Manulife

ANNUAL REPORT 2015

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
Real 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 Fortieth Annual General Meeting of the Company will be held at Banquet Hall, 1st Floor, Kuala Lumpur Golf & Country Club, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Friday, 20 May 2016 at 3:00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 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 9.0 sen per share for the financial year ended 31 December 2015. (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. Mark Steven O'Dell; and (Resolution 2)
    (b) Mr. Philip John Hampden-Smith (Resolution 3)

4. To approve the payment of Directors' remuneration for the financial year ended 31 December 2015. (Resolution 4)

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

AS SPECIAL BUSINESS

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

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

(b) ORDINARY RESOLUTION 2 (Resolution 7)
- 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 28 April 2016 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;

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS (CONT'D)

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

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

(a) the conclusion of the 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 8)
- 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 28 April 2016 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."

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS (CONT'D)

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

(d) SPECIAL RESOLUTION (Resolution 9)
- PROPOSED AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

"**THAT** the following proposed amendment to the Company's Articles of Association, be and is hereby approved:-

No.	Existing Article	No.	Proposed Article
122	The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as referred in to the Section. The Company's Annual Report shall be prepared in accordance with the Act and the Listing Requirements and be issued to Members and given to the Exchange within a period of not exceeding six (6) months from the close of the financial year of the Company and the audited profit and loss accounts and balance sheets, group accounts (if any) and the Directors' and Auditors' reports, shall be given to the Exchange for public release, within a period not exceeding four (4) months from the close of the financial year of the Company.	122	The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as referred in to the Section. The Company's Annual Report shall be prepared in accordance with the Act and the Listing Requirements and be issued to Members and given to the Exchange within a period of not exceeding ~~**six (6)**~~ four (4) months from the close of the financial year of the Company. ~~**and the audited profit and loss accounts and balance sheets, group accounts (if any) and the Directors' and Auditors' reports, shall be given to the Exchange for public release, within a period not exceeding four (4) months from the close of the financial year of the Company.**~~

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Single-Tier Dividend of 9.0 sen per share in respect of the financial year ended 31 December 2015, if approved, will be paid on 16 June 2016 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 31 May 2016.

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

(a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 31 May 2016 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 : 28 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Notes :-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 13 May 2016 ("**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 Fortieth 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-Ninth Annual General Meeting of the Company held on 28 May 2015 (hereinafter referred to as the "**Previous Mandate**").

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

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

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

The proposed adoption of Resolutions 7 and 8 is to renew the Shareholders' Mandate granted by the shareholders of the Company at the Thirty-Ninth Annual General Meeting of the Company held on 28 May 2015 and to obtain new Shareholders' Mandate for new Recurrent Related Party Transactions respectively. Both Proposed Renewal of Shareholders' Mandate and New Shareholders' Mandate will enable the Group to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature are set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2015 Annual Report.

(3) PROPOSED AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

The proposed amendment is to streamline the Company's Articles of Association to be aligned with the amendment to Bursa Malaysia Securities Berhad Main Market Listing Requirements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' DR. ZAHA RINA BINTI ZAHARI
D.S.A.P, MBA, DBA
Chairman/Independent Non-Executive Director

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI
DSA, SPDK, SPMP, DPMP, DJMK, PMP, AMP
BA (Hons) in Economics, University Kebangsaan Malaysia
MA in Law & Diplomacy, Fletcher School of Law & Diplomacy, Tufts University, USA
Independent Non-Executive Director

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

PHILIP JOHN HAMPDEN-SMITH
Graduate of The Royal Military Academy, Sandhurst
Independent Non-Executive Director

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

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

JOINT SECRETARIES

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

COMMITTEES OF THE BOARD

• EXECUTIVE COMMITTEE

DATO' DR. ZAHA RINA BINTI ZAHARI
(Chairman)

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

LEUNG ROCKSON LOK-SHUEN

• GROUP NOMINATING/ REMUNERATION COMMITTEE

DATO' DR. ZAHA RINA BINTI ZAHARI
(Chairman)

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

LIM HUN SOON @ DAVID LIM

PHILIP JOHN HAMPDEN-SMITH

LEUNG ROCKSON LOK-SHUEN

REGISTERED OFFICE

16th Floor, Menara Manulife
6 Jalan Gelenggang
Damansara Heights
50490 Kuala Lumpur
Tel: 03 2719 9228
Fax: 03 2095 3804
www.manulife.com.my

REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel: 03 2084 9000
Fax: 03 2094 9940

PRINCIPAL BANKERS

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

AUDITORS

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

INVESTOR RELATIONS

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

AGM HELPDESK

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
– Main Market

CORPORATE STRUCTURE

Manulife

MANULIFE HOLDINGS BERHAD (24851-H)

- **100%** Manulife Insurance Berhad
- **100%** Manulife Asset Management Services Berhad
- **100%** Britama Properties Sdn Bhd
- **100%** The E-Software House Sdn Bhd
- **100%** British American Investments Pte Ltd
- **100%** MAAKL Mutual Berhad (In Liquidation)
- **100%** Britama Credit Sdn Bhd (In Liquidation)
- **100%** Manulife Asset Management (Malaysia) Sdn Bhd (In Liquidation)

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2011	2012	2013	2014	2015
OPERATING RESULTS					
For the financial year ended 31 December (RM'million)					
Group Premiums	487.9	515.4	685.3	779.0	**814.2**
Investment Income and Other Operating Income - Net[1]	197.2	261.0	340.4	271.2	**184.8**
Policyowners Benefit Paid and Payable	419.0	369.6	422.7	486.2	**598.5**
Group Profit Before Taxation	49.7	56.8	73.2	49.9	**47.9**
Group Net Profit Attributable To Shareholders	40.9	49.0	58.3	35.7	**35.6**
KEY BALANCE SHEET DATA					
As at 31 December (RM'million)					
Life Fund Assets	3,247.1	3,490.7	3,762.3	3,963.8	**4,169.7**
General/Shareholder Fund Assets	532.9	564.2	672.1	667.7	**696.4**
Total Assets	3,780.0	4,054.9	4,434.4	4,631.5	**4,866.1**
Total Liabilities	3,074.9	3,316.0	3,677.1	3,868.6	**4,088.8**
Shareholders' Equity	705.1	738.9	753.6	762.9	**777.2**
SHARE INFORMATION					
Group Basic Earnings Per Share (sen)	20.2	24.2	28.8	17.6	**17.6**
Net Dividend Per Share (sen)	13.5	11.3	12.5	10.0	**10.0**
Group Net Asset Per Share (RM)	3.48	3.65	3.72	3.76	**3.84**
Share Price - High (RM)	3.25	3.76	3.62	3.85	**3.30**
Share Price - Low (RM)	2.70	2.98	3.06	3.10	**2.65**
Share Price As At 31 December (RM)	2.92	3.35	3.55	3.14	**2.92**
Market Capitalisation (RM'million)	590.9	677.9	718.4	635.4	**590.9**
FINANCIAL RATIO (%)					
Return on Equity[2]	5.9	6.8	7.8	4.7	**4.6**
Return on Assets[3]	1.1	1.2	1.4	0.8	**0.7**

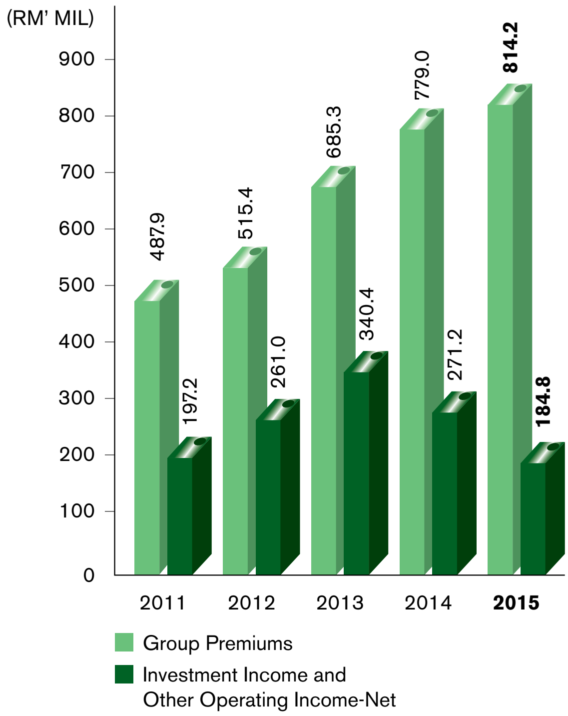
1 Comprises total revenue excluding net premiums, and net off net realised/fair value losses and investment expenses.

2 Return on Equity = Group Net Profit Attributable To Shareholders / Average Shareholder's Equity

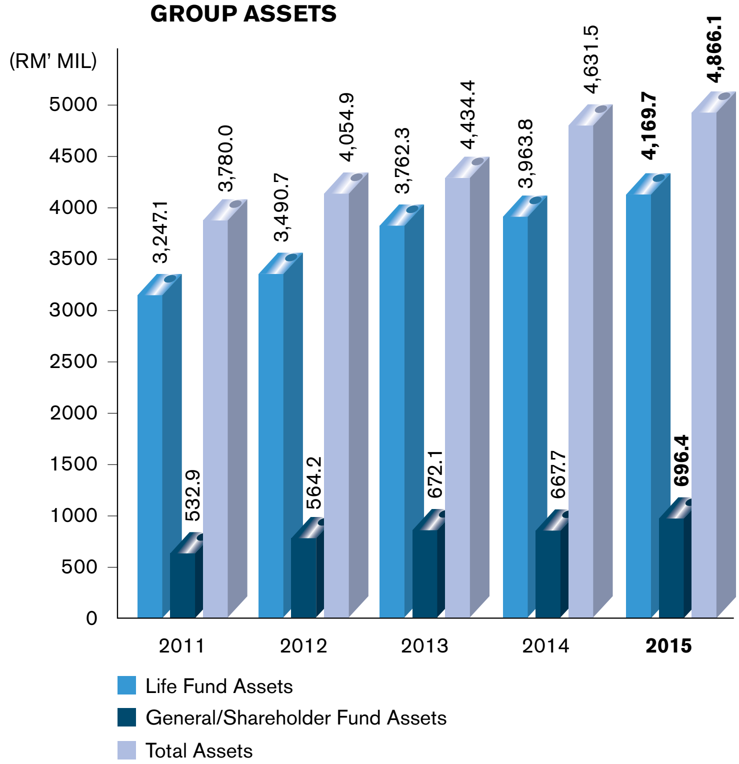
3 Return on Assets = Group Net Profit Attributable To Shareholders / Average Total Assets

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

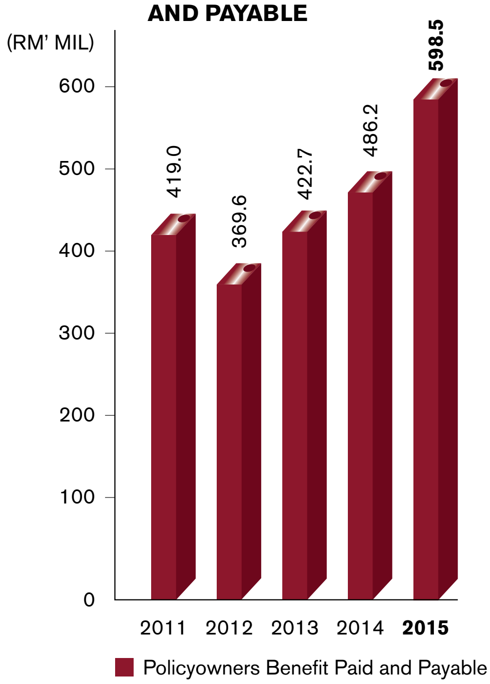
GROUP INCOME



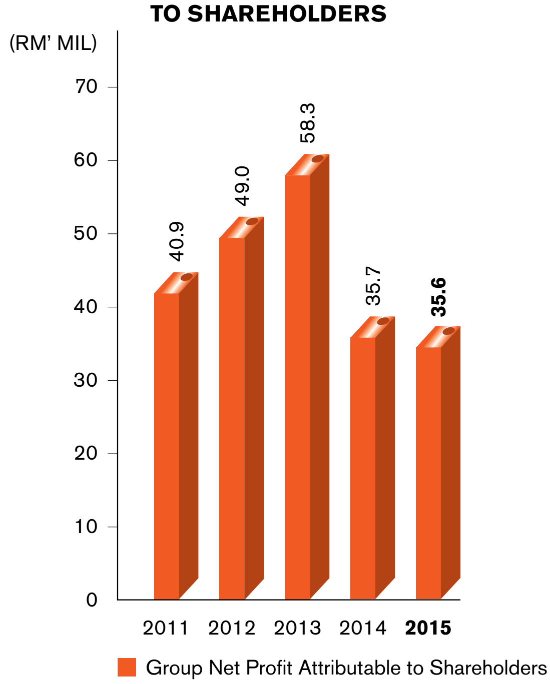
GROUP ASSETS



POLICYOWNERS BENEFIT PAID AND PAYABLE



GROUP NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS



BOARD OF DIRECTORS

From Left to Right

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

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

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

BOARD OF DIRECTORS

From Left to Right

LIM HUN SOON @ DAVID LIM
Independent Non-Executive Director

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

PHILIP JOHN HAMPDEN-SMITH
Independent Non-Executive Director

DIRECTORS' PROFILE

DATO' DR. ZAHA RINA BINTI ZAHARI

Chairman/Independent Non-Executive Director

Dato' Dr. Zaha Rina binti Zahari, aged 54, a Malaysian, was appointed to the Board on 12 December 2013. Dato' Dr. Zaha Rina received her BA (Hons) Accounting and Finance from Leeds UK and Doctorate in Business Administration from Hull UK focusing on capital markets research and specialising in derivatives.

She was a Consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange (BFX) launched in January 2009. Prior to this, she was with Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. She has more than 25 years 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. She has previous Board appointments at the Commodity and Monetary Exchange of Malaysia (COMMEX) from 1993 to 1996, then as the Chief Operating Officer (COO) of Kuala Lumpur Options and Financial Futures Exchange (KLOFFE) in 2001, which merged to become Malaysian Derivatives Exchange ("MDEX") in June 2001.

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

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

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

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

MARK STEVEN O'DELL

Group Chief Executive Officer/ Executive Director

Mr. Mark Steven O'Dell, aged 58, 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 35 years of experience in the life insurance business including 20 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 respectively. 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. He is also the Chief Executive Officer and Executive Director of Manulife Insurance Berhad. Mr. O'Dell also sits on the Boards of Manulife Chinabank Life Assurance Corporation, Manulife Financial Plans, Inc, The Manufacturers Life Insurance Co. (Phils), Inc and Manulife Asset Management Services Berhad.

DIRECTORS' PROFILE

LIM HUN SOON @ DAVID LIM

Independent Non-Executive Director

Mr. Lim Hun Soon @ David Lim, aged 60, 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 in 2000 to 2001 in which he gained extensive and insightful knowledge from KPMG Global counterparts worldwide.

In 2006, he was assigned by KPMG to start up the Malaysian Audit Committee Institute (**"ACI Malaysia"**), which was a virtual worldwide initiative sponsored by KPMG to assist Independent Directors in enhancing their awareness and ability to implement effective board processes. After five (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 ten (10) years. He was also the Chairman of the MICPA Code of Ethics Committee and a member of the Malaysian Institute of Accountants Code of Ethics Committee from 2002 to 2004. He had also developed an expertise from undertaking the role of Reporting Accountants in initial public offerings (**"IPO"**) and was the audit partner in charge of over 30 IPOs whilst at KPMG. He retired from KPMG in 2011.

In July 2013, Mr. David Lim was appointed as a Council Member of the ICAEW representing South East Asia (Malaysia). His appointment represents a huge accolade for Malaysia, as it's the first time in ICAEW's sterling 130 years history, a Malaysian is represented on ICAEW's Council. In 2015, his appointment was extended for another term of two years till 2017.

Mr. David Lim sits on the Board of Affin Investment Bank Berhad, Affin Hwang Investment Bank Berhad, Ann Joo Resources Berhad, Rockwills Trustee Berhad, Sasbadi Holdings Berhad, Kawan Food Berhad and Ranhill Holdings Berhad as an Independent Non-Executive Director 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.

PHILIP JOHN HAMPDEN-SMITH

Independent Non-Executive Director

Mr. Philip John Hampden-Smith, aged 57, from the UK, was appointed to the Board on 5 January 2006.

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 over 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 five (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.

DIRECTORS' PROFILE

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

Independent Non-Executive Director

Datuk Seri Panglima Mohd Annuar bin Zaini, aged 65, 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.

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

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

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

Datuk Seri Panglima Mohd Annuar is a member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/Remuneration Committee of the Board of Directors. He is also a Director and member of the Audit Committee of the Board of Manulife Insurance Berhad and a Director on the Board of Manulife Asset Management Services Berhad.

LEUNG ROCKSON LOK-SHUEN

Non-Independent Non-Executive Director

Mr. Leung Rockson Lok-Shuen, aged 44, 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 Risk Officer Asia. He is responsible for the Risk Management function in Asia overseeing all risks including enterprise, product, market, operational, insurance and underwriting risks. He joined Manulife in 2010 and he was the Vice President and Chief Actuary, Asia, responsible for the oversight of the actuarial function, including all external actuarial disclosures and capital management.

Mr. Leung brings with him 19 years of insurance finance and risk management experience in Asia and Australia. He began his career in Australia and returned to Asia in 1999 and had held various positions with ING Asia, including the Chief Insurance Risk Officer of China and the Chief Financial Officer of China. Prior to Manulife, he was the Deputy Chief Executive and Chief Financial Officer of Bank of China Group Life Insurance Company.

Mr. Leung is a member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/ Remeneration Commitee of the Board of Directors. He is also a Director and member of the Audit Committee of the Board of Manulife Insurance Berhad.

Mr. Leung is a representative of the Company's largest shareholder, Manulife Century Holdings (Netherlands) B.V., whose ultimate holding company is Manulife Financial Corporation.

DIRECTORS' PROFILE

OTHER INFORMATION ON DIRECTORS

Save as disclosed, none of the Directors has 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 ten (10) years.

There were five (5) Board Meetings held during the financial year ended 31 December 2015. The details of attendance of the Directors are as follows:-

Name of Board of Directors	Attendance
Dato' Dr. Zaha Rina binti Zahari	5 out of 5
Datuk Seri Panglima Mohd Annuar bin Zaini	5 out of 5
Lim Hun Soon @ David Lim	5 out of 5
Mark Steven O'Dell	5 out of 5
Philip John Hampden-Smith	3 out of 5
Leung Rockson Lok-Shuen	4 out of 5
Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani *(resigned w.e.f. 1 January 2016)*	4 out of 5

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 2015.

REVIEW OF RESULTS

The Group uses Operating Revenue as a measure of the Group's financial performance which consists of gross premiums, investment income and fee income generated by each reportable segment during the year.

RM millions	2015	2014	Variance
Gross premiums	814.2	779.0	4.5%
Investment income	173.5	171.6	1.1%
Fee income	56.9	58.8	-3.2%
Group's Operating Revenue	1,044.6	1,009.4	3.5%

The Group registered a 3.5% growth in Operating Revenue of RM1,044.6 million in the current year, as compared to RM1,009.4 million reported in the preceding year. Total insurance premium grew by 4.5% from prior year. This was primarily attributed to the increasing contribution from our strategic bancassurance partnership with Alliance Bank Malaysia Berhad ("ABMB") in insurance business. Although the Group also continued to seek growth opportunity for new bank distributions in the wealth segment, it has been a challenging year amid the uncertain global market and economic condition. As a result, compared to the preceding year, our unit trust sales were lower which led to a reduction in fee income by 3.2%.

The Group recorded a slight decrease in profit before tax from RM49.9 million recorded in year 2014 to RM47.9 million in the year under review, mainly due to the challenges in the wealth segment driven by the dampened market sentiment in the cost inflationary environment. In addition, the medical claims expenses in 2015 have impacted the claims experience by approximately RM2 million. The Group's profit after tax and earnings per share also decreased by 0.3% respectively in year 2015.

GROUP'S FINANCIAL POSITION

As at 31 December 2015, the Group's total assets strengthened to RM4,866.1 million, which was a 5.1% increase from the preceding year of RM4,631.5 million. The Group's net assets per share increased by 8 sen from RM3.76 recorded in year 2014 to RM3.84 in the year under review, mainly in line with the growth in our life insurance business during the year.

REVIEW OF OPERATIONS

Insurance Business

Despite a challenging operating environment, Manulife Insurance Berhad ("Manulife Insurance") delivered RM120.13 million in new business annualised premium for the year 2015, registering 15.88% growth year-on-year and outstripping the average industry growth rate of almost 3.95%. Based on new business, Manulife Insurance maintained its ranking at 8th position amongst 14 life insurance players, whilst improving its market share from 2.36% in 2014 to 2.63% in 2015.

CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS (CONT'D)

As a result of the several recruitment-related activities held to attract a much younger crowd to embark on a life insurance career, there was a significant improvement in recruitment numbers in the second half of 2015, resulting in total agency force of almost 1500 at year end. The close of 2015 also saw Manulife Insurance achieving a higher policy persistency ratio.

Manulife Insurance's innovative first-in-the-market product, Manulink Shield was received well in the market, and quickly became our top selling product, leading to strong improvement in sales for 2015. To close the year, in December 2015, an enhanced medical plan that comes with new benefits was introduced to meet continuous growing market needs, thus making our medical coverage plan competitive in the market.

In 2015, Manulife Insurance's new business with its exclusive bancassurance partner ABMB contributed RM49.3 million in total Annualised Premium Equivalent ("APE") production, a 43% growth over 2014's achievement of RM 34.4 million APE. New business APE with ABMB formed 41% of Manulife's total APE production for 2015. The growth in sales is attributed to new key products developed to enhance the overall value proposition for ABMB customers. The combined premium generated during the year was the largest recorded in the bank's history and contributed to an increase in revenue growth for ABMB.

Unit Trust and Asset Management Business

Manulife Asset Management Services Berhad ("MAMSB") is one of the top 10 largest private unit trust companies in Malaysia. As at 31 December 2015, MAMSB's total assets under management ("AUM") stood at RM8 billion.

MAMSB's unit trust business increased by 9.3% or RM305 million, while Private Retirement Scheme ("PRS") business grew by RM11.6 million in 2015. For the whole year, MAMSB registered AUM growth of RM1 billion.

With the launch of two (2) new equity funds last year, MAMSB now offers a total of 40 unit trust funds and six (6) PRS funds for the investment diversification of investors including 26 conventional funds, 14 Islamic funds and 19 funds approved under the Employees' Provident Funds ("EPF") Members' Investment Scheme.

In 2015, MAMSB also expanded its branch network in Malaysia with the opening of three (3) new branches in Shah Alam, Bintulu and Tawau to better serve the needs of our growing number of investors and unit trust advisers.

MAMSB continues to strengthen its adviser base by attracting new unit trust advisers to join MAMSB through its many campaigns and incentives. During the year, a total of 220 new recruits joined MAMSB as contracted unit trust advisers and PRS consultants. As at 31 December 2015, the total number of contracted unit trust advisers and PRS consultants stood at 1,887 and 484 respectively. The 14% increase is attributed to strong recruitment in Kuching, Sibu and Penang.

CUSTOMER CENTRICITY

Manulife's Customer Centricity drive continued within the organisation in 2015 through many education programmes and activities that looked at improving the customers' experience with Manulife. Several enhancements were made to improve customers' journey:

Product and Services

- Focus Groups were piloted to gather insights from customers on various products and the Company representatives channeled the feedbacks to good use in tweaking Manulife Insurance's products to reflect the customer's needs.
- A Voice of Customer ("VOC") study was commissioned to understand a customer's needs at every life stage.
- Customer-facing documents such as communication letters and application forms were improved both in look and simple language customers' benefit.
- MAMSB focused on creating shorter and more concise cover letters to new unit holders and PRS members, welcome letters to its high net worth clients and subscription letters for its proprietary Manulife Home Office ("MHO") application.
- MAMSB also signed unit trust distribution agreements with three (3) bank partners in Malaysia, two (2) foreign and one (1) local, giving MAMSB the opportunity to offer Manulife's unit trusts & PRS funds to the banks' customers in this market. These deals reinforce the strength and reputation of MAMSB's capabilities and are a major boost to the wealth and asset management ambitions. There will be more collaborative relationships with MAMSB's bank partners to ensure their customers receive the highest standards of service and solutions from us.

Digital

- Revamping the Manulife public website to allow better interaction for users – both customers and the public at large. The contents within the site are now better categorised and more accessible with clear display of customer servicing options.
- The MAMSB website at www.manulifeinvestment.com.my was revamped to be mobile device friendly to cater to the increasing numbers of visitors accessing the website through smartphones and tablets. E-brochures are accessible in the new Download Centre section of the website for the investing public to easily download and refer to anytime, from anywhere. A wealth of investor resources such as investment notes, articles, webcasts, Manulife Asset Management's proprietary Aging Asia Research Series and Manulife Investor Sentiment Index are also available on the website.
- July 2015 also saw the launch of Manulife's new Facebook page. The effort to reach Facebook users drew favourable response, gaining nearly 40,000 fans in just six (6) months. With a mix of engaging Lifestyle and Manulife-centric postings on a daily basis, the page continues to encourage two-way interaction between us and Facebook citizens.

CHAIRMAN'S STATEMENT

CORPORATE BRANDING INITIATIVE

Brand identity and brand value are crucial as it drives the overall reputation of an organisation.

The corporate branding initiatives for 2015 were strategically planned to ensure maximum brand presence and visibility. Seven (7) out-of-homes and one (1) digital billboard were spread out in high traffic areas in Klang Valley and Johor Bahru.

In 2015, the Group launched our Life Gets Better brand campaign that integrated all subsidiaries within the Group as well as to reinforce our brand equity in the public's eyes. Not only was Life Gets Better visible offline, it also became the basis for our social media presence on Facebook and the public website.

An on-ground brand activation which highlighted the Life Gets Better experience was held in five (5) highest traffic Tesco hypermarkets in Klang Valley for over two (2) months. A good traction of online visibility was also generated during the campaign period as this experience was structured to also include digital integration. This activation has hyped up the brand and set the benchmark for more on-ground activation in the coming years.

In addition, a co-branding sponsorship with Alliance Bank Malaysia Berhad was established for its Small and Medium Enterprise ("SME") Innovation Challenge 2015. This annual challenge was set to seek budding, potential entrepreneurs in its quest to promote a healthier eco-system. As the title sponsor for Manulife Sustainability Award, Manulife valued the collaboration and its involvement in the nationwide six-month long challenge that has elevated the Manulife brand in its reach and visibility.

GLOBAL WOMEN'S ALLIANCE

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

The Malaysian Chapter of the Global Women's Alliance was established on 10 September 2015, making it the 13th Chapter in the network.

In 2015, Global Women's Alliance Malaysia conducted several activities, including its first leadership speaker series and breast cancer awareness talk and exhibition in conjunction with Breast Cancer Awareness Month in October 2015.

CORPORATE SOCIAL RESPONSIBILITY

2015 has seen Manulife Malaysia advocating corporate responsibility through initiatives that focus on community development – championing the underprivileged, supporting causes and sustainable programmes that have an impact to the communities we operate in. This pillar is the foundation that cascades to all of our Corporate Social Responsibility ("CSR") initiatives.

The Manulife-MyKasih Food Aid Programme is targeted at vulnerable poor urban and rural segment of low-income society, which aims at providing a more enabling environment for them to step out of the poverty trap. Through this programme – a collaboration with MyKasih Foundation – Manulife Malaysia aided 100 families in Klang Valley and Johor Bahru for nine (9) months, amounting to RM72,000. Every ringgit donated for the food aid was passed on in full to the recipient for the purchase of essential food items at selected grocers. We believe that this contribution would go a long way in making a difference in the 100 families' lives.

Manulife encourages the spirit of giving through employees and this translates into several activities which involved partnership with non-profit organisations. Anchored by People Giving – an online donation platform that provides easy, transparent and cost-effective platform to raise funds for the cause one cares about – Manulife played a part in the Hugs for Love campaign and managed to raise RM10,000.00 which was channelled-in-kind to Rumah Amal Asyura, Sungai Buloh, Selangor.

Manulife also continued its sponsorship of the Terry Fox Run 2015 for the ninth year running. This initiative is one of the world's largest coordinated awareness-building and fund-raising efforts for cancer research. Over forty (40) staff, dubbed "Team Manulife" took part in the run to make it even more meaningful.

The heart-rending news of the devastating Nepal earthquake saw many samaritans in Manulife employees and a donation drive was quickly launched. Manulife activated a ringgit-to-ringgit matching exercise and collected RM25,000.00 in total. The donation was channelled to the United Nations Children's Emergency Fund (UNICEF) Malaysia.

CHAIRMAN'S STATEMENT

CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

In conjunction with Breast Cancer Awareness Month, together with People Giving and PRIDE Foundation, Manulife supported the Walk with PRIDE Campaign. An online donation campaign was created and on-ground exhibition and lunch talk were organised for employees. The Group pledged a ringgit-to-ringgit matching exercise, and all together managed to collect RM52,000.00.

Manulife supported the initiatives by Sisters in Islam in assisting womenfolk by providing RM25,000.00 for their day-to-day operations. The Chopin Society received RM10,000.00 for the second year running as Manulife acknowledges the importance of supporting promising and talented young Malaysians in fulfilling their career aspirations.

We closed the year with a renewed vigour and excitement over what other positive contribution Manulife Malaysia can bring to the society in the years to come.

RISK MANAGEMENT

As a financial institution offering insurance, wealth and asset management products that help customers with their most significant financial decisions, the Group business activities invariably involve elements of risk taking. When making decisions about risk taking and risk management, the Group places priority on managing and mitigating the foreseeable risks within the context of its enterprise risk management.

Within enterprise risk management, Manulife formulated its pre-defined appetite for risk taking activities. Manulife appetite for risks is carefully and closely guided by tangible control mechanism in the form of guided level of tolerance to financial and non-financial exposures. The appetite also serves as means of formulating business plans and allocating capital.

Manulife's approach to risk emphasises the importance of strong risk standards and practices ranging from clear risk roles and authorities, governance and strategy, execution and evaluation. The risk standards provide clear guidance on accountability, drivers of risk parameters, risk identification, measurement, assessment and mitigation as well as validation and independent oversight expectations.

MARKET TREND & BUSINESS DEVELOPMENT

Life Insurance

Business Development and Trend

The industry continues to place emphasis on reaching consumers digitally. As we continue to look into a younger consumer base, there is a need for products and services to be made available digitally, in line with a more digital-centric culture.

The netizens' (internet citizens) expectation to have information readily available online has translated into a need for insurers to be more transparent with their product offerings and service levels. This must also come with better customer service efforts to an immediate response to communication via social media platforms.

Another trend that can be seen is the emergence of internet distribution platforms for insurance, with the likes of Tokio Marine Life Insurance (Malaysia) Berhad, Etiqa Insurance Berhad and Hong Leong Assurance Berhad taking the lead. Traditional distribution will remain strong and despite not wanting to be left behind, life insurers will still look at this platform to better reach consumers, especially those from the "digital natives" demographics.

This is in line with the Life Insurance & Family Takaful Framework, which was issued by the Bank Negara Malaysia ("BNM") in November 2015. The Framework aims to promote innovation and a more competitive market supported by higher levels of professionalism and transparency in the provision of insurance and takaful products and services. It highlighted the requirement for all life insurer operators to offer commission-free stand-alone pure protection products through at least one direct channel, either walk-in or online by January 2017. Moving forward, Manulife Insurance will be exploring how to better reach customers using a successful direct channel

CHAIRMAN'S STATEMENT

MARKET TREND & BUSINESS DEVELOPMENT (CONT'D)

Unit Trust and Asset Management

Economic Review and Outlook

The global economy and financial markets were rocked by volatile currency fluctuations and low commodity and energy prices last year. Against this backdrop, Malaysia registered gross domestic product ("GDP") growth of 5.0% in 2015, slower than the 6.0% growth rate in 2014. The weaker performance was caused by a combination of factors which include the introduction of Goods and Services Tax ("GST") in April 2015, falling commodity prices and slower global economic activity.

For 2016, the Government has projected GDP growth rate of 4.0% to 4.5% in a recalibrated budget announced in January this year after oil prices plunged further to below USD30 per barrel. The fiscal deficit target is maintained at 3.1% of GDP for this year.

In addition, Malaysia's Consumer Price Index is expected to remain manageable in view of low energy prices and tepid consumer demand. With BNM's current Overnight Policy Rate ("OPR") of 3.25% seen as accommodative and supportive of economic activity, we expect the OPR to be maintained at the current level in the near future.

While the focus is on younger consumers, Malaysia is also expected to reach aging population status by 2030. With it comes the realisation that we need to instantaneously start saving and investing for retirement. The Government recognises the importance of retirement planning and has taken steps to increase retirement preparedness via policy measures by raising the official retirement age and introducing PRS. With a diversified range of unit trust and PRS products, MAMSB is well positioned to fulfill the retirement and wealth management needs of Malaysians.

MAMSB will continue to expand its distribution channels to include banks, independent financial advisers and more new branches, as well as increase the number of unit trust and PRS consultants. It is expected that market volatility will continue to negatively affect new sales volumes, particularly through bank distribution.

Fixed Income Market Review

Amid expectations of rate hikes by the US Federal Reserve, the US Treasuries ("UST") yield curve flattened in 2015. In contrast, Malaysian Government Security ("MGS") yield curve steepened, with the 3-year and 5-year MGS yields down 14 bps and 21 bps year-on-year, respectively. Yields of long-dated MGS increased between 2 and 11 bps. Corporate bond yields, especially for long-dated bonds, ended the year higher in line with movements in MGS as well as a reflection of general market uncertainties. Credit spreads remained flattish for short-dated corporate bonds but widened for longer-term credits.

The overall market direction and high volatility was generally a reflection of weak market sentiment and more dovish monetary policy outlook in Malaysia. Duration-shortening trades prevailed, particularly in the second half of the year as the market was plagued by concerns over Malaysia's fiscal position due to the slump in oil prices, drastic depreciation of the Malaysian Ringgit (MYR) - MYR depreciated 18.5% against USD during the year - as well as domestic political noises. The worsening market conditions culminated in a broad bond sell-off in August 2015.

EQUITIES MARKET REVIEW

2015 began actively with a slew of developments. The European Central Bank finally kicked-off its larger-than-expected quantitative easing programme. The US stock market was well-supported by mergers and acquisitions activities and the pushback of an interest rate hike. China's central bank announced a cut in the reserve requirement ratio, which fuelled a liquidity-driven rally on the Chinese stock market. With flushed liquidity regionally, the FBM KLCI reached a high of 1,862.8 points in April 2015 on the back of a rebound in crude oil price and easing USD.

CHAIRMAN'S STATEMENT

EQUITIES MARKET REVIEW (CONT'D)

However, the stock market reversed trend subsequently due to heavy fund outflows in anticipation of the first US interest rate hike since 2007. The weak sentiment was also exacerbated by a surprise devaluation of the Renminbi, triggering fears that China could go into a hard landing while global economic data were uninspiring.

The FBM KLCI consequently suffered its worst pullback in August 2015, hitting a low of 1,532.14 on 24 August 2015. After the Government announced an allocation of RM20 billion to buy undervalued shares, the local equity market recovered from its bottom to close at 1,692.51, down 3.9% year-on-year. During the year, sectors that were badly hit were the heavy-weighted sectors like financials/banks and oil & gas whilst the top performers were mainly the exporters.

2016 is expected to be another volatile year for the equity markets worldwide as uncertainties in the major economies, especially China continue to cause uneasiness among investors. The bright spot is that most of the major economies still have room to pursue monetary and fiscal stimulus to support global growth. Furthermore, the pace of interest rate normalisation by the US Federal Reserve indicates that they are still confident of a sustainable and durable US economic recovery which will eventually benefit emerging economies.

Back home, the Malaysian economic outlook will be mainly driven by oil price and currency movements. Its fundamentals could still be facing the headwinds carried over from last year, such as the GST effects and rising cost of living due to subsidy cuts in the wake of a slowing global economic backdrop. On the positive side, lower corporate tax rates and a potential recovery of MYR might lead to a pick-up in corporate earnings which in turn could re-rate the market. That said, the local market will be subjected to volatility as it will continue to take the cue from what happens around the region. As a result customer returns on the Insurance and unit trust solutions will be negatively affected in the short term. Nonetheless, we remain steadfast with our growth and income strategy, focusing on stocks with strong balance sheet and sustainable growth.

CURRENT YEAR PROSPECTS

The Group will continue in its effort to better understand customers. This will be the main driver in the way we do things in Manulife. It will also determine how various sections within the organisation as a whole, engage with the customers via multiple distribution channels.

As for product development efforts, we will continue to be innovative and strive to be the "first-in-market" solutions provider. This will include the way solutions are packaged and marketed that can best help us achieve the Company's bottom line while providing products via a needs-based sales process.

Supporting the efforts of the distribution channels, we will aim to remain top-of-mind through continuous engagement with consumers by integrating the use of both digital and traditional media. Traditional touch points will continue to play an important role and be improved, while further development of digital means will be an ongoing effort to better reach such segment of the market.

2016 is expected to be a strong year for life insurance sales and another challenging year for wealth management business, which includes unit trust and savings products. Earnings are expected to moderate as we continue to invest in expanding distribution to gain scale.

DIVIDEND

The Board of Directors is pleased to recommend, subject to shareholders' approval at the forthcoming Annual General Meeting, a First and Final dividend of 9.00 sen per share amounting to RM18.21 million for the financial year ended 31 December 2015. The recommendation is made in accordance with the nature of profits arising in 2015.

BOARD OF DIRECTORS

Since the last Annual General Meeting, Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani has resigned from the Board. The Board wishes to record its appreciation and thank him for his invaluable contribution to the Company.

ACKNOWLEDGEMENTS

Finally, on behalf of the Board of Directors, I would like to thank our customers, shareholders 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
Chairman
Kuala Lumpur
23 March 2016

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Manulife Holdings Berhad ("the Company") is committed to ensure that the highest standards of corporate governance are 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, the corporate governance model of the Company has been built and enhanced based on the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements"), the 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 as an integral part of business dealings and culture. Unless as otherwise stated, the Board has adopted the recommendations of the MCCG 2012.

THE BOARD

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

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

In particular, the Board assumes the following responsibilities as required under the MCCG 2012 to facilitate the Board in discharging its fiduciary duty and leadership functions:-

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

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

For the financial year ended 31 December 2015, five (5) Board meetings were held and the attendance of each Director is recorded in the Directors' profile section. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

Apart from the aforesaid responsibilities, the Board has also delegated specific responsibilities to four (4) Board Committees, namely, the Executive Committee of the Board, the Group Audit Committee, the Group Risk Management Committee and the Group Nominating/Remuneration Committee. The Terms of Reference of the Board Committees clearly define the duties and obligations of the Board Committees in assisting and supporting the Board. While the Board Committees have the authority to examine specific issues, they will report to the Board with their decisions and/or recommendations and the ultimate responsibility on making decisions in the best interest of the Company lies with the entire Board.

The Board is supported by the Company Secretaries in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's 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, comprising two (2) Non-Executive Directors and one (1) Executive Director.

Members

1. Dato' Dr. Zaha Rina binti Zahari,
   Chairman/Independent Non-Executive Director
2. Mr. Philip John Hampden-Smith,
   Member/Independent Non-Executive Director
3. 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

THE BOARD (CONT'D)

Executive Committee Of The Board (Cont'd)

Terms of Reference (Cont'd)

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.

Group Audit Committee

The Group Audit Committee has three (3) members, comprising two (2) 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 44 to 52 of the Annual Report.

Members

1. Mr. Lim Hun Soon @ David Lim,
   Chairman/Independent Non-Executive Director
2. Datuk Seri Panglima Mohd Annuar bin Zaini,
   Member/Independent Non-Executive Director
3. Mr. Leung Rockson Lok-Shuen,
   Member/Non-Independent Non-Executive Director
4. Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani,
   Member/Independent Non-Executive Director
   (resigned w.e.f. 1 January 2016)

Terms Of Reference

The terms of reference of the Group Audit Committee is set out under the Group Audit Committee Report on pages 44 to 52 of the Annual Report.

Meeting Attendance

The attendance for the Group Audit Committee's members for the financial year ended 31 December 2015 is set out under the Group Audit Committee Report on page 44 of the Annual Report.

Group Risk Management Committee

The Group Risk Management Committee has three (3) members, comprising two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

Members

1. Mr. Lim Hun Soon @ David Lim,
   Chairman/Independent Non-Executive Director
2. Datuk Seri Panglima Mohd Annuar bin Zaini,
   Member/Independent Non-Executive Director
3. Mr. Leung Rockson Lok-Shuen,
   Member/Non-Independent Non-Executive Director
4. Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani,
   Member/Independent Non-Executive Director
   (resigned w.e.f. 1 January 2016)

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 2015 are as follows:-

Name of members	Attendance
Mr. Lim Hun Soon @ David Lim	4 out of 4
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 4
Mr. Leung Rockson Lok-Shuen	3 out of 4
Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani *(resigned w.e.f. 1 January 2016)*	4 out of 4

Group Nominating/Remuneration Committee

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

Members

1. Dato' Dr. Zaha Rina binti Zahari,
   Chairman/Independent Non-Executive Director
2. Mr. Lim Hun Soon @ David Lim,
   Member/Independent Non-Executive Director
3. Datuk Seri Panglima Mohd Annuar bin Zaini,
   Member/Independent Non-Executive Director

CORPORATE GOVERNANCE STATEMENT

THE BOARD (CONT'D)

Group Nominating/Remuneration Committee (Cont'd)

Members (Cont'd)

4. Mr. Philip John Hampden-Smith,
   Member/Independent Non-Executive Director
5. Mr. Leung Rockson Lok-Shuen,
   Member/Non Independent Non-Executive Director
6. Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani,
   Member/Independent Non-Executive Director
   (resigned w.e.f. 1 January 2016)

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 the 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 2015 are as follows:-

Name of members	Attendance
Dato' Dr. Zaha Rina binti Zahari	4 out of 4
Mr. Lim Hun Soon @ David Lim	4 out of 4
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 4
Mr. Philip John Hampden-Smith	4 out of 4
Mr. Leung Rockson Lok-Shuen	1 out of 2
Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani *(resigned w.e.f. 1 January 2016)*	4 out of 4

For the financial year ended 31 December 2015, the Group Nominating/Remuneration Committee has undertaken the following activities:-

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

Various Management Committees

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

BOARD BALANCE, DUTIES AND RESPONSIBILITIES

Board Composition

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

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

Chairman

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 who is an Independent Non-Executive Director, is responsible for the leadership and management of the Board and ensuring the Board and its Committees function effectively. The Chairman assumes the formal role of a leader and chairs all Board meetings, leads discussions among Directors and provides leadership to the Board in its oversight of management.

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

1. Smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;
2. Guidelines and procedures are in place to govern the Board's operations and conduct;
3. All relevant issues are on agenda for Board meeting and all Directors are able to participate in the Board activities;

BOARD BALANCE, DUTIES AND RESPONSIBILITIES (CONT'D)

Chairman (Cont'd)

4. The Board debates strategic and critical issues;
5. The Board receives the necessary information on a timely basis from Management;
6. Avenues are provided for all Directors to participate openly in the discussion;
7. That he/she provides leadership to the Board and is responsible for the developmental needs of the Board; and
8. Leads the Board in oversight of Management.

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

Group Chief Executive Officer

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

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

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

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

Non-Executive Directors

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

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.

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

Board Responsibilities

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

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

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

(i) Strategic/business plans and annual budget.
(ii) New investments, divestments, mergers and acquisitions, corporate restructuring, including the establishment of subsidiaries, joint ventures or strategic alliances both locally and abroad.

CORPORATE GOVERNANCE STATEMENT

BOARD BALANCE, DUTIES AND RESPONSIBILITIES (CONT'D)

Board Responsibilities (Cont'd)

(iii) Acquisition and disposal of significant assets of the Company.
(iv) Annual financial statements and the quarterly financial results prior to release to Bursa Securities.
(v) Appointment of new Directors, CEO and other senior management positions based on recommendations of the Group Nominating/Remuneration Committee.
(vi) Related party transactions and capital financing.

Foster Commitment

The current Directors are able to devote sufficient time commitment to their role and responsibilities as Directors of the Company. All Directors attended at least 75% of all Board and Board Committee meetings in 2015. The quorum of all Board meetings were met with attendance of not less than 2 Directors present for all the purposes. This is evidenced by the attendance record for the financial year ended 31 December 2015 as set out under the Directors' Profile on page 15 of the Annual Report.

BOARDROOM DIVERSITY

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

CODE OF BUSINESS CONDUCT AND ETHICS

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

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

SUPPLY OF INFORMATION

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

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

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

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

BOARD APPOINTMENTS AND RE-ELECTIONS

The MCCG 2012 endorses as good practice, a formal procedure for appointments to the Board.

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

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

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

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

The Company's Articles of Association requires all Directors to submit themselves for re-election by shareholders at the Annual General Meeting ("AGM") at least once in every three (3) years. Further, pursuant to Section 129 of the Companies Act, 1965, Directors who are of the age of seventy (70) years and above shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM.

CORPORATE GOVERNANCE STATEMENT

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.

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

DIRECTORS' TRAINING

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

The training programmes and seminars attended by the Directors during the financial year ended 31 December 2015 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 2015 are as follows:

Financial and Capital Market

- Corporate Strategy & Strategic Choices.
- Walking the Ethical tightrope.
- Global Economic Outlook 2015.
- Current & Emerging regulatory issues in the Capital Market.
- Shaking Thing up: Technology that Transforms and how to keep pace.

Role of an Effective Board

- Directors as Gatekeepers of market participants.
- Business challenges and regulatory expectations.
- Risk Oversight & Compliance – action plan for Board.

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

- FIDE Core Program.
- 2015 Audit Committee Conference "Rising to new challenges."

Others

- Cloud Computer Technology.
- Senior Leadership Development Program.

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 2015 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	-	536
Salaries	957	-
Bonus	535	-
Retirement benefits contribution	60	-
Benefits-in-kind	515	-
RSU expences	498	-
Total	2,565	536

(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	-	-
RM50,001 and RM100,000	-	6
RM100,001 and RM150,000	-	1
RM150,001 and RM2,550,000	-	-
RM2,550,001 and RM2,600,000	1	-

Note:
(1) 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.

CORPORATE GOVERNANCE STATEMENT

DIRECTORS' INDEPENDENCE

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

As at 31 December 2015, none of the Independent Directors have served in the position of Independent Directors for more than nine (9) years.

SHAREHOLDERS' COMMUNICATIONS AND INVESTOR RELATIONS POLICY

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

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 AGM. In line with recommendation 8.2 of the MCCG 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.

CORPORATE DISCLOSURE

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

FINANCIAL REPORTING

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

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board is required by the Companies Act, 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 the 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 meeting held on 21 March 2016 undertook an annual assessment of suitability and independence of the external auditors. In its assessment, the Group Audit Committee considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of Messrs. Ernst & Young ("EY") and the level of non-audit services to be rendered by EY to the Company for the financial year 2016. Being satisfied with EY's performance, technical competency and audit independence, the Group Audit Committee recommended the re-appointment of EY as external auditors for the financial year ending 31 December 2016, with the rotation of audit engagement partner. The Board at its meeting held on 23 March 2016 approved the Group Audit

CORPORATE GOVERNANCE STATEMENT

RELATIONSHIP WITH AUDITORS (CONT'D)

Committee's recommendation for the shareholders' approval to be sought at the Fortieth AGM on the re-appointment of EY as external auditors of the Company for the financial year 2016.

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

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

RECOGNISE AND MANAGE RISK

The Statement on Risk Management and Internal Control, set out on pages 30 to 36 of the Annual Report provides an overview of the management of risks and state of internal controls within the Group.

INTERNAL AUDIT FUNCTION

The Internal Audit Department carries out the internal audit function and reports directly to the Group Audit Committee. The details of the internal audit function is set out on page 52 of the Annual Report.

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 MCCG 2012.

This statement is in accordance with a resolution of the Board dated 23 March 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2015

BOARD'S RESPONSIBILITY

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

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

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

Management assists and provides assurance to the Board via the Group Audit Committee ("the GAC") and the Group Risk Management Committee ("the GRMC") 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 the system of internal controls and risk management include the following:

1. 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.

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

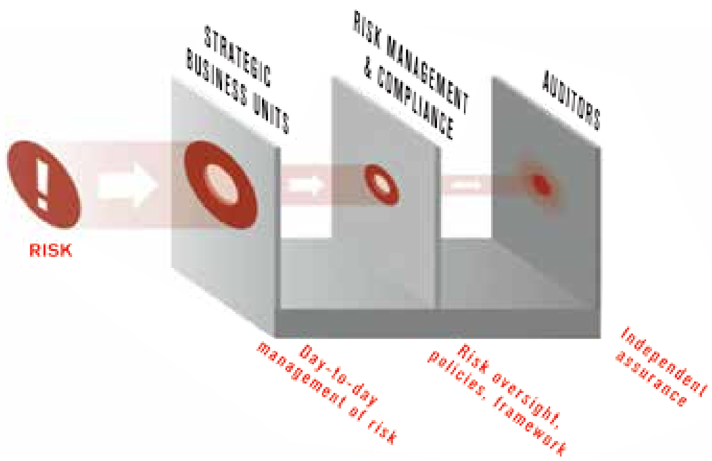
    b. The Group's first line of defence is championed by its Group Chief Executive Officer ("CEO"). Businesses are ultimately accountable for the risks they assume and for the day-to-day management of the risks and related controls. The function heads are responsible for ensuring their functions align with the Group's risk taking philosophy, risk appetite and culture, for thoroughly evaluating and managing risk exposures consistent with the Group's enterprise risk policies and standards of practice.

    c. The second line of defence includes the Group's Risk Management, Actuarial, Finance, and Compliance functions. Together this group and the Enterprise Risk Management Committee provide oversight of risk taking and risk mitigation activities across the Group.

    d. As for the third line of defence, Internal Audit provides independent assurance that controls are effective and appropriate relative to the risk inherent in the business, and that risk mitigation programmes and risk oversight functions are effective in managing risks. In addition to the Group's Internal Audit function, Manulife Regional and/or Corporate Office also involve in independent oversight and peer reviews.

    e. The model of "3 lines of defence" is illustrated below:

3 Lines of Defence Concept



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2015

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

f. The management of the significant risks identified are outlined below:

Strategic Risk: The risk of loss resulting from the inability to adequately plan or implement an appropriate business strategy or to adapt to change in the external business, political or regulatory environment.	
Strategy	Risk that strategy and/or business model becomes ineffective or less viable due to changes in economic, environmental or internal factors, including amongst others, variables such as competition, availability of capital, ratings, and reputation.
Political	Changes in the political environment.
Regulatory Change	Changes in laws, regulations and taxes, including accounting and capital regimes.
Capital Adequacy	Risk that there is not an adequate amount of capital to meet regulatory and internal targets. This also includes the risk of limitations to fungibility of capital between legal entities and group.

The Group also emphasises the importance of addressing strategy against the anticipated business targets and managing the impact of regulatory change.

Operational Risk: The risk of loss resulting from inadequate or failed internal processes, systems failures, or human performance failures or from external events.	
Business Disruption	The risk of being unable to restore operations in a timely and effective manner after disruption includes failure as a result of inadequate business continuity planning and/or disaster recovery process.
Technology Risk Management	The risk of limiting, impairing or disrupting business activities due to failure or inadequacy of IT infrastructure, applications, and/or computer operations.
Physical Security	The risk of failure to ensure the physical safety and security of employees, clients and others when on/in company owned premises. Includes failure to prevent theft of or damage to physical assets.
Information Security	The risk that information resources are not securely developed transmitted or stored leading to unauthorised disclosure, modification or deletion of Company or client private/confidential data.
Project & Change Management	The risk of failure to plan, execute, manage or monitor an initiative (includes IT, business and acquisition/mergers and divestures) to the approved scope/quality, timeline and budget and manage the risks associated with changes to existing people, processes and systems.
Third Party & Internal Outsourcing	The risk of vendors' not meeting current or future business needs and/or fulfill regulatory requirements. Includes failure to perform adequate due diligence, manage and monitor third party relationships and internal outsourcing arrangements. The risk that the joint venture cannot be executed in effective manner that meets the Group objectives.
Management & Financial Reporting	The risk of failure to prepare internal and external complete and accurate financial and management reports.
Tax	The risk of an unexpected result with impact to earnings, capital, business operations, or reputation as a result of failure to meet the objectives of the Group's and policy holder/client tax strategy (including compliance with tax requirements).
Model	The risk of inappropriate use or interpretation of models or their output, or the use of deficient models, data or assumptions.
Human Resources	The risk of failure to attract and retain resources to meet current and future business needs. The risk of failure to comply with applicable labour laws and safety requirements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2015

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

Operational Risk: The risk of loss resulting from inadequate or failed internal processes, systems failures, or human performance failures or from external events.	
Fraud	The risk of loss as a result of a knowing misrepresentation or concealment of a material fact or a willful or deliberate act or failure to act with the intention of obtaining an unauthorised benefit.
Regulatory Compliance	The risk of failing to comply with applicable regulatory requirements regarding anti-money laundering, anti-terrorist financing, anti-corruption and/or tax evasion. The risk of improper or aggressive business practices, violations by the firm of market conduct regulations or general rules of commercial business conduct. The risk of failure to safeguard client, Group and/or employee information. Risk of not maintaining adequate records to meet regulatory/legal requirements, or not managing records effectively and efficiently. The risk of non-compliance with environmental laws and regulations and/or damage done to the environment. The risk of potential non-compliance with any applicable regulations (other than those captured above).
Legal	The risk in an agreement or arrangement, either establishing or modifying a legally binding relationship, does not meet business objectives or requirements or fails to comply with applicable laws and regulations. Includes the risk of litigation resulting from a real or perceived failure to comply with a legally binding agreement.
Social Media	Risk of damage to Group's reputation due to unfavourable communications.
Branding & External Communication	Risk of damage to Group brand as a result of internal actions that are not aligned with the brand image.
Marketing Material	Risk of marketing material not meeting regulatory/ legal requirements, or containing incorrect/ misleading information.
Product Management	The risk of failure to design, implement and maintain a product or service to achieve expected outcomes.
Asset Liability Management	Risk of failure to execute appropriate asset liability strategy.
Distribution & Sales	The risk of poorly designed compensation structure provides an incentive to engage in inappropriate behaviour. Agents do not act in the best interest of clients (knowingly or unknowingly mis-selling).
Underwriting	The risk of failure to effectively design, implement and execute a process.
Claims	The risk of failure to effectively design, implement and execute a process.
Policy Administration	The risk of failure to effectively design, implement and execute a process.
Investment Processes	The risk of failure to effectively design, implement and execute a process.
Other Processes	The risk of failure to effectively design, implement and execute a process.

The Group closely tracks, monitors and reports operational events to Risk Management Committee. There was no severe incident impacting the Company during the current period.

Insurance Risk: The risk of loss due to actual experience emerging differently than assumed when the product was designed and priced, as a result of mortality and morbidity claims, and policyholder behaviour.	
Morbidity	Health claims differing from assumptions (may be due to concentrations, aggregations and catastrophic events).
Mortality and Expenses	Life claims differing from assumptions (may be due to concentrations, aggregations and catastrophic events).
Policyholder Behaviour	Policyholder activity differing from assumptions (may be related to lapse and surrender activity, premium payment levels, fund selection and transfers, annuitisation and loans).

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

Insurance Risk: The risk of loss due to actual experience emerging differently than assumed when the product was designed and priced, as a result of mortality and morbidity claims, and policyholder behaviour.	
P&C Claims	Property and casualty claims differ from assumptions (may be due to concentrations, aggregations and catastrophic events).

Market Risk: Market risk is the risk of loss resulting from market price volatility, interest rate changes, and adverse movements in foreign exchange rates.	
General Interest Rates	Interest rate levels and volatility (corporate, swap and government rates) moving in unison.
Interest Spreads	Spread between corporate bond rates and to a lesser extent swap rates, and government rates.
Public Equity	Equity market levels and volatility; country, sector, industry and issuer concentrations.
Real Estate	Changes in the values or volatility of real estate investments.
Other Alternative Long-Duration Assets	Changes in the values or volatility of alternative long-duration assets (includes timber, agriculture, private equity, and oil and gas).
Currency	Foreign exchange rate movements.

For 2015, the Group observed the uncertainty in economic events causing adverse impact to the financial market. The Group via its investment unit is closely observing the situation and where required, it has put in place specific plans for action.

2. 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.

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

4. The GAC reviews audit issues concerning internal controls and risk management as identified by Audit Services - 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 work.

5. 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.

6. 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.

7. 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2015

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

8. 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 and private retirement schemes industries. The Business Unit Compliance Officer ensures that any compliance-related matters are reported to the senior management and the Board promptly. On a half-yearly basis, assessment and monitoring of the legislative compliance to applicable acts 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.

9. 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.

10. An annual review of the current and future financial position of the Group's insurance business is performed by the Appointed Actuary ("AA"), as guided by Policy document issued by Bank Negara Malaysia's (BNM/RH/GL/003-17), 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 testing, semi-annual stress testing and assessing the Group's insurance business ability to withstand various adverse scenarios as part of the capital assessment procedures. Generally the appointment and duties of the AA is in accordance with BNM/RH/STD 029-5 - Appointed Actuary: "Appointment and Duties".

11. 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. Another key human resources initiative is succession planning. Succession planning is refreshed on an annual basis leveraging on outcomes of the talent review. Key roles are identified in consultation with senior management based on its criticality and availability. Identified high potentials are reflected in the succession plans depending on the role, growth opportunity, personal aspirations and mobility.

12. 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 CEO reports for their review as part of its oversight role.

13. There is a clearly defined assignment of responsibilities to the Committees of the Board and to Management to provide oversight and governance over the Group's activities. The Board, through its GAC and GRMC, is responsible for overseeing the Group's management of its principal risks. The Group CEO 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 Group CEO. The Group CEO, supported by the Risk Officers and ERM establish risk policies, guide risk-taking activity, monitor material risk exposures, and develop strategic risk management priorities, thereby continuously shaping and promoting our risk culture throughout the Group. The ERM consists of the Group CEO, CEO of Manulife Insurance Berhad ("MIB"), CEO of Manulife Asset Management Services Berhad ("MAMSB"), Chief Investment Officer of MAMSB, Group Chief Finance Officer ("GCFO"), Chief Legal & Compliance Officer, Risk Officers and Chief Human Resources Officer.

14. 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.

15. The Board has also received full assurance from the Group CEO and the GCFO that the Group's risk management and internal control system is operating adequately and effectively, in all material respects, based on the risk management framework adopted by the Group. The following are some of the key policies adopted by the Group:

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2015

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

Risk Policies in Place

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

On Strategic, Asset Liability, Market and Credit Risk, key policies in place are:

a. Capital Management Plan/Policy is developed and endorsed by the Board of Directors of MIB. The policy lays out the Management actions in response to various capital adequacy ratio scenarios below the high end of the internal target solvency.

b. Investment Guidelines and Policy sets out the framework to ensure prudent management and control of the Group investment portfolios. It also sets out the roles and responsibilities relating to the management of investment portfolios and the acceptance level of risk vs. return. Specifically, it defines the asset mix parameters, exposure limits and policies to be applied in the management of investment portfolios.

c. Reinsurance and Corporate Insurance Credit Policy is a policy which sets out the reinsurance and corporate insurance risk management framework. The philosophy is to minimise credit risk by applying three (3) main operating guidelines to all reinsurance/ insurance transactions, i.e.

   (i) deal primarily with counterparties with Credit Ratings of A minus or better;
   (ii) engage in reinsurance transactions with minimal credit risk whenever possible; and
   (iii) diversify reinsurance counterparties to limit concentrations of credit risk.

Other relevant policies are also in place:

d. Stress Testing Policy sets out the MIB's internal process of conducting Stress Test in accordance to the requirements prescribed by BNM/RH/GL 003-23: Guideline on Stress Testing for Insurers issued by Bank Negara Malaysia, effective 1 December 2008.

For Product Risk, two (2) key policies are in place:-

e. Product Design and Pricing Policy to ensure that sound product design and pricing practices/strategies to allow the Group to meet its financial objectives.

f. Underwriting and Claims Management Policy sets out the Group's underwriting and claims risk management framework that supports overall business strategies in markets where insurance products are offered; ensures that risk selection falls within the defined retention, product features and concentration limits that take into account the Group's overall tolerance for mortality and morbidity risk; ensures that all valid claims are honoured; and that underwriting and claims management practices support the Group's overall financial and risk objectives.

For Operational Risk, key policies in place are described below:

g. Operational Risk Framework acts as an overarching framework document which governs the policy and standard on operational risk related.

h. Anti-Money Laundering Policy outlines the responsibilities, accountabilities and processes to ensure that the Group effectively mitigates the risks associated with money laundering and terrorist financing activities in compliance with legal and regulatory requirements, for example, Bank Negara Malaysia's BNM/RH/GL 000-2: Standard Guidelines on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) and BNM/RH/GL 010-1: Anti-Money Laundering and Counter Financing of Terrorism (AML/ CFT) Sectoral Guidelines 2 for Insurance and Takaful Industries.

i. Fit and Proper Policy aims to ensure compliance with Bank Negara Malaysia's Guidelines on Fit and Proper for Key Responsible Persons that provides guidance on the application of Bank Negara Malaysia's guideline; provides minimum standards for determining the fitness, competency, integrity and propriety of persons who hold or are being considered for appointment to a key responsible person position; strengthen the governance framework within the Group operations; and promote confidence in the Group and its officers.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2015

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

Risk Policies in Place (Cont'd)

j. Anti Fraud Policy outlines the prevention, identification and detection of fraud which is vital to the Group. The Anti-Fraud describes the framework within which the Group strives to:

   (i) Prevent, identify, and detect fraud; and
   (ii) Ensure that adequate controls are in place to accomplish those objectives.

   As reliance on progressively more complex models for evaluating, analysing and reporting key information increases, model risk management becomes an ever more important element of the Group's risk management. Model risk management is a key element of safeguarding the financial well-being and reputation of the Group.

k. Model Risk Management Policy outlines the programme to be followed to manage the risks associated with the use of business critical models, This Policy defines which models are within scope and establishes a programme to be followed to mitigate model risks associated with business critical models. The requirements identified by this Policy are designed to vet whether a model is conceptually sound, used as intended, executed in a substantially error-free manner and maintained on a go-forward basis.

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 (Revised) issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer, nor is the Statement factually inaccurate. The external auditors are not required by RPG 5 (Revised) to consider, whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk management and control procedures.

CONCLUSION

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

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

This statement was made in accordance with a resolution of the Board of Directors dated 24 February 2016.

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 2015 amounted to RM104,000.

	Services	RM
Ernst & Young	Non-statutory audit related services	**104,000**
Total		**104,000**

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-Ninth Annual General Meeting of the Company held on 28 May 2015, 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 2015 pursuant to the Shareholders' Mandate are disclosed as follows:-

No.	Nature of Transactions	Transacting Party	Class of Related Party	Interested Related Party	Actual Value of Transaction RM'000
1.	Information Technology ("IT") Service Agreement and Shared Resources Agreement	MHB Group	MTSSB	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL>[sic] – MCHN	5,072
2.	Outsourcing the Health Services Call Centre	MIB	MDSI	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL>[sic] – MCHN	621

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	Manulife Asset Management (Malaysia) Sdn Bhd (In liquidation)	MFC Group~	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	465
4.	Rental Income	MHB	MTSSB	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	2,066
5.	Book-keeping fee and Administration fee	MHB	MTSSB	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	12
6.	Enhancement of Private Retirement Scheme operating system	MAMSB	MTSSB	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	616

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

No.	Nature of Transactions	Transacting Party	Class of Related Party	Interested Related Party	Actual Value of Transaction RM'000
7.	Provision of various training, advisory and support services from Manulife Asia headquarters	MHB Group	MFAL^	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	0
8.	Delivery of Mysales, mobile sales application system for insurance business	MIB	MTSSB	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	178
9.	Provision of support services on the delivery of Mysales, mobile sales application system for insurance business	MIB	MFAL^	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	3
10.	Provision of IT services for the customisation of CAS4TA for the integration of MAAKL	MHB Group	MTSSB	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	1,043

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
11.	Provision of Information System Infrastructure Services – Batch Jobs Operation Services	MHB Group	MFC Group~	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	-
12.	Provision of IT services for the customisation of CAS4TA for the integration of MAAKL	MHB Group	MFAL^	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	(27)
13.	Provision of Independent Quality Assurance Review on Actuarial Reserve	MIB	MFAL^	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	-
14.	Provision of IT services for .Net project and support	MAMSB	MTSSB	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	118

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
15.	Provision of IT services for Business Process Management	MHB Group	MFAL^	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL>₍ – MCHN	-
16.	Provision of IT services for POSsible Project (iPad version of MySales)	MHB Group	MFC Group~	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL>₍ – MCHN	-
17.	Delegation of fund management of foreign mandate portfolio	MAMSB	MAMHKΩ	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL>₍ – MCHN	566
18.	Marketing and Client Servicing support to clients/ potential clients seeking offshore investments	MAMSB	MAMSPΩ	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL>₍ – MCHN	99

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
19.	Provision of Sub-management fee	MAMSB	MAMHKΩ	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL⊳ – MCHN	113
20.	Provision of Sub-management fee	MAMSB	MAMSPΩ	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL⊳ – MCHN	52
21	Outsourcing of asset management subsidiary back office system	MAMSB	MFC Group~	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL⊳ – MCHN	1,048
22.	Further enhancement of CAS4TA system	MHB Group	MTSSB	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL⊳ – MCHN	1,438

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
23.	Provision for Actuarial Services provided by Manulife's Regional Office	MIB	MFAL^	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	-
24.	Outsourcing of HR Operations including Payroll and Back-Office Processing	MHB	MFC Group~	Interested Directors* – Mr. Leung Rockson Lok-Shuen Interested Major Shareholders# – MFC~ – MLIC – MFAL^ – MHBL> – MCHN	-

Denote:

MAAKL	-	MAAKL Mutual Berhad (In Liquidation)
MAMSB	-	Manulife Asset Management Services Berhad
MCHN	-	Manulife Century Holdings (Netherlands) B.V.
MCHN Group	-	MCHN, its subsidiaries and associate companies
MDSI	-	Manulife Data Services Inc.
MFC	-	Manulife Financial Corporation
MFAL	-	Manulife Financial Asia Limited
MHBL	-	Manulife Holdings (Bermuda) Limited
MLIC	-	The Manufacturers Life Insurance Company
MAMHK	-	Manulife Asset Management (Hong Kong) Limited
MAMSP	-	Manulife Asset Management (Singapore) Pte. Ltd.
MHB	-	Manulife Holdings Berhad
MHB Group	-	MHB, its subsidiaries and associate companies
MIB	-	Manulife Insurance Berhad
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.
>	MHBL is the holding company of MFAL.
Ω	MFC is the ultimate holding company of MAMHK and MAMSP.

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)
Mr. Leung Rockson Lok-Shuen (Non-Independent Non-Executive Director)
Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani (Independent Non-Executive Director)
(resigned w.e.f. 1 January 2016)

The details of attendance of each member at the Group Audit Committee meetings held during 2015 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
Mr. Leung Rockson Lok-Shuen	5 out of 6
Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani *(resigned w.e.f. 1 January 2016)*	5 out of 6

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 the 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.

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 audits, which cover insurances, fund management and wealth management.

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.

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.

GROUP AUDIT COMMITTEE REPORT

II. TERMS OF REFERENCE (CONT'D)

5. Authority (Cont'd)

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.

5.5 The Group Audit Committee should have direct communication channels with the external auditors and the Internal Audit Department.

5.6 The Group Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of Manulife, whenever deemed 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 members to be the Chairman of the meeting.

6.5 The Chief Finance Officer, Head of Finance and the Head of Internal Audit should normally attend the Group Audit Committee meeting. A representative of the external auditors should 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.

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 Group 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.

II. TERMS OF REFERENCE (CONT'D)

6. Meetings (Cont'd)

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.

(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 the Company's 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.

II. TERMS OF REFERENCE (CONT'D)

7. Duties and responsibilities (Cont'd)

7.1 Internal audit (Cont'd)

(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;

iii. Investigate reasons for any request made by Management to dismiss the external auditor, or any resignation by the external auditor; and

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:

i. With the external auditors, the audit plan prior to the commencement of the annual audit, the nature and the scope of audit;

ii. The quarterly and year end financial statements;

iii. Audit reports issued by the external auditors;

II. TERMS OF REFERENCE (CONT'D)

7. Duties and responsibilities (Cont'd)

7.2 External auditor (Cont'd)

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

iv. Any significant disagreements between the external auditor and Management irrespective of whether they have been resolved in the absence of Management where necessary; and

v. 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 2012 ("MCCG 2012") recommendations 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.

(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 and extent of compliance with the MCCG 2012, specifying reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas; and

ii. 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 Bursa Securities 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.

GROUP AUDIT COMMITTEE REPORT

II. TERMS OF REFERENCE (CONT'D)

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 Group Audit Committee meeting at which the proceedings 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 Group Audit Committee had six (6) meetings during the year and the details of attendance of each member are stated in page 44. Upon invitation, the Group Chief Executive Officer and members of senior management attended all the meetings.

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

IV. SUMMARY OF ACTIVITIES

The Group Audit Committee's activities during 2015 comprised the following:-

1.1. Financial Reporting

(a) In overseeing Manulife's financial reporting, the Group Audit Committee reviewed the quarterly financial statements for the fourth quarter of 2014 and the annual audited financial statements of 2014 at its meetings on 23 February 2015 and 23 March 2015 respectively. The quarterly financial statements for the first, second and third quarters of 2015, which were prepared in compliance with the Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting, were reviewed at the Group Audit Committee meetings on 21 May 2015, 17 August 2015 and 23 November 2015 respectively. All the Group Audit Committee's recommendations were presented for approval at the subsequent Board meetings.

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

i. Appropriate accounting policies had been adopted and applied consistently;

ii. The going concern basis applied in the Annual Financial Statements and Condensed Consolidated Interim Financial Statements was appropriate;

iii. Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRS;

iv. Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs;

v. The Annual Financial Statements and Condensed Consolidated Interim Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and its subsidiaries and of their financial performance and cash flows for the financial year and period ended in accordance with MFRSs, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, where required.

(c) On 17 August 2015, the Group Audit Committee approved the Review Report on the Condensed Consolidated Interim Financial Information of Manulife Holdings Berhad for the six-month financial period ended 30 June 2015 and Manulife Holdings Berhad and its subsidiaries' 2015 Audit Plan presented by the external auditors, Ernst & Young.

GROUP AUDIT COMMITTEE REPORT

IV. SUMMARY OF ACTIVITIES (CONT'D)

1.2. External Audit

The Group Audit Committee deliberated the external auditors' Report for the financial year ended 31 December 2014 during the Group Audit Committee meeting held on 23 February 2015 and 23 March 2015. During these meetings, the Group Audit Committee together with the external auditors discussed the audit results and recommendations to improve the accounting procedures and internal control measures in relation to financial year ended 31 December 2014.

On 17 August 2015, the Group Audit Committee reviewed the list of services for the financial year 2015 presented by Ernst & Young in the Annual Plan 2015 which comprised audit and audit related services, internal control and other services. In considering the nature and scope of the services to be provided, the Group Audit Committee was satisfied that they were not likely to create any conflicts of interest nor impair the independence and objectivity of the external auditors. In addition, the external auditors also confirmed to the Group Audit Committee that in accordance with relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2015. In the same meeting, the external auditors also highlighted the areas of audit emphasis for the audit for year 2015. The external auditors also presented the review report and review results arising from the limited review performed on the quarterly financial statements for the second quarter 2015 prior to the announcement of the half yearly financial results during the same meeting.

Mr. Brandon Bruce Sta Maria and Mr. Chan Hooi Lam became the lead audit engagement partner and the audit concurring partner respectively in 2013 and both will rotate off the audit after the 2017 year-end. There is a rotation policy of audit partners within the external auditor team, which is guided by regulatory requirements.

In this respect, the Group Audit Committee carries out an annual review of the performance of the external auditors, including assessment of their independence in performing their obligations. Based on the annual evaluation of their performance and audit fees, the Group Audit Committee was satisfied with the external auditors' technical competency and independence for 2015.

1.3. Oversight of Internal Audit

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

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

(a) Level of understanding of its accountability to and expectations of the Group Audit Committee as well as Manulife Group;

(b) Annual review of internal audit charter;

(c) Competency of internal audit staff in regards to educational qualification and professional experience, specialist skills and continuing education programme;

(d) Level of independence of internal audit staff;

(e) Administration such as attendance in Group Audit Committee meetings and other related meetings, timeliness and quality of audit report, updating of the Group Audit Committee on key audit activities and changes to annual audit plan, assistance and support provided to the Group Audit Committee and follow-up on outstanding audit issues; and

(f) Quality and achievement of annual audit plan.

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

For the year 2015, the Group Audit Committee assessed the overall performance of the Internal Audit Department to be strong.

V. GROUP INTERNAL AUDIT FUNCTION

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

The scope of AS-Malaysia covers the audits of all units and operations of the Company and its subsidiaries. The areas to be audited during the year would be selected based on an independent assessment of the inherent risks in each of the auditable areas by AS-Malaysia. The key areas reviewed in 2015 covered the following:-

(a) Regulatory requirements including Anti-Money Laundering and Anti-Terrorist Financing;
(b) Insurance operations;
(c) Investment operations;
(d) Insurance sales and distribution;
(e) Business continuity management; and
(f) Unit trust operations.

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

The Group Audit Committee receives a detailed audit report after the completion of each audit assignment from AS-Malaysia. AS-Malaysia summarises the audit findings for deliberation at each meeting of the Group Audit Committee together with an update on Management actions taken to-date pertaining to the audit findings reported. AS-Malaysia also follows up and reports to the Group Audit Committee on 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 2015 were RM1,034,417 (2014: RM879,876).

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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 2015.

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 company	35,542	4,245
Non-controlling interests	24	-
	35,566	4,245

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single-tier dividend of 10.0 sen per share amounting to RM20,237,000 for the financial year ended 31 December 2014.

The directors recommend the payment of a first and final dividend of 9.0 sen per share, amounting to RM18,213,300 for the financial year ended 31 December 2015, 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 to be written off and that adequate allowance for impairment losses had been made.

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

CURRENT ASSETS

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

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

DIRECTORS' REPORT

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS

One of the dormant subsidiaries of the Group, MAAKL Mutual Bhd had on 29 December 2015 been placed under Members' Voluntary Winding Up. The affairs and conduct of the company is now placed under the control of the Liquidator who will manage the entire process of liquidation. The winding up has no material impact on the financial results of the Group for the financial year ended 31 December 2015. Further disclosures are provided in note 7 to the financial statements.

PROVISION OF INSURANCE LIABILITIES

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities of the Group's insurance subsidiary company, in accordance with the valuation methods specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.

DIRECTORS' REPORT

DIRECTORS

The directors who have held office during the year since the date of the last report are:

Dato' Dr. Zaha Rina binti Zahari
Philip John Hampden-Smith
Datuk Seri Panglima Mohd Annuar bin Zaini
Lim Hun Soon @ David Lim
Mark Steven O'Dell
Leung Rockson Lok-Shuen
Datuk Dr. Nik Norzrul Thani bin N Hassan Thani (resigned on 1 January 2016)
Robert Allen Cook (resigned on 30 April 2015)

In accordance with Article 93(B) of the Company's Articles of Association, Philip John Hampden-Smith and Mark Steven O'Dell 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 note 33 to the financial statements) by reason of a contract made by the Company or a related company with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

DIRECTORS' INTERESTS

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

	Number of option on ordinary shares			
	As at 1.1.2015	Granted	Lapsed	As at 31.12.2015
Manulife Financial Corporation				
- Direct interest				
Mark Steven O'Dell	56,151	9,967	-	66,118

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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

	Number of deferred/restricted/performance share units			
	As at 1.1.2015	**Granted/ reinvested dividends**	**Vested**	**As at 31.13.2015**
Manulife Financial Corporation				
- Direct interest				
Mark Steven O'Dell	22,403	10,642	(15,464)	17,581
Leung Rockson Lok-Shuen	17,992	9,597	(10,007)	17,582

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

Other than as disclosed, no other directors in office at the end of the financial year held any interest in the shares of the Company or its related corporations during the financial year.

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

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

AUDITORS

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 23 March 2016.

DATO' DR. ZAHA RINA BINTI ZAHARI
CHAIRMAN

MARK STEVEN O'DELL
DIRECTOR

Kuala Lumpur, Malaysia

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 61 to 135 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 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in note 40 on page 135 of 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 is 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 23 March 2016.

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 61 to 135 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 23 March 2016, before me.

COMMISSIONER FOR OATHS
KALASAGAR NAIR
NO : W513

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER 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 2015 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 information, as set out on pages 61 to 135.

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 the 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 judgement, 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 2015 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 the requirements of the Companies Act, 1965 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 have been properly kept in accordance with the provisions of the Act.

(b) 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.

(c) 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 40 on page 135 to the financial statements is disclosed to meet the requirements 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

Brandon Bruce Sta Maria
No. 2937/09/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
23 March 2016

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
ASSETS					
Property and equipment	4	37,613	37,576	14,173	14,648
Investment property	5	88,125	84,292	36,805	35,115
Intangible assets	6	129,003	130,535	88	4
Subsidiaries	7	-	-	334,523	337,366
Available-for-sale financial assets	8(a)	2,718,121	2,617,754	118,754	135,671
Financial assets at fair value through profit or loss	8(b)	1,156,464	960,873	-	-
Loans and receivables	9	580,584	665,860	16,057	11,292
Reinsurance assets	10	4,561	2,644	-	-
Insurance receivables	11	26,177	23,608	-	-
Deferred tax assets	18	-	142	-	-
Current tax assets		1,840	2,212	965	-
Cash and cash equivalents		123,573	105,973	1,082	2,997
TOTAL ASSETS		4,866,061	4,631,469	522,447	537,093
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	659,862	644,557	401,930	417,922
Other reserves		13,723	14,155	4,073	2,674
Equity attributable to the owners of the Company		776,654	761,781	509,072	523,665
Non-controlling interests	14	592	1,117	-	-
TOTAL EQUITY		777,246	762,898	509,072	523,665
Insurance contract liabilities	15	3,405,312	3,272,074	-	-
Insurance claims liabilities	16	51,635	42,385	-	-
Financial liability at fair value through profit or loss	17	-	700	-	-
Deferred tax liabilities	18	32,182	34,062	154	168
Insurance payables	19	432,428	396,502	-	-
Current tax liabilities		-	1,901	-	1,721
Other payables	20	167,258	120,947	13,221	11,539
TOTAL LIABILITIES		4,088,815	3,868,571	13,375	13,428
TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES		4,866,061	4,631,469	522,447	537,093

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

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Premium income					
Gross premiums		814,177	779,025	-	-
Premiums ceded to reinsurers		(16,104)	(11,337)	-	-
Net premiums	21	798,073	767,688	-	-
Investment income	22	173,540	171,556	18,975	15,391
Net realised gains/(losses)	23	21,575	55,391	(460)	(81)
Net fair value losses	24	(65,424)	(12,748)	(3,615)	(532)
Fee income	25	56,938	58,806	806	868
Other operating income		1,749	2,002	-	-
Total revenue		986,451	1,042,695	15,706	15,646
Gross benefits and claims paid		(603,781)	(490,013)	-	-
Claims ceded to reinsurers		5,279	3,783	-	-
Gross change in contract liabilities		(131,283)	(260,377)	-	-
Net claims		(729,785)	(746,607)	-	-
Fee and commission expenses		(87,539)	(99,102)	-	-
Investment expenses		(3,552)	(3,765)	(1,899)	(2,156)
Management expenses	26	(155,604)	(141,649)	(12,167)	(11,582)
Other operating income/(expenses)	28	37,922	(1,658)	(28)	(190)
Other expenses		(208,773)	(246,174)	(14,094)	(13,928)
Profit before taxation		47,893	49,914	1,612	1,718
Taxation	29	(12,327)	(14,236)	2,633	(332)
Net profit for the financial year		35,566	35,678	4,245	1,386
Net profit attributable to:					
Owners of the Company		35,542	35,644	4,245	1,386
Non-controlling interests		24	34	-	-
		35,566	35,678	4,245	1,386
Basic and diluted earnings per share (sen)	30	17.56	17.61		

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

STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year		35,566	35,678	4,245	1,386
Other comprehensive (losses)/income, net of tax:					
Other comprehensive (losses)/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)	(940)	(69,682)	1,174	1,324
- Deferred tax	18	310	5,413	-	-
		(630)	(64,269)	1,174	1,324
Change in insurance contract liabilities arising from unrealised net fair value change	15	(27)	62,071	-	-
Net (losses)/gains		(657)	(2,198)	1,174	1,324
Net other comprehensive (losses)/income to be reclassified to profit or loss in subsequent periods		(657)	(2,198)	1,174	1,324
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:-					
Surplus from revaluation of property:					
- Gross surplus from revaluation		426	-	225	-
		426	-	225	-
Changes in insurance contract liabilities arising from revaluation of property	15	(201)	-	-	-
Net gains		225	-	225	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		225	-	225	-
Other comprehensive (losses)/income for the financial year, net of tax		(432)	(2,198)	1,399	1,324
Total comprehensive income for the financial year		35,134	33,480	5,644	2,710
Total comprehensive income attributable to:					
Owners of the Company		35,110	33,446	5,644	2,710
Non-controlling interests		24	34	-	-
		35,134	33,480	5,644	2,710

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Attributable to owners of the Company							
		<—— Non-distributable			——>	Distributable			
Group	Note	Share capital RM'000	Share premium RM'000	Asset revaluation reserve RM'000	Fair value reserve RM'000	Retained earnings* RM'000	Total RM'000	Non-controlling Interests RM'000	Total equity RM'000
At 1 January 2014		101,185	1,884	4,508	11,845	634,209	753,631	3,669	757,300
Changes in ownership interest in a unit trust fund managed by a subsidiary		-	-	-	-	-	-	(2,586)	(2,586)
Net profit for the financial year		-	-	-	-	35,644	35,644	34	35,678
Other comprehensive losses for the financial year		-	-	-	(2,198)	-	(2,198)	-	(2,198)
Total comprehensive (losses)/income for the financial year		-	-	-	(2,198)	35,644	33,446	34	33,480
Dividends paid	31	-	-	-	-	(25,296)	(25,296)	-	(25,296)
At 31 December 2014/ 1 January 2015		101,185	1,884	4,508	9,647	644,557	761,781	1,117	762,898
Changes in ownership interest in a unit trust fund managed by a subsidiary		-	-	-	-	-	-	(549)	(549)
Net profit for the financial year		-	-	-	-	35,542	35,542	24	35,566
Other comprehensive income/(losses) for the financial year		-	-	225	(657)	-	(432)	-	(432)
Total comprehensive income/(losses) for the financial year		-	-	225	(657)	35,542	35,110	24	35,134
Dividends paid	31	-	-	-	-	(20,237)	(20,237)	-	(20,237)
At 31 December 2015		101,185	1,884	4,733	8,990	659,862	776,654	592	777,246

* 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 RM71,155,000 (31 December 2014: RM71,719,000) as further disclosed in note 13. These amounts are only distributable upon the actual recommended transfer from the Non-participating life fund to the Shareholder's fund of the insurance subsidiary of the Group by the Appointed Actuary.

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

Company	Note	Share capital RM'000	Share premium RM'000	Asset revaluation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
		<—— Non-distributable			——>	Distributable	
At 1 January 2014		101,185	1,884	4,508	(3,158)	441,832	546,251
Net profit for the financial year		-	-	-	-	1,386	1,386
Other comprehensive income for the financial year		-	-	-	1,324	-	1,324
Total comprehensive income for the financial year		-	-	-	1,324	1,386	2,710
Dividends paid	31	-	-	-	-	(25,296)	(25,296)
At 31 December 2014/1 January 2015		101,185	1,884	4,508	(1,834)	417,922	523,665
Net profit for the financial year		-	-	-	-	4,245	4,245
Other comprehensive income for the financial year		-	-	225	1,174	-	1,399
Total comprehensive income for the financial year		-	-	225	1,174	4,245	5,644
Dividends paid	31	-	-	-	-	(20,237)	(20,237)
At 31 December 2015		101,185	1,884	4,733	(660)	401,930	509,072

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit for the financial year		35,566	35,678	4,245	1,386
Adjustments for non-cash items	32	(143,463)	(190,336)	(16,741)	(13,874)
Operating losses before changes in operating assets and liabilities		(107,897)	(154,658)	(12,496)	(12,488)
Purchase of investments		(1,679,676)	(1,707,139)	-	-
Proceeds from sale and maturity of investments		1,372,039	1,530,499	-	-
Interest income received		116,807	114,171	4,653	7,339
Dividend income received		46,659	43,734	9,998	5,035
Rental income received		6,318	7,195	4,191	3,998
(Increase)/decrease in insurance receivables		(2,723)	3,343	-	-
Increase in reinsurance assets		(1,917)	(913)	-	-
Decrease/(increase) in fixed and call deposits		56,178	(61,141)	1,127	(1,360)
Decrease in loans receivable		48,032	32,361	-	-
(Increase)/decrease in other receivables		(17,607)	7,174	(4,025)	3,723
Increase in insurance contract liabilities		133,010	261,317	-	-
Increase in insurance claims liabilities		9,250	1,385	-	-
Increase/(decrease) in payables		82,237	1,313	1,682	(4,971)
Cash generated from operations		60,710	78,641	5,130	1,276
Income taxes paid		(25,009)	(37,734)	(67)	(497)
Net cash inflow from operating activities		35,701	40,907	5,063	779
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(6,863)	(20,265)	(2,774)	(8,710)
Purchase of intangible assets		(6,612)	(13,176)	(91)	-
Purchase of investments		(83,820)	(79,904)	(83,820)	(79,904)
Proceeds from sale and maturity of investments		99,944	148,402	99,944	148,402
Additional investment in a subsidiary company		-	-	-	(34,000)
Proceeds from disposal of property and equipment		36	235	-	171
Net cash inflow from investing activities		2,685	35,292	13,259	25,959

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to shareholders	(20,237)	(25,296)	(20,237)	(25,296)
Changes in Non-controlling interests	(549)	(2,587)	-	-
Net cash outflow from financing activities	(20,786)	(27,883)	(20,237)	(25,296)
CASH AND CASH EQUIVALENTS				
Net increase/(decrease) during the financial year	17,600	48,316	(1,915)	1,442
Cash and cash equivalents at 1 January	105,973	57,657	2,997	1,555
Cash and cash equivalents at 31 December	123,573	105,973	1,082	2,997

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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	116,270	99,274	788	1,441
Short-term deposits	7,303	6,699	294	1,556
Cash and cash equivalents	123,573	105,973	1,082	2,997

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

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

General

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

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

Principal activities

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

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

Registered office and principal place of business

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in 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 pronouncements in the current year

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following:

Description	Effective for annual periods beginning on or after
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

Adoption of the above amendments to standards and improvements did not have any significant effect on the disclosures or amounts recognised in the Group and the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

The standards and amendments/improvements to published standards applicable to the Group and the Company 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 for annual periods beginning on or after
Amendments to MFRS 11 Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Annual Improvements to MFRSs 2012–2015 Cycle	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

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:

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have significant financial impact to the Group.

MFRS 15 Revenue from Contracts with Customers

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

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group is in the process of assessing impacts of other areas of the standard.

(b) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

(ii) Business combinations

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Business combinations (continued)

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 the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

The valuation techniques and categories of fair values of assets and liabilities are further described in note 4, note 5, note 6, note 35(b) and note 35(c).

(d) Property and equipment

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment property

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

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

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

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

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

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

(f) Intangible assets

(i) Management rights

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

(ii) Exclusive right

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

(iii) Computer software

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

(i) Classification, recognition and measurement of financial assets

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

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

(1) FVTPL

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

(2) HTM

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

(3) LAR

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

(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.

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

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 reclassified to profit or loss as net realised gains on financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Derecognition and impairment of financial assets

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

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

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

(h) Fair value of financial instruments

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

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

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

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

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

(i) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

(j) Impairment of assets

(i) Financial assets

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

Financial assets carried at amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(i) Financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

AFS financial Assets

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

(ii) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

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

(k) Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorized as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category at inception.

Other financial liabilities are measured at amortised cost using the effective interest method with gains and losses recognised in profit or loss when the instrument is derecognised as well as through the amortisation process.

(l) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, social security contributions and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

(ii) Post-employment benefits

The Group and the Company is required to contribute to the Employees' Provident Fund, a defined contribution plan.

Other than the mandatory contributions to the Employees' Provident Fund, the Group and the Company make contributions to a separately funded defined contribution retirement benefits scheme ("the Scheme"), which is administered by the Trustees of the Scheme, for all employees of the Group. Under the Scheme, the Company and its subsidiary companies shall make contributions to the Scheme at such rate and at such frequency as shall be determined from time to time by the Company and the Trustees of the Scheme, with the advice of an Actuary, provided that the total contribution by the Company and the subsidiary companies to the Scheme and to the Employees' Provident Fund does not exceed 15% of the employees' salary. Actuarial investigation is performed periodically to assess the financial condition of the Scheme.

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 MFC. At each date of the statement of financial position, the Group and the Company review its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the profit or loss.

The cumulative liability incurred net of any directly attributable transaction costs, will be reversed as cash is paid at the end of the vesting period.

(m) Other revenue recognition

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Group and the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Other interest income including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Other revenue recognition (continued)

Dividend income is recognised in the financial statements when the right to receive payment is established.

Rental income from investment property is recognised on a straight line basis over the term of the lease.

Realised gains and losses recorded in the profit or loss on investments include gains and losses on financial assets and investment property. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

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

(n) Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

(o) Product classification

An insurance contract is a contract under which the insurance subsidiary of the Group has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. For purpose of MFRS 4 on "Insurance Contracts", the insurance subsidiary of the Group defines insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract. Based on this definition, all policy contracts issued by the insurance.subsidiary of the Group, including investment-linked contracts, are considered insurance contracts as at the date of the statement of financial position. The investment components of the investment-linked contracts are not unbundled.

Investment contracts are those contracts that do not transfer significant insurance risk, but significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the Company, fund or other entity that issues the contract.

Contracts in the Participating life funds are classified as insurance contracts with DPF and contracts in the Non-participating life funds are classified as insurance contracts without DPF.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Reinsurance

The insurance subsidiary of the Group cedes insurance risk in the normal course of business for its insurance business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary of the Group from its obligations to policyholders. Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiary of the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurance subsidiary of the Group will receive from the reinsurer. The impairment loss is recorded in the profit or loss.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

(i) Gross premiums

Premium income includes premium recognised in the Life fund and the Investment-linked funds. Premium income of the Life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

Premium income of the Investment-linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

(ii) Reinsurance premiums

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relates.

(iii) Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the profit or loss in the financial year in which they are incurred.

(iv) Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or when the insurer is notified.

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

Benefits and claims for claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

(1) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and

(2) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

(r) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Insurance receivables (continued)

If there is objective evidence that the insurance receivable is impaired, the insurance subsidiary of the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss. The insurance subsidiary of the Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost and impairment loss is calculated under the same method used for these financial assets as set out in note 2(j) on impairment.

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

(s) Foreign currencies

(i) Functional and Presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of all entities in the Group is Ringgit Malaysia. The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Translation of Group's financial statements

The results and financial position of the Group's entities and Investment-linked funds of the Group's insurance subsidiary that have a functional currency that is different from the presentation currency, are translated into the presentation currency as follows:

(1) Assets and liabilities for 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.

(t) Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability in the financial year in which it is declared and approved by the Company's shareholders.

(u) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank balances and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

The Group classifies cash flows from the acquisition and disposal of financial assets of the insurance subsidiary of the Group as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts underwritten which are classified as operating activities.

(v) Taxation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Taxation (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or when the deferred tax liability is settled. Deferred tax is recognised in the profit or loss except when it arises from a transaction which is recognised in other comprehensive income or directly in equity or directly in the insurance contract liabilities, in which case, the deferred tax is also charged or credited to other comprehensive income or directly in equity or directly in the insurance contract liabilities.

(w) Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group and the Company do not recognise contingent assets but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

(x) Insurance contract liabilities

(i) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by the gross premium valuation method, a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a Participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of Non-participating life policies, the guaranteed benefits liabilities of Participating life policies, Non-participating annuity policies and non-unit liabilities of Investment-linked policies.

The liability in respect of policies of a Participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

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 Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised insurance contract liabilities are adequate, net of present value of in-force business ("PVIF") by using an existing liability adequacy test.

Any inadequacy is recorded in the profit or loss, initially by impairing PVIF and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

(ii) Unallocated surplus

Surpluses of contracts under the Participating life funds are attributable to policyholders and shareholders and the amount and timing of distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statement of financial position and is made in accordance with the provisions of the Financial Services Act 2013 and policy documents issued by BNM.

Unallocated surplus of Participating life funds, where the amounts of surplus are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

Unallocated surplus for Non-participating funds is recognised as equity, as the policyholders do not have any rights over this unallocated surplus. The shareholder will ultimately have the rights over this unallocated surplus upon the recommendation of distribution by the Appointed Actuary. Hence, the unallocated surplus represents the residual interest of the shareholder in the assets of the Non-participating fund after deducting all its liabilities and it is recognised as equity accordingly.

(iii) Fair value reserve

Fair value gains and losses on AFS financial assets of Participating life fund are initially recognised in other comprehensive income. Subsequently, an equivalent amount of adjustment to the insurance contract liabilities is recognised.

(iv) Asset revaluation reserve

Revaluation surplus and deficit of freehold property of the Participating life fund initially recognised in other comprehensive income. Subsequently, an equivalent amount of adjustment to the insurance contract liabilities is recognised.

(v) Net asset value attributable to unit holders

The unit liability of investment-linked policies is equal to the net asset value of the Investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality, morbidity costs and expense charges.

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Company's accounting policies, 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.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements are as follows:-

(i) Valuation of freehold property and investment property – note 4 and note 5
(ii) Impairment of financial assets – note 2(j)(i)
(iii) Impairment of intangible assets – note 2(j)(ii)

Other than the above, the estimates, assumptions and judgements that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future are discussed below.

Valuation of actuarial liabilities

The valuation of the ultimate liability arising from policy benefits made under life insurance contracts is the Company's most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, surrender rates (including lapses, Investment-linked premium persistency and partial withdrawal), policyholders' bonuses/dividends and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgement and therefore, actual experience may be 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, Non-participating annuity fund, Investment-linked operating fund and the guaranteed benefits liabilities of the Participating life funds under the "Risk-Based Capital Framework for Insurers" are described below:-

(i) For cash flows with duration of less than 15 years, 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.

Zero coupon spot yields as at current financial year end are obtained from Bond Pricing Agency Malaysia Sdn Bhd. (a bond pricing agency approved by BNM) and used for the valuation of guaranteed liabilities for all products, except for the US dollar denominated variable annuity ("VA") which used the corresponding US treasury yield as the valuation interest rate.

For the valuation of total benefits liabilities of the Participating life funds, a suitable discount rate based on the historical yield and future investment outlook of the respective fund is used.

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

Valuation of actuarial liabilities (continued)

Interest rate (continued)

The table below shows the valuation discounting yields for all the respective life funds, after taking into consideration the applicable adjustment on investment expense and investment income tax.

Calendar Year	Resultant Valuation Discounting Yields			
	Ordinary Par	Annuity Par	Non-Par + IL	IL VA
2016	5.17%	2.61%	2.61%	0.72%
2017	5.29%	3.21%	3.21%	1.50%
2018	5.42%	3.93%	3.93%	2.01%
2019	5.55%	3.69%	3.69%	2.29%
2020	5.67%	4.06%	4.06%	2.63%
2021	5.80%	5.68%	5.68%	2.67%
2022	5.92%	6.05%	6.05%	3.02%
2023	6.05%	4.25%	4.25%	3.00%
2024	6.18%	4.63%	4.63%	3.04%
2025	6.30%	4.83%	4.83%	3.12%
2026	6.30%	5.51%	5.51%	3.02%
2027	6.30%	5.61%	5.61%	3.13%
2028	6.30%	5.94%	5.94%	3.24%
2029	6.30%	6.59%	6.59%	3.35%
2030	6.30%	5.20%	5.20%	3.47%
2031	6.30%	4.78%	4.78%	2.68%
2032+	6.30%	4.78%	4.78%	2.68%

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

The Company 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.

Assumptions on surrenders (including lapses, Investment-linked premium persistency and partial withdrawal) are derived from the Company's historical experience.

All assumptions are monitored through regular experience studies to ensure relevance and appropriateness.

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

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

Participating Policyholders' Bonuses/Dividends

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

4. PROPERTY AND EQUIPMENT

Group	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost/valuation							
At 1 January 2014		18,677	3,631	20,335	1,973	838	45,454
Additions		-	18,500	1,094	613	58	20,265
Disposal		-	-	-	(529)	-	(529)
Transfer to building		1,961	(1,961)	-	-	-	-
Transfer to furniture, fittings and equipment and renovations		-	(7,981)	2,697	-	5,284	-
Transfer to investment property	5	-	(5,706)	-	-	-	(5,706)
Transfer to intangible assets	6	-	(2,245)	(1,574)	-	-	(3,819)
Write off		-	-	(2,962)	-	(498)	(3,460)
At 31 December 2014/ 1 January 2015		20,638	4,238	19,590	2,057	5,682	52,205
Additions		-	4,985	1,778	-	100	6,863
Disposal		-	-	-	(143)	-	(143)
Transfer to building		1,005	(1,005)	-	-	-	-
Transfer to renovations		-	(925)	-	-	925	-
Transfer to investment property	5	-	(3,396)	-	-	-	(3,396)
Transfer to intangible assets	6	-	(348)	-	-	-	(348)
Write off		-	-	(680)	-	(40)	(720)
Revaluation adjustment		(768)	-	-	-	-	(768)
At 31 December 2015		20,875	3,549	20,688	1,914	6,667	53,693
Comprising assets stated at 31 December 2015:							
Valuation		20,875	-	-	-	-	20,875
Cost		-	3,549	20,688	1,914	6,667	32,818
		20,875	3,549	20,688	1,914	6,667	53,693
Comprising assets stated at 31 December 2014:							
Valuation		20,638	-	-	-	-	20,638
Cost		-	4,238	19,590	2,057	5,682	31,567
		20,638	4,238	19,590	2,057	5,682	52,205
Accumulated depreciation							
At 1 January 2014		-	-	13,985	1,098	-	15,083
Charge for the financial year	26	551	-	1,741	188	144	2,624
Disposal		-	-	-	(235)	-	(235)
Transfer to intangible assets	6	-	-	(1,112)	-	-	(1,112)
Write off		-	-	(1,731)	-	-	(1,731)
At 31 December 2014/ 1 January 2015		551	-	12,883	1,051	144	14,629
Charge for the financial year	26	643	-	1,681	215	637	3,176
Disposal		-	-	-	(93)	-	(93)
Write off		-	-	(398)	-	(40)	(438)
Reversal on revaluation		(1,194)	-	-	-	-	(1,194)
At 31 December 2015		-	-	14,166	1,173	741	16,080
Carrying amount							
At 31 December 2015		20,875	3,549	6,522	741	5,926	37,613
At 31 December 2014		20,087	4,238	6,707	1,006	5,538	37,576

4. PROPERTY AND EQUIPMENT (CONTINUED)

Company	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost/valuation							
At 1 January 2014		9,435	1,405	1,176	1,280	-	13,296
Additions		-	7,974	344	392	-	8,710
Disposal		-	-	-	(423)	-	(423)
Transfer to building		955	(955)	-	-	-	-
Transfer to renovations		-	(2,586)	-	-	2,586	-
Transfer to investment property	5	-	(2,156)	-	-	-	(2,156)
Transfer to intangible assets	6	-	-	(154)	-	-	(154)
Transfer (to)/from a subsidiary						-	
company		-	(2,681)	4	-		(2,677)
Write off		-	-	(67)	-	-	(67)
At 31 December 2014/ 1 January 2015		10,390	1,001	1,303	1,249	2,586	16,529
Additions		-	2,701	52	-	21	2,774
Transfer to building		532	(532)	-	-	-	-
Transfer to investment property	5	-	(1,544)	-	-	-	(1,544)
Transfer (to)/from subsidiary companies		-	(1,145)	1,292	-	-	147
Write off		-	-	(12)	-	-	(12)
Revaluation adjustment		(377)	-	-	-	-	(377)
At 31 December 2015		10,545	481	2,635	1,249	2,607	17,517
Comprising assets stated at 31 December 2015:							
Valuation		10,545	-	-	-	-	10,545
Cost		-	481	2,635	1,249	2,607	6,972
		10,545	481	2,635	1,249	2,607	17,517
Comprising assets stated at 31 December 2014:							
Valuation		10,390	-	-	-	-	10,390
Cost		-	1,001	1,303	1,249	2,586	6,139
		10,390	1,001	1,303	1,249	2,586	16,529
Accumulated depreciation							
At 1 January 2014		-	-	745	933	-	1,678
Charge for the financial year	26	279	-	147	91	22	539
Disposal		-	-	-	(155)	-	(155)
Transfer to intangible assets	6	-	-	(142)	-	-	(142)
Transfer to a subsidiary company		-	-	3	-	-	3
Write off		-	-	(42)	-	-	(42)
At 31 December 2014/ 1 January 2015		279	-	711	869	22	1,881
Charge for the financial year	26	323	-	117	79	260	779
Transfer from a subsidiary company		-	-	1,292	-	-	1,292
Write off		-	-	(6)	-	-	(6)
Reversal on revaluation		(602)	-	-	-	-	(602)
At 31 December 2015		-	-	2,114	948	282	3,344
Net carrying amount							
At 31 December 2015		10,545	481	521	301	2,325	14,173
At 31 December 2014		10,111	1,001	592	380	2,564	14,648

4. PROPERTY AND EQUIPMENT (CONTINUED)

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

	2015 RM'000	2014 RM'000
Group		
Building	11,244	11,541
Company		
Building	4,552	4,692

The Group and the Company had carried out a valuation on the freehold property based on the income method conducted by an independent qualified valuer, Chee Kok Thim, FRISM, MRICS, MPEPS, MIPPM, Chartered Valuation Surveyer, Registered Valuer (V-325) of Rahim & Co International Sdn Bhd as disclosed below. The valuation of this property was adopted for the financial year ended 31 December 2015. The recognised revalued amount was based on the valuation exercise performed as at 15 December 2015.

Under the income method, the market value of the freehold property is determined based on the net annual income which is derived by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of the investment.

Fair value hierarchy

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:-

Level 1 – Fair value is derived from unadjusted quoted price in active markets for identical properties that the entity can access at the measurement date.

Level 2 – Fair value is estimated using inputs that are observable for the properties, either directly or indirectly.

Level 3 – Fair value is estimated using unobservable inputs for the properties.

The fair value of the freehold property is classified within level 3 of the fair value hierarchy. The fair value of the property is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fair value as stated in valuation report	20,875	20,208	10,545	10,273
Last recognised revalued amount	20,875	18,677	10,545	9,435

The reconciliation from beginning to ending balances for the freehold property is as disclosed on page 85 and page 86.

4. PROPERTY AND EQUIPMENT (CONTINUED)

Description of valuation techniques used and significant unobservable inputs to valuation of freehold property are as set out below:

	Valuation technique	Significant unobservable inputs	Range
2015			
Freehold property	Income method	Term period's net yield	6.00%
		Reversionary period's net yield	6.25%
		Void factor	5.00%
		Average rental for term period	RM4.29 - RM4.80 psf
		Average rental for reversionary period	RM4.60 psf
2014			
Freehold property	Income method	Term period's net yield	6.00%
		Reversionary period's net yield	6.25%
		Void factor	5.00%
		Average rental for term period	RM4.11 - RM4.67 psf
		Average rental for reversionary period	RM4.40 psf

A significant increase or decrease in each of the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value of the property.

5. INVESTMENT PROPERTY

	Note	2015 RM'000	2014 RM'000
Group			
At 1 January		84,292	78,622
Transfer from property and equipment	4	3,396	5,706
Fair value gain/(loss)	24	437	(36)
At 31 December		88,125	84,292
Represented by:			
Freehold property		88,125	84,292
Company			
At 1 January		35,115	33,036
Transfer from property and equipment	4	1,544	2,156
Fair value gain/(loss)	24	146	(77)
At 31 December		36,805	35,115
Represented by:			
Freehold property		36,805	35,115

5. INVESTMENT PROPERTY (CONTINUED)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Rental income (note 22)	7,527	7,196	4,944	3,998
Direct operating expenses arising from investment property that generate rental income	(2,562)	(2,800)	(1,323)	(1,448)
Direct operating expenses arising from investment property that did not generate rental income	(622)	(622)	(300)	(300)

The Group and Company had carried out a valuation on the investment property based on the income method conducted by an independent qualified valuer, Chee Kok Thim, FRISM, MRICS, MPEPS, MIPPM, Chartered Valuation Surveyer, Registered Valuer (V-325) of Rahim & Co International Sdn Bhd as disclosed below. The valuation of the investment property was adopted for the financial year ended 31 December 2015. The recognised revalued amount was based on the valuation exercise performed as at 15 December 2015.

The fair value of the investment property is categorised under Level 3 of the fair value hierarchy.

Description of valuation techniques used and significant unobservable inputs to valuation of investment property are as set out below:

	Valuation technique	Significant unobservable inputs	Range
2015			
Investment property	Income method	Initial net yield	6.00%
		Reversionary net yield	6.25%
		Void factor	5.00%
		Average rental for term period	RM4.29 - RM4.80 psf
		Average rental for reversionary period	RM4.60 psf
2014			
Investment property	Income method	Initial net yield	6.00%
		Reversionary net yield	6.25%
		Void factor	5.00%
		Average rental for term period	RM4.11 - RM4.67 psf
		Average rental for reversionary period	RM4.40 psf

A significant increase or decrease in each of the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value of the investment property.

The reconciliation from beginning to ending balances for investment property is as disclosed on page 88.

6. INTANGIBLE ASSETS

Group	Note	Management rights RM'000	Exclusive right RM'000	Computer software RM'000	Computer software in progress RM'000	Total RM'000
Cost						
At 1 January 2014		86,815	30,000	10,183	-	126,998
Additions		-	10,000	3,176	-	13,176
Transfer from property and equipment	4	-	-	1,574	2,245	3,819
Write off		-	-	(998)	-	(998)
At 31 December 2014/ 1 January 2015		86,815	40,000	13,935	2,245	142,995
Additions		-	-	6,612	-	6,612
Transfer from property and equipment	4			-	348	348
Transfer to computer software		-	-	2,237	(2,237)	-
At 31 December 2015		86,815	40,000	22,784	356	149,955
Accumulated amortisation						
At 1 January 2014		-	1,373	5,038	-	6,411
Amortisation during the financial year	26	-	3,505	2,197	-	5,702
Transfer from property and equipment	4	-	-	1,112	-	1,112
Write off		-	-	(765)	-	(765)
At 31 December 2014/ 1 January 2015		-	4,878	7,582	-	12,460
Amortisation during the financial year	26	-	5,322	3,170	-	8,492
At 31 December 2015		-	10,200	10,752	-	20,952
Net carrying amount						
At 31 December 2015		86,815	29,800	12,032	356	129,003
At 31 December 2014		86,815	35,122	6,353	2,245	130,535

Company	Note	Computer Software RM'000	Total RM'000
Cost			
At 1 January 2014		-	-
Transfer from property and equipment	4	154	154
At 31 December 2014/ 1 January 2015		154	154
Additions		91	91
At 31 December 2015		245	245
Accumulated amortisation			
At 1 January 2014		-	-
Amortisation during the financial year	26	8	8
Transfer from property and equipment	4	142	142
At 31 December 2014/ 1 January 2015		150	150
Amortisation during the financial year	26	7	7
At 31 December 2015		157	157
Net carrying amount			
At 31 December 2015		88	88
At 31 December 2014		4	4

6. INTANGIBLE ASSETS (CONTINUED)

(i) Management rights

The Management rights relate to the investment management agreements arising from the acquisition of a subsidiary. The Company believes that the investment management agreements have 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 2015. The Company is of the opinion that the recoverable amount, based on its value-in-use is higher than the carrying amount, and accordingly there is no allowance for impairment loss to be considered on this intangible asset.

The recoverable amount of the identifiable intangible assets (using value-in-use) is calculated based on the net cash inflow expected to be generated over a 10-year period from managing the total funds acquired using the following assumptions:

Discount rate	:	7%
Sales growth rate	:	15% to 30% for first 5 years and 5% for the subsequent 5 years
Expense growth rate	:	3% to 15% throughout the 10 years projections
Terminal value	:	1.65% of average Assets Under Management at the 10th year (based on comparable current market transactions)

(ii) Exclusive right

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

7. SUBSIDIARIES

	Company	
	2015	**2014**
	RM'000	**RM'000**
Unquoted shares at cost	345,119	345,119
Accumulated impairment losses	(10,596)	(7,753)
	334,523	337,366

During the year, the Company recognised additional impairment losses in respect of its investment in subsidiaries amounting to RM2,843,000. The impairment loss was recognised to reflect the carrying value of the investment at the net recoverable amount of assets held by the subsidiary, which was put in Member's Voluntary Liquidation.

Details of the subsidiaries are as follows:

Name of company	**Country of incorporation**	**Effective interest 2015 %**	**Effective interest 2014 %**	**Principal activities**
Manulife Insurance Berhad	Malaysia	100	100	Life insurance business
Manulife Asset Management Services Berhad	Malaysia	100	100	Management of unit trust funds, private retirement scheme fund, investment and fund management
Britama Properties Sdn Bhd	Malaysia	100	100	Property rental and management
MAAKL Mutual Bhd*	Malaysia	100	100	Dormant
British American Investments Pte Ltd	Malaysia	100	100	Dormant
The e-Software House Sdn Bhd	Malaysia	100	100	Dormant
Britama Credit Sdn Bhd**	Malaysia	100	100	Dormant
Manulife Asset Management (Malaysia) Sdn Bhd**	Malaysia	100	100	Dormant

* The company had on 29 December 2015 been placed under Members' Voluntary Winding Up and the affairs and conduct of the company are now placed under the control of the Liquidator who will manage the entire process of liquidation.

** The companies had on 19 December 2014 been placed under Members' Voluntary Winding Up and the affairs and conduct of the companies are now placed under the control of the Liquidator who will manage the entire process of liquidation.

8. FINANCIAL ASSETS

(a) Available-for-sale

	Group 2015 RM'000	Group 2014 RM'000
Equity securities		
- Quoted in Malaysia	738,036	705,806
- Unquoted	2,516	2,516
Real estate investment trusts	3,131	-
Unit trust funds**	104,245	98,491
Malaysia Government Securities	592,609	670,780
Government Investment Issues	192,170	175,622
Corporate debt securities		
- Unquoted	1,067,122	947,244
Accrued interest	18,292	17,295
	2,718,121	2,617,754
Current	933,904	921,329
Non-current	1,784,217	1,696,425
	2,718,121	2,617,754

	Company 2015 RM'000	Company 2014 RM'000
Equity securities		
- Quoted in Malaysia	17,849	17,058
- Unquoted	572	572
Real estate investment trusts	75	-
Unit trust fund*	19,895	2,656
Malaysia Government Securities	24,550	32,769
Government Investment Issues	5,768	9,513
Corporate debt securities		
- Unquoted	49,260	71,953
Accrued interest	785	1,150
	118,754	135,671
Current	42,090	27,675
Non-current	76,664	107,996
	118,754	135,671

* Being investment in a unit trust fund managed by a subsidiary of the Company. The effective ownership of the Company in this unit trust fund managed by the subsidiary is 99% (2014: 99%). The Company has consolidated the financial position and the results of the unit trust fund as the Company has the ability to direct the investment strategy of the unit trust fund in a manner that most significantly affects its return. The unit trust fund invests primarily in money market instruments, debentures and/or deposits and is set-up in Malaysia in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, issued by the Securities Commission Malaysia.

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

8. FINANCIAL ASSETS (CONTINUED)

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

	Group 2015 RM'000	Group 2014 RM'000
Equity securities		
- Quoted in Malaysia	377,602	287,743
- Quoted outside Malaysia	4,890	4,153
Unit trust funds*	5,151	1,760
Malaysian Government Securities	67,339	67,133
Government Investment Issues	14,198	18,541
Corporate debt securities		
- Unquoted	201,739	204,565
Mutual funds		
- Quoted outside Malaysia	481,863	374,566
Forward foreign exchange contract (note 17)	1,113	-
Accrued interest	2,569	2,412
	1,156,464	960,873
Current	963,905	773,600
Non-current	192,559	187,273
	1,156,464	960,873

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

(c) Carrying value of financial assets

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

Group	Available-for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2014	2,568,350	912,252	3,480,602
Purchases	635,128	1,151,915	1,787,043
Maturities	(51,550)	(7,850)	(59,400)
Disposals	(464,449)	(1,063,468)	(1,527,917)
Fair value losses recorded in:			
Profit or loss (note 24)	-	(50,721)	(50,721)
Other comprehensive income	(69,682)	-	(69,682)
Allowance for impairment losses (note 24)	(4,004)	-	(4,004)
Net accretion of discounts/(amortisation of premiums) (note 22)	2,486	(30)	2,456
Unrealised exchange gains	-	18,873	18,873
Movement in accrued interest	1,475	(98)	1,377
At 31 December 2014/1 January 2015	2,617,754	960,873	3,578,627
Purchases	793,304	970,192	1,763,496
Maturities	(80,426)	(12,374)	(92,800)
Disposals	(575,088)	(809,844)	(1,384,932)
Fair value losses recorded in:			
Profit or loss (note 24)	-	(13,013)	(13,013)
Other comprehensive income	(940)	-	(940)
Allowance for impairment losses (note 24)	(37,852)	-	(37,852)
Net accretion of discounts/(amortisation of premiums) (note 22)	372	(62)	310
Unrealised exchange gains	-	60,535	60,535
Movement in accrued interest	997	157	1,154
At 31 December 2015	2,718,121	1,156,464	3,874,585

8. FINANCIAL ASSETS (CONTINUED)

(c) Carrying value of financial assets (continued)

Company	Available-for-sale RM'000	Total RM'000
At 1 January 2014	204,199	204,199
Purchases	79,904	79,904
Maturities	(5,700)	(5,700)
Disposals	(142,686)	(142,686)
Fair value gains recorded in:		
Other comprehensive income	1,324	1,324
Allowance for impairment losses (note 24)	(455)	(455)
Net amortisation of premiums (note 22)	(534)	(534)
Movement in accrued interest	(381)	(381)
At 31 December 2014/1 January 2015	135,671	135,671
Purchases	83,820	83,820
Maturities	-	-
Disposals	(100,417)	(100,417)
Fair value gains recorded in:		
Other comprehensive income	1,174	1,174
Allowance for impairment losses (note 24)	(918)	(918)
Net amortisation of premiums (note 22)	(211)	(211)
Movement in accrued interest	(365)	(365)
At 31 December 2015	118,754	118,754

9. LOANS AND RECEIVABLES

		Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loans receivable:					
Policy loans		197,670	245,902	-	-
Mortgage loans		2,218	2,472	-	-
Other loans		952	498	1	1
		200,840	248,872	1	1
Allowance for impairment loss		(181)	(181)	-	-
	(i)	200,659	248,691	1	1
Fixed and call deposits with licensed banks in Malaysia		328,420	381,907	8,282	9,395
Accrued interest		137	265	65	91
	(ii)	328,557	382,172	8,347	9,486
Other receivables:					
Amount due from subsidiaries	(iii)	-	-	5,370	1,263
Amount due from related companies	(iii)	423	293	271	-
Accrued dividend income		1,654	3,121	19	37
Accrued rental income		1,220	11	753	-

9. LOANS AND RECEIVABLES (CONTINUED)

		Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other debtors		46,166	29,352	2,090	1,295
Deposits		1,122	1,109	178	233
		50,585	33,886	8,681	2,828
Allowance for impairment loss		(1,353)	(1,075)	(1,075)	(1,075)
	(iv)	49,232	32,811	7,606	1,753
Prepayments		2,136	2,186	103	52
Total		580,584	665,860	16,057	11,292

(i) Loans receivable:

	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Receivable within 12 months	410	407	1	1
Receivable after 12 months	200,249	248,284	-	-
	200,659	248,691	1	1

(ii) Fixed and call deposits with licensed banks in Malaysia:

	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Receivable within 12 months	328,557	318,284	8,347	2,486
Receivable after 12 months	-	63,888	-	7,000
	328,557	382,172	8,347	9,486

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

(iv) Other receivables:

	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Receivable within 12 months	48,842	32,421	7,606	1,753
Receivable after 12 months	390	390	-	-
	49,232	32,811	7,606	1,753

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

10. REINSURANCE ASSETS

	2015 RM'000	2014 RM'000
Reinsurance assets on:		
- Insurance contract liabilities	2,758	1,031
- Insurance claims liabilities	1,803	1,613
	4,561	2,644

11. INSURANCE RECEIVABLES

	Group 2015 RM'000	Group 2014 RM'000
Due premiums including agents' balances	22,252	24,446
Due from reinsurers	5,153	236
	27,405	24,682
Allowance for impairment losses	(1,228)	(1,074)
	26,177	23,608
Receivable within 12 months	26,177	23,608

Amount due from reinsurers that have been offset against amount due to reinsurers are as follows:

Group	Gross carrying amount RM'000	Gross amount offset RM'000	Net amount reported RM'000
31 December 2015			
Commissions receivables	6,567	-	6,567
Claims recoveries	2,188	-	2,188
Premiums ceded	-	(3,602)	(3,602)
	8,755	(3,602)	5,153
31 December 2014			
Commissions receivables	112	-	112
Claims recoveries	503	-	503
Premiums ceded	-	(379)	(379)
	615	(379)	236

12. SHARE CAPITAL

	Company			
	2015		2014	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Authorised:				
Ordinary shares of 50 sen each:				
At 1 January/31 December	250,000	125,000	250,000	125,000
Issued and fully paid up:				
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

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

Group	Note	2015 RM'000	2014 RM'000
Distributable	(i)	588,707	572,838
Non-distributable	(ii)	71,155	71,719
		659,862	644,557

(i) Under the single tier system, the Group is able to frank the payment of dividends out of its entire distributable retained earnings as at the date of the statement of financial position, except for its insurance subsidiary which also requires the approval by Bank Negara Malaysia under section 51 of the Financial Services Act, 2013.

(ii) Non-distributable retained earnings are surplus arising from Non-participating life fund, net of deferred tax. These amounts are only distributable upon actual recommended transfer from the Non-participating (including Investment-linked Operating fund) life fund to the Shareholder's fund by the Appointed Actuary.

Company

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

14. NON-CONTROLLING INTERESTS

	2015 RM'000	2014 RM'000
Non-controlling interests	592	1,117

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

	Gross		Net	
Group	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Actuarial liabilities	2,163,399	2,133,716	2,160,641	2,132,685
Unallocated surplus	162,694	223,854	162,694	223,854
Fair value reserve	53,087	53,060	53,087	53,060
Asset revaluation reserve	842	641	842	641
Investment-linked policyholders' account	1,025,290	860,803	1,025,290	860,803
	3,405,312	3,272,074	3,402,554	3,271,043
Current	1,294,274	1,272,506	1,294,274	1,272,536
Non-current	2,111,038	1,999,568	2,108,280	1,998,507
	3,405,312	3,272,074	3,402,554	3,271,043

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

	Gross		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	3,272,074	3,072,828	3,271,043	3,072,737
Inforce reserve movement	(19,680)	16,768	(19,680)	16,768
New business reserve	23,466	17,179	21,739	16,239
Discount rate and other changes	25,897	11,905	25,897	11,905
Unallocated surplus	(61,160)	21,267	(61,160)	21,267
Fair value reserve, net of tax	27	(62,071)	27	(62,071)
Asset revaluation reserve				
- Revaluation adjustment	(391)	-	(391)	-
- Reversal on revaluation	592	-	592	-
	201	-	201	-
Investment-linked policyholders' account	164,487	194,198	164,487	194,198
At 31 December	3,405,312	3,272,074	3,402,554	3,271,043

As the Non-participating life fund's unallocated surplus and fair value reserve are classified as equity, only the associated Participating life fund's unallocated surplus and fair value reserve are included in the above presentation.

For the current year ended 31 December 2015, the applicable assumption changes resulted in higher actuarial liabilities of RM25.9 million (2014: higher actuarial liabilities of RM11.9 million), with a corresponding decrease in unallocated surplus for the participating business of RM28.5 million (2014: decrease in unallocated surplus of RM7.0 million) and increase in net profit before tax of RM2.6 million (2014: decrease in net profit before tax of RM4.9 million).

16. INSURANCE CLAIMS LIABILITIES

	Gross		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Provision for outstanding claims	51,635	42,385	49,832	40,772
Current	51,635	42,385	49,832	40,772

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

Derivatives

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

		Fair value gain/(loss) recognised as		
	Notional amount RM'000	Financial asset RM'000	Financial liability RM'000	Net carrying amount RM'000
31 December 2015				
Hedging derivative:				
Forward foreign exchange contract (note 8(b))	256,256	1,113	-	1,113
31 December 2014				
Hedging derivative:				
Forward foreign exchange contract	108,386	-	(700)	(700)

18. DEFERRED TAX (LIABILITIES)/ASSETS

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(32,182)	(34,062)	(154)	(168)
Deferred tax assets	-	142	-	-
	(32,182)	(33,920)	(154)	(168)
Current	(8,490)	(10,170)	(154)	(168)
Non-current	(23,692)	(23,750)	-	-
	(32,182)	(33,920)	(154)	(168)

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

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Revaluation - investment property	-	-	(533)	(510)	(533)	(510)
Accelerated depreciation	-	15	(159)	(606)	(159)	(591)
Investments	2,779	-	(11,799)	(9,064)	(9,020)	(9,064)
Unutilised tax losses	-	134	-	-	-	134
Unallocated surplus	-	-	(22,470)	(23,906)	(22,470)	(23,906)
Others	-	17	-	-	-	17
	2,779	166	(34,961)	(34,086)	(32,182)	(33,920)
Offsetting	(2,779)	(24)	2,779	24	-	-
Deferred tax assets/(liabilities) (after offsetting)	-	142	(32,182)	(34,062)	(32,182)	(33,920)
Company						
Accelerated depreciation	-	-	(154)	(168)	(154)	(168)
	-	-	(154)	(168)	(154)	(168)
Offsetting	-	-	-	-	-	-
Deferred tax liabilities (after offsetting)	-	-	(154)	(168)	(154)	(168)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same entity.

18. DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

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

Group	Note	Revaluation-investment property RM'000	Accelerated depreciation RM'000	Investments RM'000	Unutilised tax losses RM'000	Unallocated surplus RM'000	Others RM'000	Total RM'000
At 1 January 2014		(507)	(501)	(17,262)	81	(23,906)	11	(42,084)
Recognised in:								
Profit or loss								
- Other operating (expenses)/income	28	(3)	(98)	2,785	-	-	-	2,684
- Taxation	29	-	8	-	53	-	6	67
Other comprehensive income								
- Fair value reserve		-	-	5,413	-	-	-	5,413
At 31 December 2014/ 1 January 2015		(510)	(591)	(9,064)	134	(23,906)	17	(33,920)
Recognised in:								
Profit or loss								
- Other operating (expenses)/income	28	(23)	87	(384)	-	-	-	(320)
- Taxation	29	-	345	118	(134)	1,436	(17)	1,748
Other comprehensive income								
- Fair value reserve		-		310	-	-	-	310
At 31 December 2015		(533)	(159)	(9,020)	-	(22,470)	-	(32,182)

Company	Note	Accelerated depreciation RM'000	Total RM'000
At 1 January 2014		(175)	(175)
Recognised in:			
Profit or loss			
- Taxation	29	7	7
At 31 December 2014/1 January 2015		(168)	(168)
Recognised in:			
Profit or loss			
- Taxation	29	14	14
At 31 December 2015		(154)	(154)

18. DEFERRED TAX (LIABILITIES)/ASSETS (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	
	2015 RM'000	2014 RM'000
Unutilised tax losses	6,648	7,778
Other deductible temporary differences	6,367	3,759
	13,015	11,537
Deferred tax assets not recognised	3,124	2,884

Deferred tax assets have not been recognised in respect of the above items as it is not probable that sufficient taxable profits will be available in the foreseeable future in the respective subsidiaries to utilise the said benefits.

The unutilised tax losses above are available for offsetting against future taxable profits of the respective subsidiaries subject to no substantial change in the shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

19. INSURANCE PAYABLES

	Group	
	2015 RM'000	2014 RM'000
Due to reinsurers	1,073	2,085
Due to agents	6,036	5,305
Due to insureds	425,319	389,112
	432,428	396,502
Current	432,428	396,502

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

Amount due to reinsurers that have been offset against amount due from reinsurers are as follows:

Group	Gross carrying amount RM'000	Gross amount offset RM'000	Net amount reported RM'000
31 December 2015			
Premiums ceded	1,481	-	1,481
Commissions receivables	-	(327)	(327)
Claims recoveries	-	(81)	(81)
	1,481	(408)	1,073
31 December 2014			
Premiums ceded	2,718	-	2,718
Commissions receivables	-	(97)	(97)
Claims recoveries	-	(536)	(536)
	2,718	(633)	2,085

20. OTHER PAYABLES

		Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Other creditors		105,499	57,866	4,633	2,699
Accrued liabilities		47,587	49,641	1,620	2,599
Amount due to related companies	(i)	10,809	7,220	5,117	4,388
Amount due to subsidiaries	(i)	-	-	1,851	1,853
Fees payable to key management personnel	(ii)				
- Directors		2,221	3,981	-	-
- Other		1,142	2,239	-	-
		167,258	120,947	13,221	11,539

(i) The amounts due to related companies and subsidiaries are unsecured, trade related, interest free and repayable on demand. The carrying amounts disclosed above approximate their fair values as at the end of the financial year due to the relative short term maturity of these balances. All amounts are payable within one year.

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

21. NET PREMIUMS

	Group	
	2015	2014
	RM'000	RM'000
First year premium	98,494	86,678
Renewal year premium	480,370	473,961
Single premium	219,209	207,049
	798,073	767,688

22. INVESTMENT INCOME

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL				
- designated upon initial recognition				
Interest/profit income	13,029	13,414	-	-
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	9,996	7,956	-	-
- quoted outside Malaysia	110	51	-	-
- unit trusts	12	47	-	-
- mutual funds - outside Malaysia	6,497	5,130		
Net amortisation of premiums (note 8(c))	(62)	(30)	-	-

22. INVESTMENT INCOME (CONTINUED)

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
AFS financial assets				
Interest/profit income	79,812	75,850	3,943	6,575
Dividend/distribution income				
- equity securities - quoted in Malaysia	21,680	23,596	518	722
- equity securities - unquoted	299	396	105	104
- equity securities - subsidiary	-	-	9,000	4,000
- unit trusts	6,598	6,520	357	143
Net accretion of discounts/ (amortisation of premiums) (note 8(c))	372	2,486	(211)	(534)
Loans and receivables				
Interest/profit income	24,438	25,857	296	362
Accretion of discounts, net of amortisation of premiums	2,678	2,550	-	-
Investment properties				
Rental income (note 5)	7,527	7,196	4,944	3,998
Cash and cash equivalents				
Interest/profit sharing income	554	537	23	21
	173,540	171,556	18,975	15,391

23. NET REALISED GAINS/(LOSSES)

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Property and equipment				
Realised losses	(14)	(59)	-	(97)
AFS financial assets				
Realised gains:				
Equity securities - quoted in Malaysia	19,977	56,525	336	1,672
Unit trust funds	-	-	19	51
Debt securities	2,427	632	-	-
Realised losses:				
Equity securities - quoted in Malaysia	(318)	-	(318)	-
Debt securities	(510)	(1,707)	(510)	(1,707)
Total net realised gains/(losses) for AFS financial assets	21,576	55,450	(473)	16
Loans and receivables				
Realised gains	13	-	13	-
Total net realised gains/(losses)	21,575	55,391	(460)	(81)

24. NET FAIR VALUE LOSSES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Investment property				
Unrealised fair value gains/ (losses) (note 5)	437	(36)	146	(77)
Financial assets at FVTPL – designated upon initial recognition				
Fair value gains				
- Realised	11,252	42,301	-	-
- Unrealised (note 8(c))	1	161	-	-
Fair value losses				
- Realised	(26,248)	(288)	-	-
- Unrealised (note 8(c))	(13,014)	(50,882)	-	-
Net fair value losses on financial assets at FVTPL – designated upon initial recognition	(28,009)	(8,708)	-	-
AFS financial assets				
Impairment losses on quoted equities (note 8(c))	(37,852)	(4,004)	(918)	(455)
Subsidiary				
Impairment losses on subsidiary (note 7)	-	-	(2,843)	-
Total net fair value losses	(65,424)	(12,748)	(3,615)	(532)

25. FEE INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unit trust funds management fee income	42,113	39,360	-	-
Investment management fee income	932	25	-	-
Initial service fees	13,893	19,421		
Outsourcing fee income	-	-	806	868
	56,938	58,806	806	868

26. MANAGEMENT EXPENSES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Staff costs (note 26(a))	61,829	54,748	4,908	4,027
Directors' remuneration (note 33):				
- Fees	678	693	453	385
- Other emoluments	7,652	8,298	2,565	2,209
- Others	45	-	-	-
Auditors' remuneration:				
- Statutory audit	524	561	75	125
- Audit related services	104	104	52	52
Office rental:				
- Subsidiary company	-	-	105	110
- Others	2,092	2,070	1	1
Depreciation of property and equipment (note 4)	3,176	2,624	779	539
Property and equipment written off	282	1,729	6	25
Amortisation of intangible assets (note 6)	8,492	5,702	7	8
Intangible assets written off	-	233	-	-
Allowance for impairment loss on insurance receivables	154	18	-	-
Allowance for impairment loss on other receivables	278	-	-	-
Bancassurance service fee	3,000	3,000	-	-
Credit card charges	2,574	2,279	-	-
Fund management expenses	7,449	7,190	-	-
Information technology outsourcing expenses	12,262	13,631	254	560
Marketing and advertising expenses	15,544	15,022	3	56
Printing and stationery	1,985	2,341	57	40
Postage and courier charges	1,231	1,106	2	1
Other professional charges	3,151	2,767	263	700
Other staff benefits	1,975	1,253	310	364
Outsourcing fees expense	-	-	947	571
Software maintenance	4,040	1,481	54	15
Staff group insurance	578	678	31	30
Training expense	1,674	2,509	39	151
Travelling expense	1,700	1,541	62	112
Utilities	1,262	2,040	72	109
Other expenses	11,873	8,031	1,122	1,392
	155,604	141,649	12,167	11,582

(a) Staff costs

		Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Staff costs		54,683	48,295	4,348	3,571
Retirement benefits contributions	(i)	6,879	5,897	412	269
RSU expenses	(ii)	267	556	148	187
Total staff costs		61,829	54,748	4,908	4,027

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

(ii) Share-based payments incurred during the financial year relates to the share-based compensation granted to employees as mentioned in note 2(l)(iii) to the financial statements.

27. SHARE-BASED COMPENSATION

Expenses arising from the share-based payment transactions recognised during the financial year as part of the employee benefit expense were as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
RSU expenses	884	1,815	646	638
	884	1,815	646	638

Restricted share units ("RSU") are granted to certain employees of Manulife Financial Corporation Group as part of the annual performance reward cycle and has a vesting period of over 35 months from grant date. Each RSU entitles the recipient to receive payment equal to the market value of one common share, plus credited dividends, at the time of vesting, subject to any performance conditions. These RSU expenses are paid out in cash at the end of the vesting period.

28. OTHER OPERATING (INCOME)/EXPENSES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Foreign exchange				
- Realised losses	12,329	5,879	-	-
- Unrealised gains	(60,535)	(18,873)	-	-
Interest expense on agent's bond withheld	21	40	-	-
Others	538	2,297	28	190
Tax on investment income of Life fund and Investment-linked funds:				
- Current tax	9,405	14,999	-	-
- Deferred tax (note 18)	320	(2,684)	-	-
	9,725	12,315	-	-
	(37,922)	1,658	28	190

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% (2014: 8%) of the assessable investment income, net of allowable deductions for the financial year.

29. TAXATION

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
In respect of the profit of the Group and Company:				
Current tax				
Current financial year	16,783	13,462	-	-
(Over)/under provision in prior financial years	(2,708)	841	(2,619)	339
	14,075	14,303	(2,619)	339
Deferred tax				
Reversal of temporary differences	(1,568)	(67)	(14)	(7)
Over provision in prior financial years	(180)	-	-	-
	(1,748)	(67)	(14)	(7)
	12,327	14,236	(2,633)	332

29. TAXATION (CONTINUED)

The current income tax for the Group and the Company are calculated based on the tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year.

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation	47,893	49,914	1,612	1,718
Taxation at Malaysia statutory tax rate of 25% (2014: 25%)	11,973	12,479	403	429
Section 110B tax credit set off	(2,116)	(2,375)	-	-
Income not subject to tax	(1,038)	(1,080)	(1,505)	(1,046)
Expenses not deductible for tax purposes	7,032	3,541	1,712	1,191
Unrecognised deferred tax assets	240	830	-	-
Group relief	-	-	(624)	(581)
Effect of changes in tax rate	(876)	-	-	-
	15,215	13,395	(14)	(7)
(Over)/under provision in prior financial years				
- Current tax	(2,708)	841	(2,619)	339
- Deferred tax	(180)	-	-	-
Tax expense	12,327	14,236	(2,633)	332

30. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year over the number of ordinary shares of the Company in issue of 202,370,000 (2014: 202,370,000) shares.

	Group	
	2015 RM'000	2014 RM'000
Net profit attributable to owners of the company (RM'000)	35,542	35,644
Basic earnings per share (sen)	17.56	17.61

The Company has no potential dilutive ordinary shares in issue as at the date of the statement of financial position and therefore, diluted earnings per share has not been presented.

31. DIVIDENDS PAID

Company	2015 Net dividends per share Sen	2015 Amount of dividends RM'000	2014 Net dividends per share Sen	2014 Amount of dividends RM'000
Single tier dividend for 2014				
- First and final dividend	10.00	20,237	-	-
Single tier dividend for 2013				
- First and final dividend	-	-	10.00	20,237
- Special dividend	-	-	2.50	5,059
	-	-	12.50	25,296
	10.00	20,237	12.50	25,296

The directors recommend the payment of a first and final dividend of 9.0 sen per share, amounting to RM18,213,300 for the financial year ended 31 December 2015, 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 2016 when approved by the shareholders.

32. ADJUSTMENTS FOR NON-CASH ITEMS

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

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Interest income	(117,833)	(115,658)	(4,262)	(6,958)
Dividend income	(45,192)	(43,696)	(9,980)	(4,969)
Rental income	(7,527)	(7,196)	(4,944)	(3,998)
Net (accretion of discounts)/amortisation of premiums	(2,988)	(5,006)	211	534
Loss on disposal of property and equipment	14	59	-	97
(Gains)/losses on disposal of AFS financial assets	(21,576)	(55,450)	473	(16)
(Gains)/losses on revaluation of investment property	(437)	36	(146)	77
Fair value losses on FVTPL financial assets	28,009	8,708	-	-
Gains on disposal of LAR financial assets	(13)	-	(13)	-
Impairment losses on AFS financial assets	37,852	4,004	918	455
Depreciation of property and equipment	3,176	2,624	779	539
Property and equipment written off	282	1,729	6	25
Amortisation of intangible assets	8,492	5,702	7	8
Intangible assets written off	-	233	-	-
Allowance for impairment loss on insurance receivables	154	18	-	-
Allowance for impairment loss on other receivables	278	-	-	-
Allowance for impairment loss on subsidiary	-	-	2,843	-
Taxation	12,327	14,236	(2,633)	332
Tax on investment income of Life fund and Investment-linked funds	9,725	12,315	-	-
Realised exchange losses	12,329	5,879	-	-
Unrealised exchange gains	(60,535)	(18,873)	-	-
	(143,463)	(190,336)	(16,741)	(13,874)

33. SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group 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 and subsidiaries of holding companies. The related parties of, and their relationship with the Company are as follows:

Name of company	Country of incorporation	Relationship
Manulife Financial Corporation ("MFC")	Canada	Ultimate holding company
The Manufacturers Life Insurance Company	Canada	Penultimate holding company
Manulife Financial Asia Limited ("MFAL")	Hong Kong	Intermediate holding company
Manulife Century Holdings (Netherlands) BV ("MCHN")	Netherlands	Immediate holding company
Manulife Technology and Services Sdn Bhd	Malaysia	Subsidiary of ultimate holding company
Manulife Data Services Inc.	Philippines	Subsidiary of ultimate holding company
John Hancock Life Insurance Company (USA)	United States of America	Subsidiary of ultimate holding company
Manulife Asset Management (US) LLC	United States of America	Subsidiary of ultimate holding company
Manulife Asset Management Limited	Canada	Subsidiary of ultimate holding company
Manulife Asset Management (Hong Kong) Limited	Hong Kong	Subsidiary of ultimate holding company
Manulife Asset Management (Singapore) Limited	Singapore	Subsidiary of ultimate holding company

In the normal course of business, the Group and the Company undertake various transactions with other companies deemed related parties by virtue of being subsidiaries and associated companies of MFC, collectively known as the MFC Group.

Related parties also include key management personnel. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel of the Group and the Company include the directors and certain members of senior management of the Group and the Company. Total compensation paid to the Company's directors are disclosed on page 111.

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

Non-executive directors:
Dato' Dr. Zaha Rina binti Zahari
Philip John Hampden-Smith
Datuk Seri Panglima Mohd Annuar bin Zaini
Lim Hun Soon @ David Lim
Leung Rockson Lok-Shuen
Datuk Dr. Nik Norzrul Thani bin N Hassan Thani (resigned on 1 January 2016)
Robert Allen Cook (resigned on 30 April 2015)

Executive director:
Mark Steven O'Dell

33. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms with the respective parties. The significant related party transactions during the financial year between the Group and the Company and their related parties are set out below:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Expenses/(income):				
Penultimate holding company				
Outsourced information technology service expenses	600	298	-	-
Intermediate holding company				
Reimbursement of software maintenance expenses	3,858	326	-	-
Reimbursement of personnel expenses	4,996	4,121	2,879	2,052
Subsidiaries of ultimate holding company				
Rental income	(1,225)	(912)	(456)	(454)
Software development and maintenance service	6,383	4,416	-	-
Management fee expense	876	114	-	-
Outsourced information technology service expenses	6,021	4,472	-	-
Outsourcing fee for health service call center and administrative service	764	549	-	-
Subsidiaries of the Company				
Outsourcing fee income	-	-	(806)	(868)
Outsourcing fee expense	-	-	947	571
Rental income	-	-	(1,084)	(788)
Fund management fee expenses	-	-	243	369
Management fees and maintenance charges	-	-	93	93
Directors' fee	-	-	(227)	(152)
Rental expense	-	-	-	19

Key management personnel

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

		Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salaries, other short-term employee benefits and emoluments		17,632	18,159	4,105	3,514
Retirement benefits contribution	(i)	1,539	1,877	215	200
RSU expenses	(ii)	884	1,815	646	638
		20,055	21,851	4,966	4,352

33. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

Directors

The aggregate amount of emoluments received and receivable by directors of the Company during the financial year as disclosed in note 26 are detailed as follows:

		Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive director of the Company:					
Salaries		957	809	957	809
Bonus		535	345	535	345
Retirement benefits contributions	(i)	60	50	60	50
Benefits in kind		515	554	515	554
RSU expenses	(ii)	498	451	498	451
		2,565	2,209	2,565	2,209
Executive directors of the subsidiaries:					
Salaries		2,886	3,271	-	-
Bonus		1,435	1,362	-	-
Retirement benefits contributions	(i)	506	475	-	-
Benefits in kind		42	173	-	-
RSU expenses	(ii)	119	808	-	-
Others		99	-	-	-
		5,087	6,089	-	-
Non-executive directors of the Company:					
Fees		536	560	453	385
Non-executive directors of the subsidiaries:					
Fees		142	133	-	-
Others		45	-		
		187	133		
		8,375	8,991	3,018	2,594

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

(ii) The share-based payments incurred during the financial year relates to the share-based compensation granted to employees as mentioned in note 2(l)(iii)(ii) 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loans and receivables (note 9)				
- Amount due from related companies	423	293	271	-
- Amount due from subsidiaries	-	-	5,370	1,263
	423	293	5,641	1,263
Other payables (note 20)				
- Amount due to related companies	10,809	7,220	5,117	4,388
- Amount due to subsidiaries	-	-	1,851	1,853
	10,809	7,220	6,968	6,241

34. SEGMENTAL REPORTING

The core businesses of the Group are that of life insurance business, management of unit trust funds, private retirement scheme funds, investment and fund management. Segment information is presented in respect of the Group's business segments which are as follows:

Investment holding	:	Investment holding operations and other segments
Life insurance	:	Underwriting of Participating life and Non-participating life insurance and unit-linked products
Asset management services	:	Asset management, unit trust, private retirement scheme funds

(a) Segment reporting

	Investment holding		Life insurance business		Asset management services		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
External revenue								
(a) Premium income								
Gross premiums	-	-	814,177	779,025		-	814,177	779,025
Premiums ceded to reinsurers	-	-	(16,104)	(11,337)		-	(16,104)	(11,337)
Net premiums		-	798,073	767,688		-	798,073	767,688
(b) Investment income	14,383	15,650	157,627	154,493	1,530	1,413	173,540	171,556
(c) Net realised (losses)/ gains	(479)	(132)	22,054	55,523	-	-	21,575	55,391
(d) Net fair value (losses)/ gains	(817)	(519)	(64,609)	(12,229)	3	-	(65,423)	(12,748)
(e) Fee income	-	-	-	-	56,938	58,806	56,938	58,806
(f) Other operating income	-	-	1,604	1,767	144	235	1,748	2,002
Total external revenue	13,087	14,999	914,749	967,242	58,615	60,454	986,451	1,042,695
Inter-segment revenue								
(a) Rental income	1,084	788	473	366	-	-	1,557	1,154
(b) Fee income	807	868	3,343	2,092	7,765	7,745	11,915	10,705
(c) Dividend income	9,000	4,000	3,642	3,424	-	-	12,642	7,424
(d) Net realised gains	-	-	654	225	-	-	654	225
(e) Fair value losses	-	-	-	(9)	-	-	-	(9)
Total inter-segment revenue	10,891	5,656	8,112	6,098	7,765	7,745	26,768	19,499
Total revenue by segment	23,978	20,655	922,861	973,340	66,380	68,199	1,013,219	1,062,194
(Loss)/profit before taxation	(300)	1,662	54,531	52,674	(6,338)	(4,422)	47,893	49,914
Segment assets	698,466	724,116	4,462,550	4,218,015	131,344	124,220	5,292,360	5,066,351
Segment liabilities	12,215	19,579	4,011,440	3,809,025	78,722	56,305	4,102,377	3,884,909

34. SEGMENTAL REPORTING (CONTINUED)

(b) Reconciliation of reportable segments

	Group 2015 RM'000	Group 2014 RM'000
Total revenue		
Total revenue for reportable segments	1,013,219	1,062,194
Elimination of inter-segment revenue	(26,768)	(19,499)
Total revenue as per statement of profit or loss	986,451	1,042,695
Segment assets		
Total assets for reportable segments	5,292,360	5,066,351
Elimination of inter-segment assets	(426,299)	(434,882)
Total assets as per statement of financial position	4,866,061	4,631,469
Segment liabilities		
Total liabilities for reportable segments	4,102,377	3,884,909
Elimination of inter-segment liabilities	(13,562)	(16,338)
Total liabilities as per statement of financial position	4,088,815	3,868,571

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

i) Available-for-sale ("AFS");
ii) Fair value through profit or loss - designated upon initial recognition ("FVTPL");
iii) Loans and receivables excluding prepayments ("LAR"); and
iv) Other financial liabilities measured at amortised cost ("OL").

	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
Group					
31 December 2015					
Financial assets					
AFS financial assets	2,718,121	-	-	-	2,718,121
Financial assets at FVTPL	-	1,156,464	-	-	1,156,464
Loans and receivables	-	-	578,448	-	578,448
Insurance receivables	-	-	26,177	-	26,177
Cash and cash equivalents	-	-	123,573	-	123,573
	2,718,121	1,156,464	728,198	-	4,602,783
Financial liabilities					
Insurance payables	-	-	-	432,428	432,428
Other payables	-	-	-	167,258	167,258
	-	-	-	599,686	599,686

35. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
Group (continued)					
31 December 2014					
Financial assets					
AFS financial assets	2,617,754	-	-	-	2,617,754
Financial assets at FVTPL	-	960,873	-	-	960,873
Loans and receivables	-	-	663,674	-	663,674
Insurance receivables	-	-	23,608	-	23,608
Cash and cash equivalents	-	-	105,973	-	105,973
	2,617,754	960,873	793,255	-	4,371,882
Financial Liabilities					
Financial liablities at FVTPL	-	700	-	-	700
Insurance payables	-	-	-	396,502	396,502
Other payables	-	-	-	120,947	120,947
	-	700	-	517,449	518,149
Company					
31 December 2015					
Financial assets					
AFS financial assets	118,754	-	-	-	118,754
Loans and receivables	-	-	15,954	-	15,954
Cash and cash equivalents	-	-	1,082	-	1,082
	118,754	-	17,036	-	135,790
Financial liabilities					
Other payables	-	-	-	13,221	13,221
31 December 2014					
Financial assets					
AFS financial assets	135,671	-	-	-	135,671
Loans and receivables	-	-	11,240	-	11,240
Cash and cash equivalents	-	-	2,997	-	2,997
	135,671	-	14,237	-	149,908
Financial liabilities					
Other payables	-	-	-	11,539	11,539

(b) Determination of fair values

The fair values of the Group's and the Company's financial assets and financial liabilities are determined as follows:

(i) The carrying amounts of financial assets and financial liabilities, such as loans and receivables, insurance receivables, cash and cash equivalents, insurance payables and other payables are reasonable approximations of their fair values due to the relatively short term maturity of these balances;

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

(v) The fair values of investments in mutual funds, 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.

(vi) The fair values of foreign exchange forward contracts are based on valuations provided by the financial institutions making reference to quoted market prices.

35. 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.

The following table presents the Group's and the Company's financial assets that are carried at fair value as at 31 December 2015.

Group	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2015			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	738,036	738,036	-
Real estate investment trusts	3,131	3,131	-
Unit trust funds	104,245	104,245	-
Malaysian Government Securities	592,609	-	592,609
Government Investment Issues	192,170	-	192,170
Corporate debt securities			
- Unquoted	1,067,122	-	1,067,122
Accrued interest	18,292	-	18,292
	2,715,605	845,412	1,870,193
Financial assets at FVTPL			
Equity securities			
- Quoted in Malaysia	377,602	377,602	-
- Quoted outside Malaysia	4,890	4,890	-
Unit trust funds	5,151	5,151	-
Malaysian Government Securities	67,339	-	67,339
Government Investment Issues	14,198	-	14,198
Corporate debt securities			
- Unquoted	201,739	-	201,739
Mutual funds	481,863	481,863	-
Forward foreign exchange contract	1,113	-	1,113
Accrued interest	2,569	-	2,569
	1,156,464	869,506	286,958
	3,872,069	1,714,918	2,157,151

35. 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 2014.

Group (continued)	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2014			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	705,806	705,806	-
Unit trust funds	98,491	98,491	-
Malaysian Government Securities	670,780	-	670,780
Government Investment Issues	175,622	-	175,622
Corporate debt securities			
- Unquoted	947,244	-	947,244
Accrued interest	17,295	-	17,295
	2,615,238	804,297	1,810,941
Financial assets at FVTPL			
Equity securities			
- Quoted in Malaysia	287,743	287,743	-
- Quoted outside Malaysia	4,153	4,153	-
Unit trust funds	1,760	1,760	-
Malaysian Government Securities	67,133	-	67,133
Government Investment Issues	18,541	-	18,541
Corporate debt securities			
- Unquoted	204,565	-	204,565
Mutual funds	374,566	374,566	-
Accrued interest	2,412	-	2,412
	960,873	668,222	292,651
	3,576,111	1,472,519	2,103,592
Financial liabilities at FVTPL			
Derivatives			
- Forward foreign exchange contract	700	-	700

Unquoted equity securities of RM2,516,566 (31 December 2014: RM2,516,566) of the Group as disclosed in note 8(a) are not disclosed in the fair value hierarchy above as they are measured at cost as fair value is not readily available.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current and previous financial years.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

Company	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2015			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	17,849	17,849	-
Real estate investment trusts	75	75	-
Unit trust fund	19,895	19,895	-
Malaysian Government Securities	24,550	-	24,550
Government Investment Issues	5,768	-	5,768
Corporate debt securities			
- Unquoted	49,260	-	49,260
Accrued interest	785	-	785
	118,182	37,819	80,363
31 December 2014			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	17,058	17,058	-
Unit trust fund	2,656	2,656	-
Malaysian Government Securities	32,769	-	32,769
Government Investment Issues	9,513	-	9,513
Corporate debt securities			
- Unquoted	71,953	-	71,953
Accrued interest	1,150	-	1,150
	135,099	19,714	115,385

Unquoted equity securities of RM572,122 (31 December 2014: RM572,122) of the Company as disclosed in note 8(a) are not disclosed in the fair value hierarchy above as they are measured at cost as fair value is not readily available.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current and previous financial years.

36. RISK MANAGEMENT

(a) Risk management framework

The Board of Directors (the "Board") of the Company has oversight responsibility for risk management. Industry best practices and governance standards for financial institutions require the Board to establish risk management policies and practices and, in delegating this responsibility to management, to ensure that these policies and practices remain adequate, comprehensive and prudent in light of changing circumstances.

The Board, through its Group Audit Committee and Group Risk Management Committee ("GRMC"), is responsible for overseeing the Group's management of its principal risks. The Board and GRMC delegate accountability for risk taking and risk management to the Group Chief Executive Officer ("GCEO"). The GCEO, supported by the Risk Officer and Enterprise Risk Management Committee, established risk policies, guide risk-taking activity, monitor material risk exposures, and develop strategic risk management priorities, thereby continuously shaping and promoting our risk culture throughout the Group and the Company.

36. RISK MANAGEMENT (CONTINUED)

(a) Risk management framework (continued)

Risk management policies and practices form an integral part of the Board and Senior Management's oversight of risks and the Group's financial position. Accordingly, along with capital management and financial management, risk management is one of the three pillars of the Group's prudential framework. As such, the Group's risk policies and practices must be directly aligned with the Group's capital management and financial management frameworks. The amount of risk the Group assumes, and plans to assume, defines its required consolidated risk-based capital. Conversely, the amount of available capital defines the amount of risk it is prudent to assume. This relationship dictates the need for alignment between capital and risk management.

The Group's risk taking activities are undertaken with the understanding that risk taking and effective risk management are necessary and integral to achieving strategic objectives and managing business operations.

The Group seeks to strategically optimise risk taking and risk management to support long term revenue and earnings growth, with the ultimate objective of increasing shareholder value. This is done by:

- Capitalising on business opportunities that are aligned with the Group's overall risk appetite and return expectations;
- Identifying, measuring and assessing, and monitoring and reporting on principal risks taken;
- Proactively executing effective risk controls and mitigation programs.

(b) Regulatory framework

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

The 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 Malaysia.

(c) Capital management

The Capital Management Plan is developed and endorsed by the Board. The plan lays out the management actions in response to various Capital Adequacy Ratio ("CAR") scenarios. The Group and the Company manages its capital with the following objectives:

- To maintain the required level of stability of the Group, thereby providing a degree of security to policyholders of the insurance subsidiary;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders of the insurance subsidiary, regulators and stakeholders;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- To maintain strong and healthy capital ratios in order to support the Group's and the Company's business objectives and maximise shareholders' value.

The insurance subsidiary's internal target solvency range is above the minimum regulatory capital requirement outlined under Risk-Based Capital Framework ("the Framework") prescribed by BNM at 130%.

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

36. RISK MANAGEMENT (CONTINUED)

(c) Capital management (continued)

The capital structure of the insurance subsidiary of the Group as at 31 December 2015 and 31 December 2014, as prescribed under the Framework are as follows:

	2015 RM'000	2014 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	150,000	150,000
Retained earnings of the Group's insurance subsidiary*	220,315	175,778
Eligible contract liabilities	785,527	848,286
	1,155,842	1,174,064
Eligible Tier 2 Capital		
Eligible reserves	64,778	66,775
Amounts deducted from capital	(31,180)	(35,122)
Total Capital Available	1,189,440	1,205,717

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

The asset management subsidiary has also met the minimum capital requirement stipulated by the Securities Commission Malaysia with a shareholder's fund of RM45,804,360 (2014: RM52,791,224)

(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 Company has implemented product design and pricing policies and underwriting and claims management policies to manage its insurance risks.

The Company also limits its exposure to loss within the insurance operations through participation in reinsurance arrangements. For insurance contracts issued in 2015, the Company generally retains a maximum of RM300,000 for mortality risk per life for non-credit related products, RM50,000 for mortality risk per life for credit related products, RM300,000 for accelerated critical illness risk per life and RM200,000 for additional critical illness per life, with the excess being reinsured through surplus treaties, coinsurance treaties and facultative reinsurance treaties. The Company is neither dependent on a single reinsurer at this moment nor are the operations of the Company substantially dependent upon any reinsurance contract.

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

	Gross		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Whole life	786,685	721,953	786,685	721,953
Endowment	433,827	395,636	433,827	395,636
Term	40,210	27,222	37,451	26,191
Annuity	179,150	179,268	179,150	179,268
Others	723,527	809,637	723,528	809,637
	2,163,399	2,133,716	2,160,641	2,132,685

36. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

Sensitivities

The analysis below is performed on plausible movements in key assumptions (with all other assumptions held constant) with resulting impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions may have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions are changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current level of economic assumptions.

	Change in assumptions %	Impact on gross actuarial liabilities RM'000	Impact on net actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		Increase/(decrease)			
31 December 2015					
Mortality/morbidity	+10	15,664	14,181	(14,181)	(11,203)
Discount rate	-1	28,103	27,919	(27,919)	(22,056)
Expenses	+10	5,138	5,138	(5,138)	(4,059)
Lapse and surrender rates	+10	3,372	3,407	(3,407)	(2,692)
31 December 2014					
Mortality/morbidity	+10	14,905	14,344	(14,344)	(11,317)
Discount rate	-1	29,371	29,267	(29,267)	(23,091)
Expenses	+10	5,240	5,240	(5,240)	(4,134)
Lapse and surrender rates	+10	3,354	3,367	(3,367)	(2,657)

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

The method used and significant assumptions made to derive the sensitivity information did not change from the previous financial year.

(e) Credit risk

Credit risk is the risk of loss due to inability or unwillingness of an issuer or borrower to service its debt obligations. The risk arising from lending and investment activities is monitored regularly with respect to single customer limit, exposure to sector type, credit rating and remaining term to maturity, according to the guidelines and limits approved by the Board and for the insurance subsidiary of the Group, within the guidelines issued by BNM.

As at the date of the statement of financial position, the credit exposure of the Group and the Company is within the guidelines and limits approved by the Board. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

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.

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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.

	Neither past-due nor impaired						
Group	Rating (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment-linked funds RM'000	Total RM'000
31 December 2015							
AFS financial assets							
Equity securities	-	-	740,552	-	-	-	740,552
Real estate investment trusts	-	-	3,131	-	-	-	3,131
Unit trust funds	-	-	104,245	-	-	-	104,245
Malaysian Government Securities	-	592,609	-	-	-	-	592,609
Government Investment Issues	-	192,170	-	-	-	-	192,170
Corporate debt securities	784,796	282,326	-	-	-	-	1,067,122
Accrued interest	7,744	10,548	-	-	-	-	18,292
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	-	-	-	-	-	382,492	382,492
Unit trust funds	-	-	2,477	-	-	2,674	5,151
Malaysian Government Securities	-	55,758	-	-	-	11,581	67,339
Government Investment Issues	-	14,198	-	-	-	-	14,198
Corporate debt securities	92,412	38,554	-	-	-	70,773	201,739
Mutual funds	-	-	-	-	-	481,863	481,863
Forward foreign exchange contract	-	-	-	-	-	1,113	1,113
Accrued interest	764	1,170	-	-	-	635	2,569
Loans and receivables							
Loans receivable	-	200,329	-	128	383	-	200,840
Fixed and call deposits	226,244	-	-	-	-	102,313	328,557
Other receivables	-	43,329	-	13	1,353	5,890	50,585
Reinsurance assets	1,409	3,152	-	-	-	-	4,561
Insurance receivables		26,324			1,081		27,405
Cash and cash equivalents	118,701	-	-	-	-	4,872	123,573
Allowance for impairment losses	-	-	-	-	(2,762)	-	(2,762)
	1,232,070	1,460,467	850,405	141	55	1,064,206	4,607,344

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Group (continued)	Neither past-due nor impaired: Rating (BBB to AAA) RM'000	Neither past-due nor impaired: Not rated RM'000	Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment-linked funds RM'000	Total RM'000
31 December 2014							
AFS financial assets							
Equity securities	-	-	708,322	-	-	-	708,322
Unit trust funds	-	-	98,491	-	-	-	98,491
Malaysian Government Securities	-	670,780	-	-	-	-	670,780
Government Investment Issues	-	175,622	-	-	-	-	175,622
Corporate debt securities	638,339	308,905	-	-	-	-	947,244
Accrued interest	6,227	11,068	-	-	-	-	17,295
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	-	-	-	-	-	291,896	291,896
Unit trust funds	-	-	1,760	-	-	-	1,760
Malaysian Government Securities	-	65,175	-	-	-	1,958	67,133
Government Investment Issues	-	18,052	-	-	-	489	18,541
Corporate debt securities	91,560	33,961	-	-	-	79,044	204,565
Mutual funds	-	-	-	-	-	374,566	374,566
Accrued interest	784	1,023	-	-	-	605	2,412
Loans and receivables							
Loans receivable	-	248,398	-	101	373	-	248,872
Fixed and call deposits	252,965	-	-	-	-	129,207	382,172
Other receivables	-	25,453	-	-	1,075	7,358	33,886
Reinsurance assets	1,326	1,318	-	-	-	-	2,644
Insurance receivables	-	23,608	-	-	1,074	-	24,682
Cash and cash equivalents	103,548	-	-	-	-	2,425	105,973
Allowance for impairment losses	-	-	-	-	(2,330)	-	(2,330)
	1,094,749	1,583,363	808,573	101	192	887,548	4,374,526
Financial liabilities at FVTPL - designated upon initial recognition							
Forward foreign exchange contract	-	-	-	-	-	700	700
	-	-	-	-	-	700	700

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Company	Neither past-due nor impaired: Rating (BBB to AAA) RM'000	Neither past-due nor impaired: Not rated RM'000	Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
31 December 2015						
AFS financial assets						
Equity securities	-	-	18,421	-	-	18,421
Real estate investment trusts	-	-	75	-	-	75
Unit trust funds	-	-	19,895	-	-	19,895
Malaysian Government Securities	-	24,550	-	-	-	24,550
Government Investment Issues	-	5,768	-	-	-	5,768
Corporate debt securities	36,706	12,554	-	-	-	49,260
Accrued interest	360	425	-	-	-	785
Loans and receivables						
Loans receivable	-	-	-	1	-	1
Fixed and call deposits	8,347	-	-	-	-	8,347
Other receivables	-	7,606	-	-	1,075	8,681
Cash and cash equivalents	1,082	-	-	-	-	1,082
Allowance for impairment losses	-	-	-	-	(1,075)	(1,075)
	46,495	50,903	38,391	1	-	135,790
31 December 2014						
AFS financial assets						
Equity securities	-	-	17,630	-	-	17,630
Unit trust funds	-	-	2,656	-	-	2,656
Malaysian Government Securities	-	32,769	-	-	-	32,769
Government Investment Issues	-	9,513	-	-	-	9,513
Corporate debt securities	46,995	24,958	-	-	-	71,953
Accrued interest	454	696	-	-	-	1,150
Loans and receivables						
Loans receivable	-	-	-	1	-	1
Fixed and call deposits	9,486	-	-	-	-	9,486
Other receivables	-	1,753	-	-	1,075	2,828
Cash and cash equivalents	2,997	-	-	-	-	2,997
Allowance for impairment losses	-	-	-	-	(1,075)	(1,075)
	59,932	69,689	20,286	1	-	149,908

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Age analysis of financial assets past-due but not impaired

	< 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
Group						
31 December 2015						
Loans receivable	-	-	-	-	128	128
Other receivables	-	-	-	-	13	13
	-	-	-	-	141	141
31 December 2014						
Loans receivable	-	-	-	-	101	101
Company						
31 December 2015						
Loans receivable	-	-	-	-	1	1
31 December 2014						
Loans receivable	-	-	-	-	1	1

Impaired financial assets

For assets to be classified as "past due and impaired", contractual payments must be in arrears for more than three months based on objective evidence that an impairment loss has been incurred. The Group and the Company records impairment allowance for loans receivable, insurance receivables and other receivables in separate allowance for impairment loss accounts. A reconciliation of the allowance for impairment losses for loans receivable, insurance receivables and other receivables is as follows:

Group	Loans receivable RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
At 1 January 2015	181	1,074	1,075	2,330
Allowance for impairment losses during the financial year*	-	154	278	432
At 31 December 2015	181	1,228	1,353	2,762
At 1 January 2014	181	1,056	1,075	2,312
Allowance for impairment losses during the financial year*	-	18	-	18
At 31 December 2014	181	1,074	1,075	2,330

Company	Other receivables 2015 RM'000	Other receivables 2014 RM'000
At 1 January/31 December	1,075	1,075

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

36. RISK MANAGEMENT (CONTINUED)

(f) Market risk

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

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

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

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group manages the risk through matching the currency of the assets with the currency of the liabilities which these assets support. The Group has foreign currency denominated related party transactions which are denominated mainly in 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:

	2015 Denominated		2014 Denominated	
	USD RM'000	CAD RM'000	USD RM'000	CAD RM'000
Group				
Trade receivables	1,260	-	-	-
Amount due to related parties	(1,367)	(1,393)	(2,694)	(789)
Cash and cash equivalents	23,968	-	16,978	-
	23,861	(1,393)	14,284	(789)
Company				
Amount due to related parties	(1,128)	-	(1,282)	-

36. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(i) Currency risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in currency, with all other variables held constant:

		Impact on profit before tax/ equity (Decrease)/increase 2015 RM'000	2014 RM'000
Group			
Changes in foreign currency rates			
USD	+ 5%	1,193	714
CAD	+ 5%	(70)	(39)
USD	- 5%	(1,193)	(714)
CAD	- 5%	70	39
Company			
Changes in foreign currency rates			
USD	+ 5%	(56)	(64)
USD	- 5%	56	64

(ii) Interest rate risk

Interest rate risk is the risk that value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises due to differences in pricing or tenure of investments and liabilities. For the Group's insurance subsidiary's business, interest rate risk is managed by the liability side, by limiting the interest rate guarantees that are embedded in the insurance plans that are marketed. The interest rate risk is also managed through setting the appropriate asset benchmark reflecting the liability profile and the availability of suitable instruments in the investment market. The participating nature of the Participating life fund gives the insurance subsidiary of the Group the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low interest rate.

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

	Impact on profit before tax Increase/(decrease)		Impact on equity* (Decrease)/increase	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group				
Change in variable:				
Interest rate				
+100 basis points	8,770	9,897	(8,685)	(7,179)
- 100 basis points	(12,658)	(14,579)	7,548	5,318
Company				
Change in variable:				
Interest rate				
+100 basis points	-	-	(4,588)	(6,303)
- 100 basis points	-	-	5,194	7,091

* Impact on equity is stated after considering tax effects

36. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(ii) Interest rate risk (continued)

The above impact to the Group's equity arose from the investments in fixed income securities which are classified as AFS and FVTPL financial assets and the actuarial liabilities of the Non-participating funds of the insurance subsidiary; the impact to the Group's profit before tax arose from fixed income securities which are classified as FVTPL financial assets and the actuarial liabilities of the Non-participating funds. Any adverse impact on the Participating life fund result of the Group's insurance subsidiary arising from changes in interest rate risk will be negated by an equivalent decrease in unallocated surplus in the insurance contract liabilities and vice versa. Hence, the impact arising from changes in interest rate risk to fixed income securities and actuarial liabilities of the Participating life fund of the Group's insurance subsidiary is retained in the insurance contract liabilities.

The impact to the Company's equity is attributable to the investments in fixed income securities which are classified as AFS financial assets.

(iii) Price risk

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

The Group and the Company has acknowledged the inherent risk of investing in equities. The Board has set internal limits for maximum equity exposure, industry type exposure and individual stock exposure, which for the insurance subsidiary of the Group, are consistent with BNM's guidelines, and has also imposed daily trading limits. In addition, the Investment Committee at its monthly meeting discusses the economic and market outlook, reviews transactions and deliberates on further equity allocation. The participating nature of the Participating life fund of the Group's insurance subsidiary gives the insurance subsidiary the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low equity returns.

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		Impact on equity*	
	Increase/(decrease)		Increase/(decrease)	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Group				
Change in variable				
Market price				
+15%	-	-	27,662	25,258
- 15%	-	-	(27,662)	(25,258)
Company				
Change in variable				
Market price				
+15%	-	-	4,444	2,286
- 15%	-	-	(4,444)	(2,286)

* Impact on equity is stated after considering tax effects.

36. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(iii) Price risk (continued)

The above impact to the Group's and the Company's equity arose from the investments in equity securities, unit trust funds and real estate investment trusts which are classified as AFS financial assets. Any adverse impact on the Participating life fund result of the Group's insurance subsidiary arising from changes in price risk will be negated by the equivalent decrease in unallocated surplus in the insurance contract liabilities and vice versa. Hence, the impact arising from changes in price risk to equity securities, unit trust funds and real estate investment trusts of the Participating life fund of the Group's insurance subsidiary is retained in the insurance contract liabilities.

(g) Liquidity risk

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

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

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

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

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

The Investment-linked funds are the assets of the Investment-linked contracts backing the Investment-linked policyholders' account in the insurance contract liabilities of the Group's insurance subsidiary. Investment-linked fund liabilities are repayable or transferable upon notice by policyholders and are disclosed separately under the "Investment-linked funds" column.

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
31 December 2015								
Equity securities	1,123,044	-	-	-	-	740,552	382,492	1,123,044
Real estate investment trusts	3,131	-	-	-	-	3,131	-	3,131
Unit trust funds	109,396	-	-	-	-	106,722	2,674	109,396
Malaysian Government Securities	659,948	28,742	57,484	114,492	860,922	-	11,581	1,073,221
Government Investment Issues	206,368	9,291	26,581	18,315	286,640		-	340,827
Corporate debt securities	1,268,861	130,554	283,165	265,564	926,360	-	70,773	1,676,416
Mutual funds	481,863	-	-	-	-	-	481,863	481,863
Forward foreign exchange contract	1,113	-	-	-	-	-	1,113	1,113

36. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Group (Continued)	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
Accrued interest:								
- AFS financial assets	18,292	18,292	-	-	-	-	-	18,292
- FVTPL financial assets	2,569	1,934	-	-	-	-	635	2,569
Loans receivable	200,659	590	945	669	966	197,489	-	200,659
Fixed and call deposits	328,557	226,925	-	-	-	-	102,313	329,238
Other receivables	49,232	42,952	-	-	390	-	5,890	49,232
Reinsurance assets	4,561	4,561	-	-	-	-	-	4,561
Insurance receivables	26,177	26,177	-	-	-	-	-	26,177
Cash and cash equivalents	123,573	118,701	-	-	-	-	4,872	123,573
Total financial and insurance assets	4,607,344	608,719	368,175	399,040	2,075,278	1,047,894	1,064,206	5,563,312
Insurance contract liabilities	3,405,312	324,109	173,056	271,011	5,164,310	842	1,025,290	6,958,618
Insurance claims liabilities	51,635	51,635	-	-	-	-	-	51,635
Insurance payables	432,428	432,428	-	-	-	-	-	432,428
Other payables	167,258	138,493	-	-	-	-	28,765	167,258
Total financial and insurance liabilities	4,056,633	946,665	173,056	271,011	5,164,310	842	1,054,055	7,609,939
31 December 2014								
Equity securities	1,000,218	-	-	-	-	708,322	291,896	1,000,218
Unit trust funds	100,251	-	-	-	-	100,251	-	100,251
Malaysian Government Securities	737,913	41,961	73,633	113,660	826,822	-	1,958	1,058,034
Government Investment Issues	194,163	32,761	22,418	47,213	155,025	-	489	257,906
Corporate debt securities	1,151,809	128,725	263,927	236,115	773,816	-	79,044	1,481,627
Mutual funds	374,566	-	-	-	-	-	374,566	374,566
Accrued interest:								
- AFS financial assets	17,295	17,295	-	-	-	-	-	17,295
- FVTPL financial assets	2,412	1,807					605	2,412
Loans receivable	248,691	463	650	654	1,202	245,722	-	248,691
Fixed and call deposits	382,172	189,566	67,295	-	-	-	129,207	386,068
Other receivables	32,811	25,063	-	-	390	-	7,358	32,811
Reinsurance assets	2,644	2,644	-	-	-	-	-	2,644
Insurance receivables	23,608	23,608	-	-	-	-	-	23,608
Cash and cash equivalents	105,973	103,548	-	-	-	-	2,425	105,973
Total financial and insurance assets	4,374,526	567,441	427,923	397,642	1,757,255	1,054,295	887,548	5,092,104
Insurance contract liabilities	3,272,074	421,380	210,007	239,540	5,066,516	641	860,802	6,798,886
Insurance claims liabilities	42,385	42,385	-	-	-	-	-	42,385
Financial liabilities at fair value through profit or loss	700	-	-	-	-	-	700	700
Insurance payables	396,502	396,502	-	-	-	-	-	396,502
Other payables	120,947	110,712	-	-	-	-	10,235	120,947
Total financial and insurance liabilities	3,832,608	970,979	210,007	239,540	5,066,516	641	871,737	7,359,420

36. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Company	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity RM'000	Total RM'000
31 December 2015							
Equity securities	18,421	-	-	-	-	18,421	18,421
Real estate investment trusts	75	-	-	-	-	75	75
Unit trust funds	19,895	-	-	-	-	19,895	19,895
Malaysian Government Securities	24,550	1,078	2,156	2,156	37,969	-	43,359
Government Investment Issues	5,768	263	527	527	8,876	-	10,193
Corporate debt securities	49,260	5,198	8,951	12,002	42,425	-	68,576
Accrued interest:							
- AFS financial assets	785	785	-	-	-	-	785
Loans receivable	1	1	-	-	-	-	1
Fixed and call deposits	8,347	8,465	-	-	-	-	8,465
Other receivables	7,606	7,606	-	-	-	-	7,606
Cash and cash equivalents	1,082	1,082	-	-	-	-	1,082
Total financial assets	135,790	24,478	11,634	14,685	89,270	38,391	178,458
Other payables	13,221	13,221	-	-	-	-	13,221
Total financial liabilities	13,221	13,221	-	-	-	-	13,221
31 December 2014							
Equity securities	17,630	-	-	-	-	17,630	17,630
Unit trust funds	2,656	-	-	-	-	2,656	2,656
Malaysian Government Securities	32,769	1,384	2,246	1,725	43,118	-	48,473
Government Investment Issues	9,513	3,553	530	494	9,308	-	13,885
Corporate debt securities	71,953	6,549	11,803	14,017	68,821	-	101,190
Accrued interest:	1,150	1,150	-	-	-	-	1,150
- AFS financial assets							
Loans receivable	1	1	-	-	-	-	1
Fixed and call deposits	9,486	2,818	7,166	-	-	-	9,984
Other receivables	1,753	1,753	-	-	-	-	1,753
Cash and cash equivalents	2,997	2,997	-	-	-	-	2,997
Total financial assets	149,908	20,205	21,745	16,236	121,247	20,286	199,719
Other payables	11,539	11,539	-	-	-	-	11,539
Total financial liabilities	11,539	11,539	-	-	-	-	11,539

(h) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, risk management policies and procedures, systems' failures, human performance failures or from external events. The Group and the Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people are in place throughout the Group and the Company. The Group uses an established programme of comprehensive risk self-assessments in conjunction with independent internal audits to monitor and assess inherent operational risks and the effectiveness of internal controls.

37. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital expenditure commitments:				
Property and equipment				
- Authorised but not provided for	-	2,699	-	1,301
Other commitments:-				
Exclusive bancassurance agreement				
- Authorised but not provided for	22,500	25,500	-	-

The insurance subsidiary of the Group is committed to pay annual fees under the terms of the bancassurance agreement. The annual fees will be expensed off to the profit or loss in the year of settlement.

38. INSURANCE FUNDS

The Group's insurance subsidiary's activities are organised by funds and segregated into Life fund, Investment-linked funds and Shareholder's fund in accordance with the Financial Services Act 2013.

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

Statement of Financial Position by Funds

		Insurance funds			
	Shareholder's fund RM'000	Life fund RM'000	Investment-linked funds RM'000	Elimination RM'000	Total RM'000
31 December 2015					
Assets					
Property and equipment	-	19,790	-	-	19,790
Investment property	-	51,320	-	-	51,320
Intangible assets	29,800	920	-	-	30,720
Loans and receivables	172,665	286,758	108,203	(168,263)	399,363
Available-for-sale financial assets	257,875	2,468,691	-	(5,370)	2,721,196
Financial assets at fair value through profit or loss	-	192,859	951,132	-	1,143,991
Reinsurance assets	-	4,561	-	-	4,561
Current tax asset	(2,997)	3,503	348	-	854
Insurance receivables	-	26,177	-	-	26,177
Cash and cash equivalents	9,135	50,571	4,872	-	64,578
Total assets	466,478	3,105,150	1,064,555	(173,633)	4,462,550
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	291,470	-	-	-	291,470
Other reserves	10,854	-	-	(1,215)	9,639
Total equity	452,324	-	-	(1,215)	451,109
Insurance contract liabilities	-	2,380,018	1,029,038	(3,750)	3,405,306
Insurance claims liabilities	-	51,635	-	-	51,635
Deferred tax liabilities	22,601	3,081	6,752	(405)	32,029
Insurance payables	-	432,428	-	-	432,428
Other payables	(8,447)	237,988	28,765	(168,263)	90,043
Total equity, policyholders' funds and liabilities	466,478	3,105,150	1,064,555	(173,633)	4,462,550

38. INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds (continued)

		Insurance funds			
	Shareholder's fund RM'000	Life fund RM'000	Investment-linked funds RM'000	Elimination RM'000	Total RM'000
31 December 2014					
Assets					
Property and equipment	-	20,581	-	-	20,581
Investment property	-	49,177	-	-	49,177
Intangible assets	35,121	1,079	-	-	36,200
Loans and receivables	174,783	319,269	136,565	(171,367)	459,250
Available-for-sale financial assets	220,134	2,408,048	-	(10,822)	2,617,360
Financial assets at fair value through profit or loss	-	201,535	749,044	-	950,579
Reinsurance assets	-	2,644	-	-	2,644
Current tax asset	2,237	3,623	(3,648)	-	2,212
Insurance receivables	-	23,608	-	-	23,608
Cash and cash equivalents	4,087	49,891	2,425	-	56,403
Total assets	436,362	3,079,455	884,386	(182,189)	4,218,014
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	247,497	-	-	-	247,497
Other reserves	13,047	-	-	(1,554)	11,493
Total equity	410,544	-	-	(1,554)	408,990
Insurance contract liabilities	-	2,411,299	869,552	(8,750)	3,272,101
Insurance claims liabilities	-	42,385	-	-	42,385
Financial liabilities at fair value through profit or loss	-	-	700	-	700
Deferred tax liabilities	24,498	5,698	3,898	(518)	33,576
Insurance payables	-	396,502	-	-	396,502
Other payables	1,320	223,571	10,236	(171,367)	63,760
Total equity, policyholders' funds and liabilities	436,362	3,079,455	884,386	(182,189)	4,218,014

39. INSURANCE FUNDS

Statement of Profit or Loss by Funds

		Insurance funds			
	Shareholder's fund RM'000	Life fund RM'000	Investment-linked funds RM'000	Elimination RM'000	Total RM'000
2015					
Premium income					
Gross premiums	-	474,011	340,166	-	814,177
Premiums ceded to reinsurers	-	(16,104)	-	-	(16,104)
Net premiums	-	457,907	340,166	-	798,073
Investment income	9,984	129,145	22,614	-	161,743
Net realised gains	2,083	22,363	-	(1,738)	22,708
Net fair value losses	(578)	(37,311)	(26,720)	-	(64,609)
Fee income	-	12,949	-	(9,606)	3,343
Other operating income	-	13	1,591	-	1,604
Total revenue	11,489	585,066	337,651	(11,344)	922,862
Gross benefits and claims paid	-	(400,860)	(209,659)	6,738	(603,781)
Claims ceded to reinsurers	-	5,279	-	-	5,279
Gross change in contract liabilities	-	33,203	(159,486)	(5,000)	(131,283)
Net claims	-	(362,378)	(369,145)	1,738	(729,785)
Fee and commission expenses	-	(61,426)	-	-	(61,426)
Investment expenses	(540)	(7,820)	-	-	(8,360)
Management expenses	(11,356)	(88,822)	(12,019)	9,606	(102,591)
Other operating (expenses)/income	(319)	(5,066)	43,513	-	38,128
Other expenses	(12,215)	(163,134)	31,494	9,606	(134,249)
Profit from operations	(726)	59,554	-	-	58,828
Transfer (to life fund)/from shareholder's fund	(11,277)	11,277	-	-	-
Transfer from/(to) revenue account	70,831	(70,831)	-	-	-
Profit before taxation	58,828	-	-	-	58,828
Taxation	(14,855)	-	-	-	(14,855)
Net profit for the financial year	43,973	-	-	-	43,973

39. INSURANCE FUNDS (CONTINUED)

Statement of Profit or Loss by Funds (continued)

	Shareholder's fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
2014					
Premium income					
Gross premiums	-	467,065	311,960	-	779,025
Premiums ceded to reinsurers	-	(11,337)	-	-	(11,337)
Net premiums	-	455,728	311,960	-	767,688
Investment income	8,229	130,943	19,111	-	158,283
Net realised gains	1,269	54,711	-	(232)	55,748
Net fair value losses	(78)	(3,351)	(8,808)	-	(12,237)
Fee income	-	10,743	-	(8,651)	2,092
Other operating income	-	51	1,716	-	1,767
Total revenue	9,420	648,825	323,979	(8,883)	973,341
Gross benefits and claims paid	-	(360,006)	(131,489)	1,482	(490,013)
Claims ceded to reinsurers	-	3,783	-	-	3,783
Gross change in contract liabilities	-	(66,180)	(192,939)	(1,250)	(260,369)
Net claims	-	(422,403)	(324,428)	232	(746,599)
Fee and commission expenses	-	(72,752)	-	-	(72,752)
Investment expenses	(442)	(7,864)	-	-	(8,306)
Management expenses	(7,765)	(79,777)	(11,165)	8,651	(90,056)
Other operating (expenses)/income	(73)	(10,847)	11,614	-	694
Other expenses	(8,280)	(171,240)	449	8,651	(170,420)
Profit from operations	1,140	55,182	-	-	56,322
Transfer from/(to) revenue account	55,182	(55,182)	-	-	-
Profit before taxation	56,322	-	-	-	56,322
Taxation	(12,895)	-	-	-	(12,895)
Net profit for the financial year	43,427	-	-	-	43,427

39. INSURANCE FUNDS (CONTINUED)

Information on cash flows by Funds

	Shareholder's fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Total RM'000
2015				
Cash flows from:				
Operating activities	5,048	2,169	2,447	9,664
Investing activities	-	(1,489)	-	(1,489)
Net increase in cash and cash equivalents	5,048	680	2,447	8,175
At beginning of financial year	4,087	49,891	2,425	56,403
At end of financial year	9,135	50,571	4,872	64,578
2014				
Cash flows from:				
Operating activities	(4,056)	46,589	(1,959)	40,574
Investing activities	-	(18,575)	-	(18,575)
Net (decrease)/increase in cash and cash equivalents	(4,056)	28,014	(1,959)	21,999
At beginning of financial year	8,143	21,877	4,384	34,404
At end of financial year	4,087	49,891	2,425	56,403

40. 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 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Total retained profits:				
- Realised	562,459	548,499	393,489	409,643
- Unrealised	81,486	80,488	8,440	8,279
	643,945	628,987	401,929	417,922
Consolidation adjustments	15,917	15,570	-	-
Total retained profits as per statements of financial position	659,862	644,557	401,929	417,922

HEAD OFFICE MANAGEMENT

LIST OF OFFICERS

MANULIFE HOLDINGS BERHAD

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

Group Head of Legal & Compliance
JASBENDER KAUR
LLB (Hons), CLP

Chief Human Resource Officer
KAREN YAP YOKE YOONG
B. Business Admin; MBA (Human Resource Development)

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

MANULIFE INSURANCE BERHAD

Appointed Actuary
NG WAI LEONG
B. Sc (Actuarial Science), FSA, FASM

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

Head of Partnership Distribution
CHITRA KARAN MUKUNDAN
MBA Marketing

Chief Operations Officer
SZE-TO KIM HAI
B. Business Administration

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

Head of Compliance
SHARANJEET KAUR GILL
LLB (Hons), CLP

Risk Officer
SYAHRIL NIZAM BIN ABU HASAN
BA Accounting

MANULIFE ASSET MANAGEMENT SERVICES BERHAD

Chief Executive Officer
WONG BOON CHOY
CA(M), CPA, CFP

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

Chief Officer Product Development & Fund Accounting
BOR NGEE WHA
CPA, CFP, B.Sc (Hons) Economics & Accountancy

Chief Operating Officer
PATRICK NGE KOH NGUONG
BSC, CFP

Head of Operations
TAN SOO SIONG
Diploma in International Advertising

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

Head of Compliance
YOOI FOONG HING
LLB (Hons)

LIST OF PROPERTY
AS AT 31 DECEMBER 2015

Location	Land Area (sq.ft)	Built Up Area (sq.ft)	Net Lettable Area (sq.ft)	Tenure	Approx Age of Building (Years)	Net Book Value (RM'000)	Last Revaluation (Year)
Menara Manulife 6, Jalan Gelenggang Damansara Heights 50490 Kuala Lumpur Malaysia (18 storey building)	**46,995**	**236,173**	**169,819**	**Freehold**	**18**	**109,000**	**Dec-15**

The above property is for office and commercial use.

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2016

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	:	2,218

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
1-99	236	10.64	6,171	0.00
100 to 1,000	585	26.38	442,778	0.22
1,001 to 10,000	1,087	49.00	4,350,613	2.16
10,001 to 100,000	255	11.50	7,978,417	3.94
100,001 to less than 5% of issued shares	54	2.43	69,281,232	34.23
5% of issued shares and above	1	0.05	120,310,789	59.45
Total	**2,218**	**100.00**	**202,370,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct	%	Indirect	%
Manulife Century Holdings (Netherlands) B.V.	120,310,789	59.45	-	-
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 31 MARCH 2016

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	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	4,338,700	2.14
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND	3,465,266	1.71
8	AMANAHRAYA TRUSTEES BERHAD PUBLIC DIVIDEND SELECT FUND	3,051,200	1.51
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	2,940,000	1.45
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC BALANCED FUND	2,555,000	1.26
11	AMANAHRAYA TRUSTEES BERHAD PUBLIC EQUITY FUND	2,523,500	1.25
12	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS LUX FOR ABERDEEN GLOBAL	2,363,800	1.17
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC ENHANCED BOND FUND	2,309,300	1.14
14	AMANAHRAYA TRUSTEES BERHAD PUBLIC SOUTH-EAST ASIA SELECT FUND	2,076,100	1.03
15	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC	2,000,000	0.99

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2016

30 LARGEST SECURITIES ACCOUNT HOLDERS (CONTINUED)

	Name	No. of Shareholding	% of Issued Capital
16	YEOH PHEK LENG	1,260,000	0.62
17	CHENG WEN-YIH	1,040,600	0.51
18	FU, CHEN SHU-CHEN	1,000,000	0.49
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (OPERATING FUND)	909,300	0.45
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)	770,000	0.38
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ARSHAD BIN AYUB	600,875	0.30
22	CHAN SHIEK CHIN @ CHAN SHICK CHIN	542,800	0.27
23	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SINGAPORE-SGD)	511,000	0.25
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	460,000	0.23
25	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HSU, CHUN-TSANG (M09)	400,000	0.20
26	YEO KHEE HUAT	370,000	0.18
27	HUNG, WEN-CHIH	322,000	0.16
28	HSU, CHUN-TSANG	300,000	0.15
29	WONG YU @ WONG WING YU	299,800	0.15
30	CHOO SIEW LIAN	285,134	0.14

MANULIFE HOLDINGS BERHAD (24851-H)

PROXY FORM

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 Fortieth Annual General Meeting of the Company to be held on Friday, 20 May 2016 at 3:00 p.m. and at any and every adjournment thereof. My/Our proxy is to vote on the business before the meetings as indicated below (if no indication is given my/our proxy will vote or abstain from voting at his/her discretion):-

Resolution No.	Resolutions	For	Against
1.	Declaration of a First and Final Single-Tier Dividend		
2.	Re-election of Mr. Mark Steven O'Dell		
3.	Re-election of Mr. Philip John Hampden-Smith		
4.	Directors' Remuneration in respect of Financial Year Ended 31 December 2015		
5.	Re-appointment of Auditors		
6.	Special Business – Ordinary Resolution 1		
7.	Special Business – Ordinary Resolution 2		
8.	Special Business – Ordinary Resolution 3		
9.	Special Business – Special Resolution		

Dated this ______________day of ________________2016

Number of Shares Held	CDS Account No.

____

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

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 13 May 2016 ("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.

Fold this flap for sealing

Fold here

AFFIX
STAMP

THE COMPANY SECRETARIES
MANULIFE HOLDINGS BERHAD (24851-H)

c/o Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Fold here

Manulife

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

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