2013	258	-	621	799	1,678
Charge for the financial year	258	-	131	134	523
Write off	-	-	(7)	-	(7)
Reversal on revaluation of property	(516)	-	-	-	(516)
At 31 December 2013	-	-	745	933	1,678
Net carrying amount					
At 31 December 2013	9,435	1,405	431	347	11,618
At 31 December 2012	8,979	-	514	57	9,550

NOTES TO THE FINANCIAL STATEMENTS

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4. PROPERTY AND EQUIPMENT (CONTINUED)

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

	2013 RM'000	2012 RM'000
Group		
Building	11,837	8,546
Company		
Building	4,832	4,972

The Company has obtained the approval from the relevant authority to transfer the title of the properties in favour of its insurance subsidiary and is currently in the process of effecting the necessary legal documentation to finalise the transfer, so as to achieve compliance with the requirements of the Financial Services Act, 2013. The floors belonging to the Company will be held by its insurance subsidiary in trust for the Company upon the completion of the transfer.

The Group and the Company has carried out a valuation on the freehold properties based on the income method conducted by an independent qualified valuer, Sr Heng Kiang Hai, MBA (Real Estate), B.Surv (Hons) Prop.Mgt, MRICS, FRISM, MPEPS, MMIPPM, Registered Valuer (V-486) of C H Williams Talhar & Wong Sdn Bhd. The valuation of these properties was adopted by the directors for the financial year ended 31 December 2013.

Under the income method, the market value of the properties 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 investment.

Fair value hierarchy

A level is assigned to each fair value measurement based on the lowest level input significant to the fair 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 freehold properties are categorised as follow:

31 December 2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group			
Building	-	18,677	-
Company			
Building	-	9,435	-

NOTES TO THE FINANCIAL STATEMENTS

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5. INVESTMENT PROPERTIES

	2013 RM'000	2012 RM'000
Group		
At 1 January	81,741	81,173
Transfer to self-occupied properties (note 4)	(4,507)	-
Fair value gain (note 23)	1,388	568
At 31 December	78,622	81,741
Represented by:		
Freehold properties	78,622	81,741
Company		
At 1 January	32,844	32,540
Fair value gain (note 23)	192	304
At 31 December	33,036	32,844
Represented by:		
Freehold properties	33,036	32,844

The Company has obtained the approval from the relevant authority to transfer the title of the properties in favour of its insurance subsidiary and is currently in the process of effecting the necessary legal documentation to finalise the transfer, so as to achieve compliance with the requirements of the Financial Services Act, 2013. The floors belonging to the Company will be held by its insurance subsidiary in trust for the Company upon the completion of the transfer.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Rental income (note 21)	6,922	6,935	4,343	4,019
Direct operating expenses arising from investment properties that generate rental income	(2,426)	(2,953)	(1,276)	(1,531)
Direct operating expenses arising from investment properties that did not generate rental income	(510)	(262)	(245)	(126)

The Group and Company has carried out a valuation on the freehold properties based on the income method conducted by an independent qualified valuer, Sr Heng Kiang Hai, MBA (Real Estate), B.Surv (Hons) Prop.Mgt, MRICS, FRISM, MPEPS, MMIPPM, Registered Valuer (V-486) of C H Williams Talhar & Wong Sdn Bhd. The valuation of these properties was adopted by the directors for the financial year ended 31 December 2013.

The fair value of the investment properties is categorised under Level 2 of the fair value hierarchy as set out in note 4.

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6. INTANGIBLE ASSETS

Group

	Management rights RM'000	Exclusive right RM'000	Computer software RM'000	Total RM'000
Cost				
At 1 January 2012	-	-	4,654	4,654
Additions	-	-	1,413	1,413
At 31 December 2012/1 January 2013	-	-	6,067	6,067
Acquisition through business combination (note 37)	86,815	-	683	87,498
Other additions	-	30,000	3,433	33,433
At 31 December 2013	86,815	30,000	10,183	126,998
Accumulated amortisation				
At 1 January 2012	-	-	2,518	2,518
Amortisation during the financial year (note 25)	-	-	932	932
At 31 December 2012/1 January 2013	-	-	3,450	3,450
Amortisation during the financial year (note 25)	-	1,373	1,588	2,961
At 31 December 2013	-	1,373	5,038	6,411
Net carrying amount				
At 31 December 2013	86,815	28,627	5,145	120,587
At 31 December 2012	-	-	2,617	2,617

(i) Management rights

The Management rights from the acquisition of MAAKL Mutual Berhad, further described in note 7 and note 37. Management rights relate to the investment management agreement. The Company believes that the investment management agreement has an indefinite life. In performing the impairment assessment on this intangible asset, the Company compared the recoverable amount against the carrying amount of the intangible asset as of 31 December 2013. The Company believes that the recoverable amount, based on its value-in-use is higher than the carrying amount, hence there is no impairment on this intangible asset. The significant assumptions used in determining the value-in-use of the intangible are as set out in note 37.

(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 2013. During the year, a sign-on fee of RM30 million was paid to ABMB, and will be amortised over the tenure of the agreement in accordance with note 2(f)(ii).

NOTES TO THE FINANCIAL STATEMENTS

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7. SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares at cost	311,119	214,644
Accumulated impairment losses	(7,753)	(7,753)
	303,366	206,891

During the year, the Company acquired 6,000,000 ordinary shares of RM 1.00 each in MAAKL Mutual Berhad for a total consideration of RM96,475,000. Refer to note 37 for further details on the acquisition of the said subsidiary.

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest		Principal activities
		2013 %	2012 %	
Manulife Insurance Berhad	Malaysia	100	100	Life insurance business
Manulife Asset Management Services Berhad	Malaysia	100	100	Management of unit trust funds, private retirement scheme fund, investment and fund management
MAAKL Mutual Berhad*	Malaysia	100	-	Management of unit trust funds
Britama Properties Sdn Bhd	Malaysia	100	100	Property rental and management
British American Investments Pte Ltd	Singapore	100	100	Dormant
Britama Credit Sdn Bhd	Malaysia	100	100	Dormant
Manulife Asset Management (Malaysia) Sdn Bhd	Malaysia	100	100	Dormant
The e-Software House Sdn Bhd	Malaysia	100	100	Dormant

* The subsidiary company was audited by Messrs. PricewaterhouseCoopers.

8. FINANCIAL ASSETS

(a) Available-for-sale

	Group	
	2013 RM'000	2012 RM'000
Equity securities		
- Quoted in Malaysia	748,443	696,536
- Unquoted	2,516	2,516
Unit trust funds	95,210	90,010
Malaysia Government Securities	661,717	753,559
Government Investment Issues	193,881	152,858
Corporate debt securities		
- Unquoted	850,763	839,918
Accrued interest	15,820	15,180
	2,568,350	2,550,577
Current	964,604	881,351
Non-current	1,603,746	1,669,226
	2,568,350	2,550,577

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2013

8. FINANCIAL ASSETS (CONTINUED)

(a) Available-for-sale (continued)

	Company	
	2013 RM'000	2012 RM'000
Equity securities		
- Quoted in Malaysia	27,379	17,534
- Unquoted	572	572
Unit trust funds*	10,290	-
Malaysia Government Securities	59,289	27,553
Government Investment Issues	28,113	7,133
Corporate debt securities		
- Unquoted	77,025	59,142
Accrued interest	1,531	762
	204,199	112,696
Current	51,740	24,593
Non-current	152,459	88,103
	204,199	112,696

* Includes investment in a unit trust fund managed by a subsidiary company of the Group. The effective ownership of the Group in this unit trust fund managed by the subsidiary is 98% and upon the adoption of MFRS 10, the Group has consolidated the financial position and the results of the unit trust fund 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.

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

	Group	
	2013 RM'000	2012 RM'000
Equity securities		
- Quoted in Malaysia	360,029	249,107
- Quoted outside Malaysia	1,236	2,575
Unit trust funds	11,186	-
Malaysian Government Securities	70,846	130,712
Government Investment Issues	20,809	21,478
Corporate debt securities		
- Unquoted	221,109	217,294
Mutual funds		
- Quoted outside Malaysia	224,527	90,700
Accrued interest	2,510	2,919
	912,252	714,785
Current	691,171	422,471
Non-current	221,081	292,314
	912,252	714,785

NOTES TO THE FINANCIAL STATEMENTS

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8. FINANCIAL ASSETS (CONTINUED)

(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 2012	2,410,876	656,565	3,067,441
Purchases	591,325	594,131	1,185,456
Maturities	(89,708)	(15,921)	(105,629)
Disposals	(400,115)	(534,243)	(934,358)
Fair value gains recorded in:			
Profit or loss (note 23)	-	17,025	17,025
Other comprehensive income	39,505	-	39,505
Allowance for impairment losses (note 23)	(6,049)	-	(6,049)
Accretion of discounts, net of amortisation of premiums (note 21)	3,225	403	3,628
Unrealised exchange loss	-	(3,387)	(3,387)
Movement in accrued interest	1,518	212	1,730
At 31 December 2012/1 January 2013	2,550,577	714,785	3,265,362
Acquisition through business combination	-	11,186	11,186
Other purchases	811,117	1,219,238	2,030,355
Maturities	(76,800)	(17,606)	(94,406)
Disposals	(635,412)	(1,044,791)	(1,680,203)
Fair value gains/(losses) recorded in:			
Profit or loss (note 23)	-	22,512	22,512
Other comprehensive income	(83,894)	-	(83,894)
Allowance for impairment losses (note 23)	(573)	-	(573)
Accretion of discounts, net of amortisation of premiums (note 21)	2,695	197	2,892
Unrealised exchange gains	-	7,140	7,140
Movement in accrued interest	640	(409)	231
At 31 December 2013	2,568,350	912,252	3,480,602

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8. FINANCIAL ASSETS (CONTINUED)

(c) Carrying value of financial assets (continued)

Company	Available- for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2012	147,849	-	147,849
Purchases	26,472	-	26,472
Maturities	(4,700)	-	(4,700)
Disposals	(58,425)	-	(58,425)
Fair value gains recorded in:			
Other comprehensive income	1,892	-	1,892
Allowance for impairment losses (note 23)	(546)	-	(546)
Accretion of discounts, net of amortisation of premiums (note 21)	285	-	285
Movement in accrued interest	(131)	-	(131)
At 31 December 2012/1 January 2013	112,696	-	112,696
Purchases	271,177	-	271,177
Maturities	(5,700)	-	(5,700)
Disposals	(165,270)	-	(165,270)
Fair value losses recorded in:			
Other comprehensive income	(9,049)	-	(9,049)
Allowance for impairment losses (note 23)	(97)	-	(97)
Accretion of discounts, net of amortisation of premiums (note 21)	(327)	-	(327)
Movement in accrued interest	769	-	769
At 31 December 2013	204,199	-	204,199

9. LOANS AND RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Loans receivable:				
Policy loans	277,984	309,657	-	-
Mortgage loans	2,674	2,894	-	-
Other loans	575	383	1	1
	281,233	312,934	1	1
Allowance for impairment loss	(181)	(181)	-	-
(i)	281,052	312,753	1	1
Fixed and call deposits with licensed banks in Malaysia	318,216	274,524	8,035	9,016
Accrued interest	154	251	91	91
(ii)	318,370	274,775	8,126	9,107

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9. LOANS AND RECEIVABLES (CONTINUED)

		Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other receivables:					
Amount due from subsidiary companies	(iii)	-	-	1,688	1,697
Amount due from related companies	(iii)	-	85	-	85
Accrued dividend income		3,159	1,020	87	5
Accrued rental income		10	270	-	-
Other debtors		34,409	17,181	1,966	2,051
Deposits		972	1,103	178	167
		38,550	19,659	3,919	4,005
Allowance for impairment loss		(1,075)	(1,075)	(1,075)	(1,075)
	(iv)	37,475	18,584	2,844	2,930
Prepayments	(v)	873	778	57	9
Total		637,770	606,890	11,028	12,047

		Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(i)	Loans receivable:				
	Receivable within 12 months	448	363	1	1
	Receivable after 12 months	280,604	312,390	-	-
		281,052	312,753	1	1
(ii)	Fixed and call deposits with licensed banks in Malaysia:				
	Receivable within 12 months	257,032	215,865	1,126	2,107
	Receivable after 12 months	61,338	58,910	7,000	7,000
		318,370	274,775	8,126	9,107
(iii)	The amounts due from subsidiary companies and related companies are unsecured, trade related, interest free and repayable on demand.				
(iv)	Other receivables:				
	Receivable within 12 months	37,085	18,035	2,844	2,930
	Receivable after 12 months	390	549	-	-
		37,475	18,584	2,844	2,930

The carrying amounts of other receivables approximate their fair values due to the relatively short term maturity of these balances.

(v)	Prepayments:				
	Receivable within 12 months	873	778	57	9

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10. REINSURANCE ASSETS

	2013 RM'000	2012 RM'000
Reinsurance assets on:		
- Insurance contract liabilities	91	-
- Insurance claims liabilities	1,640	3,268
	1,731	3,268

11. INSURANCE RECEIVABLES

	Group	
	2013 RM'000	2012 RM'000
Due premiums including agents' balances	27,956	28,919
Due from reinsurers and cedants	69	122
	28,025	29,041
Allowance for impairment loss	(1,056)	(1,046)
	26,969	27,995
Receivable within 12 months	26,969	27,995

12. SHARE CAPITAL

	Company			
	2013		2012	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
<u>Authorised:</u>				
Ordinary shares of 50 sen each:				
At 1 January/31 December	250,000	125,000	250,000	125,000
<u>Issued and fully paid up:</u>				
Ordinary shares of 50 sen each:				
At 1 January/31 December	202,370	101,185	202,370	101,185

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

13. RETAINED EARNINGS

There are no restrictions on the Company to frank the payment of dividends out of its entire retained earnings as at the date of the statement of financial position under the single tier system.

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14. NON-CONTROLLING INTERESTS

	2013 RM'000	2012 RM'000
Non-controlling interests	3,669	-

Non-controlling interests represents the minority interest in a unit trust fund managed by the asset management subsidiary of the Group.

15. INSURANCE CONTRACT LIABILITIES

Group

	Gross		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Actuarial liabilities	2,087,864	2,138,525	2,087,773	2,138,525
Unallocated surplus	202,587	63,224	202,587	63,224
Fair value reserve	115,131	169,522	115,131	169,522
Asset revaluation reserve	641	-	641	-
Investment-linked policyholders' account	666,605	432,416	666,605	432,416
	3,072,828	2,803,687	3,072,737	2,803,687
Current	1,083,278	674,226	1,083,286	674,226
Non-current	1,989,550	2,129,461	1,989,451	2,129,461
	3,072,828	2,803,687	3,072,737	2,803,687

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

	Gross		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	2,803,687	2,607,779	2,803,687	2,607,779
Inforce reserve movement	47,297	79,399	47,297	79,399
New business reserve	5,223	(4,704)	5,132	(4,704)
Discount rate and other changes	(103,181)	(132,642)	(103,181)	(132,642)
Unallocated surplus	139,363	161,387	139,363	161,387
Fair value reserve, net of tax	(54,391)	26,084	(54,391)	26,084
Asset revaluation reserve	641	-	641	-
Investment-linked policyholders' account	234,189	66,384	234,189	66,384
At 31 December	3,072,828	2,803,687	3,072,737	2,803,687

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15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

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.

During the year, the Group's insurance subsidiary refined certain parameters for assumptions used in its actuarial liabilities valuation. The change resulted in lower actuarial liabilities of RM45.5 million for the year ended 31 December 2013, with a corresponding increase in unallocated surplus for the Participating life fund and net profit before tax of RM43.9 million and RM1.6 million, respectively.

16. INSURANCE CLAIMS LIABILITIES

	Gross		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Provision for outstanding claims	41,001	36,133	39,361	32,865
Current	41,001	36,133	39,361	32,865

17. DEFERRED TAX ASSETS/(LIABILITIES)

Analysis of deferred tax assets/(liabilities) are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(42,168)	(47,691)	(175)	(118)
Deferred tax assets	84	64	-	-
	(42,084)	(47,627)	(175)	(118)
Current	(9,963)	(39,510)	(175)	(118)
Non-current	(32,121)	(8,117)	-	-
	(42,084)	(47,627)	(175)	(118)

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17. DEFERRED TAX ASSET/(LIABILITIES) (CONTINUED)

The components of deferred tax assets/(liabilities) as of the date of the statement of financial position are as follows:

Group	Assets		Liabilities		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revaluation – investment properties	-	-	(507)	(411)	(507)	(411)
Accelerated depreciation	3	20	(504)	(125)	(501)	(105)
Investments	-	-	(17,262)	(23,274)	(17,262)	(23,274)
Unutilised tax losses	81	64	-	-	81	64
Unallocated surplus	-	-	(23,906)	(23,906)	(23,906)	(23,906)
Others	11	5	-	-	11	5
	95	89	(42,179)	(47,716)	(42,084)	(47,627)
Offsetting	(11)	(25)	11	25	-	-
Deferred tax assets/(liabilities) [after offsetting]	84	64	(42,168)	(47,691)	(42,084)	(47,627)
Company						
Revaluation – investment properties	-	-	-	-	-	-
Accelerated depreciation	-	-	(175)	(118)	(175)	(118)
Revaluation – self-occupied properties	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Offsetting	-	-	(175)	(118)	(175)	(118)
Deferred tax liabilities (after offsetting)	-	-	(175)	(118)	(175)	(118)

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.

17. DEFERRED TAX ASSET/(LIABILITIES) (CONTINUED)

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows:

Group	Note	Revaluation- investment properties RM'000	Accelerated depreciation RM'000	Revaluation- self-occupied properties RM'000	Investments RM'000	Unutilised tax losses RM'000	Unallocated surplus RM'000	Others RM'000	Total RM'000
At 1 January 2012		[2,400]	[225]	[949]	[21,661]	80	[40,156]	[245]	[65,556]
Recognised in:									
Profit or loss									
- Other operating expenses	27	[19]	355	-	[1,274]	-	-	-	[938]
- Taxation	28	2,008	[235]	-	1,880	[16]	16,250	250	20,137
Other comprehensive income									
- Fair value reserve		-	-	-	[2,219]	-	-	-	[2,219]
- Asset revaluation reserve		-	-	949	-	-	-	-	949
At 31 December 2012/ 1 January 2013		[411]	[105]	-	[23,274]	64	[23,906]	5	[47,627]
Recognised in:									
Acquisition through business combination	37	-	[321]	-	-	-	-	-	[321]
Profit or loss									
- Other operating expenses	27	[96]	[17]	-	[1,990]	-	-	-	[2,103]
- Taxation	28	-	[58]	-	[18]	17	-	6	[53]
Other comprehensive income									
- Fair value reserve		-	-	-	8,020	-	-	-	8,020
At 31 December 2013		[507]	[501]	-	[17,262]	81	[23,906]	11	[42,084]

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17. DEFERRED TAX ASSET/(LIABILITIES) (CONTINUED)

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows (continued):

Company	Note	Revaluation- investment properties RM'000	Accelerated depreciation RM'000	Revaluation- self-occupied properties RM'000	Investments RM'000	Total RM'000
At 1 January 2012		(2,008)	229	(949)	(953)	(3,681)
Recognised in:						
Profit or loss						
- Taxation	28	2,008	(347)	-	(32)	1,629
Other comprehensive income						
- Fair value reserve		-	-	-	985	985
- Asset revaluation reserve		-	-	949	-	949
At 31 December 2012/1 January 2013		-	(118)	-	-	(118)
Recognised in:						
Profit or loss						
- Taxation	28	-	(57)	-	-	(57)
At 31 December 2013		-	(175)	-	-	(175)

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17. DEFERRED TAX ASSET/(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	
	2013 RM'000	2012 RM'000
Unutilised tax losses	6,276	7,427
Other deductible temporary differences	2,548	1,830
	8,824	9,257
Deferred tax assets not recognised	2,206	2,314

18. INSURANCE PAYABLES

	Group	
	2013 RM'000	2012 RM'000
Due to reinsurers and cedants	1,733	2,342
Due to agents	5,507	5,138
Due to insureds	357,248	341,196
	364,488	348,676
Current	364,488	348,676

The carrying amounts disclosed above approximate the fair values as at the end of the financial year.

19. OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other creditors*	116,025	36,814	8,872	2,371
Accrued liabilities	30,034	26,315	1,950	1,352
Amount due to related companies	5,589	3,376	3,741	2,530
Amount due to subsidiaries	-	-	1,947	1,891
	151,648	66,505	16,510	8,144

* Included in other creditors is the additional consideration of RM6,029,688 in respect of the acquisition of a subsidiary as described in note 37.

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 the relative short term maturity of these balances. All amounts are payable within one year.

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20. NET PREMIUMS

	Group	
	2013 RM'000	2012 RM'000
First year premium	79,380	68,586
Renewal year premium	450,290	428,631
Single premium	144,582	7,650
	674,252	504,867

21. INVESTMENT INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial assets at FVTPL				
- designated upon initial recognition				
Interest/profit income	14,192	15,531	-	-
Dividend/distribution income				
- equity securities - quoted in Malaysia	10,188	8,311	-	-
- equity securities - unquoted	40	-	-	-
Accretion of discounts, net of amortisation of premiums (note 8(c))	197	403	-	-
AFS financial assets				
Interest/profit income	73,018	69,914	7,635	4,712
Dividend/distribution income				
- equity securities - quoted in Malaysia	27,490	25,394	1,082	667
- equity securities - unquoted	133	140	133	140
- equity securities - subsidiary	-	-	200,010	-
- unit trusts	5,065	-	104	-
Accretion of discounts, net of amortisation of premiums (note 8(c))	2,695	3,225	(327)	285
Loans and receivables				
Interest/profit income	22,720	25,034	543	542
Accretion of discounts, net of amortisation of premiums	2,428	2,312	-	-
Investment properties				
Rental income (note 5)	6,922	6,935	4,343	4,019
Cash and cash equivalents				
Interest/profit sharing income	1,005	1,018	195	263
	166,093	158,217	213,718	10,628

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22. NET REALISED GAINS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Property and equipment				
Realised gains	-	9	-	-
AFS financial assets				
<u>Realised gains:</u>				
Equity securities - quoted in Malaysia	91,119	67,518	4,445	1,678
Unit trust funds	-	-	137	-
Debt securities	10,526	539	-	127
<u>Realised losses:</u>				
Debt securities	(655)	(76)	(655)	-
Total net realised gains for AFS financial assets	100,990	67,981	3,927	1,805
Loans and receivables				
Realised gains	-	233	-	233
Total net realised gains	100,990	68,223	3,927	2,038

23. NET FAIR VALUE GAINS/(LOSSES)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Investment properties				
Unrealised fair value gains (note 5)	1,388	568	192	304
Financial assets at FVTPL – designated upon initial recognition				
<u>Fair value gains</u>				
- Realised	46,496	23,943	-	-
- Unrealised (note 8(c))	35,952	21,135	-	-
<u>Fair value losses</u>				
- Realised	-	-	-	-
- Unrealised (note 8(c))	(13,440)	(4,110)	-	-
Net fair value gains on financial assets at FVTPL – designated upon initial recognition	69,008	40,968	-	-
AFS financial assets				
Impairment losses on quoted equities (note 8(c))	(573)	(6,049)	(97)	(546)
Total net fair value gains/(losses)	69,823	35,487	95	(242)

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24. FEE INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unit trust funds management fee income	5,424	1,690	-	-
Investment management fee income	175	85	-	-
Outsourcing fee income	-	-	970	1,330
	5,599	1,775	970	1,330

25. MANAGEMENT EXPENSES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Staff costs (note 25(a))	46,536	34,803	4,062	2,719
Directors' remuneration:				
- Fees	461	462	294	334
- Other emoluments	1,668	967	1,668	238
Auditors' remuneration:				
- Statutory audit	441	395	55	55
- Audit related services	94	87	42	42
Office rental:				
- Subsidiary company	-	-	40	39
- Others	1,015	832	1	4
Depreciation of property and equipment (note 4)	2,085	1,942	523	455
Property and equipment written off	87	168	-	119
Amortisation of intangible assets (note 6)	2,961	932	-	-
Allowance/(reversal) of impairment loss	10	(18)	-	-
Bancassurance service fee	1,500	-	-	-
Credit card charges	2,112	2,018	-	-
Fund management expenses	1,916	1,512	-	-
Information technology outsourcing expenses	14,575	9,869	549	189
Marketing and advertising expenses	9,105	3,857	68	-
PIDM levy	535	1,318	-	-
Printing and stationery	1,465	1,529	43	88
Postage and courier charges	1,445	1,353	35	39
Other professional charges*	2,841	1,667	1,268	303
Outsourcing fees expense	-	-	632	-
Software maintenance	1,107	602	-	107
Travelling expense	1,227	826	51	128
Other expenses	13,172	12,078	480	1,408
	106,358	77,199	9,811	6,267

* Included in the other professional charges are external legal fees and due diligence costs incurred on acquisition of MAAKL Mutual Bhd. amounting to RM756,000.

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25. MANAGEMENT EXPENSES (CONTINUED)

(a) Staff costs

		Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Staff costs		40,551	30,721	3,154	2,432
Retirement benefits contributions	(i)	4,896	3,620	275	228
RSU expenses	(ii)	1,089	462	633	59
Total staff costs		46,536	34,803	4,062	2,719

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

26. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
RSU expenses	1,295	517	839	114
	1,295	517	839	114

Cash-settled share-based compensation

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.

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27. OTHER OPERATING EXPENSES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net foreign exchange (gains)/losses	(7,177)	3,599	-	34
Interest expense on agent's bond withheld	27	31	-	-
Others	1,310	1,176	-	-
Tax on investment income of Life fund and Investment-linked funds:				
- Current tax**	15,221	12,962	-	-
- Deferred tax (note 17)	2,103	938	-	-
	17,324	13,900	-	-
	11,484	18,706	-	34

** Included in the current tax is tax refund from Inland Revenue Board of Malaysia ("IRB") in relation to a tax appeal in favour of the insurance subsidiary of the Group amounting to RM3.3 million (2012: RM 3.1 million)

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% (2012: 8%) of the assessable investment income, net of allowable deductions for the financial year.

28. TAXATION

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
In respect of the profit of the Group and Company:				
Current tax				
Current financial year	17,784	26,108	1,010	957
(Over)/under provision in prior financial years	(2,892)	1,876	(875)	(324)
	14,892	27,984	135	633
Deferred tax				
Origination and reversal of temporary differences	63	(16,212)	57	118
Over provision in prior financial years	(10)	(3,925)	-	(1,747)
	53	(20,137)	57	(1,629)
	14,945	7,847	192	(996)

The current income tax for the Group and the Company are calculated based on the tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year.

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28. TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as below:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation	73,232	56,802	206,845	5,452
Taxation at Malaysia statutory tax rate of 25% (2012: 25%)	18,308	14,200	51,711	1,363
Section 110B tax credit set off	(2,664)	(6,116)	-	-
Income not subject to tax	(2,597)	(985)	(51,337)	(568)
Expenses not deductible for tax purposes	3,728	1,354	2,371	280
Unrecognised deferred tax assets	1,072	1,443	-	-
Group relief	-	-	(1,678)	-
	17,847	9,896	1,067	1,075
Under/(over) provision in prior financial years				
- Current tax**	(2,892)	1,876	(875)	(324)
- Deferred tax	(10)	(3,925)	-	(1,747)
Tax expense	14,945	7,847	192	(996)

** Included in the current tax are tax savings from utilisation of 2012 group relief by the holding company and higher single tier dividend exemption in insurance subsidiary of the Group.

29. BASIC 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 (2012: 202,370,000) shares.

	Group	
	2013 RM'000	2012 RM'000
Net profit attributable to equity holders of the Company (RM'000)	58,242	48,955
Basic earnings per share (sen)	28.78	24.19

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.

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30. DIVIDENDS PAID

Company

	2013		2012	
	Net dividend per share Sen	Amount of dividend RM'000	Net dividend per share Sen	Amount of dividend RM'000
Dividends paid, net of tax	11.25	22,767	13.50	27,320

The directors recommend the payment of a first and final single-tier dividend of 10 sen per share and a special single-tier dividend of 2.5 sen per share, amounting to RM20,237,000 and RM5,059,250 respectively for the financial year ended 31 December 2013, 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 2014 when approved by the shareholders.

31. ADJUSTMENTS FOR NON-CASH ITEMS

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Life fund surplus after taxation	385,104	213,571	-	-
Transfer of Life fund surplus to profit or loss	(62,295)	(43,747)	-	-
Interest income	(110,935)	(111,497)	(8,373)	(5,517)
Dividend income	(42,916)	(33,845)	(201,329)	(807)
Rental income	(6,922)	(6,935)	(4,343)	(4,019)
Accretion of discounts, net of amortisation of premiums	(5,320)	(5,940)	327	(285)
Gains on disposal of property and equipment	-	(9)	-	-
Gains on disposal of AFS financial assets	(100,990)	(67,981)	(3,927)	(1,805)
Gains on disposal of loans and receivables	-	(233)	-	(233)
Gain on revaluation of investment properties	(1,388)	(568)	(192)	(304)
Fair value gains on FVTPL financial assets	(69,008)	(40,968)	-	-
Impairment losses on AFS financial assets	573	6,049	97	546
Depreciation of property and equipment	2,085	1,942	523	455
Property and equipment written off	87	168	-	119
Amortisation of intangible assets	2,961	932	-	-
Allowance/(reversal) of impairment loss	10	(18)	-	-
Taxation	14,945	7,847	192	(996)
Tax on investment income of Life fund and Investment-linked funds	17,324	13,900	-	-
Unrealised exchange (gains)/losses	(7,140)	3,387	-	-
	16,175	(63,945)	(217,025)	(12,846)

32. SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group 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 has related party relationships with its holding companies, subsidiaries and associates. The related parties of, and their relationship with the Company, other than subsidiaries, 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

In the normal course of business, the Group and the Company undertake various transactions with other companies deemed related parties by virtue of being subsidiary 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 executive director and certain members of senior management of the Group and the Company.

The Directors of the Company in office during the financial year were as follows:

Non-executive directors:

Philip John Hampden-Smith
 Robert Allen Cook
 Datuk Seri Panglima Mohd Annuar bin Zaini
 Dato' Dr Nik Norzrul Thani bin N Hassan Thani
 Lim Hun Soon @ David Lim
 Rockson Leung Lok Shuen
 Dato' Dr Zaha Rina binti Zahari
 Tan Sri Dato' Mohd Sheriff bin Mohd Kassim
 Gianni Fiacco

Executive director:

Mark Steven O'Dell

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32. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Expenses/(income):				
Intermediate holding company				
Reimbursement of software maintenance expenses	348	474	-	-
Reimbursement of personnel expenses	3,429	2,816	1,362	167
Subsidiaries of ultimate holding company				
Rental income	(1,288)	(893)	(454)	(423)
Outsourced information technology service expenses	4,610	5,378	-	-
Outsourcing fee for health service call centre and administrative service	504	437	-	-
Subsidiaries of the Company				
Outsourcing fee income	-	-	(520)	(1,034)
Rental income	-	-	(919)	(743)
Fund management fee expenses	-	-	502	319
Management fees and maintenance charges	-	-	93	93
Outsourcing fee expense	-	-	632	-
Rental expense	-	-	40	39

Key management personnel

The total compensation paid to the Group and the Company's key management personnel are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries and other short-term employee benefits	8,278	8,591	1,259	889
Retirement benefits contribution (i)	128	118	16	10
RSU expenses (ii)	327	517	95	114
	8,733	9,226	1,370	1,013

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32. 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 are as follows:

		Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Executive director:					
Salaries		604	407	604	61
Bonus		335	165	335	25
Retirement benefits contributions	(i)	43	28	43	4
Benefits in kind		480	185	480	55
RSU expenses	(ii)	206	55	206	55
Gratuity		-	80	-	12
		1,668	920	1,668	212
Non-executive directors:					
Fees		461	462	294	335
Meeting allowances		-	46	-	27
		461	508	294	362
Total		2,129	1,428	1,962	574

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

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Loans and receivables (note 9)				
- Amount due from related companies	-	85	-	85
- Amount due from subsidiary companies	-	-	1,688	1,697
	-	85	1,688	1,782
Other payables (note 19)				
- Amount due to related companies	5,589	3,376	3,741	2,530
- Amount due to subsidiary companies	-	-	1,947	1,891
	5,589	3,376	5,688	4,421

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33. 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
Life insurance : Underwriting of Participating life and Non-participating life insurance and unit-linked products
Others : Asset management, unit trust, private retirement scheme funds and other segments

Comparative figures have been restated following the reclassification of business segments in the current financial year.

(a) Segment reporting

	Investment holding			Life insurance business			Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue										
(a) Premium income	-	-	685,265	515,366	-	-	-	-	685,265	515,366
Gross premiums	-	-	(11,013)	(10,499)	-	-	-	-	(11,013)	(10,499)
Premiums ceded to reinsurers	-	-	674,252	504,867	-	-	-	-	674,252	504,867
Net premiums	-	-	149,972	147,477	-	-	-	-	149,972	147,477
(b) Investment income	12,686	9,885	97,200	66,185	3,435	855	-	-	166,093	158,217
(c) Net realised gains	3,790	2,038	69,748	35,729	-	-	-	-	100,990	68,223
(d) Net fair value gains/(losses)	95	(242)	-	-	(20)	-	-	-	69,823	35,487
(e) Fee income	-	-	-	-	5,599	1,775	-	-	5,599	1,775
(f) Other operating income	-	11	1,144	933	(3)	5	-	-	1,141	949
Total external revenue	16,571	11,692	992,316	755,191	9,011	2,635	1,017,898	769,518		
Inter-segment revenue										
(a) Rental income	919	743	386	370	-	-	-	-	1,305	1,113
(b) Fee income	970	1,330	2,015	-	6,930	6,737	-	-	9,915	8,067
(c) Dividend income	200,114	-	964	-	-	-	-	-	201,078	-
(d) Net realised gains	137	-	642	-	-	-	-	-	779	-
(e) Fair value gains	-	-	9	-	-	-	-	-	9	-
Total inter-segment revenue	202,140	2,073	4,016	370	6,930	6,737	213,086	9,180		
Total revenue by segment	218,711	13,765	996,332	755,561	15,941	9,372	1,230,984	778,698		
Profit/(loss) before taxation	6,594	5,452	75,376	57,059	(8,738)	(5,709)	73,232	56,802		
Segment assets	564,802	381,069	3,981,298	3,820,216	291,530	93,431	4,837,630	4,294,716		
Segment liabilities	18,551	10,368	3,612,183	3,301,013	47,850	8,449	3,678,584	3,319,830		

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33. SEGMENTAL REPORTING (CONTINUED)

(b) Reconciliation of reportable segments

	Group	
	2013 RM'000	2012 RM'000
Total revenue		
Total revenue for reportable segments	1,230,984	778,698
Elimination of inter-segment revenue	(213,086)	(9,180)
Total revenue as per statements of profit or loss	1,017,898	769,518
Segment assets		
Total assets for reportable segments	4,837,630	4,294,716
Elimination of inter-segment assets	(403,226)	(239,814)
Total assets as per statements of financial position	4,434,404	4,054,902
Segment liabilities		
Total liabilities for reportable segments	3,678,584	3,319,830
Elimination of inter-segment liabilities	(1,480)	(3,854)
Total liabilities as per statements of financial position	3,677,104	3,315,976

34. 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 2013					
Financial assets					
AFS financial assets	2,568,350	-	-	-	2,568,350
FVTPL financial assets	-	912,252	-	-	912,252
Loans and receivables	-	-	636,897	-	636,897
Reinsurance assets	-	-	1,731	-	1,731
Insurance receivables	-	-	26,969	-	26,969
Cash and cash equivalents	-	-	57,657	-	57,657
	2,568,350	912,252	723,254	-	4,203,856

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34. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Group	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
31 December 2013					
Financial liabilities					
Insurance contract liabilities	-	-	-	3,072,828	3,072,828
Insurance claims liabilities	-	-	-	41,001	41,001
Insurance payables	-	-	-	364,488	364,488
Other payables	-	-	-	151,648	151,648
	-	-	-	3,629,965	3,629,965
31 December 2012					
Financial assets					
AFS financial assets	2,550,577	-	-	-	2,550,577
FVTPL financial assets	-	714,785	-	-	714,785
Loans and receivables	-	-	606,112	-	606,112
Reinsurance assets	-	-	3,268	-	3,268
Insurance receivables	-	-	27,995	-	27,995
Cash and cash equivalents	-	-	46,779	-	46,779
	2,550,577	714,785	684,154	-	3,949,516
Financial liabilities					
Insurance contract liabilities	-	-	-	2,803,687	2,803,687
Insurance claims liabilities	-	-	-	36,133	36,133
Insurance payables	-	-	-	348,676	348,676
Other payables	-	-	-	66,505	66,505
	-	-	-	3,255,001	3,255,001
Company					
31 December 2013					
Financial assets					
AFS financial assets	204,199	-	-	-	204,199
Loans and receivables	-	-	10,971	-	10,971
Cash and cash equivalents	-	-	1,555	-	1,555
	204,199	-	12,526	-	216,725
Financial liabilities					
Other payables	-	-	-	16,510	16,510

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Company	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
31 December 2012					
Financial assets					
AFS financial assets	112,696	-	-	-	112,696
Loans and receivables	-	-	12,038	-	12,038
Cash and cash equivalents	-	-	7,041	-	7,041
	112,696	-	19,079	-	131,775
Financial liabilities					
Other payables	-	-	-	8,144	8,144

(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 bank balances, insurance payables and other payables, are reasonable approximation of their fair values due to the relatively short term maturity of these balances;
- (ii) The fair values of quoted equities 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 instrument of deposits 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 equity call options are based on the fair value quoted by a counter party based on a specific valuation model as at the reporting date; and
- (vi) The fair values of investments in mutual funds, unit trust funds and real estate investment trusts are valued based on the net asset values of the underlying funds as at the reporting date.



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34. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

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34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

The following table presents the Group's and the Company's financial assets that are carried at fair value as at 31 December 2013.

Group	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2013				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	748,443	748,443	-	-
- Unquoted	2,516	-	-	2,516
Unit trust funds	95,210	95,210	-	-
Malaysian Government Securities	661,717	-	661,717	-
Government Investment Issues	193,881	-	193,881	-
Corporate debt securities				
- Unquoted	850,763	-	850,763	-
Accrued interest	15,820	-	15,820	-
	2,568,350	843,653	1,722,181	2,516
FVTPL financial assets				
Equity securities				
- Quoted in Malaysia	360,029	360,029	-	-
- Quoted outside Malaysia	1,236	1,236	-	-
Unit trust funds	11,186	11,186	-	-
Malaysian Government Securities	70,846	-	70,846	-
Government Investment Issues	20,809	-	20,809	-
Corporate debt securities				
- Unquoted	221,109	-	221,109	-
Mutual funds	224,527	224,527	-	-
Accrued interest	2,510	-	2,510	-
	912,252	596,978	315,274	-
	3,480,602	1,440,631	2,037,455	2,516

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

The following table presents the Group's and the Company's financial assets that are carried at fair value as at 31 December 2012.

Group	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2012				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	696,536	696,536	-	-
- Unquoted	2,516	-	-	2,516
Unit trust funds	90,010	90,010	-	-
Malaysian Government Securities	753,559	-	753,559	-
Government Investment Issues	152,858	-	152,858	-
Corporate debt securities				
- Unquoted	839,918	-	839,918	-
Accrued interest	15,180	-	15,180	-
	2,550,577	786,546	1,761,515	2,516
FVTPL financial assets				
Equity securities				
- Quoted in Malaysia	249,107	249,107	-	-
- Quoted outside Malaysia	2,575	2,575	-	-
Malaysian Government Securities	130,712	-	130,712	-
Government Investment Issues	21,478	-	21,478	-
Corporate debt securities				
- Unquoted	217,294	-	217,294	-
Mutual funds	90,700	90,700	-	-
Accrued interest	2,919	-	2,919	-
	714,785	342,382	372,403	-
	3,265,362	1,128,928	2,133,918	2,516

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34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

Company	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2013				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	27,379	27,379	-	-
- Unquoted	572	-	-	572
Unit trust funds	10,290	10,290	-	-
Malaysian Government Securities	59,289	-	59,289	-
Government Investment Issues	28,113	-	28,113	-
Corporate debt securities				
- Unquoted	77,025	-	77,025	-
Accrued interest	1,531	-	1,531	-
	204,199	37,669	165,958	572
31 December 2012				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	17,534	17,534	-	-
- Unquoted	572	-	-	572
Malaysian Government Securities	27,553	-	27,553	-
Government Investment Issues	7,133	-	7,133	-
Corporate debt securities				
- Unquoted	59,142	-	59,142	-
Accrued interest	762	-	762	-
	112,696	17,534	94,590	572

35. 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.

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35. RISK MANAGEMENT (CONTINUED)

(a) Risk management framework (continued)

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 earning 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 BNM.

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

(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.

35. RISK MANAGEMENT (CONTINUED)**(c) Capital management (continued)**

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 year.

The capital structure of the insurance subsidiary of the Group as at 31 December 2013, as prescribed under the Framework is as follows:

	2013 RM'000	2012 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	150,000	150,000
Retained earnings of the Group's insurance subsidiary*	132,351	270,047
Eligible contract liabilities	854,190	725,550
	1,136,541	1,145,597
Eligible Tier 2 Capital		
Eligible reserves	132,253	197,398
Amounts deducted from capital	(28,627)	-
Total Capital Available	1,240,167	1,342,995

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

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

The Group also limits its exposure to loss within the insurance operations through participation in reinsurance arrangements. For insurance contracts issued in 2013, the insurance subsidiary of the Group retains a maximum of RM300,000 for mortality risk per life and 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, facultative reinsurance and catastrophe treaties. The insurance subsidiary is neither dependent on a single reinsurer at this moment nor are the operations of the insurance subsidiary substantially dependent upon any reinsurance contract.

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35. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

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

	Gross		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Whole life	681,111	683,325	681,111	683,325
Endowment	352,764	319,405	352,764	319,405
Term	23,060	26,499	22,969	26,499
Annuity	172,029	192,669	172,029	192,669
Others	858,900	916,627	858,900	916,627
	2,087,864	2,138,525	2,087,773	2,138,525

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, 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
31 December 2013					
Mortality/morbidity	+10	12,809	12,802	(12,802)	(10,114)
Discount rate	-1	27,806	27,798	(27,798)	(21,961)
Expenses	+10	5,295	5,295	(5,295)	(4,183)
Lapse and surrender rates	+10	2,844	2,844	(2,844)	(2,247)
31 December 2012					
Mortality/morbidity	+10	14,444	14,444	(14,444)	(11,411)
Discount rate	-1	35,587	35,587	(35,587)	(28,114)
Expenses	+10	6,394	6,394	(6,394)	(5,051)
Lapse and surrender rates	+10	1,300	1,300	(1,300)	(1,027)

* 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 Group's profit before tax and equity arise from Non-participating life policies. There is no material impact to the Participating life fund within the range of changes in assumptions as the participating nature of the Participating life fund gives the insurance subsidiary of the Group the flexibility to adjust the policyholders' bonus or dividends.

35. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

Sensitivities (continued)

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.

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 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.

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35. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Group	Neither past-due nor impaired				Past due but not impaired	Past due and impaired	Investment- linked funds	Total
	Rating (BBB to AAA)	Not rated	Not subject to credit risk					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013								
<u>AFS financial assets</u>								
Equity securities	-	-	750,959	-	-	-	-	750,959
Unit trust funds	-	-	95,210	-	-	-	-	95,210
Malaysian Government Securities	-	661,717	-	-	-	-	-	661,717
Government Investment Issues	-	193,881	-	-	-	-	-	193,881
Corporate debt securities	507,603	343,160	-	-	-	-	-	850,763
Accrued interest	4,648	11,172	-	-	-	-	-	15,820
Financial assets at FVTPL - designated upon initial recognition								
Equity securities	-	-	-	-	-	-	361,265	361,265
Unit trust funds	-	-	11,186	-	-	-	-	11,186
Malaysian Government Securities	-	68,983	-	-	-	-	1,863	70,846
Government Investment Issues	-	18,358	-	-	-	-	2,451	20,809
Corporate debt securities	111,138	40,654	-	-	-	-	69,317	221,109
Mutual funds	-	-	-	-	-	-	224,527	224,527
Accrued interest	937	1,060	-	-	-	-	513	2,510
<u>Loans and receivables</u>								
Loans receivable	-	280,801	-	68	364	-	-	281,233
Fixed and call deposits	263,533	-	-	-	-	-	54,837	318,370
Other receivables	-	26,980	-	-	1,075	-	10,495	38,550
Reinsurance assets	1,370	361	-	-	-	-	-	1,731
Insurance receivables	-	26,969	-	-	1,056	-	-	28,025
Cash and cash equivalents	53,273	-	-	-	-	-	4,384	57,657
Allowance for impairment losses	-	-	-	-	(2,312)	-	-	(2,312)
	942,502	1,674,096	857,355	68	183	729,652		4,203,856

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35. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Group (continued)	Neither past-due nor impaired				Past due and impaired	Investment- linked funds	Total
	Rating (BBB to AAA)	Not rated	Not subject to credit risk	Past due but not impaired			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012							
<u>AFS financial assets</u>							
Equity securities	-	-	699,052	-	-	-	699,052
Unit trust funds	-	-	90,010	-	-	-	90,010
Malaysian Government Securities	-	753,559	-	-	-	-	753,559
Government Investment Issues	-	152,858	-	-	-	-	152,858
Corporate debt securities	500,640	339,278	-	-	-	-	839,918
Accrued interest	4,252	10,928	-	-	-	-	15,180
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	-	-	-	-	-	251,682	251,682
Malaysian Government Securities	-	127,718	-	-	-	2,994	130,712
Government Investment Issues	-	20,976	-	-	-	502	21,478
Corporate debt securities	103,433	55,154	-	-	-	58,707	217,294
Mutual funds	-	-	-	-	-	90,700	90,700
Accrued interest	886	1,576	-	-	-	457	2,919
<u>Loans and receivables</u>							
Loans receivable	-	312,535	-	43	356	-	312,934
Fixed and call deposits	221,375	-	-	-	-	53,400	274,775
Other receivables	-	15,619	-	-	1,075	2,965	19,659
Reinsurance assets	2,685	583	-	-	-	-	3,268
Insurance receivables	-	27,978	-	-	1,063	-	29,041
Cash and cash equivalents	44,267	-	-	-	-	2,512	46,779
Allowance for impairment losses	-	-	-	-	[2,302]	-	[2,302]
	877,538	1,818,762	789,062	43	192	463,919	3,949,516

NOTES TO THE FINANCIAL STATEMENTS

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35. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Company	Neither past-due nor impaired			Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	Rating (BBB to AAA) RM'000	Not rated RM'000					
31 December 2013							
AFS financial assets							
Equity securities	-	-		27,951	-	-	27,951
Unit trust funds	-	-		10,290	-	-	10,290
Malaysian Government Securities	-	59,289		-	-	-	59,289
Government Investment Issues	-	28,113		-	-	-	28,113
Corporate debt securities	42,291	34,734		-	-	-	77,025
Accrued interest	359	1,172		-	-	-	1,531
Loans and receivables							
Loans receivable	-	-		-	1	-	1
Fixed and call deposits	8,126	-		-	-	-	8,126
Other receivables	-	2,844		-	-	1,075	3,919
Cash and cash equivalents	1,555	-		-	-	-	1,555
Allowance for impairment losses	-	-		-	-	(1,075)	(1,075)
	52,331	126,152		38,241	1	-	216,725

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35. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Company (continued)	Neither past-due nor impaired				Past due but not impaired	Past due and impaired	Total
	Rating (BBB to AAA)	Not rated	Not subject to credit risk				
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
31 December 2012							
<u>AFS financial assets</u>							
Equity securities	-	-	18,106	-	-	-	18,106
Malaysian Government Securities	-	27,553	-	-	-	-	27,553
Government Investment Issues	-	7,133	-	-	-	-	7,133
Corporate debt securities	43,826	15,316	-	-	-	-	59,142
Accrued interest	402	360	-	-	-	-	762
<u>Loans and receivables</u>							
Loans receivable	-	-	-	1	-	-	1
Fixed and call deposits	9,107	-	-	-	-	-	9,107
Other receivables	-	2,930	-	-	-	1,075	4,005
Cash and cash equivalents	7,041	-	-	-	-	-	7,041
Allowance for impairment losses	-	-	-	-	-	(1,075)	(1,075)
	60,376	53,292	18,106	1	-	-	131,775

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35. 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 2013						
Loans receivable	-	-	-	-	68	68
31 December 2012						
Loans receivable	-	-	-	-	43	43
Company						
31 December 2013						
Loans receivable	-	-	-	-	1	1
31 December 2012						
Loans receivable	-	-	-	-	1	1

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35. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Impaired financial assets

For assets to be classified as "past due and impaired", contractual payments must be in arrears for more than three months based on objective evidence that an impairment loss has been incurred. The Group 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 2013	181	1,046	1,075	2,302
Allowance for impairment loss during the financial year	-	10	-	10
At 31 December 2013	181	1,056	1,075	2,312
At 1 January 2012	181	1,064	1,075	2,320
Reversal of allowance for impairment loss during the financial year	-	(18)	-	(18)
At 31 December 2012	181	1,046	1,075	2,302

Company	Other receivables	
	2013 RM'000	2012 RM'000
At 1 January/31 December	1,075	1,075

(f) Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk is managed through the segmentation of product liabilities with similar characteristics and the establishment of investment policies and goals for each segment. The Group's and the Company's investment policies and goals reflect the asset mix, asset quality, sector mix, currency mix, interest rate risk exposure and liquidity targets.

There has been no significant change in the market risk objectives, policies and processes in the current financial year as compared to the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

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35. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(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 SGD, HKD, 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:

	2013 Denominated		2012 Denominated	
	USD RM'000	CAD RM'000	USD RM'000	CAD RM'000
Amount due to related parties	2,006	531	946	229

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 (Decrease)/increase	
		2013 RM'000	2012 RM'000
Group			
Changes in foreign currency rates			
USD	+ 5%	(100)	(47)
CAD	+ 5%	(26)	(11)
USD	- 5%	100	47
CAD	- 5%	26	11
Company			
Changes in foreign currency rates			
USD	+ 5%	(49)	(20)
USD	- 5%	49	20

35. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises due to differences in pricing or tenure of investments and liabilities. For the Group's insurance 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 instrument 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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, showing the impact on the Group's and the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit before tax Increase/(decrease)		Impact on equity* (Increase)/decrease	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Group				
Change in variable:				
<u>Interest rate</u>				
+100 basis points	7,840	6,634	(9,601)	(15,008)
- 100 basis points	(12,190)	(11,739)	8,070	13,312
Company				
Change in variable				
<u>Interest rate</u>				
+100 basis points	-	-	(8,942)	(6,082)
- 100 basis points	-	-	10,062	6,804

* 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 insurance 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 insurance actuarial liabilities of the Non-participating funds. The impact arising from changes in interest rate risk to fixed income securities and insurance 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.

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35. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(iii) Price risk

The Group's and the Company's price risk exposure relates to financial assets and liabilities, whose values will fluctuate as a result of change in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to the individual instruments or their issuers or factors affecting all instruments traded in the market.

The Group and the Company 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.

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)	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Group				
Change in variable:				
<u>Market price</u>				
+15%	-	-	25,185	17,338
- 15%	-	-	(25,185)	(17,338)
Company				
Change in variable				
<u>Market price</u>				
+15%	-	-	4,273	2,029
- 15%	-	-	(4,273)	(2,029)

* 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 which are classified as AFS financial assets. The impact arising from changes in price risk to equity securities of the Participating life fund of the Group's insurance subsidiary is retained in the insurance contract liabilities.

35. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This risk is managed via a three-year planning process to ascertain operational cash flow requirements and maintaining a reasonable level of liquid assets to meet unexpected cash flow. In addition, the Group and the Company has large holdings of government bonds that can be liquidated at short notice to meet unexpected liquidity needs.

It is unusual for the Group primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amount and maturities in respect of insurance contract liabilities are thus based on management's estimate based on statistical techniques and past experiences.

There has been no significant change in the liquidity risk objectives, policies and processes in the current financial year as compared to the previous financial year.

The table below analyses the Group's and the Company's financial assets and financial liabilities into their relevant maturity groups based on the remaining undiscounted contractual obligations.

All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities 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.

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35. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
31 December 2013								
Equity securities	1,112,224	-	-	-	-	750,959	361,265	1,112,224
Unit trust funds	106,396	-	-	-	-	106,396	-	106,396
Malaysian Government Securities	732,563	36,852	70,921	92,702	823,706	-	1,863	1,026,044
Government Investment Issues	214,690	13,893	49,191	49,329	165,493	-	2,451	280,357
Corporate debt securities	1,071,872	150,919	275,098	141,139	716,746	-	69,317	1,353,219
Mutual funds	224,527	-	-	-	-	-	224,527	224,527
Accrued interest:								
- AFS financial assets	15,820	15,820	-	-	-	-	-	15,820
- FVTPL financial assets	2,510	1,997	-	-	-	-	513	2,510
Loans receivable	281,052	452	691	633	1,473	277,984	-	281,233
Fixed and call deposits	318,370	202,699	67,784	-	-	-	54,837	325,320
Other receivables	37,475	26,590	-	-	390	-	10,495	37,475
Reinsurance assets	1,731	1,731	-	-	-	-	-	1,731
Insurance receivables	26,969	26,969	-	-	-	-	-	26,969
Cash and cash equivalents	57,657	53,273	-	-	-	-	4,384	57,657
Total financial and insurance assets	4,203,856	531,195	463,685	283,803	1,707,808	1,135,339	729,652	4,851,482
Insurance contract liabilities	3,072,828	422,178	264,211	227,400	4,942,722	641	666,605	6,523,757
Insurance claims liabilities	41,001	41,001	-	-	-	-	-	41,001
Insurance payables	364,488	364,488	-	-	-	-	-	364,488
Other payables	151,648	107,663	-	-	-	-	43,985	151,648
Total financial and insurance liabilities	3,629,965	935,330	264,211	227,400	4,942,722	641	710,590	7,080,894

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35. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Group (continued)	Carrying value	Up to a year	1-3 years	3-5 years	Over 5 years	No maturity date	Investment-linked funds	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012								
Equity securities	950,734	-	-	-	-	699,052	251,682	950,734
Malaysian Government Securities	884,271	41,289	86,850	95,747	1,075,570	-	2,994	1,302,450
Government Investment Issues	174,336	6,964	43,180	20,945	143,592	-	502	215,183
Corporate debt securities	1,057,212	125,826	245,119	243,142	646,079	-	58,707	1,318,873
Unit trust funds	90,010	-	-	-	-	90,010	-	90,010
Mutual funds	90,700	-	-	-	-	-	90,700	90,700
Accrued interest								
- AFS financial assets	15,180	15,180	-	-	-	-	-	15,180
- FVTPL financial assets	2,919	2,462	-	-	-	-	457	2,919
Loans receivable	312,753	309,947	327	325	2,154	-	-	312,753
Fixed and call deposits	274,775	162,955	979	67,295	-	-	53,400	284,629
Other receivables	18,584	15,229	-	-	390	-	2,965	18,584
Reinsurance assets	3,268	3,268	-	-	-	-	-	3,268
Insurance receivables	27,995	27,995	-	-	-	-	-	27,995
Cash and cash equivalents	46,779	44,267	-	-	-	-	2,512	46,779
Total financial and insurance assets	3,949,516	755,382	376,455	427,454	1,867,785	789,062	463,919	4,680,057
Insurance contract liabilities	2,803,687	304,513	248,710	241,167	4,779,535	-	432,416	6,006,341
Insurance claims liabilities	36,133	36,133	-	-	-	-	-	36,133
Insurance payables	348,676	348,676	-	-	-	-	-	348,676
Other payables	66,505	50,801	-	-	-	-	15,704	66,505
Total financial and insurance liabilities	3,255,001	740,123	248,710	241,167	4,779,535	-	448,120	6,457,655

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35. 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 2013							
Equity securities	27,951	-	-	-	-	27,951	27,951
Unit trust funds	10,290	-	-	-	-	10,290	10,290
Malaysian Government Securities	59,289	2,556	4,348	3,168	75,236	-	85,308
Government Investment Issues	28,113	2,179	4,959	1,382	28,430	-	36,950
Corporate debt securities	77,025	14,544	14,419	7,146	69,863	-	105,972
Accrued interest:							
- AFS financial assets	1,531	1,531	-	-	-	-	1,531
Loans receivable	1	1	-	-	-	-	1
Fixed and call deposits	8,126	1,458	7,499	-	-	-	8,957
Other receivables	2,844	2,844	-	-	-	-	2,844
Cash and cash equivalents	1,555	1,555	-	-	-	-	1,555
Total financial assets	216,725	26,668	31,225	11,696	173,529	38,241	281,359
Other payables	16,510	16,510	-	-	-	-	16,510
Total financial liabilities	16,510	16,510	-	-	-	-	16,510

35. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Company (continued)	Carrying value	Up to a year	1-3 years	3-5 years	Over 5 years	No maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012							
Equity securities	18,106	-	-	-	-	18,106	18,106
Malaysian Government Securities	27,553	1,100	2,201	2,892	37,285	-	43,478
Government Investment Issues	7,133	292	4,674	222	3,220	-	8,408
Corporate debt securities	59,142	7,907	13,089	13,425	39,532	-	73,953
Accrued interest:							
- AFS financial assets	762	762	-	-	-	-	762
Loans receivable	1	1	-	-	-	-	1
Fixed and call deposits	9,107	2,440	665	7,166	-	-	10,271
Other receivables	2,930	2,930	-	-	-	-	2,930
Cash and cash equivalents	7,041	7,041	-	-	-	-	7,041
Total financial assets	131,775	22,473	20,629	23,705	80,037	18,106	164,950
Other payables	8,144	8,144	-	-	-	-	8,144
Total financial liabilities	8,144	8,144	-	-	-	-	8,144

(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.

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36. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Capital expenditure commitments:				
<i>Property and equipment</i>				
- Authorised but not provided for	16,453	-	7,930	-
Other commitments:-				
<i>Exclusive bancassurance agreement</i>				
- Authorised but not provided for	40,000	-	-	-

The Group's insurance subsidiary is committed to pay up to RM40 million under the terms of the bancassurance agreement in respect of business model fee and annual fees. The business model fee which is due in 2014 will be paid and capitalised as intangible assets upon settlement, whilst the annual fees will be expensed off to the profit or loss in the year of settlement.

37. ACQUISITION OF SUBSIDIARY

On 13 November 2013, the Company entered into a conditional share purchase agreement to acquire 6,000,000 ordinary shares of RM1 each in MAAKL Mutual Berhad ("MAAKL"), representing the entire issued and paid up ordinary share capital of MAAKL, for a total consideration of RM96,475,000. MAAKL is a mutual fund company managing 27 unit trust funds with over 1000 captive agents; and the acquisition was in line with the Group's strategy to expand the wealth business. The acquisition of shares was completed on 31 December 2013 ("date of acquisition") upon which control was obtained. If the acquisition had occurred on 1 January 2013, management estimates the consolidated total revenue and profit for the financial year would have been RM1.1 billion and RM61.2 million, respectively.

As allowed by MFRS 3 Business Combinations, at the date of this report, the Company is in the process of assessing and finalising the acquisition accounting arising from this business combination. The fair value of assets and liabilities acquired as of 31 December 2013 are consolidated based on provisional fair values as the purchase price allocation ("PPA") exercise and allocation of goodwill to specific cash generating units ("CGU") have yet to be completed. The Company anticipates to be able to complete the PPA and allocation of goodwill exercise not exceeding one year from the date of acquisition. Upon the completion of this exercise, the carrying amount of the residual goodwill will be adjusted accordingly on a retrospective basis.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed, at fair value, at the date of acquisition:

	Note	Group 2013 RM'000
Fair value of consideration transferred		
Cash and cash equivalents		90,445
Additional consideration	19	6,030
		96,475

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37. ACQUISITION OF SUBSIDIARY (CONTINUED)

Additional consideration

As part of the share purchase agreement with the previous owners of MAAKL, an additional consideration of RM6,029,688 (determined on best estimate basis) has been agreed to be paid over a period of 3 years.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed, at fair value, at the date of acquisition: (continued)

Identifiable assets acquired and liabilities assumed	Note	Group 2013 RM'000
Property, plant and equipment	4	1,702
Intangible assets	6	87,498
Manager's stocks		11,186
Trade receivables		9,214
Other receivables		708
Fixed deposits with licensed banks		11,806
Cash and cash equivalents		7,667
Trade payables		(18,592)
Other payables		(13,392)
Current tax liabilities		(1,001)
Deferred tax liabilities	17	(321)
Total identifiable net assets, at fair value		96,475

The following fair values have been determined on provisional basis:

- The fair value 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	:	12%
Expense growth rate	:	8%
Terminal value	:	1.65% of average Asset Under Management (based on comparable market transactions)
- The fair value of current tax liabilities is pending finalisation.

Net cash outflow arising from acquisition of subsidiary	Group 2013 RM'000
Purchase consideration settled in cash and cash equivalents	(90,445)
Cash and cash equivalents acquired	7,667
	(82,778)

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37. ACQUISITION OF SUBSIDIARY (CONTINUED)

	Group 2013 RM'000
Goodwill	
No provisional goodwill was recognised as a result of the acquisition as follows:	
Total consideration transferred	96,475
Fair value of identifiable net assets	(96,475)
	-

38. INSURANCE FUNDS

The Group's insurance subsidiary's activities are organised by funds and segregated into Life fund, Investment-linked funds and Shareholders' 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

31 December 2013	Shareholders' fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment-linked funds RM'000		
Assets					
Property and equipment	-	16,113	-	-	16,113
Investment properties	-	45,586	-	-	45,586
Intangible assets	28,627	-	-	-	28,627
Loans and receivables	178,830	352,749	65,332	(171,991)	424,920
Available-for-sale financial assets	187,274	2,334,076	-	(11,922)	2,509,428
Fair value through profit or loss financial assets	-	232,030	661,490	-	893,520
Reinsurance assets	-	1,731	-	-	1,731
Insurance receivables	-	26,969	-	-	26,969
Cash and cash equivalents	8,143	21,877	4,384	-	34,404
Total assets	402,874	3,031,131	731,206	(183,913)	3,981,298

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2013

38. INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds (continued)

31 December 2013 (continued)	Shareholders' fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment-linked funds RM'000		
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	204,070	-	-	-	204,070
Other reserves	16,487	-	-	(1,442)	15,045
Total equity	370,557	-	-	(1,442)	369,115
Insurance contract liabilities	-	2,406,218	676,613	(10,000)	3,072,831
Insurance claims liabilities	-	41,001	-	-	41,001
Deferred tax liabilities	24,590	10,881	6,681	(480)	41,672
Insurance payables	-	364,488	-	-	364,488
Current tax liabilities	1,529	(2,877)	3,927	-	2,579
Other payables	6,198	211,420	43,985	(171,991)	89,612
Total equity, policyholders' funds and liabilities	402,874	3,031,131	731,206	(183,913)	3,981,298

31 December 2012	Shareholders' fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment-linked funds RM'000		
Assets					
Property and equipment	-	9,597	-	-	9,597
Investment properties	-	48,897	-	-	48,897
Loans and receivables	234,895	475,664	56,365	(219,561)	547,363
Available-for-sale financial assets	320,602	2,127,865	-	(10,586)	2,437,881
Fair value through profit or loss financial assets	-	309,743	405,042	-	714,785
Reinsurance assets	-	3,268	-	-	3,268
Insurance receivables	-	27,995	-	-	27,995
Cash and cash equivalents	4,204	23,714	2,512	-	30,430
Total assets	559,701	3,026,743	463,919	(230,147)	3,820,216

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2013

38. INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds (continued)

31 December 2012 (continued)	Shareholders' fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment-linked funds RM'000		
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	341,766	-	-	-	341,766
Other reserves	27,877	-	-	(440)	27,437
Total equity	519,643	-	-	(440)	519,203
Insurance contract liabilities	-	2,371,271	442,416	(10,000)	2,803,687
Insurance claims liabilities	-	36,133	-	-	36,133
Deferred tax liabilities	27,912	16,157	3,648	(146)	47,571
Insurance payables	-	348,676	-	-	348,676
Current tax liabilities	10,971	(1,965)	2,151	-	11,157
Other payables	1,175	256,471	15,704	(219,561)	53,789
Total equity, policyholders' funds and liabilities	559,701	3,026,743	463,919	(230,147)	3,820,216

Statement of Profit or Loss by Funds

2013	Shareholders' fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment- linked funds RM'000		
Premium income					
Gross premiums	-	434,741	250,524	-	685,265
Premiums ceded to reinsurers	-	(11,013)	-	-	(11,013)
Net premiums	-	423,728	250,524	-	674,252
Investment income	9,532	126,829	14,961	-	151,322
Net realised gains	10,464	87,378	-	-	97,842
Net fair value (losses)/gains	(15)	(8,168)	77,940	-	69,757
Fee income	-	8,369	-	(6,354)	2,015
Other operating income	-	42	1,102	-	1,144
Total revenue	19,981	638,178	344,527	(6,354)	996,332

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2013

38. INSURANCE FUNDS (CONTINUED)

Statement of Profit or Loss by Funds (continued)

2013 (continued)	Shareholders' fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment-linked funds RM'000		
Gross benefits and claims paid	-	(322,772)	(101,481)	-	(424,253)
Claims ceded to reinsurers	-	1,525	-	-	1,525
Gross change in contract liabilities	-	(88,611)	(234,197)	-	(322,808)
Net claims	-	(409,858)	(335,678)	-	(745,536)
Fee and commission expenses	-	(75,461)	-	-	(75,461)
Investment expenses	(500)	(7,423)	-	-	(7,923)
Management expenses	(3,477)	(73,460)	(8,373)	6,354	(78,956)
Other operating expenses	(1,316)	(9,681)	(476)	-	(11,473)
Other expenses	(5,293)	(166,025)	(8,849)	6,354	(173,813)
Profit from operations	14,688	62,295	-	-	76,983
Transfer from/(to) revenue account	62,295	(62,295)	-	-	-
Profit before taxation	76,983	-	-	-	76,983
Taxation	(14,669)	-	-	-	(14,669)
Net profit for the financial year	62,314	-	-	-	62,314

2012	Shareholders' fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment-linked funds RM'000		
Premium income					
Gross premiums	-	404,882	120,484	(10,000)	515,366
Premiums ceded to reinsurers	-	(10,499)	-	-	(10,499)
Net premiums	-	394,383	120,484	(10,000)	504,867
Investment income	12,502	123,393	11,951	-	147,846
Net realised gains	3,399	62,786	-	-	66,185
Net fair value (losses)/gains	(187)	(2,643)	38,559	-	35,729
Fee income	-	5,084	-	(5,084)	-
Other operating income	-	83	850	-	933
Total revenue	15,714	583,086	171,844	(15,084)	755,560

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2013

38. INSURANCE FUNDS (CONTINUED)

Statement of Profit or Loss by Funds (continued)

2012 (continued)	Shareholders' fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment-linked funds RM'000		
Gross benefits and claims paid	-	(293,962)	(81,324)	-	(375,286)
Claims ceded to reinsurers	-	5,715	-	-	5,715
Gross change in contract liabilities	-	(103,440)	(76,384)	10,000	(169,824)
Net claims	-	(391,687)	(157,708)	10,000	(539,395)
Fee and commission expenses	-	(73,231)	-	-	(73,231)
Investment expenses	(676)	(7,502)	-	-	(8,178)
Management expenses	(520)	(56,614)	(6,968)	5,084	(59,018)
Other operating expenses	(1,206)	(10,305)	(7,168)	-	(18,679)
Other expenses	(2,402)	(147,652)	(14,136)	5,084	(159,106)
Profit from operations	13,312	43,747	-	-	57,059
Transfer from/(to) revenue account	43,747	(43,747)	-	-	-
Profit before taxation	57,059	-	-	-	57,059
Taxation	(10,727)	-	-	-	(10,727)
Net profit for the financial year	46,332	-	-	-	46,332

Information on cash flows by Funds

2013	Shareholders' fund RM'000	Insurance funds		Total RM'000
		Life fund RM'000	Investment-linked funds RM'000	
Cash flows from:				
Operating activities	3,939	230,979	1,872	236,790
Investing activities	-	(32,806)	-	(32,806)
Financing activity	-	(200,010)	-	(200,010)
Net increase/(decrease) in cash and cash equivalents	3,939	(1,837)	1,872	3,974
At beginning of financial year	4,204	23,714	2,512	30,430
At end of financial year	8,143	21,877	4,384	34,404

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2013

38. INSURANCE FUNDS (CONTINUED)

Information on cash flows by Funds (continued)

2012	Shareholders' fund RM'000	Insurance funds		Total RM'000
		Life fund RM'000	Investment-linked funds RM'000	
Cash flows from:				
Operating activities	3,025	3,275	1,445	7,745
Investing activities	-	(1,575)	-	(1,575)
Net increase in cash and cash equivalents	3,025	1,700	1,445	6,170
At beginning of financial year	1,179	22,014	1,067	24,260
At end of financial year	4,204	23,714	2,512	30,430

39. DISCLOSURE OF REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive to all listed issuers to disclose a breakdown of the unappropriated profits or accumulated losses into realised and unrealised profits or losses. The analysis of realised and unrealised profits is made with reference to the Guidance On Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained profits:				
- Realised	528,864	481,113	433,483	249,731
- Unrealised	81,221	93,497	8,349	8,215
	610,085	574,610	441,832	257,946
Consolidation adjustments	24,124	24,124	-	-
Total retained profits as per statements of financial position	634,209	598,734	441,832	257,946

REGIONAL SUPPORT CENTRES

1. JOHOR BAHRU

2nd Floor, Bangunan Ang
No. 1, Jalan Jeram, Taman Tasek
80200 Johor Bahru
Tel : 07 - 2352549 / 2350775
Fax : 07 - 2350768

2. IPOH

9th Floor, M&A Building
No. 52A, Jalan Sultan Idris Shah
30000 Ipoh, Perak
Tel : 05 - 254 2295 / 254 2296
Fax : 05 - 255 0079

3. SIBU

3rd Floor, Grand Merdin
No. 131, Kampung Nyabor Road
96000 Sibu, Sarawak
Tel : 084 - 324 755 / 333976 /
321613
Fax : 084 - 320 454

4. KUCHING

1st Floor, Lot 127-129
Jalan Petanak
Section 54, Kuching Town Land District
93100 Kuching
Sarawak
Tel : 082 - 424755 , 082 - 419755
Fax : 082 - 412755

5. JURU

No. 1797-1-05 (First Floor)
Kompleks Auto World
Jalan Perusahaan
Juru Interchange
13600 Perai, Penang
Tel : 04 - 5027916 / 5027917
Fax : 04 - 502 7918

6. PETALING JAYA

Lot T101 - T106
3rd Floor, Centrepont
No 3, Lebuhr Bandar Utama
Bandar Utama
47800 Petaling Jaya
Selangor
Tel : 03 - 7727 7772 / 7726 6680 /
7727 7618
Fax : 03 - 7726 6060

BRANCH OFFICE

7. MELAKA

524A & 524B, Jalan Merdeka
Taman Melaka Raya
75000, Melaka
Tel : 06 - 2882810 / 2882811
Fax : 06 - 2882812

8. KOTA KINABALU

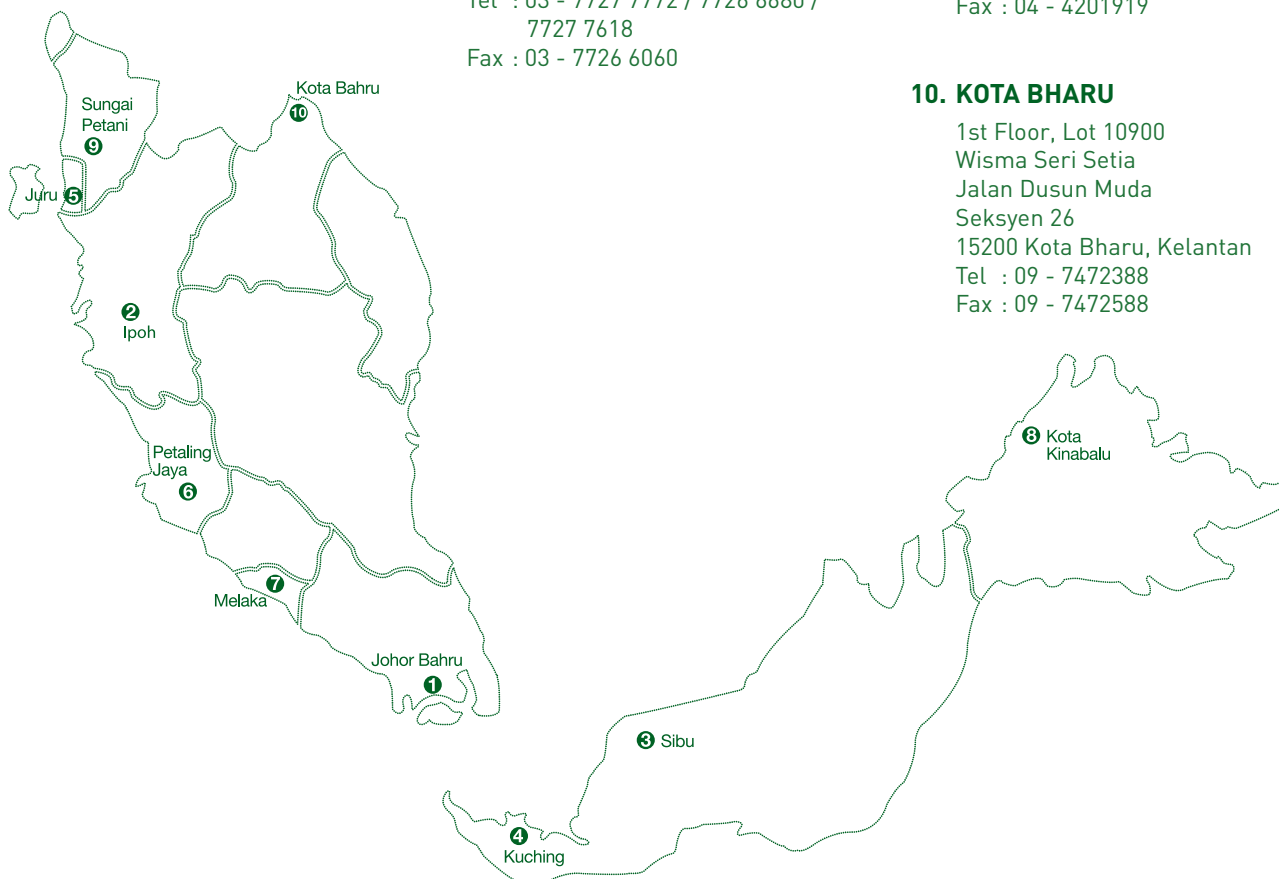
Unit 59, Block J, 5th Floor
KK Times Square Signature Office
Coastal Highway
88100 Kota Kinabalu
Sabah
Tel : 088 - 486239
Fax : 088 - 486167

9. SUNGAI PETANI

1st Floor
185, Jalan Lagenda 1
Lagenda Heights
08000 Sungai Petani
Kedah Darul Aman
Tel : 04 - 4201917 / 4201918
Fax : 04 - 4201919

10. KOTA BHARU

1st Floor, Lot 10900
Wisma Seri Setia
Jalan Dusun Muda
Seksyen 26
15200 Kota Bharu, Kelantan
Tel : 09 - 7472388
Fax : 09 - 7472588



HEAD OFFICE MANAGEMENT

LIST OF OFFICERS

MANULIFE HOLDINGS BERHAD

Group Chief Executive Officer/ Executive Director

MARK STEVEN O'DELL
(ChFC) (CLU)

Snr Vice President, Legal & Compliance

JASBENDER KAUR
LLB (Hons), CLP

Chief Human Resource Officer

KAREN YAP YOKE YOONG
B. Business Admin
MBA (Human Resource Management)

MANULIFE INSURANCE BERHAD

Chief Executive Officer

GEORGE CHEW YEE MING
B. Business Admin

Chief Financial Officer

ALEX WONG CHI KIT
B.Sc (Actuarial Science), FSA, FASM

Appointed Actuary

GHO HAN JAA
B. Sc (Actuarial), FIA

Chief Agency Officer

TAN YEOH HOCK
FLMI, LOMA

Head of Partnership & Marketing

CHITRA KARAN MUKUNDAN
MBA Marketing

Chief Operations Officer

ANNA KOK YORK SE
B. Science (Business), MBA Business Admin

Chief Marketing Officer

KENNY THING HOCK CHYE
B. Business (Management)
Masters of Science, Finance

MANULIFE ASSET MANAGEMENT SERVICES BERHAD

Acting Chief Executive Officer

NYKOLA MICHAEL CZOLAK
Post Graduate Diploma in Management
CII Financial Planning Certificate

Managing Director/Chief Investment Officer

JASON CHONG SOON MIN
B.Sc (Hons) Economics & Finance

MAAKL MUTUAL BHD

Chief Executive Officer/Executive Director

WONG BOON CHOY
CA(M), CPA, CFP

Chief Financial Officer

BOR NGEE WHA
CPA, CFP, B.Sc (Hons) Economics & Accountancy

Chief Operating Officer

PATRICK NGE KOH HGUONG
BSC, CFP



LIST OF PROPERTIES

As at 31 December 2013

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)	46,997	236,173	168,640	Freehold	16	97,299	2013

Note :
NLA- Net Lettable Area

The above property is for office and commercial use.

ANALYSIS OF SHAREHOLDINGS

as at 5 May 2014

Authorised Share Capital	:	RM125,000,000
Issued and Paid-up	:	RM101,185,000 comprising 202,370,000 Ordinary Shares of 50 sen each
Class of Shares	:	Ordinary Shares of 50 sen each
Voting Rights	:	1 vote per Ordinary Share
No. of shareholders	:	2,259

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
1-99	223	9.87	6,246	0.00
100 to 1,000	591	26.16	453,170	0.22
1,001 to 10,000	1,140	50.46	4,608,355	2.28
10,001 to 100,000	250	11.07	7,489,276	3.70
100,001 to less than 5% of issued shares	54	2.39	69,502,164	34.34
5% of issued shares and above	1	0.04	120,310,789	59.45
Total	2,259	100.00	202,370,000	100.00

SUBSTANTIAL SHAREHOLDER 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 6A(4) of the Companies Act, 1965.

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 5 May 2014

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	5,085,000	2.51
5	AMANAHRAYA TRUSTEES BERHAD PUBLIC GROWTH FUND	4,993,166	2.47
6	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS LUX FOR ABERDEEN GLOBAL	4,363,800	2.16
7	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	4,338,700	2.14
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND	3,600,966	1.78
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC DIVIDEND SELECT FUND	3,069,200	1.52
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	2,940,000	1.45
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC BALANCED FUND	2,555,000	1.26
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC EQUITY FUND	2,523,500	1.25
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC ENHANCED BOND FUND	2,514,300	1.24
14	AMANAHRAYA TRUSTEES BERHAD PUBLIC SOUTH-EAST ASIA SELECT FUND	2,076,100	1.03
15	YEOH KEAN HUA	1,190,000	0.59
16	CHENG WEN-YIH	1,040,600	0.51
17	FU, CHEN SHU-CHEN	996,400	0.49
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (OPERATING FUND)	879,300	0.43
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)	800,000	0.40
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ARSHAD BIN AYUB	600,875	0.30
21	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SINGAPORE-SGD)	511,000	0.25
22	CHAN SHIEK CHIN @ CHAN SHICK CHIN	503,200	0.25
23	YEO KHEE HUAT	480,000	0.24
24	HDM NOMINEES (ASING) SDN BHD PLEGDED SECURITIES ACCOUNT FOR HSU, CHUN-TSANG	400,000	0.20

ANALYSIS OF SHAREHOLDINGS

as at 5 May 2014

30 LARGEST SECURITIES ACCOUNT HOLDERS (CONTINUED)

Name		No. of Shareholding	% of Issued Capital
25	HUNG, WEN-CHIH	311,000	0.15
26	HSU, CHUN-TSANG	300,000	0.15
27	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	278,200	0.14
28	YU KOK ANN	273,300	0.14
29	HSU LIU, MEI-YU	269,000	0.13
30	CHOO SIEW LIAN	268,134	0.13
		185,899,763	91.86

I/We _____
 (FULL NAME IN BLOCK LETTERS)

NRIC/Passport/Company No. _____

of _____
 (ADDRESS)

being a member/members of the abovenamed Company, hereby appoint _____
 (FULL NAME IN BLOCK LETTERS)

NRIC/Passport No. _____

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 Thirty-Eighth Annual General Meeting of the Company to be held on Friday, 27 June 2014 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 and a Special Single-Tier Dividend		
2.	Re-election of Mr. Philip John Hampden-Smith		
3.	Re-election of Datuk Seri Panglima Mohd Annuar Bin Zaini		
4.	Re-election of Mr. Leung Rockson Lok-Shuen		
5.	Re-election of Dato' Dr. Zaha Rina Binti Zahari		
6.	Directors' Remuneration in respect of financial year ended 31 December 2013		
7.	Re-appointment of Auditors		
8.	Special Business – Ordinary Resolution 1		
9.	Special Business – Ordinary Resolution 2		
10.	Special Business – Ordinary Resolution 3		

Dated this _____ day of _____ 2014

Number of Shares Held	CDS Account No.

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

Notes:

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 June 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
- 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.
- 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 and the provisions of Section 149 (1) (b) of the Companies Act, 1965 need not be complied with. 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.
- 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.
- 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.
- The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damantela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

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**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

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Manulife Holdings Berhad (24851-H)

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

Tel : 603 - 2719 9228 Fax : 603 - 2095 3804

www.manulife.com.my