Manulife

For your future™

125 YEARS

Annual Report 2011

MANULIFE HOLDINGS BERHAD
(24851-H)

MANULIFE'S
Vision and 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

Contents

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Sixth Annual General Meeting of the Company will be held at Dewan Berjaya, Bukit Kiara Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 25 June 2012 at 2.00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon.

2. To approve the declaration of a first and final dividend of 18 sen per share less income tax at 25% for the financial year ended 31 December 2011. **(Resolution 1)**

3. To re-elect Mr Philip John Hampden-Smith who retires pursuant to Article 93(B) of the Company's Articles of Association. **(Resolution 2)**

4. To re-elect the following Directors who retire pursuant to Article 98 of the Company's Articles of Association:-

   (a) Datuk Seri Panglima Mohd Annuar bin Zaini **(Resolution 3)**
   (b) Dato' Dr Nik Norzrul Thani bin N. Hassan Thani **(Resolution 4)**

5. To consider and if thought fit, to pass the following ordinary resolution in accordance with Section 129 of the Companies Act, 1965: - **(Resolution 5)**

   "THAT pursuant to Section 129 of the Companies Act, 1965, Tan Sri Dato' Mohd Sheriff bin Mohd Kassim who has attained the age of over seventy (70) years be and is hereby re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting."

6. To approve the payment of Directors' remuneration for the financial year ended 31 December 2011. **(Resolution 6)**

7. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 7)**

   As Special Business

8. To consider and if thought fit, with or without modifications, to pass the following resolutions as Ordinary Resolutions:-

   ORDINARY RESOLUTION 1
   - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965 **(Resolution 8)**

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

As Special Business (Cont'd)

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

ORDINARY RESOLUTION 2 **(Resolution 9)**
- PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT, subject to the Companies Act, 1965 (the Act), the Memorandum and Articles of Association of the Company and Bursa Malaysia Securities Berhad Main Market Listing Requirements, a shareholders' mandate be and is hereby granted to Manulife Holdings Berhad and its subsidiary companies (Manulife Group) to enter into the Recurrent Related Party Transactions as described in the Circular to Shareholders dated 1 June 2012 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)

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

ORDINARY RESOLUTION 3 **(Resolution 10)**
- PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT, subject to the Companies Act, 1965 (the Act), the Memorandum and Articles of Association of the Company and Bursa Malaysia Securities Berhad Main Market Listing Requirements, a shareholders' mandate be and is hereby granted to Manulife Holdings Berhad and its subsidiary companies (Manulife Group) to enter into the Recurrent Related Party Transactions as described in the Circular to Shareholders dated 1 June 2012 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."

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a first and final dividend of 18 sen per share less income tax of 25% in respect of the financial year ended 31 December, 2011, if approved, will be paid on 17 July 2012 to shareholders whose names appear in the Company's Record of Depositors and/or Register of Members at the close business at 5.00 p.m. on 29 June 2012.

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

a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 29 June 2012 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 : 1 June 2012

NOTES :-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 June 2012 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

2. 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.

3. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

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

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

6. The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTE ON DIVIDEND PAYMENT

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

EXPLANATORY NOTE ON SPECIAL BUSINESS

(1) AUTHORITY PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965

The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act 1965 at the Thirty-Sixth 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-Fifth Annual General Meeting of the Company held on 23 June, 2011 (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 FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The proposed adoption of the Ordinary Resolution No. 2 is to renew the Shareholders' Mandate granted by the shareholders of the Company at the Thirty-Fifth Annual General Meeting of the Company held on 23 June, 2011. The Proposed Renewal of the 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.

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

The proposed adoption of the Ordinary Resolution No. 3 is to obtain the Shareholders' Mandate to enable the Group to enter into 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 for Recurrent Related Party Transactions of a Revenue or Trading Nature 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 2011 Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM
PSM, JMN, KMN, DSDK
BA (Hons), MA, Diploma in Eco. Development
Chairman/Independent non-executive director

MICHAEL CHAN YUI LUNG
FCMA, HKICPA, HKRFP, LIMRA
Group Chief Executive Officer/Managing Director
(Resigned on 31 May 2012)

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

DATO' DR NIK NORZRUL THANI BIN N. HASSAN THANI
Ph.D (London), Barrister-at-Law (Lincoln's Inn), Dip. Syariah Law & Practice
Independent non-executive director

DATUK ABU HASSAN BIN KENDUT
PJN, MIA, MICPA
Independent non-executive director

ROBERT ALLEN COOK
BA (University of Calgary), MBA (University of Toronto)
Non-independent non-executive director

PHILIP JOHN HAMPDEN-SMITH
Graduate of The Royal Military Academy, Sandhurst
Non-independent non-executive director

GIANNI FIACCO
B. Comm, CA
Non-independent non-executive director

JOINT SECRETARIES

Chua Siew Chuan (MAICSA 0777689)
Chin Mun Yee (MAICSA 7019243)

COMMITTEES OF THE BOARD

- **Executive Committee**

  Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim (Chairman)
  Philip John Hampden-Smith
  Michael Chan Yui Lung
  (Resigned on 31 May 2012)

- **Group Audit Committee/Group Risk Management Committee**

  Datuk Abu Hassan Bin Kendut (Chairman)
  Gianni Fiacco
  Datuk Seri Panglima Mohd Annuar Bin Zaini
  (Appointed on 5 July 2011)
  Dato' Dr Nik Norzrul Thani Bin N. Hassan Thani
  (Appointed on 5 July 2011)
  Ahmad Riza Bin Basir
  (Resigned on 23 June 2011)

- **Group Nominating/Remuneration Committee**

  Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim (Chairman)
  Datuk Abu Hassan Bin Kendut
  Philip John Hampden-Smith
  Datuk Seri Panglima Mohd Annuar Bin Zaini
  (Appointed on 5 July 2011)
  Dato' Dr Nik Norzrul Thani Bin N. Hassan Thani
  (Appointed on 5 July 2011)
  Ahmad Riza Bin Basir
  (Resigned on 23 June 2011)
  Datuk Ismail Bin Haji Ahmad
  (Resigned on 23 June 2011)

REGISTERED OFFICE

12th Floor, Menara Manulife
6 Jalan Gelenggang
Damansara Heights
50490 Kuala Lumpur
Tel : 03 2719 9228
Fax : 03 2095 3804
www.manulife.com.my

REGISTRAR

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

PRINCIPAL BANKERS

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

AUDITORS

Messrs PricewaterhouseCoopers
(No. AF-1146)
Level 10, 1 Sentral Jalan Travers
Kuala Lumpur Sentral
P. O. Box 10192
50706 Kuala Lumpur

INVESTOR RELATIONS

Tel : 03 2719 9122
Email : susan_ong@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% Britama Credit Sdn Bhd
- 100% Britama Properties Sdn Bhd
- 100% The E-Software House Sdn Bhd
- 100% British American Investments Pte Ltd
- 100% Manulife Insurance Berhad
- 100% Manulife Unit Trusts Berhad
- 100% Manulife Asset Management (Malaysia) Sdn Bhd

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

	2007	2008	2009	2010	2011
OPERATING RESULTS					
For the financial year ended 31 December (RM'million)					
Group Premium	443.2	503.7	454.9	467.0	**487.9**
Investment Income and Other Operating Income - Net[1]	353.3	-0.9	207.7	239.5	**194.3**
Policyowners Benefit Paid and Payable	247.4	304.5	346.7	373.9	**419.0**
Group Profit Before Taxation	114.3	61.1	79.4	82.2	**85.0**
Group Net Profit Attributable To Shareholders	85.0	47.0	59.1	64.4	**67.4**
KEY BALANCE SHEET DATA					
As at 31 December (RM'million)					
Life Fund Assets	2,549.9	2,580.3	2,940.4	3,205.1	**3,246.9**
General/Shareholder Fund Assets	457.7	458.5	438.0	487.2	**528.9**
Total Assets	3,007.6	3,038.8	3,378.4	3,692.3	**3,775.8**
Total Liabilities	2,575.0	2,600.8	2,890.2	3,156.8	**3,200.0**
Shareholders' Equity	432.6	438.0	488.2	535.5	**575.8**
SHARE INFORMATION					
Group Basic Earnings Per Share (sen)	42.0	23.2	29.2	31.8	**33.3**
Net Dividend Per Share (sen)	20.7	9.8	12.8	13.5	**13.5**
Group Net Asset Per Share (RM)	2.14	2.16	2.41	2.65	**2.85**
Share Price - High (RM)	2.94	2.82	3.02	3.07	**3.25**
Share Price - Low (RM)	1.74	1.80	1.71	2.29	**2.70**
Share Price As At 31 December (RM)	2.64	1.83	3.02	3.00	**2.92**
Market Capitalisation (RM'million)	534.7	370.1	610.6	607.1	**590.9**
FINANCIAL RATIO (%)					
Return on Equity[2]	21.2	10.8	12.8	12.6	**12.1**
Return on Assets[3]	3.0	1.6	1.8	1.8	**1.8**

[1] Comprises Total Other Income, net off Net Realised/Fair Value Losses and Investment Expenses
[2] Return on Equity = Group Net Profit Attributable To Shareholders / Average Shareholder's Equity
[3] Return on Assets = Group Net Profit Attributable To Shareholders / Average Total Assets

BOARD OF DIRECTORS

From left to right:

PHILIP JOHN HAMPDEN-SMITH
Non-independent non-executive director

DATUK ABU HASSAN BIN KENDUT
Independent non-executive director

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM
Chairman/Independent non-executive director

ROBERT ALLEN COOK
Non-independent non-executive director

BOARD OF DIRECTORS

From left to right:

GIANNI FIACCO
Non-independent non-executive director

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI
Independent non-executive director

DATO' DR NIK NORZRUL THANI BIN N. HASSAN THANI
Independent non-executive director

MICHAEL CHAN YUI LUNG
Group Chief Executive Officer/Managing Director
(Resigned on 31 May 2012)

DIRECTORS' PROFILE

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM

Chairman/Independent non-executive director

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim, aged 72, a Malaysian, was appointed a director of the Company on 3 September 2004 and subsequently, Chairman of the Board on 13 October 2004. He holds a B A (Honours) Economics degree from University Malaya and a Diploma in Economic Development from Oxford University, United Kingdom. He also holds a M A Economics from Vanderbilt University, USA.

Tan Sri is also Chairman of the Executive Committee and Group Nominating/Remuneration Committee of the Board of Directors. He had attended four (4) of the five (5) Board meetings of the Company held during the financial year ended 31 December 2011.

Tan Sri was the Managing Director of Khazanah Nasional Berhad from 1994 to August 2003 and past Director of United Engineers (Malaysia) Berhad and former Chairman of UEM Land Sdn Bhd (formerly known as Renong Berhad). Prior to joining Khazanah Nasional Berhad as the Managing Director in 1994, he served as the Secretary General of Treasury, Ministry of Finance for three (3) years.

Tan Sri Dato' Mohd Sheriff is President of the Malaysian Economic Association. He serves as Non-executive Chairman of Projek Lebuhraya Utara-Selatan Berhad, PLUS Malaysia Berhad, Scientex Berhad, Standard Chartered Bank Malaysia Berhad and Standard Chartered Saadiq Bhd. He also serves as non-executive director of Yayasan UEM.

DIRECTORS' PROFILE

DATUK ABU HASSAN BIN KENDUT
Independent non-executive director

Datuk Abu Hassan bin Kendut, aged 69, a Malaysian, was appointed to the Board on 20 November 2001. He was articled with Messrs Turquand Youngs & Co and qualified as an accountant in 1967. He joined Malaysian Airline System Berhad in 1971 as its Accounts Manager and left in 1974 to join the practice of Messrs Coopers & Lybrand. He retired as a Senior Partner of the firm in 1997.

Datuk Abu Hassan sits on the Board of Metrod (Malaysia) Berhad, Standard Chartered Bank Malaysia Berhad, Standard Chartered Saadiq Berhad and several other private companies.

Datuk Abu Hassan is 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 had attended all five (5) Board meetings held during the financial year ended 31 December 2011.

PHILIP JOHN HAMPDEN-SMITH
Non-independent non-executive director

Mr Philip John Hampden-Smith, aged 53, from the UK, was appointed to the Board on 5 January 2006. Having worked in the UK, Europe and Asia, Mr Hampden-Smith has extensive experience in the financial services industry. He is currently Executive Vice President and General Manager, South East Asia Operations, Manulife Financial. Mr Hampden-Smith is responsible for Manulife's seven (7) operations in the ASEAN area (Singapore, Indonesia, Malaysia, Thailand, the Philippines, Vietnam and Cambodia).

Mr Hampden-Smith first joined Manulife Financial in Hong Kong in 1996 and concurrently held two (2) positions - President & CEO of Manulife's Investment operations and Vice President, Marketing & Communications. While in Hong Kong during this period, Mr Hampden-Smith was elected an Executive Board member of the Hong Kong Investments Funds Association and was a member of the Hong Kong Securities Institute.

Prior to his posting in Singapore, Mr Hampden-Smith was Vice President, Regional Operations, Asia, for Manulife Financial, and was responsible for overseeing the company's operations in the Philippines and Singapore as well as mutual fund development across Asia. Prior to this, he was President Director of Manulife Indonesia for three (3) years. During his time in this position, Mr Hampden-Smith oversaw a four-fold increase in assets of Manulife Indonesia, the rapid development of Manulife Asset Management Indonesia and a significant acquisition that made Manulife Indonesia the leading pension provider in the country as well as Indonesia's leading insurer and fund manager.

Mr Hampden-Smith is a member of the Executive Committee and Group Nominating/Remuneration Committee of the Board of Directors. He has attended all five (5) Board meetings of the Company held during the financial year ended 31 December 2011.

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

DIRECTORS' PROFILE

ROBERT ALLEN COOK

Non-independent non-executive director

Mr Robert Allen Cook, aged 57, Canadian, was appointed to the Board on 4 October 2007. He holds a Master Degree in Business Administration from the University of Toronto and a Bachelors' Degree in Pure Mathematics from University of Calgary.

Mr Cook is Senior Executive Vice President and General Manager, Asia, responsible for Manulife Financial's insurance and wealth management operations in Japan, China, Hong Kong, Indonesia, the Philippines, Singapore, Taiwan, Vietnam, Malaysia, Thailand and Macau. Previously, he was Executive Vice President, US Insurance Group with overall general management responsibility for the John Hancock Life Insurance, John Hancock Long-Term Care and John Hancock Financial Network business units.

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

Mr Cook had attended all five (5) Board meetings of the Company held during the financial year ended 31 December 2011.

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

GIANNI FIACCO

Non-independent non-executive director

Mr Gianni Fiacco, aged 35, Canadian, was appointed to the Board on 22 May 2009. He is a Chartered Accountant and holds a Bachelor of Commerce Degree from the University of Toronto.

Mr Fiacco is a Vice President and the Regional Controller, Asia, responsible for providing leadership to Manulife Financial's financial and accounting functions across Asia, identifying opportunities; recommending and establishing accounting policy; and establishing, implementing and monitoring viable and robust financial and accounting systems and processes. His responsibilities also include providing leadership in the planning, reporting, accounting, expense management, financial policy, and control procedures areas, so as to ensure effective controls are in place to safeguard assets, and to ensure that the financial accounts are accurate on both a Canadian and US GAAP basis.

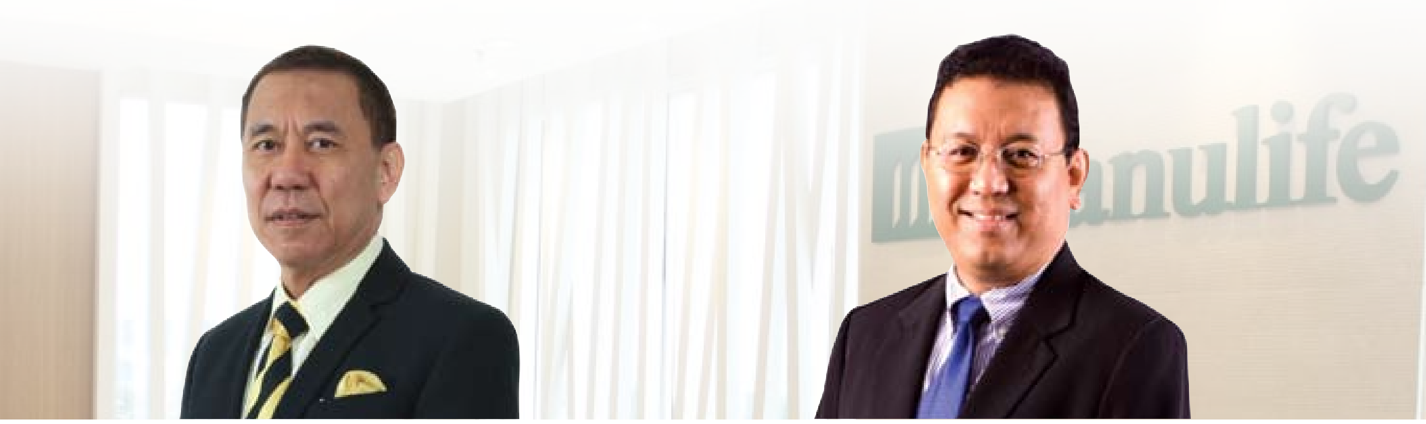
Previously, he was an Assistant Vice President, Manulife Financial Canada with responsibility for global accounting policy and the interpretation and implementation of company wide accounting policies in accordance with Canadian and US GAAP requirements.

Mr Fiacco has been involved in the Life Insurance Industry since 2005 and before joining Manulife, he was with PricewaterhouseCoopers LLP working in their Audit and Assurance Services group.

Mr Fiacco is member of the Group Audit Committee and Group Risk Management Committee of the Board of Directors. He had attended all five (5) Board meetings of the Company held during the financial year ended 31 December 2011.

Mr Fiacco 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



DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

Independent non-executive director

Datuk Seri Panglima Mohd Annuar bin Zaini, aged 61, 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 optional retirement from the government service in 1999.

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

Datuk Seri Panglima Mohd Annuar sits on the Board of Dijaya Corporation Berhad and a few private limited companies.

Datuk Seri Panglima Mohd Annuar is a member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/Remuneration Committee of the Board of Directors. He is also a director on the Board of Manulife Insurance Berhad, Manulife Unit Trusts Berhad and Manulife Asset Management (Malaysia) Sdn Bhd. Since his appointment on 5 July 2011, he has attended all two (2) Board meetings of the Company held during the financial year ended 31 December 2011.

DATO' DR NIK NORZRUL THANI BIN N. HASSAN THANI

Independent non-executive director

Dato' Dr Nik Norzrul Thani bin N. Hassan Thani, aged 52, a Malaysian, was appointed to the Board on 5 July 2011. Dato' Dr Nik holds a Ph.D in Law from the School of Oriental and African Studies (SOAS), University of London and a Masters in Law from Queen Mary College, University of London. He read law at the University of Buckingham, United Kingdom.

Dato' Dr Nik also holds a post-graduate Diploma in Syariah Law and Practice (with distinction) from the International Islamic University Malaysia. He is a Barrister of Lincoln's Inn and an Advocate and Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was a Visiting Fulbright Scholar, Harvard Law School in 1996 to 1997, and was formerly the Acting Dean/Deputy Dean of the Faculty of Laws, International Islamic University Malaysia. Dato' Dr Nik is a Fellow of the Chartered Institute of Marketing (United Kingdom) and also a Fellow of the Financial Services Institute of Australasia (FINSIA).

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

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

Dato' Dr Nik Norzrul Thani 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 on the Board of Manulife Insurance Berhad. Since his appointment on 5 July 2011, he has attended all two (2) Board meetings of the Company held during the financial year ended 31 December 2011.

DIRECTORS' PROFILE

MICHAEL CHAN YUI LUNG

Group Chief Executive Officer / Managing Director
(Resigned on 31 May 2012)

Mr Michael Chan Yui Lung, aged 57, a British citizen, was appointed as Group Chief Executive Officer / Managing Director of Manulife Holdings Berhad with effect from 16 February 2009. Mr Chan was a graduate of the Hong Kong Polytechnic University, a Fellow Member of the British Royal Chartered Institute of Management Accountants, Associate Member of Hong Kong Institute of Certified Public Accountants and a qualified member of the society of Registered Financial Planners, Hong Kong. Mr Chan is also a qualified member of the Life Insurance Management Research Association since 1997.

Mr Chan joined Manulife (International) Limited on 15 February 1995 as Assistant Vice President, Sales and Marketing of the Group Benefit Area. Mr Chan held various posts during his career with Manulife and just prior to being posted to Malaysia, he was Vice President, Distribution. As the Head of Sales for Manulife Hong Kong, he supervised 450 Corporate Brokers and 3,600 tie in-house agents. Prior to joining Manulife in 1995, Mr Chan worked in a number of insurance companies in various roles. Mr Chan has more than 26 years of experience in life insurance.

Mr Chan is a member of the Executive Committee of the Board of Directors. He is also the Chief Executive Officer of Manulife Insurance Berhad and a director on the Board of Manulife Unit Trusts Berhad, Manulife Asset Management (Malaysia) Sdn Bhd, Britama Properties Sdn Bhd and The E-Software House Sdn Bhd. These companies are the wholly-owned subsidiaries of the Manulife Holdings Berhad. He had attended all five (5) Board meetings of the Company held during the financial year ended 31 December 2011.

Other information on directors

Save as disclosed, none of the Directors have any family relationship with any director and/or major shareholders of the Company nor any conflict of interest with the Company. None of the Directors has had any convictions for any offences within the past ten (10) years.

There were five (5) Board Meetings held during the financial year ended 31 December 2011. The details of attendance of the Directors are as follows:-

Name of Board of Directors	Attendance
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	4 out of 5
Datuk Abu Hassan bin Kendut	5 out of 5
Philip John Hampden-Smith	5 out of 5
Robert Allen Cook	5 out of 5
Gianni Fiacco	5 out of 5
Datuk Seri Panglima Mohd Annuar bin Zaini	2 out of 2
Dato' Dr Nik Norzrul Thani bin N. Hassan Thani	2 out of 2
Michael Chan Yui Lung *(Resigned on 31 May 2012)*	5 out of 5
En Ahmad Riza bin Basir *(Resigned on 23 June 2011)*	3 out of 3
Datuk Ismail bin Haji Ahmad *(Resigned on 23 June 2011)*	2 out of 3

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 2011.

REVIEW OF RESULTS

The Group registered a 4.2% growth in operating revenue of RM640.9 million in the current year as compared to RM614.9 million reported in the preceding year. This was attributed to the life insurance business which registered higher gross earned premium mainly from investment-linked products. Despite challenging investment environment in 2011, the Group recorded higher investment income from debt securities during the year.

With the overall growth in operating revenue of 4.2% in the current year, the Group recorded an increase of 3.4% in profit before taxation from RM82.2 million to RM85.0 million; additionally, the growth in profit before taxation was mainly attributed to the higher investment income during the year.

The Group's profit after tax and earnings per share rose by 4.7% at RM67.4 million and 33.3 sen respectively compared with the preceding year of RM64.4 million and 31.8 sen.

GROUP'S FINANCIAL POSITION

As at 31 December 2011, the Group's total assets stood at RM 3,775.8 million, which was a 2.3% increase from the preceding year of RM 3,692.3 million and the Group's net asset per share grew 20 sen from RM2.65 in the preceding year to RM 2.85 in the current year.

REVIEW OF OPERATIONS

Insurance

2011 was a year fraught with persistent uncertainties in the external environment. There were concerns over the Eurozone sovereign debt crisis, China's slowing growth, and US budgetary issues, among others. Malaysia which had enjoyed an economic growth of 7.2% in 2010 was not unaffected by these uncertainties. However, the impact was mitigated by domestic fundamentals driven by both public and private sector spending which saw the Malaysian economy expand by 5.1% in 2011.

In light of the volatile external environment, Manulife Insurance Berhad ("the Company") decided to withdraw a popular participating endowment that was interest rate sensitive and refocused its product strategy on investment-linked plans. With smaller premium size for investment-linked plans, the Company registered a decrease in new business annualised premium by 11.4%. For the financial year 2011, new business annualised premium was RM60.4 million against RM68.2 million in the prior year. Similar to 2010, the agency channel was the main contributor to sales. While the Company saw a decline in sales, it successfully shifted its sales mix to investment-linked and non-participating insurance products, making up more than 50% of its new business sales.

CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS (CONT'D)

Insurance (Cont'd)

During the year, the financial advisor channel made significant inroads with partner Financial Adviser firms, resulting in double-digit growth in sales. The Bancassurance channel underwent a restructuring exercise to better position the Company in this increasingly important distribution mode. The Company entered into a strategic bancassurance partnership with OSK Investment Bank in September 2011, one of the leading investment banks in Malaysia, to distribute Manulife's life insurance products through its private bankers and wealth managers.

The Company continued to drive agency productivity and recruitment through a series of sales related campaigns which showed results. During the year, the Company launched an investment-linked cum participating endowment plan which is positioned as a wealth accumulation plan that provides guaranteed income, growth potential as well as insurance protection. In order to help Malaysians retire comfortably, the Company developed a solution for their future by introducing a regular premium investment-linked plan that provides flexible retirement savings while offering insurance protection.

In its effort to expand Manulife's foot print in Malaysia, the Company opened its eighth Regional Support Centre (RSC) in the historic city of Melaka. The opening of the newest RSC will also support the business unit's efforts to increase its agency force in the Southern region and to be closer to its policy holders. The existing RSC in Bukit Mertajam was relocated to a more vibrant and busy suburb of AutoCity in Juru. The new RSC offered better facilities and a more comfortable environment to serve our agency members and policy holders.

Unit Trust

The Group's Unit Trust operation is spearheaded by its 100%-owned subsidiary, Manulife Unit Trusts Berhad (MUTB). Incorporated on 30th of September 2008, MUTB commence its operations on 22nd of June 2009.

For the financial year ended 31st December 2011, MUTB has a total of RM101.01 million in retail assets in the form of Unit Trust Funds. This is an improvement of 9.2% versus last year's retail assets. Majority of the growth was contributed by MUTB's Unit Trust Consultants followed by Financial Planning Companies.

Investors braced for wild swings in the market, which were the hallmark of 2011. First, the oil prices surged as governments in North Africa and the Middle East faced swift-moving popular revolts, followed by Japan's devastating earthquake and nuclear disaster and lastly, Europe's sovereign-debt problems. This has resulted in a weak appetite for investment products.

Despite the challenging environment in 2011, MUTB has been able to maintain the same level of sales volume as compared to the previous year. The Company has successfully signed up with Funds' platform provider that has contributed significantly towards the overall gross sales. On top of that, its has also initiated discussions with potential Banks to expand its distribution capabilities.

MUTB looks forward to the 2012 with great enthusiasm and optimism, and will continue to focus on building its suite of products in order to build overall Asset Under Management size as well as establishing our business in the institutional segments (Banks).

MUTB will also continue to invest aggressively in human capital, both by developing its existing people and recruiting new talents from various backgrounds with new expertise and experience in order to serve the expanding distribution channels better.

CHAIRMAN'S STATEMENT

Asset Management

2011 was a busy year for Manulife Asset Management (Malaysia) Sdn. Bhd. (MAMM). Operationally, MAMM successfully implemented two state-of-the-art systems – 1) Portia version 9, a portfolio management system that manages recordkeeping, transactions processing and reporting. The new system should ensure timely and accurate daily reconciliation of MAMM's portfolios. This will save fund managers' time on administrative issues thus allowing them to focus more on portfolio management; and 2) Bloomberg pre-compliance check module. With the computerization of pre-compliance checks to ensure all trades comply with both regulatory and individual mandate's guidelines, it allows for quicker time-to-market when placing orders to trade and reduces the risk of compliance breaches.

In terms of fund performance, 2011 was a volatile year for financial markets. Seemingly endless string of unprecedented events which included the "Arab Spring" uprising, Japan's triple disasters, Eurozone's debt crisis, developed countries like US and France losing their coveted AAA sovereign ratings and Thailand's flood all made making financial decisions very difficult. Despite these uncertainties, MAMM managed to grow its assets under management by 6% in 2011 despite the FBM Kuala Lumpur Composite Index ending the year up a mere 0.8% year-on-year.

CORPORATE SOCIAL RESPONSIBILITY

During the year, the Group undertook Corporate Social Responsibility (CSR) activities to make positive, meaningful differences in the communities in which it does business. The Group's CSR activities focused on building stronger communities and promoting health and wellness and were primarily carried out by its staff and agency members.

In conjunction with Universal Children's Day on 19 November 2011, the Group organised "Movie Day Out II" as a treat to underprivileged children from two shelters, namely Rumah Juara and The Pure Life Society. The day of entertainment was held at the Tropicana City Mall, Petaling Jaya with volunteers from the Group and members of the agency force on hand to act as friendly chaperones.

The Group also continued its long standing support to the Terry Fox Run, a popular fund raising event in support of cancer research. The "Run of Hope" received amazing support from Manulife staff, agency members and their families with more than 400 pledges received.

During the Melaka branch opening event, working together with BP Lab, the Group organised a health talk on "Common Diseases" and provided free health check to members of the public.

CORPORATE BRANDING INITIATIVE

2011 was an exciting year for Manulife Malaysia on the corporate branding front. The Group took its brand to a new level, raising its brand awareness through a series of advertising campaigns. In line with the "For your future" brand activation in Asia, the Company embarked on brand building activities which encompassed advertisements on overhead bridge signages and wall banners at its branch offices. The Manulife Head Office was extensively used to promote the brand through eye-catching visuals and the placement of the iconic Manulife cubes at strategic and high-traffic areas.

CHAIRMAN'S STATEMENT

RISK MANAGEMENT

Risk Management in the financial services industry is a critical factor in determining the success of an organisation and its continuity. It is a discipline designed to identify potential events that may affect the business continuity of an organisation so as to protect, manage and minimise the risks involved. 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 Company seeks to strategically optimize risk taking and risk management to support long term revenue and earning growth and shareholder value growth. This is done by:

- capitalizing 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; and
- proactively executing effective risk controls and mitigation programmmes.

Aside from establishing an Enterprise Risk Management Policy to introduce a structured risk management framework, the Group has in place a variety of policies related to business risk management, among others, the Code of Business Conduct and Ethics, Anti-Money Laundering and Anti-Terrorism Financing Manual and Procurement Policy.

BUSINESS DEVELOPMENT AND TREND

Life Insurance

For 2011, the life insurance industry remained resilient and continued to record positive growth. Government-led initiatives such as the Economic Transformation Programme (ETP), 10th Malaysian Plan and the New Economic Model (NEM) including the relatively low interest rate environment factor contributed to the growth of the life insurance industry in 2011. The current low penetration rate of life insurance of about 44.9%, which is lower than that in the more-developed economies, was another contributing factor. With increasing insurance awareness and as consumers become more insurance savvy, insurance penetration will continue to improve.

As Malaysia is one of the world's most developed countries for takaful products and Islamic finance in general, the takaful sector is gaining popularity compared with conventional insurance instruments. According to a study by Insurance Services Malaysia (ISM) and Life Insurance Association of Malaysia (LIAM), by 2015, Family Takaful contributions would represent almost half of total insurance premiums in Malaysia. The rising interest in takaful products would benefit the life insurance industry on the whole as it will garner more customers, especially in the lowly penetrated Malay market.

During the year, the local insurance industry underwent further consolidation where numerous corporate exercises took place. As local insurance companies become attractive targets for foreign players after Bank Negara raised the foreign ownership limit to 70% from 49%, several mergers and acquisitions were seen taking place. These activities will further strengthen the insurance industry.

Unit Trust

The unit trust industry has, by and large, continued to show growth this year despite the challenging global market environment.

The private unit trust industry's total Net Asset Value as at end December 2011 stood at RM103.0 billion, compared to RM95.6 billion in the same period in 2010. This represents an increase of 7.7% and it is mainly attributed to the flight to safety into conservative type of Funds by cautious investors.

CHAIRMAN'S STATEMENT

The Economic Transformation Program tabled in October 2010 has outlined the setting up of a new voluntary Private Retirement Scheme (PRS). The aim of the PRS is to encourage the growth of wealth management in the country. The Malaysian government has also announced that the contributions to the PRS are tax deductable up to RM3,000. The government recognizes that the tax breaks play an important role in the success of any retirement scheme, as observed in many other countries with such schemes.

Asset Management

In line with the Group's commitment to build its asset management / wealth management business here in Malaysia, MAMM is still on an expansion mode in terms of building its investment and marketing teams. While looking to grow its assets under management, MAMM is also looking to invest further in new systems and softwares that will eventually bring MAMM at par with Manulife Asset Management's global standards in terms of operational infrastructure and client reporting.

While there are still a lot of global uncertainties, the Company are cautiously optimistic that financial markets, especially here in Asia should be friendlier in 2012 compared to 2011 and believes that over the next 10 years, Asia will be the main driver of global growth.

CURRENT YEAR PROSPECTS

Notwithstanding the uncertain global economic recovery as well as concerns that the European sovereign debt problems could have adverse spill-over effect, economic growth in Malaysia is expected to remain healthy. Our business expansion is in progress and rides on the fact that the financial industry is one of the key pillars in driving economic growth as evidenced by the numerous measures and initiatives undertaken by the Government. The dynamic expansion of consumer demand for financial services offers ample opportunities for the Group to play a larger role in insurance and other related services. The Group continues to adopt a customer-centric approach when launching forward thinking solutions that will help our customers' most significant financial decisions. Nevertheless, the Group will be prudent in its utilization and management of resources as it moves towards achieving its growth objectives.

In April 2012 the Securities Commission Malaysia approved MUTB as a PRS Provider. MUTB has put in place a business plan to expand its presence in Malaysia and is looking at launching PRS services and new funds in the fourth quarter of 2012. MUTB will benefit from the success as PRS is an avenue to build on the AUM and improve profitability from better economies of scale.

These strategic plans are expected to reinforce the Group's competitive position in the insurance, unit trust and asset management industries.

Barring any unforeseen circumstances, the Directors expect the Group's performance to remain satisfactory in the next financial year ending 31 December 2012 as the Group invests further towards its business expansion.

DIVIDENDS

The Board of Directors is pleased to recommend, subject to shareholders' approval at the forthcoming Annual General Meeting, a first and final dividend of 18 sen per share less income tax at 25% amounting to RM27,319,950 for the financial year ended 31 December 2011.

BOARD OF DIRECTORS

On behalf of the Board of Directors, I am pleased to welcome Datuk Seri Panglima Mohd Annuar bin Zaini and Dato' Dr Nik Norzrul Thani bin N Hassan Thani to the Board of Manulife Holdings Berhad. Appointed on 5 July 2011, Datuk Mohd Annuar and Dato' Dr Nik bring with them valuable expertise and experience.

ACKNOWLEDGEMENTS

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

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim
Chairman

Kuala Lumpur
16 May 2012

CORPORATE GOVERNANCE STATEMENT

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

To this end, the Board fully supports the disclosure requirements of the Malaysian Code on Corporate Governance ("the Code") and strives to achieve the best practices embodied in the revised Code and the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad in June 2009.

Unless as otherwise stated, the Board has complied with the principles and best practices of the Code.

THE BOARD OF DIRECTORS

An effective Board leads and controls the Company. The Manulife Holdings Berhad Board meeting is held at least once a quarter, with additional meetings convened as necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. Four (4) of the directors are independent.

For the financial year ended 31 December 2011, five (5) board meetings were held and the attendance of each director is recorded in their respective profiles.

The Board has delegated specific responsibilities to four (4) Board Committees, namely:

- Executive Committee of the Board
- Group Audit Committee
- Group Risk Management Committee
- Group Nominating/Remuneration Committee

The Terms of Reference of the Board Committees clearly define the duties and obligations of the Board Committees in assisting and supporting the Board. The ultimate responsibility for the final decision on all matters lies with the entire Board.

EXECUTIVE COMMITTEE OF THE BOARD

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

Members

1. Tan Sri Dato' Mohd Sheriff bin Mohd Kassim, Chairman/Independent Non-Executive Director
2. Mr Philip John Hampden-Smith, Member/Non-Independent Non-Executive Director
3. Mr Michael Chan Yui Lung, Member/Group Chief Executive Officer/Managing Director. *(Resigned on 31 May 2012)*

Terms of Reference

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

GROUP AUDIT COMMITTEE

The Group Audit Committee has four (4) members, comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Report of the Group Audit Committee for the financial year can be found in pages 33 to 40 of the Annual Report.

Members

1. Datuk Abu Hassan bin Kendut, Chairman/Independent Non-Executive Director
2. Mr Gianni Fiacco, Member/Non-Independent Non-Executive Director
3. Datuk Seri Panglima Mohd Annuar bin Zaini, Member/Independent Non-Executive Director *(Appointed on 5 July 2011)*
4. Dato' Dr Nik Norzrul Thani bin N. Hassan Thani, Member/Independent Non-Executive Director *(Appointed on 5 July 2011)*
5. En Ahmad Riza bin Basir, Member/Independent Non-Executive Director *(Resigned on 23 June 2011)*

Terms of Reference

The terms of reference of the Group Audit Committee are set out under the Report of the Group Audit Committee on pages 33 to 39 of the Annual Report.

Meeting Attendance

The attendance list of the Group Audit Committee's members for the financial year ended 2011 is found on page 33 of the Annual Report.

GROUP RISK MANAGEMENT COMMITTEE

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

Members

1. Datuk Abu Hassan bin Kendut, Chairman/ Independent Non-Executive Director
2. Mr Gianni Fiacco, Member/Non-Independent Non-Executive Director
3. Datuk Seri Panglima Mohd Annuar bin Zaini, Member/Independent Non-Executive Director *(Appointed on 5 July 2011)*
4. Dato' Dr Nik Norzrul Thani bin N. Hassan Thani, Member/Independent Non-Executive Director *(Appointed on 5 July 2011)*
5. En Ahmad Riza bin Basir, Member/Independent Non-Executive Director *(Resigned on 23 June 2011)*

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.

Meeting Attendance

The attendance of the Group Risk Management Committee's members for the financial year ended 2011 are as follows:-

Name of members	Attendance
Datuk Abu Hassan bin Kendut	4 out of 4
Mr Gianni Fiacco	3 out of 3
Datuk Seri Panglima Mohd Annuar bin Zaini	2 out of 2
Dato' Dr Nik Norzrul Thani bin N. Hassan Thani	2 out of 2
En Ahmad Riza bin Basir	2 out of 2

GROUP NOMINATING/REMUNERATION COMMITTEE

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

Members

1. Tan Sri Dato' Mohd Sheriff bin Mohd Kassim, Chairman/ Independent Non-Executive Director
2. Datuk Abu Hassan bin Kendut, Member/Independent Non-Executive Director
3. Mr Philip John Hampden-Smith, Member/ Non-Independent Non-Executive Director
4. Datuk Seri Panglima Mohd Annuar bin Zaini, Member/ Independent Non-Executive Director *(Appointed on 5 July 2011)*
5. Dato' Dr Nik Norzrul Thani bin N. Hassan Thani, Member/ Independent Non-Executive Director *(Appointed on 5 July 2011)*
6. En Ahmad Riza bin Basir, Member/Independent Non-Executive Director *(Resigned on 23 June 2011)*
7. Datuk Ismail bin Haji Ahmad, Member/Independent Non-Executive Director *(Resigned on 23 June 2011)*

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 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.

CORPORATE GOVERNANCE STATEMENT

GROUP NOMINATING/REMUNERATION COMMITTEE (CONT'D)

Terms of Reference (Cont'd)

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 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 of the Group Nominating/Remuneration Committee's members for the financial year ended 2011 are as follows:-

Name of members	Attendance
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	3 out of 3
Datuk Abu Hassan bin Kendut	3 out of 3
Mr Philip John Hampden-Smith	3 out of 3
Datuk Seri Panglima Mohd Annuar bin Zaini	1 out of 1
Dato' Dr Nik Norzrul Thani bin N. Hassan Thani	1 out of 1
En Ahmad Riza bin Basir	2 out of 2
Datuk Ismail bin Haji Ahmad	2 out of 2

The Board has also established various Management Committees. The key Management Committees are the Executive Management Team, the Senior Management Team, the Asset and Liability Management Committee, Investment Committee, IT Steering Committee and the Business Continuity Management Committee.

BOARD BALANCE, DUTIES AND RESPONSIBILITIES

The Board currently has eight (8) members, comprising four (4) Independent Non-Executive Directors (including the Chairman), three (3) Non-Independent Non-Executive Directors and an Executive Director. Together, the directors bring with them a wealth of experience, 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.

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.

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 of the long term interests, not only of the shareholders, but also of the policyholders, employees, suppliers and the communities in which the Company conducts its business.

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim, is the Chairman of the Board and a Senior Independent Non-Executive Director to whom matters concerning the Company may be conveyed.

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

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

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

SUPPLY OF INFORMATION

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

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

All Directors have access to the advice and services of the Joint Company Secretaries.

BOARD APPOINTMENTS AND RE-ELECTIONS

The Code endorses as a good practice, a formal procedure for appointments to the Board, with a Group Nominating/ Remuneration Committee making recommendations to the Board.

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 3 years. Further, pursuant to Section 129 of the Companies Act, 1965, Directors who are over the age of 70 years shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM.

DIRECTORS' TRAINING

During the financial year under review, the members of the Board have attended various seminars, conferences and courses on various topics covering accounting, corporate governance, finance, Islamic banking and risk management.

On 7 March 2011, Tan Sri Dato' Mohd Sheriff bin Mohd Kassim attended the Regulator Industry Dialogue organised by Bank Negara Malaysia ("BNM"). On 23 March 2011, Tan Sri Dato' Mohd Sheriff also attended a briefing by BNM on BNM Annual Report 2010/Financial Stability & Payment System Report 2010 respectively. Tan Sri Dato' Mohd Sheriff further attended the launch of Perbadanan Insurance Deposit Malaysia (PIDM) on 12 May 2011. Tan Sri also participated in the 26th National Economic Briefing on 14 July 2011 and Joint High Level Conference on Islamic Finance hosted by BNM and Bank Indonesia on 18-19 July 2011. Besides these, Tan Sri Dato' Mohd Sheriff also participated in several seminars such as "Where is the world economy Heading - Economic outlook Asia" by Prof Michael Heise on 25 July 2011 and "FTSE Bursa Malaysia Index Series Liquidity Rule Enhancement" on 18 August 2011. Tan Sri also attended a Shariah Training conducted by Prof Dr Syed Othman AlHabsi, at the International Centre for Education on Islamic Finance (INCIEF) on 14 September 2011.

Datuk Abu Hassan bin Kendut completed the Financial Institutions' Directors' Education (FIDE) Core Programme in 2011. Datuk Abu Hassan also attended several seminars such as ICAAP Training by Mr Tan Bok Huat, on 3 May 2011 and Internationalisation of Renminbi by Mr Tan Cheung Tai on 10 May 2011. In addition, Datuk Abu Hassan also participated in the discussion on the implementation of Shariah Audit under Principle 7 of The Shariah Governance Framework on 31 May 2011. On 14 September 2011, Datuk Abu Hassan also attended a Syariah Training conducted by Prof Dr Syed Othman AlHabsi, at the International Centre for Education on Islamic Finance (INCIEF) on 14 September 2011. Datuk Abu Hassan also attended a seminar organised by BNM on IT Governance & Risk Management Programme on 18 – 19 October 2011.

Datuk Seri Panglima Mohd Annuar bin Zaini had attended a Workshop on the Global Movement of the Moderates on 29 - 30 January 2011 and a seminar on The Economic Transformation Programme January held on 31 January 2011. Datuk Seri Panglima Mohd Annuar also participated several conference such as SC - OCIS Roundtable 2011 - Islamic Finance on 11-13 March 2011, the 7th World Islamic Economic Forum (WIEF) in Kazakhstan on 7 - 9 June 2011 and Joint High Level Conference on Islamic Finance jointly organised by BNM and the Central Bank of Indonesia on 18 - 19 July 2011.

Dato' Dr Nik Norzrul Thani bin N. Hassan Thani participated in a seminar on Islamic Trade and Finance Law Conference organised by the University of Sydney Law Faculty on 28-31 March 2011. He also attended the Asia Pacific Regional Arbitration Group (APRAG) Conference on 9-10 July 2011, the Joint High Level Conference on Islamic Finance and Legal Education Conference jointly organised by BNM and the Central Bank of Indonesia on 18-19 July 2011. On 19 - 20 September 2011, Dato Dr Nik attended the International Conference on Financial Crime and Terrorism Financing organised by BNM and 30 November - 1 December 2011, he attended a conference on Asian Insolvency Reform (FAIR) 2011 on the topic of Islamic Finance and Insolvency Laws in Malaysia, organised by BNM.

CORPORATE GOVERNANCE STATEMENT

DIRECTORS' TRAINING (CONT'D)

Mr Michael Chan Yui Lung attended The First Asian Central Banks Watchers Conference on Asia Perspectives on World Finance: Promoting Financial and Monetary Stability at a Time of Transition organised by BNM on 1 November 2011.

Mr Philip John Hampden-Smith and Mr Robert A Cook respectively attended the Pacific Insurance Congress held on 13 September 2011, where Mr Cook participated as a Plenary Session Panel member. Mr Hampden-Smith also attended the Cambodia Investment Conference on 11 October 2011.

The Board of Directors 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 2011 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	-	408
Salaries	1,017	-
Bonus	375	-
Retirement benefits contributions	71	-
Benefits-in-kind	346	-
Share option expenses	58	-
RSU expenses	420	-
Meeting allowances	-	88
Total	2,287	496

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	-	5
RM50,001 - RM100,000	-	4
RM100,001 - RM150,000	-	-
RM150,001 - RM2,250,000	-	-
RM2,250,001 - RM2,300,000	1	-

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

SHAREHOLDERS' COMMUNICATIONS AND INVESTOR RELATIONS POLICY

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

Enquiries by shareholders are dealt with 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 the external auditors are available to answer questions raised at the Meeting.

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.

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 the Financial Reporting Standards, the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia for Entities Other than Private Entities and to give a true and fair view of the financial position of the Group and Company at the end of the financial year and of the financial performance and cash flows of the Group and Company for the financial year the ended.

In preparing the financial statements, the Board has

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

The Board has the responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

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

RELATIONSHIP WITH AUDITORS

The Board has a formal and transparent arrangement for maintaining an appropriate relationship with the Group's auditors.

INTERNAL CONTROL

The Group's Internal Control Statement is set out on pages 28 and 29 of the Annual Report.

COMPLIANCE STATEMENT

The Board has taken steps to ensure that the Group has implemented as far as possible the Best Practices as set out in the Code. Save for the detail disclosure of the remuneration of each Director, the Board considers that all other Best Practices have been substantially implemented in accordance with the Code.

This statement is in accordance with a resolution of the Board dated 20 March 2012.

INTERNAL CONTROL STATEMENT

BOARD'S RESPONSIBILITY

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

The Group has in place an 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 via the Group Audit Committee ("the GAC") and the Group Risk Management Committee ("the GRMC").

The management assists the Board in the implementation of the policies and procedures on risk management and internal control by identifying, measuring and evaluating the enterprise risk taking activities undertaken to achieve the strategic objectives and managing business operations.

KEY INTERNAL CONTROLS AND RISK MANAGEMENT PROCESSES

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

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

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

- The GAC reviews audit issues concerning internal controls and risk management as identified by the Audit Services Asia - Malaysia ("AS-Malaysia"), external auditors and regulatory examiners. The GAC annually reviews and approves the audit plan and budget to ensure that AS-Malaysia function operates effectively. The GAC meets at least quarterly to review the audit reports tabled by AS-Malaysia. Also, the GAC has active oversight on the internal audit's independence and objectivity on AS-Malaysia scope of works.

- The GRMC reviews 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 Executive Management Team before they are reported to the Board via the GRMC, to ensure that the risk management monitoring is independent.

- 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 AS-Malaysia Policy is reviewed and approved by the GAC biennially.

- 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. The audit scope covers auditable areas encompassing financial operations, product development and pricing operations, unit trusts' back office functions, agency operations, regulatory compliance and information technology and systems. An annual audit plan is developed based on AS-Malaysia's annual risk assessment on all identified auditable areas. The progress of the audit plan, a summary of audit issues and the status of corrective actions performed to address the audit issues are reported to the GAC when it meets.

INTERNAL CONTROL STATEMENT

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

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

- An annual review of the current and future financial position of the Group's insurance business is performed by the Appointed Actuary, as guided by Bank Negara Malaysia's JPI/GPI 24 concerning Guidelines on Financial Condition Report and Risk Based Capital Framework for Insurers. These include quarterly Capital Adequacy Ratio ("CAR") reporting, dynamic solvency test, semi-annual stress testing and assessing the Group's insurance business ability, to withstand various adverse scenarios as part of the capital assessment procedures.

- There are proper processes within the Group for hiring, termination and promotion of staff, formal training programmes for staff, annual and semi-annual performance appraisals and other relevant procedures in place to ensure staff members are competent, adequately trained in carrying out their roles and responsibilities and focused on achieving desired results and business objectives.

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

- 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.

- 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 Company and its subsidiaries and updated from time to time.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Internal Control Statement. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of internal control of the Group. The external auditors are not required by RPG 5 to consider, whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

CONCLUSION

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

This statement was made in accordance with a resolution of the Board of Directors dated 21 February 2012.

ADDITIONAL COMPLIANCE INFORMATION

1. NON-STATUTORY AUDIT FEES

The following non-statutory audit fees for the Group and the Company paid to Messrs PricewaterhouseCoopers, the Auditors and its affiliated companies for the financial year ended 31 December 2011 amounted to RM40,000.

	Services	RM
PricewaterhouseCoopers	Non-statutory audit related services	40,000
Total		**40,000**

2. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving director 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-Fifth Annual General Meeting ("AGM") of the Company held on 23 June 2011, 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 2011 pursuant to the Shareholders' Mandate are disclosed as follows:-

No.	Nature of Transactions	Transacting Party	Class of Related Party	Interested Related Party	Actual Value of Transaction RM'000
1.	Information Technology Service Agreement and Shared Resources Agreement	MIB	MTSSB	**Interested Directors*** – Philip John Hampden-Smith – Robert Allen Cook – Gianni Fiacco **Interested Major Shareholders#** – MFC – MLIC – MFAL – MHBL – MCHN	1,617
2.	Outsourcing the Health Services Call Centre	MIB	MDSI	**Interested Directors*** – Philip John Hampden-Smith – Robert Allen Cook – Gianni Fiacco **Interested Major Shareholders#** – MFC – MLIC – MFAL – MHBL – MCHN	233

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

No.	Nature of Transactions	Transacting Party	Class of Related Party	Interested Related Party	Actual Value of Transaction RM'000
3.	Outsourcing of asset management subsidiary back office system	MAMM	MFC Group~	**Interested Directors*** – Philip John Hampden-Smith – Robert Allen Cook – Gianni Fiacco **Interested Major Shareholders#** – MFC – MLIC – MFAL – MHBL – MCHN	674
4.	Rental Income**	MHB	MTSSB	**Interested Directors*** – Philip John Hampden-Smith – Robert Allen Cook – Gianni Fiacco **Interested Major Shareholders#** – MFC – MLIC – MFAL – MHBL – MCHN	446
5.	Book-keeping Fee and Administration fee	MHB	MTSSB	**Interested Directors*** – Philip John Hampden-Smith – Robert Allen Cook – Gianni Fiacco **Interested Major Shareholders#** – MFC – MLIC – MFAL – MHBL – MCHN	6

ADDITIONAL COMPLIANCE INFORMATION

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

Denote:-

MFC	-	Manulife Financial Corporation
MLIC	-	The Manufacturers Life Insurance Company
MFAL	-	Manulife Financial Asia Limited
MHBL	-	Manulife Holdings (Bermuda) Limited
MCHN	-	Manulife Century Holdings (Netherlands) B.V.
MHB	-	Manulife Holdings Berhad
MIB	-	Manulife Insurance Berhad
MAMM	-	Manulife Asset Management (Malaysia) Sdn. Bhd.
MDSI	-	Manulife Data Services Inc.
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.
** Income generated by MHB from the lease of property to MTSSB for a tenure of three (3) years, with an option to renew upon the expiry date. Payment of rental is done on a monthly basis.

GROUP AUDIT COMMITTEE REPORT

I. COMPOSITION OF THE GROUP AUDIT COMMITTEE

Datuk Abu Hassan bin Kendut (independent non-executive director) ***(Chairman)***
Mr Gianni Fiacco (non-independent non-executive director)
Datuk Seri Panglima Mohd Annuar bin Zaini (independent non-executive director) ***(appointed on 5 July 2011)***
Dato' Dr Nik Norzrul Thani Bin N. Hassan Thani (independent non-executive director) ***(appointed on 5 July 2011)***
Encik Ahmad Riza bin Basir (independent non-executive director) ***(resigned on 23 June 2011)***

The details of attendance of each member at the Group Audit Committee meetings held during 2011 are as follows:

Name of committee members	Attendance
Datuk Abu Hassan bin Kendut	5 out of 5
Mr Gianni Fiacco	3 out of 3
Datuk Seri Panglima Mohd Annuar bin Zaini	2 out of 2
Dato' Dr Nik Norzrul Thani bin N. Hassan Thani	2 out of 2
En Ahmad Riza bin Basir	3 out of 3

II. TERMS OF REFERENCE

1. Establishment

1.1 The Board of Directors ("the Board") shall form a committee of directors to perform the role of the Group Audit Committee for Manulife Holdings Berhad and its group of companies (collectively, "Manulife Group") save and except for Manulife Insurance Berhad.

1.2 The written terms of reference for the Group Audit Committee shall provide a clear understanding of the Group Audit Committee's role. The terms of reference shall be made available to board members, management and internal auditors of Manulife Group.

2. Composition of the Group Audit Committee

2.1 The Group Audit Committee should be composed of no fewer than three (3) non-executive members appointed from the Board.

2.2 The members of the Group Audit Committee should be appointed after taking into consideration the recommendations of the Group Nominating/Remuneration Committee. In determining the appropriate size and composition of the Group Audit Committee, the Board should in particular, take into consideration the necessary mix of skills and experience required for the Group Audit Committee to effectively discharge its responsibilities.

2.3 The Group Audit Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants or alternatively a person who must have at least three (3) years working experience and have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 ("Schedule") or is a member of one of the associations of accountants specified in Part II of the said Schedule or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

2.4 The Board shall review the term of office and performance of the Group Audit Committee and each of its members at least once every three (3) years to determine whether such Group Audit Committee and members have carried out their duties in accordance with their Terms of Reference.

2.5 If for any reason the number of the Group Audit Committee members at any point in time is reduced to below three (3) and thereby resulting in a breach of the Bursa Securities Main Market Listing Requirements, the vacancy(s) shall be filled within three (3) months from the date of such breach.

GROUP AUDIT COMMITTEE REPORT

II. TERMS OF REFERENCE (CONT'D)

3. Qualification, Experience, Knowledge and Skills

3.1 Candidates for the Group Audit Committee should have sound judgment, objectivity, an independent attitude, management experience and adequate knowledge of the insurance, fund management and wealth management industries. They should be committed to the task and demonstrate a keen perception of the internal control environment within Manulife Group and an ability to make probing inquiries.

3.2 Collectively, the Group Audit Committee should have a wide range of necessary skills to undertake its duties and responsibilities. All the Group Audit Committee members should be able to understand the financial reporting process and be financially literate. At a minimum, at least one (1) member of the Group Audit Committee should be familiar with accounting, auditing practices and financial reporting requirements. This individual should be a member of a recognised professional accounting body.

3.3 In addition, in view of the important role of the Group Audit Committee in ensuring that there are adequate checks and balances within the operations of Manulife Group, all Group Audit Committee members, either individually or collectively, are also expected to be familiar with areas included in the scope of internal insurance, fund management and wealth management audits.

4. Independence of Group Audit Committee Members

4.1 All Group Audit Committee members shall be independent. Where this cannot be achieved, the majority of the Group Audit Committee members, including the Chairman of the Group Audit Committee, should be independent. In the absence of the Chairman of the Group Audit Committee, the members of the Group Audit Committee shall elect a Chairman from amongst themselves who shall be an independent non-executive director.

4.2 An independent director should comply with Paragraph 1.01 of the Bursa Securities Main Market Listing Requirements and should not:

(a) be an Executive Director within Manulife Group;
(b) hold more than 5% equity interest directly or indirectly in any company within Manulife Group;
(c) be employed as an officer (except as a non-executive director) of any company within Manulife Group at least two (2) years prior to his appointment date;
(d) be a relative of any executive director, officer or major shareholder of any company within Manulife Group or any of its related corporations;
(e) act as a nominee or representative of any executive director or major shareholder of any company within Manulife Group or any of its related corporations;
(f) be engaged as a professional adviser by any company within Manulife Group or any of its related corporations under such circumstances as prescribed by Bursa Securities or is not presently a partner, director (except as an independent director) or major shareholder, as the case may, of a firm or corporation which provides professional advisory services to any company within Manulife Group or any of its related corporations under such circumstances as prescribed by Bursa Securities; and
(g) be engaged in any transaction with any company within Manulife Group or its related corporations under such circumstances as prescribed by Bursa Securities or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of any company within Manulife Group) which has engaged in any transaction with any company within Manulife Group or any related corporation under such circumstances as prescribed by Bursa Securities.

II. TERMS OF REFERENCE (CONT'D)

5. Authority

5.1 The Group Audit Committee should have explicit authority to investigate any matter within its terms of reference and full access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of any company within Manulife Group.

5.2 The Group Audit Committee should be kept regularly updated on audit mailers and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by management or the internal audit department. Fraud and irregularities discovered by management should be referred to the internal audit department for investigation.

5.3 The Group Audit Committee should have access to copies of audit reports (including interim financial audits) on a timely basis and should be kept regularly informed of corrective actions arising from internal and external audit findings.

5.4 The Group Audit Committee should have adequate resources to perform its duties and discharge its responsibilities and should be authorised to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.

6. Meetings

6.1 The Group Audit Committee should meet regularly, with due notice of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities.

6.2 In addition, the Chairman of the Group Audit Committee should call a meeting of the Group Audit Committee if requested to do so by any Group Audit Committee member, the management or the internal or external auditors.

6.3 The quorum for Group Audit Committee meetings should be at least two thirds of the members with independent directors forming the majority. Seven (7) days' notice of Group Audit Committee Meetings shall be given to all Group Audit Committee members unless the Group Audit Committee waives such requirement.

6.4 If at any meeting, the Group Audit Committee Chairman is not present within 15 minutes after the time for holding the meeting, the members present may choose one of their member to be the Chairman of the meeting.

6.5 The Head of Finance, the Head of Internal Audit should normally attend the Group Audit Committee and a representative of the external auditors to attend the meeting as and when required. Other board members may attend the meeting upon invitation of the Group Audit Committee. While the Group Audit Committee may invite any person to be in attendance to assist it in its deliberations, the Group Audit Committee should ensure that it meets exclusively when necessary.

6.6 The Company Secretary should act as Secretary of the Group Audit Committee and should be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to the Group Audit Committee members within a reasonable timeframe prior to each meeting.

6.7 The Secretary should also be responsible for keeping the minutes of meetings of the Group Audit Committee, their timely circulation to the Group Audit Committee members and other members of the Board, and following up on outstanding matters in relation to the meetings.

GROUP AUDIT COMMITTEE REPORT

II. TERMS OF REFERENCE (CONT'D)

6. Meetings (Cont'd)

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 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 or more members of the Group Audit Committee.

6.10 The Chairman of the Group Audit Committee should provide written reports to the Board on the deliberations of the Group Audit Committee on a regular basis. In addition, the Chairman should also present a summary of all significant matters (highlighting the risks and implications) and resolutions made by the Group Audit Committee at Board meetings.

6.11 The Chairman of the Group Audit Committee should engage on a continuous basis with senior management, such as the Chairman of the Board, the Chief Executive Officer, the Finance Director, the Chief of Internal Audit and the external auditors in order to be kept informed of matters affecting a company within Manulife Group.

7. Duties and responsibilities

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

7.1 Internal audit

The Group Audit Committee should:-

(a) Ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives.

(b) Ensure the effective organisation of the internal audit function, with due regard to the professionalism, capacity and competence of the internal audit personnel.

(c) Review and approve the audit plan, audit charter and budget required.

(d) Ensure that reporting relationships of the internal audit staff do not impede the exercise of independent judgment by the internal auditors. In particular, internal audit reports should not be subject to the clearance of a Chief Executive Officer or any Executive Director.

(e) Review the internal audit programme and results of the internal audit process.

(f) The Group Audit Committee should also review the scope of internal audit procedures, in particular:-

i. Any restrictions placed on access by the internal auditors to any company's records, assets, personnel or processes which are relevant to the conduct of audits;
ii. Appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits, having regard to the nature, size and complexity of a company's operations;
iii Compliance with internal auditing standards; and
iv. Coordination between internal and external auditors.

II. TERMS OF REFERENCE (CONT'D)

7. Duties and responsibilities (Cont'd)

7.1 Internal audit (Cont'd)

(g) The Group Audit Committee members should ensure that they are adequately informed of, and understand, the risks and implications of internal audit findings and recommendations. The Group Audit Committee should pay particular attention to internal audit assessments of:-

i. Compliance with company policies, relevant laws and regulatory requirements;
ii. Effectiveness of internal controls in critical areas of operations (eg accounting, underwriting, claims, investment, derivatives and information technology management); and
iii. Management's responsiveness to, and corrective actions taken in respect of internal audit findings and recommendations.

(h) The Group Audit Committee should ensure that all findings and recommendations are resolved effectively and in a timely manner.

(i) The Group Audit Committee should note any significant disagreements between the internal auditor and management irrespective of whether they have been resolved in order to identify any impact that this may have on the audit process or findings.

(j) Resources and staffing. The Group Audit Committee should ensure on an ongoing basis the internal audit department has adequate and competent resources, given the size and complexity of a company's operations. In this respect, the Group Audit Committee should:-

i. Review any appraisal or assessment of the performance of members of the internal audit function;
ii. Approve any appointment or termination of senior staff members of the internal audit function; and
iii. Take cognizance 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 Chief of Internal Auditor 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.

GROUP AUDIT COMMITTEE REPORT

II. TERMS OF REFERENCE (CONT'D)

7. Duties and responsibilities (Cont'd)

7.2 External auditor (Cont'd)

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

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.

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

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

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

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

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

8. Other Responsibilities

The Group Audit Committee should also:

(a) Review:-

i. The interim financial reports and preliminary announcements;

ii. Corporate governance disclosures made in the Directors' Report and be satisfied that any departure from the Malaysian Code on Corporate Governance Framework ("Framework") principles and the circumstances justifying such departure are sufficiently explained;

iii. All representation letters signed by management, and be satisfied that the information provided is complete and appropriate;

iv. External auditor's management letter and management's response; and

v. Any related-party transactions and conflicts of interest situations that may arise between a company within Manulife Group including any transaction, procedure or conduct that raises questions of management's integrity.

II. TERMS OF REFERENCE (CONT'D)

8. Other Responsibilities (Cont'd)

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

(b) Prepare an annual report to the Board that provides a summary of the activities of the Group Audit Committee for inclusion in the Company's annual report.

(c) Assist the Board of the Company in the following for publication in the Company's annual report: -

i. Statement on the Company's application of the principles set out in Part 1 of the Malaysian Code on Corporate Governance ("MCCG");
ii. Statement on the extent of compliance with the Best Practices in Corporate Governance set out in Part 2 of the MCCG, specifying reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas; and
iii. Statement on the Board's responsibility for preparing the annual audited accounts.

(d) Ensure that the Company's accounts are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with regular reviews carried out on the adequacy of provisions made.

(e) Ensure that supervisory issues raised by a regulator concerning a member of the Manulife Group is resolved in a timely manner.

(f) Report any breaches of the Main Market Listing Requirements, which have not been satisfactorily resolved, to Bursa Securities.

(g) The Group Audit Committee shall also be responsible for any other functions as may be determined by the Board and reflected in its terms of reference.

9. Minutes

9.1 The Secretary shall keep the minutes of the Group Audit Committee meetings at the Company's registered office.

9.2 The minutes shall be signed by the Chairman of the meeting at which the proceeding were held or by the Chairman of the next succeeding meeting.

9.3 As a reporting procedure, the minutes shall be circulated to all members of the Board.

III. MEETINGS

The Committee had five (5) meetings during the year, which were attended by all members. Upon invitation, the Group Chief Executive Officer / Managing Director and members of senior management attended all the meetings.

The Group's external auditors attended three (3) of the meetings during the year.

GROUP AUDIT COMMITTEE REPORT

IV. SUMMARY OF ACTIVITIES

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

(i) reviewed the quarterly financial results announcements of Manulife Group prior to the Board's approval, focusing particularly on overall performance and prospects of Manulife Group and compliance with accounting standards and other legal requirements;

(ii) reviewed the external auditors' scope of work and audit plans for the year; and

(iii) reviewed the internal audit reports, audit plan and budget for the year.

V. GROUP INTERNAL AUDIT FUNCTION

The Group has a well-established Internal Audit Department, 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. The Group Audit Committee approves the following year's Audit Services Asia – Malaysia ("AS-Malaysia") Internal Audit plan and budget during the last Group Audit Committee meeting each year. Any subsequent significant interim changes will be submitted to the Group Audit Committee for approval including any resource limitations that impact Manulife Group's internal audit activities.

The scope of AS-Malaysia covers the audits of all units and operations of Manulife Holdings Berhad and its subsidiaries. The areas audited by AS-Malaysia during the year were selected based on an independent assessment of the inherent risks in each of the auditable areas by the internal auditors. The frequency of each audit depends on the audit risks assessed whereby areas with higher audit risks will be subject to more frequent audit, ranging from annually to once every three years.

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

The Group Audit Committee receives a detailed audit report after the completion of each audit assignment from AS-Malaysia. AS-Malaysia summarises the audit findings for deliberation at each meeting of the Group Audit Committee together with an update on management actions taken to-date pertaining to the audit findings reported. AS-Malaysia also follows up and reports to the Group Audit Committee on the management actions taken pertaining to any audit findings 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 2011 were RM472,393 (2010: RM549,135).

Financial Statements

DIRECTORS' REPORT

The directors have pleasure in submitting report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

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.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	67,367	5,895

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final dividend of 18 sen per share, less 25% tax, amounting to RM27,319,950 in respect of the financial year ended 31 December 2010.

The directors recommend the payment of a first and final dividend of 18 sen per share, less 25% tax, amounting to RM27,319,950 for the financial year ended 31 December 2011, 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 statements of comprehensive income and statements of financial position 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 all known bad debts had been written off and that adequate impairment losses had been made.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

PROVISION OF INSURANCE LIABILITIES

Before the statements of comprehensive income and statements of financial position 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 period since the date of the last report are:

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim
Datuk Abu Hassan bin Kendut
Philip John Hampden-Smith
Robert Allen Cook
Chan Yui Lung
Gianni Fiacco
Datuk Seri Panglima Mohd Annuar bin Zaini *(Appointed on 5 July 2011)*
Dato' Dr Nik Norzrul Thani bin N Hassan Thani *(Appointed on 5 July 2011)*
Datuk Ismail bin Haji Ahmad *(Retired on 23 June 2011)*
Ahmad Riza bin Basir *(Retired on 23 June 2011)*

In accordance with Article 93(B) of the Company's Articles of Association, Mr Philip John Hampden-Smith and Mr Chan Yui Lung shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Section 129 of the Companies Act, 1965, Tan Sri Dato' Mohd Sheriff bin Mohd Kassim shall retire at the forthcoming Annual General Meeting, and being eligible, offers himself for re-appointment.

In accordance with Article 98 of the Company's Articles of Association, Datuk Seri Panglima Mohd Annuar bin Zaini and Dato' Dr Nik Norzrul Thani bin N Hassan Thani shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

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

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, particulars of interests of directors who held office at the end of the financial year in shares of the Company and of its related corporations are as follows:

	Number of ordinary shares of RM0.50 each			
	As at 1.1.2011	**Acquired**	**Sold**	**As at 31.12.2011**
Manulife Holdings Berhad				
- Direct interest				
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	50,000	-	-	50,000

DIRECTORS' INTERESTS (CONT'D)

	Number of ordinary shares			
	As at 1.1.2011	Acquired	Sold	As at 31.12.2011
Manulife Financial Corporation				
- Direct interest				
Robert Allen Cook	10,000	-	-	10,000
Gianni Fiacco	334	-	-	334

	Number of option on ordinary shares			
	As at 1.1.2011	Granted	Lapsed	As at 31.12.2011
Manulife Financial Corporation				
- Direct interest				
Robert Allen Cook	747,449	152,747	(80,000)	820,196
Philip John Hampden-Smith	212,180	39,248	-	251,428
Gianni Fiacco	21,584	-	-	21,584
Chan Yui Lung	51,443	-	(22,000)	29,443

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

	Number of deferred/restricted share units			
	As at 1.1.2011	Reinvested/ granted	Lapsed	As at 31.12.2011
Manulife Financial Corporation				
- Direct interest				
Robert Allen Cook	86,229	11,404	-	97,633
Philip John Hampden-Smith	74,034	1,522	(10,565)	64,991
Gianni Fiacco	9,158	9,693	(5,784)	13,067
Chan Yui Lung	13,620	8,351	-	21,971

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

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

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

DIRECTORS' REPORT

HOLDING COMPANY

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

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 March 2012.

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM
CHAIRMAN

CHAN YUI LUNG
DIRECTOR

Kuala Lumpur

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating revenue	18	640,874	614,854	13,370	13,501
Gross earned premiums		487,905	467,016	-	-
Premiums ceded to reinsurers		(10,582)	(10,519)	-	-
Net earned premiums	19	477,323	456,497	-	-
Investment income	20	151,554	146,594	11,908	11,971
Net realised gains	21	52,399	30,466	2,526	2,346
Net fair value gains	22	-	62,662	1,073	266
Fee income	23	1,415	1,244	1,462	1,530
Other operating income		1,680	1,197	53	74
Other income		207,048	242,163	17,022	16,187
Gross benefits and claims paid		(422,856)	(378,598)	-	-
Claims ceded to reinsurers		3,857	4,737	-	-
Gross change to contract liabilities		(37,383)	(99,680)	-	-
Net claims		(456,382)	(473,541)	-	-
Fee and commission expenses		(65,763)	(74,200)	-	-
Net fair value losses	22	(9,458)	-	-	-
Investment expenses		(3,315)	(2,711)	(1,951)	(1,706)
Management expenses	24	(54,956)	(47,744)	(5,625)	(7,343)
Other operating expenses	26	(9,482)	(18,276)	(170)	(56)
Other expenses		(142,974)	(142,931)	(7,746)	(9,105)
Profit before taxation		85,015	82,188	9,276	7,082
Taxation	27	(17,648)	(17,834)	(3,381)	(2,608)
Net profit for the financial year		67,367	64,354	5,895	4,474

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other comprehensive income/(loss):					
Fair value change of available-for-sale financial assets:					
- Gross fair value change	8(c)	(263)	11,720	(186)	5,742
- Deferred taxation	15	80	(2,929)	62	(1,436)
- Net (loss)/gain		(183)	8,791	(124)	4,306
Surplus from revaluation of property:					
- Gross surplus from revaluation		480	-	480	-
- Deferred taxation		(120)	-	(120)	-
- Net gain		360	-	360	-
Total comprehensive income for the financial year		67,544	73,145	6,131	8,780
Net profit attributable to:					
Equity holders of the Company		67,367	64,354	5,895	4,474
Total comprehensive income attributable to:					
Equity holders of the Company		67,544	73,145	6,131	8,780
Basic earnings per share (sen)	28	33.29	31.80		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
ASSETS					
Property and equipment	4	20,201	15,168	10,036	9,804
Investment properties	5	81,173	82,497	32,540	31,282
Intangible assets	6	2,136	2,561	-	-
Subsidiary companies	7	-	-	176,891	171,891
Available-for-sale financial assets	8(a)	2,410,876	2,196,016	147,849	158,835
Fair value through profit or loss financial assets	8(b)	656,565	673,551	-	-
Loans and receivables	9	545,008	582,788	29,903	26,345
Reinsurance assets		3,021	2,368	-	-
Deferred tax assets	15	80	561	-	-
Insurance receivables	10	27,123	24,512	-	-
Current tax assets		2	-	-	-
Cash and cash equivalents		29,654	112,342	3,889	21,148
TOTAL ASSETS		3,775,839	3,692,364	401,108	419,305
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES					
Share capital	11	101,185	101,185	101,185	101,185
Share premium		1,884	1,884	1,884	1,884
Retained earnings	12	451,440	411,393	278,818	300,243
Other reserves		21,302	21,125	5,860	5,624
TOTAL EQUITY		575,811	535,587	387,747	408,936
Insurance contract liabilities	13	2,777,264	2,753,341	-	-
Insurance claims liabilities	14	35,371	28,885	-	-
Deferred tax liabilities	15	25,480	28,452	3,681	1,775
Insurance payables	16	328,478	294,140	-	-
Current tax liabilities		-	6,769	4,167	3,676
Other payables	17	33,435	45,190	5,513	4,918
TOTAL LIABILITIES		3,200,028	3,156,777	13,361	10,369
TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES		3,775,839	3,692,364	401,108	419,305

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2011

Group	Note	Share capital RM'000	Share premium RM'000	Asset revaluation reserve RM'000	Currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2010		101,185	1,884	2,486	5,190	4,658	372,841	488,244
Total comprehensive income for the financial year		-	-	-	-	8,791	64,354	73,145
Dividends paid	29	-	-	-	-	-	(25,802)	(25,802)
At 31 December 2010		101,185	1,884	2,486	5,190	13,449	411,393	535,587
At 1 January 2011		101,185	1,884	2,486	5,190	13,449	411,393	535,587
Total comprehensive income/(loss) for the financial year		-	-	360	-	(183)	67,367	67,544
Dividends paid	29	-	-	-	-	-	(27,320)	(27,320)
At 31 December 2011		101,185	1,884	2,846	5,190	13,266	451,440	575,811

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2011

Company	Note	Non-distributable				Distributable	
		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
At 1 January 2010		101,185	1,884	2,486	(1,168)	321,571	425,958
Total comprehensive income for the financial year		-	-	-	4,306	4,474	8,780
Dividends paid	29	-	-	-	-	(25,802)	(25,802)
At 31 December 2010		101,185	1,884	2,486	3,138	300,243	408,936
At 1 January 2011		101,185	1,884	2,486	3,138	300,243	408,936
Total comprehensive income/(loss) for the financial year		-	-	360	(124)	5,895	6,131
Dividends paid	29	-	-	-	-	(27,320)	(27,320)
At 31 December 2011		101,185	1,884	2,846	3,014	278,818	387,747

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit for the financial year		67,367	64,354	5,895	4,474
Adjustments for non-cash items	30	(128,404)	(101,963)	(11,688)	(11,544)
Operating losses before changes in operating assets and liabilities		(61,037)	(37,609)	(5,793)	(7,070)
Purchase of investments		(1,127,218)	(931,359)	-	-
Proceeds from sale and maturity of investments		948,319	834,958	-	-
Interest income received		107,717	101,984	6,585	6,335
Dividend income received		28,517	26,442	917	829
Rental income received		5,622	4,264	2,743	2,629
Decrease/(increase) in other receivables		4,551	(7,072)	(1,666)	27,308
Increase/(decrease) in payables		22,547	42,823	559	(1,221)
Increase/(decrease) in insurance claims liabilities		5,833	(730)	-	-
(Increase)/decrease in fixed and call deposits		(2,499)	(8,244)	(2,794)	3,181
Decrease in loan receivables		32,705	22,246	2,183	721
Cash (used in)/generated from operations		(34,943)	47,703	2,734	32,712
Income taxes (paid)/recovered		(31,496)	(20,855)	(1,078)	4,633
Net cash (outflow)/inflow from operating activities		(66,439)	26,848	1,656	37,345
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(2,050)	(1,079)	(189)	(16)
Purchase of intangible assets		(474)	(1,190)	-	-
Purchase of investments		(25,159)	(28,753)	(25,159)	(28,753)
Proceeds from sale and maturity of investments		38,753	21,969	38,753	21,969
Additional investment in a subsidiary company		-	-	(5,000)	-
Proceeds from disposal of property and equipment		1	119	-	119
Net cash inflow/(outflow) from investing activities		11,071	(8,934)	8,405	(6,681)
CASH FLOWS FROM FINANCING ACTIVITIES					
Shareholders' dividends paid		(27,320)	(25,802)	(27,320)	(25,802)
Net cash outflow from financing activities		(27,320)	(25,802)	(27,320)	(25,802)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH AND CASH EQUIVALENTS				
Net (decrease)/increase during the financial year	(82,688)	(7,888)	(17,259)	4,862
Cash and cash equivalents at 1 January	112,342	120,230	21,148	16,286
Cash and cash equivalents at 31 December	29,654	112,342	3,889	21,148

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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances	22,262	25,154	1,983	781
Short-term deposits	7,392	87,188	1,906	20,367
Cash and cash equivalents	29,654	112,342	3,889	21,148

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 incorparated in Netherlands. The ultimate holding company is Manulife Financial Corporation, a corporation incorporated and domiciled in Canada and listed on Toronto, New York and Hong Kong Stock Exchanges.

Principal activities

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

There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year.

Registered office and principal place of business

The registered office and principal place of business of the Company is located at 12th 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 item which are considered material to the financial statements.

(a) Basis of preparation

The Company has been granted relief by the Companies Commission of Malaysia to prepare its consolidated financial statements on the basis consistent with the basis of preparation of the Group's insurance subsidiary company. Accordingly, 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 the Financial Reporting Standards ("FRS") in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") pursuant to the Insurance Act, 1996 and comply with the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the FRS requires the directors to exercise their judgement in the process of applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the directors' best knowledge of current events and actions, actual results could differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in note 3 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

(i) The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Group's and the Company's financial year beginning on or after 1 January 2011 are as follows:

FRSs/Interpretations	Effective Date
• Amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues	1 March 2010
• FRS 3 (revised) "Business combinations"	1 July 2010
• FRS 127 (revised) "Consolidated and separate financial statements"	1 July 2010
• Amendments to FRS 5 "Non-current assets held for sale and discontinued operations"	1 July 2010
• Amendments to FRS 138 "Intangible Assets"	1 July 2010
• Amendments to IC Interpretation 9 "Reassessment of embedded derivatives"	1 July 2010
• Amendments to FRS 2 "Share-based Payment"	1 July 2010
• Amendment to FRS 2 "Share-based payment: Group cash-settled share-based payment transactions"	1 January 2011
• Amendments to FRS 1 "First-time adoption of financial reporting standards"	1 January 2011
• Amendments to FRS 7 "Financial instruments: Disclosures"	1 January 2011
• IC Interpretation 4 "Determining whether an arrangement contains a lease"	1 January 2011
• Improvements to FRSs (2010)	1 January 2011

The adoption of the above new accounting standards, amendments and improvements to published standards and interpretations does not have any significant impact to the financial statements of the Group and the Company except as stated below:

- FRS 7 (Amendment) "Financial instruments: Disclosures" effective for annual period beginning or after 1 January 2011

  Fair value

  An entity shall disclose for each class of financial instruments, the methods and when valuation techniques is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it. An entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

  Liquidity risk

  An entity shall disclose:

  (a) A maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities;

  (b) A maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows; and

  (c) A description of how it managed the liquidity risk inherent in (a) and (b).

NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

(i) The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Group's and the Company's financial year beginning on or after 1 January 2011 are as follows: (Cont'd)

- Improvements to FRS 101 "Presentation of financial statements" effective from 1 January 2011 clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

The adoption of the above amendment does not have any significant impact to the financial statements of the Group and the Company other than additional disclosures.

(ii) The new accounting standards, amendments and improvements to published standards and interpretations that are effective but not applicable to the Group's and the Company's financial year beginning on or after 1 January 2011 are as follows:

FRSs/Interpretations	Effective Date
• IC Interpretation 12 "Service concession arrangements"	1 July 2010
• IC Interpretation 16 "Hedges of a net investment in a foreign operation"	1 July 2010
• IC Interpretation 17 "Distribution of non-cash assets to owners"	1 July 2010
• IC Interpretation 18 "Transfers of assets from customers"	1 January 2011

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Group and the Company but not yet effective are as follows:

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following period.

Financial year beginning on/after 1 January 2012

In the next financial year, the Group and the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

The Group and the Company do not expect any significant financial impact to arise from the adoption of MFRS. These MFRSs include the following:

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

  The Group and the Company will apply this standard from financial period beginning on 1 January 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Group and the Company but not yet effective are as follows: (Cont'd)

Financial year beginning on/after 1 January 2012 (Cont'd)

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn. The Group and the Company will apply this standard from financial period beginning on 1 January 2012.

- Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation. The Group and the Company will apply this standard from financial period beginning on 1 January 2012.

- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Group and the Company will apply this standard from financial period beginning on 1 January 2012.

Financial year beginning on/after 1 January 2013

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013 and deferred to 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply. The Group and the Company will apply this standard from financial period beginning on 1 January 2015.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Group and the Company but not yet effective are as follows: (Cont'd)

Financial year beginning on/after 1 January 2013 (Cont'd)

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones. The Group and the Company will apply this standard from financial period beginning on 1 January 2013.

- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in OCI in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI. The Group and the Company will apply this standard from financial period beginning on 1 January 2013.

(b) Basis of consolidation

The Group's financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Subsidiaries are those enterprises in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated using the purchase method of accounting from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

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

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

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 comprehensive income.

(c) Subsidiary companies

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) **Property and equipment**

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

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

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

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

Land and buildings are initially stated at cost and subsequently shown at fair value, based on independent valuation of the open market value on the existing use basis carried out by professional valuers less accumulated depreciation and accumulated impairment losses. The valuation of land and buildings is carried out once in every five years or earlier if the carrying values of the revalued assets are materially different from the market values.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property and equipment (Cont'd)

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

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

(e) Intangible assets

Intangible assets represent the cost of software rights developed. These rights are amortised on a straight-line basis over a period of four years.

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

(f) Financial instruments

(i) Classification, recognition and measurement of financial assets

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

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

(1) FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated at fair value through profit or loss, the following criteria must be met:

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

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the 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 has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in the profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

(i) Classification, recognition and measurement of financial assets (Cont'd)

(3) LAR

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

(4) AFS

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

Fair value gains and losses of these investments are reported as a separate component of equity or insurance contract liablities for the insurance subsidiary of the Group until the investments are derecognised or the investments are determined to be impaired.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity or insurance contract liabilities for the insurance subsidiary of the Group are transferred to the profit or loss.

(ii) Derecognition and impairment of financial assets

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

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

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Fair value of financial instruments (Cont'd)

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.

(h) Investment properties

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

Investment properties are initially stated at cost including related and incidental expenditure incurred, and are subsequently carried at fair value by the directors based on independent valuation of the open market values on existing use basis carried out by professional valuers. These valuations are reviewed annually and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially different from the market values. Investment properties are not depreciated.

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

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

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

(i) Impairment

(i) Financial assets

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

Financial assets carried at amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

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 impaiment assessment is performed at each reporting date.

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

AFS financial assets

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

(ii) Non-financial assets

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

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

(j) Employee benefits

(i) Short-term employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Employee benefits (Cont'd)

(ii) Post-employment benefits

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

Other than the mandatory contributions to the Employees' Provident Fund, the Group and the Company make contributions to a separately funded defined contribution retirement benefits scheme ("the Scheme"), which is administered by 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. An actuarial investigation into the financial condition of the Scheme is made at intervals not longer than one year. The last actuarial investigation was performed as at 31 December 2011.

The contribution payable for the financial year is charged to the profit or loss. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Share-based compensation

The Group and the Company participated in share-based compensation plans granted to certain employees of Manulife Financial Corporation Group as consideration for services rendered. These plans include both equity-settled share options and cash-settled share-based compensation scheme to eligible employees.

(i) Equity-settled share-based compensation

The fair value of equity settled, share-based compensation granted to employees as at the grant date is recognised in the profit and loss over the vesting periods of the grant. The fair value of the grant is measured using the Black Scholes option pricing model, with the market price or strike price being the closing transaction price of Manulife Financial Corporation ("MFC") shares prior to the grant date. In valuing the share-based payments, no account is taken of any performance conditions, other than conditions linked to the price of the shares of MFC if applicable.

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

(ii) Cash-settled share-based compensation

The fair value of the employee services received in exchange for the grant of the share appreciation rights is recognised in the profit or loss over the vesting periods of the grant with a corresponding increase in liabilities.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights of Manulife Financial Corporation. At each date of the statement of financial position, the Group and the Company review its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Other revenue recognition

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

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

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

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

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

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

(l) Assets held for sale

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

(m) Product classification

An insurance contract is a contract under which the insurance subsidiary of the Group (the insurer) 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 FRS 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, 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 expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Product classification (Cont'd)

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.

Insurance contracts in the participating fund are classified as insurance contracts with DPF and insurance contracts in the non-particpating fund are classified as insurance contracts without DPF.

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

(n) Reinsurance

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Transfer of Life fund surplus to Shareholders' fund

The surplus transferable from the Life fund to the profit or loss is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders made in accordance with the provisions of the Insurance Act, 1996.

(ii) 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.

(iii) Reinsurance premiums

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

(iv) 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.

(v) 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Insurance receivables

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

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

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

(q) Foreign currencies

(i) Functional and presentation currency

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

(ii) 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;

(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; and

(3) All resulting exchange differences are recognised as a separate component of equity under the foreign currency translation reserve except for the investment-linked business, where such exchange differences are reported as a separate component of the insurance contract liabilities as required by the Guidelines on Financial Reporting for Insurers issued by BNM.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(r) Dividends on ordinary share capital

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

(s) Cash and cash equivalents

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

(t) Taxation

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

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

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

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

(u) Contingent liabilities and contingent assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(v) Insurance contract liabilities

(i) Actuarial liabilities

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

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

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 insurance subsidiary of the Group.

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

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

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

(ii) Unallocated surplus

Surpluses of contract under the participating fund are attributable to policyholders and shareholders and the amount and timing of distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statement of financial position and is made in accordance with the provision of the Insurance Act, 1996 and related regulation by the Group's insurance subsidiary's Appointed Actuary.

Surpluses of contract under the non-participating fund are attributable wholly to the shareholders and the amount and timing of distribution to the shareholders is subject to the recommendation of the Group's insurance subsidiary's Appointed Actuary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Insurance contract liabilities (Cont'd)

(ii) Unallocated surplus (Cont'd)

As required by the Guidelines on Financial Reporting for Insurers issued by BNM, unallocated surplus of both participating and non-participating 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.

(iii) AFS fair value reserve

Fair value gains and losses of AFS financial assets of the insurance business of the Group's insurance subsidiary are reported as a separate component of insurance contract liabilities until the AFS financial assets are derecognised or the financial assets are determined to be impaired.

As required by the Guidelines on Financial Reporting for Insurers issued by BNM, AFS fair value reserve is held within the insurance contract liabilities.

(iv) Net asset value attributable to unit holders

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

(v) Foreign currency translation reserve

All resulting foreign exchange differences arising from the translation of assets and liabilities of the investment-linked business of the Group's insurance subsidiary from functional currency to presentation currency of the Group, are reported as a separate component of the insurance contract liabilities as required by the Guidelines on Financial Reporting for Insurers issued by BNM.

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, the Group and the Company makes 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 estimates assumptions are constantly reviewed to ensure that they remain relevant and valid.

The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future are discussed below.

<u>**Valuation of actuarial liabilities**</u>

The valuation of the ultimate liability arising from policy benefits made under life insurance contracts is the Group's most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, lapses, surrender rates and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgment and therefore, actual experience may be materially different than the assumptions made by the insurance subsidiary of the Group. 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.

NOTES TO THE FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

Valuation of actuarial liabilities (Cont'd)

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 fund, the non-unit liabilities of the investment-linked funds and the guaranteed benefits liabilities of the participating fund, were changed from the weighted average to spot Malaysia Government bond yields in accordance with BNM's circular "BNM/RH/CIR 003-29: Removal of Temporary Flexibility for Life Insurers under the Risk-Based Capital Framework for Insurers". The rates used are described as below:-

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

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

The zero coupon spot yields are obtained from Bond Pricing Agency Malaysia Sdn. Bhd., a bond pricing agency approved by BNM.

For the valuation of total benefits liabilities of the participating fund, the net fund based yields are used. The net fund based yields for the ordinary life participating fund and annuity fund were changed from 5.92% and 5.52% respectively to the following interest rate vector in the current financial year.

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021+
Ordinary Par	4.95%	5.04%	5.12%	5.21%	5.30%	5.38%	5.47%	5.56%	5.64%	5.73%
Annuity Par	4.90%	5.01%	5.13%	5.24%	5.35%	5.46%	5.58%	5.69%	5.80%	5.92%

The change in the net fund based yields is intended to reflect the current low interest rate environment and volatility in the equity market.

Mortality, morbidity, critical illness, expenses, lapse and surrenders

The insurance subsidiary of the Group updated its mortality and morbidity tables in the current financial year to reflect the current and expected future claims experience. The new tables are established industry and Malaysian tables which reflect historical experiences, adjusted where appropriate to reflect the Group's insurance subsidiary'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, adjusted for expected expense inflation adjustments, if appropriate. In the current financial year, the insurance subsidiary of the Group has changed the future expense assumptions to reflect the current sales and budget planned. A new expense assumption for the levy by Malaysia Deposit Insurance Corporation (or Perbadanan Insurans Deposit Malaysia, "PIDM") was added. The rate is 6 basis points per annum of the actuarial valuation of insurance contract liabilities.

Lapse and surrender rates are based on the Group's insurance subsidiary's historical experience of lapses and surrenders.

For the non-participating fund, the non-unit liabilities of the investment-linked funds and the guaranteed benefits liabilities of the participating fund, provision for risk of adverse deviation "PRAD" assumptions are added to the best estimates assumptions.

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

4. PROPERTY AND EQUIPMENT

Group

	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost/valuation					
At 1 January 2010	9,236	-	14,743	1,085	25,064
Additions	-	-	1,079	-	1,079
Disposals	-	-	(4)	(100)	(104)
Write off	-	-	(89)	-	(89)
Adjustment	-	-	(36)	-	(36)
Reclass from intangible assets (note 6)	-	-	57	-	57
At 31 December 2010/1 January 2011	9,236	-	15,750	985	25,971
Additions	-	169	1,743	138	2,050
Transfer from investment properties (note 5)	4,337	-	-	-	4,337
Disposals	-	-	(16)	-	(16)
Write off	-	-	(200)	(6)	(206)
Revaluation surplus	1	-	-	-	1
At 31 December 2011	13,574	169	17,277	1,117	32,137
Comprising assets stated at:					
Valuation in 2011	13,574	-	-	-	13,574
Cost	-	169	17,277	1,117	18,563
	13,574	169	17,277	1,117	32,137
Comprising assets stated at:					
Valuation in 2010	9,236	-	-	-	9,236
Cost	-	-	15,750	985	16,735
	9,236	-	15,750	985	25,971
Accumulated depreciation					
At 1 January 2010	-	-	8,510	678	9,188
Charge for the financial year	240	-	1,400	106	1,746
Disposals	-	-	(4)	(43)	(47)
Write off	-	-	(87)	-	(87)
Reclass from intangible assets (note 6)	-	-	3	-	3
At 31 December 2010/1 January 2011	240	-	9,822	741	10,803
Charge for the financial year	240	-	1,351	112	1,703
Disposals	-	-	(11)	-	(11)
Write off	-	-	(73)	(6)	(79)
Reversal on revaluation of property	(480)	-	-	-	(480)
At 31 December 2011	-	-	11,089	847	11,936

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

4. PROPERTY AND EQUIPMENT (CONT'D)

Group (Cont'd)

	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Carrying amount					
At 31 December 2011	13,574	169	6,188	270	20,201
At 31 December 2010	8,996	-	5,928	244	15,168

Company

	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost/valuation					
At 1 January 2010	9,236	-	1,030	931	11,197
Additions	-	-	16	-	16
Disposals	-	-	(4)	(100)	(104)
Adjustment	-	-	(36)	-	(36)
At 31 December 2010/1 January 2011	9,236	-	1,006	831	11,073
Additions	-	119	39	31	189
Write off	-	-	-	(6)	(6)
Transfer from a subsidiary company	-	-	2	-	2
Revaluation surplus	1	-	-	-	1
At 31 December 2011	9,237	119	1,047	856	11,259
Comprising assets stated at:					
Valuation in 2011	9,237	-	-	-	9,237
Cost	-	119	1,047	856	2,022
	9,237	119	1,047	856	11,259
Comprising assets stated at:					
Valuation in 2010	9,236	-	-	-	9,236
Cost	-	-	1,006	831	1,837
	9,236	-	1,006	831	11,073

4. PROPERTY AND EQUIPMENT (CONT'D)

Company (Cont'd)

	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation					
At 1 January 2010	-	-	288	597	885
Charge for the financial year	240	-	104	87	431
Disposals	-	-	(4)	(43)	(47)
At 31 December 2010/ 1 January 2011	240	-	388	641	1,269
Charge for the financial year	240	-	109	89	438
Write off	-	-	-	(6)	(6)
Transfer from a subsidiary company	-	-	2	-	2
Reversal on revaluation of property	(480)	-	-	-	(480)
At 31 December 2011	-	-	499	724	1,223
Carrying amount					
At 31 December 2011	9,237	119	548	132	10,036
At 31 December 2010	8,996	-	618	190	9,804

The building of the Group and the Company are freehold properties and were revalued in 2011 based on the investment method carried out by an independent qualified valuer, Mr Foo Gee Jen (B.Surv (Hons) Prop.Mgt.,MISM) of C H Williams Talhar & Wong Sdn Bhd. The valuation of these properties was adopted by the directors for the financial year ended 31 December 2011.

The carrying amount of revalued building had these assets been carried at cost less accumulated depreciation is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Building	8,764	5,252	5,112	5,252

The Company is in the process of arranging for separate title to each of their freehold properties.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

5. INVESTMENT PROPERTIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 January	82,497	79,006	31,282	31,016
Transfer to self-occupied properties (note 4)	(4,337)	-	-	-
Fair value gain (note 22)	3,013	3,491	1,258	266
At 31 December	81,173	82,497	32,540	31,282
Represented by:				
Freehold properties	81,173	82,497	32,540	31,282

In 2011, the Group and the Company has carried out a valuation of the properties based on the investment method carried out by an independent qualified valuer, Mr Foo Gee Jen (B.Surv (Hons) Prop.Mgt.,MISM) of C H Williams Talhar & Wong Sdn Bhd. The valuation of these properties was adopted by the directors for the financial year ended 31 December 2011.

The Company is in the process of arranging for separate title to each of their freehold properties.

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Rental income	6,711	6,650	4,054	3,949
Direct operating expenses arising from investment properties that generate rental income	(2,406)	(1,981)	(1,298)	(1,077)
Direct operating expenses arising from investment properties that did not generate rental income	(510)	(494)	(246)	(237)

6. INTANGIBLE ASSETS

	Group	
	2011 RM'000	2010 RM'000
Cost		
At 1 January	4,180	1,375
Additions	474	2,862
Reclass to furniture, fittings and equipment (note 4)	-	(57)
At 31 December	4,654	4,180

6. INTANGIBLE ASSETS (CONT'D)

	Group	
	2011 RM'000	2010 RM'000
Accumulated amortisation		
At 1 January	1,619	1,014
Amortisation during the financial year	899	608
Reclass to furniture, fittings and equipment (note 4)	-	(3)
At 31 December	2,518	1,619
Carrying amount	2,136	2,561

Intangible assets represents the cost of software rights acquired/developed.

7. SUBSIDIARY COMPANIES

	Company	
	2011 RM'000	2010 RM'000
Unquoted shares at cost	184,644	179,644
Accumulated impairment losses	(7,753)	(7,753)
	176,891	171,891

During the year, the Company increased its interest in one of its subsidiary company via additional subscription of 5 million ordinary shares of RM1.00 each in cash.

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Manulife Insurance Berhad	Malaysia	100	100	Life insurance business
Manulife Asset Management (Malaysia) Sdn Bhd	Malaysia	100	100	Investment and fund management
Manulife Unit Trusts Berhad	Malaysia	100	100	Management of unit trust funds
Britama Credit Sdn Bhd	Malaysia	100	100	Money lending and hire purchase
Britama Properties Sdn Bhd	Malaysia	100	100	Property rental and management
The e-Software House Sdn Bhd	Malaysia	100	100	Dormant
British American Investments Pte Ltd*	Singapore	100	100	Dormant

* The subsidiary company is audited by PricewaterhouseCoopers Singapore.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

8. FINANCIAL ASSETS

(a) Available-for-sale

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Equity securities				
- Quoted in Malaysia	680,508	639,740	19,898	21,435
- Unquoted	2,516	2,516	572	572
Real estate investment trusts				
- Quoted in Malaysia	1,511	-	44	-
Unit trust funds	82,830	81,765	-	-
Malaysia Government Securities	680,505	573,562	47,618	51,115
Government Investment Issues	103,304	95,195	6,195	10,417
Corporate debt securities				
- Unquoted	846,040	790,444	72,629	74,333
Accrued interest	13,662	12,794	893	963
	2,410,876	2,196,016	147,849	158,835
Current	883,482	759,956	28,471	28,184
Non-current	1,527,394	1,436,060	119,378	130,651
	2,410,876	2,196,016	147,849	158,835

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

	Group	
	2011 RM'000	2010 RM'000
Equity securities		
- Quoted in Malaysia	203,037	188,983
Malaysian Government Securities	140,807	116,315
Government Investment Issues	18,338	15,270
Corporate debt securities		
- Unquoted	201,571	196,712
Equity call options		
- Unquoted	-	5,723
Mutual funds		
- Quoted outside Malaysia	90,105	102,709
Negotiable instrument of deposits	-	45,373
Accrued interest	2,707	2,466
	656,565	673,551
Current	367,184	398,286
Non-current	289,381	275,265
	656,565	673,551

8. FINANCIAL ASSETS (CONT'D)

(c) Carrying value of financial assets

	Group		
	Available-for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2010	1,879,278	669,077	2,548,355
Purchases	536,083	424,029	960,112
Disposals	(357,466)	(435,257)	(792,723)
Fair value gains recorded in:			
Profit or loss (note 22)	-	25,371	25,371
Other comprehensive income	11,720	-	11,720
Insurance contract liabilities (note 13)	120,269	-	120,269
Accretion of discounts, net of amortisation of premiums (note 20)	5,329	2,461	7,790
Unrealised exchange loss	-	(11,640)	(11,640)
Movement in accrued interest	803	(490)	313
At 31 December 2010/1 January 2011	2,196,016	673,551	2,869,567
Purchases	586,486	565,891	1,152,377
Maturities	(18,659)	(14,842)	(33,501)
Disposals	(334,265)	(551,780)	(886,045)
Fair value losses recorded in:			
Profit or loss (note 22)	-	(22,477)	(22,477)
Other comprehensive income	(263)	-	(263)
Insurance contract liabilities (note 13)	(18,538)	-	(18,538)
Allowance for impairment losses (note 22)	(5,117)	-	(5,117)
Accretion of discounts, net of amortisation of premiums (note 20)	4,348	2,299	6,647
Unrealised exchange gain	-	3,682	3,682
Movement in accrued interest	868	241	1,109
At 31 December 2011	2,410,876	656,565	3,067,441

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

8. FINANCIAL ASSETS (CONT'D)

(c) Carrying value of financial assets (Cont'd)

	Company		
	Available-for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2010	143,215	-	143,215
Purchases	28,753	-	28,753
Disposals	(19,685)	-	(19,685)
Fair value gains recorded in:			
Other comprehensive income	5,742	-	5,742
Accretion of discounts, net of amortisation of premiums (note 20)	688	-	688
Movement in accrued interest	122	-	122
At 31 December 2010/1 January 2011	158,835	-	158,835
Purchases	25,159	-	25,159
Maturities	(5,174)	-	(5,174)
Disposals	(31,053)	-	(31,053)
Fair value losses recorded in:			
Other comprehensive income	(186)	-	(186)
Allowance for impairment losses (note 22)	(185)	-	(185)
Accretion of discounts, net of amortisation of premiums (note 20)	523	-	523
Movement in accrued interest	(70)	-	(70)
At 31 December 2011	147,849	-	147,849

9. LOANS AND RECEIVABLES

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loan receivables:					
Policy loans		323,088	340,372	-	-
Mortgage loans		3,134	1,009	-	-
Secured loans		-	17,472	-	2,183
Other loans		294	368	1	1
		326,516	359,221	1	2,184
Allowance for impairment loss		(84)	(84)	-	-
	(i)	326,432	359,137	1	2,184
Fixed and call deposits with licensed banks in Malaysia		209,637	204,938	22,167	19,373
Accrued interest		261	1,382	158	245
	(ii)	209,898	206,320	22,325	19,618

9. LOANS AND RECEIVABLES (CONT'D)

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other receivables:					
Amount due from subsidiary companies	(iii)	-	-	6,807	3,781
Amount due from a related company	(iii)	70	-	36	-
Accrued dividend income		1,472	1,688	80	36
Accrued rental income		88	74	-	-
Other debtors		6,548	14,949	1,351	1,332
Deposits		1,073	1,189	261	468
		9,251	17,900	8,535	5,617
Allowance for impairment loss		(1,075)	(1,075)	(1,075)	(1,075)
	(iv)	8,176	16,825	7,460	4,542
Prepayments	(v)	502	506	117	1
Total		545,008	582,788	29,903	26,345

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
(i) Loan receivables:				
Receivable within 12 months	699	927	1	59
Receivable after 12 months	325,733	358,210	-	2,125
	326,432	359,137	1	2,184
(ii) Fixed and call deposits with licensed banks in Malaysia:				
Receivable within 12 months	148,300	146,924	10,325	7,618
Receivable after 12 months	61,598	59,396	12,000	12,000
	209,898	206,320	22,325	19,618

(iii) The amounts due from subsidiary companies and related company are unsecured, trade related and repayable on demand.

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
(iv) Other receivables:				
Receivable within 12 months	7,486	16,135	7,460	4,542
Receivable after 12 months	690	690	-	-
	8,176	16,825	7,460	4,542

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

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
(v) Prepayments				
Receivable within 12 months	502	506	117	1

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10. INSURANCE RECEIVABLES

	Group	
	2011 RM'000	2010 RM'000
Due premiums including agents' balances	28,187	25,514
Due from reinsurers and cedants	-	117
	28,187	25,631
Allowance for impairment loss	(1,064)	(1,119)
	27,123	24,512
Receivable within 12 months	27,123	24,512

11. SHARE CAPITAL

	Company			
	2011		2010	
	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.

12. RETAINED EARNINGS

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007, which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders ("single-tier system"). However, there is a transitional period of six years expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. During the transitional period, the Company may utilise the credits in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007.

As at 31 December 2011, the Company has Section 108 balance and tax exempt income account balance of approximately RM79,223,015 and RM21,912,678 (2010: RM88,329,664 and RM21,856,744) respectively, to enable the distribution of all of its retained earnings up to RM259,581,722 (2010: RM286,845,736) if paid out as dividends.

NOTES TO THE FINANCIAL STATEMENTS
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13. INSURANCE CONTRACT LIABILITIES

Group	Gross		Net	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Actuarial liabilities	2,196,474	1,922,955	2,196,474	1,922,955
Unallocated surplus	62,461	262,646	62,461	262,646
Available-for-sale fair value reserve	152,297	168,392	152,297	168,392
Investment-linked policyholders' account	373,481	409,432	373,481	409,432
Foreign currency translation reserve on investment-linked policyholders' account	(7,449)	(10,084)	(7,449)	(10,084)
	2,777,264	2,753,341	2,777,264	2,753,341
Current	577,598	843,792	577,598	843,792
Non-current	2,199,666	1,909,549	2,199,666	1,909,549
	2,777,264	2,753,341	2,777,264	2,753,341

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

Group	Gross		Net	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 January	2,753,341	2,553,189	2,753,341	2,553,189
Inforce reserve movement	87,675	74,682	87,675	74,682
New business reserve	(12,452)	(16,808)	(12,452)	(16,808)
Discount rate and other changes	198,296	2,793	198,296	2,793
Unallocated surplus	(200,185)	(3,378)	(200,185)	(3,378)
Foreign currency translation reserve on investment-linked policyholders' account	2,635	(10,268)	2,635	(10,268)
Investment-linked policyholders' account	(35,951)	42,393	(35,951)	42,393
Available-for-sale fair value reserve				
- gross movement (note 8 (c))	(18,538)	120,269	(18,538)	120,269
- deferred tax effects (note 15)	2,443	(9,531)	2,443	(9,531)
At 31 December	2,777,264	2,753,341	2,777,264	2,753,341

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

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14. INSURANCE CLAIMS LIABILITIES

	Group	
	2011 RM'000	2010 RM'000
Provision for outstanding claims	35,371	28,885
Current	35,371	28,885

15. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(25,480)	(28,452)	(3,681)	(1,775)
Deferred tax assets	80	561	-	-
	(25,400)	(27,891)	(3,681)	(1,775)
Current	(17,177)	(17,791)	(3,136)	1,306
Non-current	(8,223)	(10,100)	(545)	(3,081)
	(25,400)	(27,891)	(3,681)	(1,775)

15. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

	Assets		Liabilities		Net	
Group	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Revaluation - investment properties	-	-	(2,400)	(1,977)	(2,400)	(1,977)
Accelerated depreciation	229	245	(454)	(391)	(225)	(146)
Revaluation - self-occupied properties	-	-	(949)	(829)	(949)	(829)
Investments	-	-	(21,661)	(25,198)	(21,661)	(25,198)
Unutilised tax losses	80	504	-	-	80	504
Others	-	-	(245)	(245)	(245)	(245)
	309	749	(25,709)	(28,640)	(25,400)	(27,891)
Offsetting	(229)	(188)	229	188	-	-
Deferred tax assets/(liabilities) (after offsetting)	80	561	(25,480)	(28,452)	(25,400)	(27,891)
Company						
Revaluation - investment properties	-	-	(2,008)	(1,692)	(2,008)	(1,692)
Accelerated depreciation	229	183	-	-	229	183
Investments	-	1,983	(953)	(1,375)	(953)	(563)
Revaluation - self-occupied properties	-	-	(949)	(829)	(949)	(829)
	229	2,121	(3,910)	(3,896)	(3,681)	(1,775)
Offsetting	(229)	(2,121)	229	2,121	-	-
Deferred tax liabilities (after offsetting)	-	-	(3,681)	(1,775)	(3,681)	(1,775)

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 tax authority.

15. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

Group	Revaluation-investment properties RM'000	Accelerated depreciation RM'000	Revaluation-self-occupied properties RM'000	Investments RM'000	Unutilised tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2010	(1,652)	(115)	(829)	(10,807)	220	(32)	(13,215)
Recognised in:							
Profit or loss							
- Other operating expenses (note 26)	(258)	(15)	-	(1,931)	-	-	(2,204)
- Taxation (note 27)	(67)	(16)	-	-	284	(213)	(12)
Other comprehensive income	-	-	-	(2,929)	-	-	(2,929)
Insurance contract liabilities (note 13)	-	-	-	(9,531)	-	-	(9,531)
At 31 December 2010/1 January 2011	(1,977)	(146)	(829)	(25,198)	504	(245)	(27,891)
Recognised in:							
Profit or loss							
- Other operating expenses (note 26)	(107)	(71)	-	2,587	-	-	2,409
- Taxation (note 27)	(316)	(8)	-	(1,573)	(424)	-	(2,321)
Other comprehensive income	-	-	-	80	-	-	80
Insurance contract liabilities (note 13)	-	-	-	2,443	-	-	2,443
Asset revaluation reserve	-	-	(120)	-	-	-	(120)
At 31 December 2011	(2,400)	(225)	(949)	(21,661)	80	(245)	(25,400)

15. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Company	Revaluation-investment properties RM'000	Accelerated depreciation RM'000	Revaluation-self-occupied properties RM'000	Investments RM'000	Total RM'000
At 1 January 2010	(1,626)	192	(829)	1,999	(264)
Recognised in:					
Profit or loss					
- Taxation (note 27)	(66)	(9)	-	-	(75)
Other comprehensive income	-	-	-	(1,436)	(1,436)
At 31 December 2010/1 January 2011	(1,692)	183	(829)	563	(1,775)
Recognised in:					
Profit or loss					
- Taxation (note 27)	(316)	46	-	(1,578)	(1,848)
Other comprehensive income	-	-	-	62	62
Asset revaluation reserve	-	-	(120)	-	(120)
At 31 December 2011	(2,008)	229	(949)	(953)	(3,681)

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15. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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	
	2011 RM'000	2010 RM'000
Unutilised tax losses	2,397	-
Other deductible temporary differences	1,087	-
	3,484	-
Deferred tax assets not recognised	871	-

16. INSURANCE PAYABLES

	Group	
	2011 RM'000	2010 RM'000
Due to reinsurers and cedants	1,983	1,614
Due to agents	5,209	4,171
Due to insureds	321,286	288,355
	328,478	294,140
Current	328,478	294,140

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

17. OTHER PAYABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other creditors	17,100	23,043	1,550	1,724
Accrued liabilities	15,114	22,056	893	1,156
Amount due to related companies	1,221	91	1,208	91
Amount due to subsidiary companies	-	-	1,862	1,947
	33,435	45,190	5,513	4,918

The amount due to related companies and subsidiary companies are unsecured, 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 relatively short term maturity of these balances. All amounts are payable within one year.

18. OPERATING REVENUE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Gross earned premiums	487,905	467,016	-	-
Investment income (note 20)	151,554	146,594	11,908	11,971
Fee income (note 23)	1,415	1,244	1,462	1,530
	640,874	614,854	13,370	13,501

19. NET EARNED PREMIUMS

	Group	
	2011 RM'000	2010 RM'000
First year premium	61,445	67,918
Renewal year premium	409,083	382,101
Single premium	6,795	6,478
	477,323	456,497

20. INVESTMENT INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Financial assets at FVTPL				
- designated upon initial recognition				
Interest/profit income	14,654	13,621	-	-
Dividend/distribution income				
- equity securities quoted in Malaysia	7,077	5,970	-	-
Accretion of discounts, net of amortisation of premiums	2,299	2,461	-	-
AFS financial assets				
Interest/profit income	63,667	57,551	5,203	5,079
Dividend/distribution income				
- equity securities quoted in Malaysia	20,907	21,641	644	778
- equity securities unquoted	315	89	315	89
Accretion of discounts, net of amortisation of premiums	4,348	5,329	523	688
Loans and receivables				
Interest/profit income	27,098	28,508	855	989
Accretion of discounts, net of amortisation of premiums	2,201	2,088	-	-
Investment properties				
Rental income	6,711	6,650	4,054	3,949
Cash and cash equivalents				
Interest/profit sharing income	2,277	2,686	314	399
	151,554	146,594	11,908	11,971

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21. NET REALISED GAINS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property and equipment				
Realised (losses)/gains	(4)	62	-	62
AFS financial assets				
Realised gains:				
Equity securities - quoted in Malaysia	49,312	30,082	2,038	2,263
Debt securities	3,147	316	488	21
Unit trust funds	-	16	-	-
Realised losses:				
Equity securities - quoted in Malaysia	(56)	-	-	-
Debt securities	-	(10)	-	-
Total net realised gains for AFS financial assets	52,403	30,404	2,526	2,284
Total net realised gains	52,399	30,466	2,526	2,346

22. NET FAIR VALUE (LOSSES)/GAINS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Investment properties				
Unrealised fair value gains (note 5)	3,013	3,491	1,258	266
Financial assets at FVTPL – designated upon initial recognition				
Fair value gains				
- Realised	19,500	33,844	-	-
- Unrealised (note 8 (c))	3,050	25,371	-	-
Fair value losses				
- Realised	(4,377)	(44)	-	-
- Unrealised (note 8 (c))	(25,527)	-	-	-
Net fair value (losses)/gains on financial assets at FVTPL – designated upon initial recognition	(7,354)	59,171	-	-
Available-for-sale financial assets				
Impairment losses on quoted equities (note 8(c))	(5,117)	-	(185)	-
Total net fair value (losses)/gains	(9,458)	62,662	1,073	266

23. FEE INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unit trust funds management fee income	1,312	1,241	-	-
Investment management fee income	103	3	-	-
Outsourcing fee income	-	-	1,462	1,530
	1,415	1,244	1,462	1,530

24. MANAGEMENT EXPENSES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Staff costs (note 24(a))	25,717	22,240	2,856	3,050
Directors' remuneration:				
- Fees	408	342	346	306
- Other emoluments	2,375	2,024	605	1,524
Auditors' remuneration:				
- Statutory audit	404	390	53	50
- Under accrual in respect of prior financial year	-	100	-	-
- Audit related services	40	35	40	35
Office rental :				
- Subsidiary company	-	-	38	35
- Others	723	649	2	3
Depreciation of property and equipment	1,703	1,746	438	431
Property and equipment written off	127	2	-	-
Amortisation of intangible assets	899	608	-	-
Reversal of allowance for impairment loss	(55)	-	-	-
Credit card charges	1,987	1,862	-	-
Fund management expenses	1,273	1,330	-	-
Information technology outsourcing expenses	3,645	2,384	-	-
Marketing and advertising expenses	1,609	739	-	-
PIDM levy	1,154	-	-	-
Printing and stationery	1,183	975	101	100
Postage and courier charges	1,144	1,109	30	45
Other expenses	10,620	11,209	1,116	1,764
	54,956	47,744	5,625	7,343

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24. MANAGEMENT EXPENSES (CONT'D)

(a) Staff costs

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Staff costs		22,913	19,705	2,583	2,791
Retirement benefits contributions	(i)	2,741	2,535	273	259
RSU expenses	(ii)	63	-	-	-
Total staff costs		25,717	22,240	2,856	3,050

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

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

25. 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	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Share option expenses	(i)	58	-	-	-
RSU expenses	(ii)	483	-	252	-
		541	-	252	-

(i) Equity-settled share-based compensation

Share options are granted to employees of Manulife Financial Corporation Group and has a vesting period of over 48 months. Each share options provide the holder with the right to purchase shares of Manulife Financial Corporation Group at the exercise price, determined by the market price at the end of the day before the award is granted, and will expire after 10 years from the grant date.

(ii) Cash-settled share-based compensation

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

26. OTHER OPERATING EXPENSES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Foreign exchange losses	8	1,724	-	49
Interest expense on agent's bond witheld	41	36	-	-
Others	-	-	170	7
Tax on investment income of Life fund and investment-linked funds:				
- Current tax	11,842	14,312	-	-
- Deferred tax (note 15)	(2,409)	2,204	-	-
	9,433	16,516	-	-
	9,482	18,276	170	56

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% (2010:8%) of the assessable investment income, net of allowable deductions for the financial year.

27. TAXATION

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
In respect of the profit of the Group and Company:				
Current tax				
Current financial year	15,621	17,230	1,368	1,138
(Over)/under provision in prior financial years	(294)	592	165	1,395
	15,327	17,822	1,533	2,533
Deferred tax				
Origination and reversal of temporary differences	383	12	(90)	75
Under provision of deferred tax expenses in prior financial years	1,938	-	1,938	-
	2,321	12	1,848	75
	17,648	17,834	3,381	2,608

The current income tax for the Group and the Company are calculated based on the tax rate of 25% (2010: 25%) of the estimated assessable profit for the financial year.

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27. TAXATION (CONT'D)

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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before taxation	**85,015**	82,188	**9,276**	7,082
Taxation at Malaysia statutory tax rate of 25% (2010: 25%)	21,253	20,547	2,319	1,770
Section 110B tax credit set off	(5,063)	(3,066)	-	-
Income not subject to tax	(1,550)	(748)	(1,420)	(787)
Expenses not deductible for tax purposes	493	509	379	230
Unrecognised deferred tax assets	871	-	-	-
	16,004	17,242	1,278	1,213
(Over)/under provision in prior financial years				
- Current tax	(294)	592	165	1,395
- Deferred tax	1,938	-	1,938	-
Tax expense	17,648	17,834	3,381	2,608

28. BASIC EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year over the weighted average number of ordinary shares of the Company in issue of 202,370,000 (2010: 202,370,000) shares.

	Group	
	2011 RM'000	2010 RM'000
Net profit attributable to equity holders of the Company (RM'000)	67,367	64,354
Basic earnings per share (sen)	33.29	31.80

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.

29. DIVIDENDS

	Company			
	2011		2010	
	Gross dividend per share Sen	Amount of dividend RM'000	Gross dividend per share Sen	Amount of dividend RM'000
Dividends paid, net of tax	18	27,320	17	25,802

The directors recommend the payment of a first and final dividend of 18 sen per share, less 25% tax, amounting to RM27,319,950 for the financial year ended 31 December 2011, 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 2012 when approved by the shareholders.

30. ADJUSTMENTS FOR NON-CASH ITEMS

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Life fund surplus after taxation	101,382	164,801	-	-
Transfer of Life fund surplus to profit or loss	(63,999)	(65,121)	-	-
Interest income	(107,696)	(102,366)	(6,372)	(6,467)
Dividend income	(28,299)	(27,700)	(959)	(867)
Rental income	(6,711)	(6,650)	(4,054)	(3,949)
Accretion of discounts, net of amortisation of premiums	(8,848)	(9,878)	(523)	(688)
Losses/(gains) on disposal of property and equipment	4	(62)	-	(62)
Gains on disposal of AFS financial assets	(52,403)	(30,404)	(2,526)	(2,284)
Gain on revaluation of investment properties	(3,013)	(3,491)	(1,258)	(266)
Fair value losses/(gains) on FVTPL financial assets	7,354	(59,171)	-	-
Impairment losses on AFS financial assets	5,117	-	185	-
Depreciation of property and equipment	1,703	1,746	438	431
Property and equipment written off	127	2	-	-
Amortisation of intangible assets	899	608	-	-
Reversal of allowance for impairment loss	(55)	-	-	-
Taxation	17,648	17,834	3,381	2,608
Tax on investment income of Life fund and Investment-linked funds	9,433	16,516	-	-
Unrealised exchange (gains)/losses	(1,047)	1,373	-	-
	(128,404)	(101,963)	(11,688)	(11,544)

NOTES TO THE FINANCIAL STATEMENTS

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31. 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 relationship with its holding companies, subsidiaries and associates. The related parties of, and their relationship with the Company, other than subsidiaries, are as follows:

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

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

Related parties also include key management personnel. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel of the Group and the Company include the executive director and certain members of senior management of the Group and the Company.

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

Non-executive directors:
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim (Chairman)
Datuk Abu Hassan bin Kendut
Philip John Hampden-Smith
Robert Allen Cook
Gianni Fiacco
Datuk Seri Panglima Mohd Annuar bin Zaini (Appointed on 5 July 2011)
Dato' Dr Nik Norzrul Thani bin N Hassan Thani (Appointed on 5 July 2011)
Datuk Ismail bin Haji Ahmad (Retired on 23 June 2011)
Ahmad Riza bin Basir (Retired on 23 June 2011)

Executive director:
Chan Yui Lung

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Intermediate holding company				
Reimbursement of software maintenance expenses	408	322	-	-
Reimbursement of personnel expenses	1,892	3,399	539	1,724
Subsidiaries of ultimate holding company				
Rental income	(912)	(920)	(430)	(434)
Outsourced information technology service expenses	3,645	2,384	-	-
Outsourcing fee for health service call centre and administrative service	458	434	-	-
Subsidiaries of the Company				
Outsourcing fee income	-	-	(1,462)	(1,530)
Rental income	-	-	(737)	(679)
Fund management fee expenses	-	-	364	367
Management fees and maintenance charges	-	-	93	145

Key management personnel

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

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Salaries and other short-term employee benefits		6,168	6,517	574	1,976
Retirement benefits contribution	(i)	216	203	20	61
Share option expenses	(ii)	58	-	-	-
RSU expenses	(ii)	483	-	252	-
		6,925	6,720	846	2,037

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31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Significant related party transactions (Cont'd)

Directors

The aggregate amount of emoluments received and receivable by directors of the Company during the financial year are as follows:

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Executive director:					
Salaries		1,017	968	153	633
Bonus		375	441	56	441
Retirement benefits contributions	(i)	71	68	10	44
Benefits in kind		346	452	90	352
Share option expenses	(ii)	58	-	-	-
RSU expenses	(ii)	420	-	252	-
		2,287	1,929	561	1,470
Non-executive directors:					
Fees		408	342	346	306
Meeting allowances		88	95	44	54
		496	437	390	360
Total		2,783	2,366	729	1,830

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

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

Significant related party balances

Related party balances outstanding for the Group and the Company which are included in the notes to the financial statements are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loans and receivables (note 9)				
- Amount due from subsidiary companies	-	-	6,807	3,781
- Amount due from a related company	70	-	36	-
	70	-	6,843	3,781
Other payables (note 17)				
- Amount due to subsidiary companies	-	-	(1,862)	(1,947)
- Amount due to related companies	(1,221)	(91)	(1,208)	(91)
	(1,221)	(91)	(3,070)	(2,038)

32. SEGMENTAL REPORTING

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

Investment holding : Investment holding operations
Life insurance : Underwriting of participating and non-participating life insurance and unit-linked products
Others : Asset management and unit trust

(a) Segment reporting

	Investment holding		Life insurance business		Others		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
External revenue								
a) Gross premium	-	-	487,905	467,016	-	-	487,905	467,016
b) Investment income	11,293	11,383	139,858	134,988	403	223	151,554	146,594
c) Fee income	-	-	-	-	1,415	1,244	1,415	1,244
Total external revenue	11,293	11,383	627,763	602,004	1,818	1,467	640,874	614,854
Inter-segment revenue								
a) Rental income	842	839	365	273	-	-	1,207	1,112
b) Fee income/(expenses)	1,462	1,530	(5,549)	(5,028)	6,453	5,860	2,366	2,362
Total inter-segment revenue	2,304	2,369	(5,184)	(4,755)	6,453	5,860	3,573	3,474
Total operating revenue	13,597	13,752	622,579	597,249	8,271	7,327	644,447	618,328
Profit/(loss) before taxation	9,476	7,292	75,709	74,470	(170)	426	85,015	82,188
Segment assets	472,983	492,363	3,526,447	3,488,628	20,893	16,285	4,020,323	3,997,276
Segment liabilities	42,636	40,682	3,191,231	3,215,674	2,163	1,566	3,236,030	3,257,922

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32. SEGMENTAL REPORTING (CONT'D)

(b) Reconciliation of reportable segments

	Group	
	2011 RM'000	2010 RM'000
Operating revenue		
Total operating revenue for reportable segments	644,447	618,328
Elimination of inter-segment revenue	(3,573)	(3,474)
Operating revenue as per statements of comprehensive income	640,874	614,854
Segment assets		
Total assets for reportable segments	4,020,323	3,997,276
Elimination of inter-segment assets	(244,484)	(304,912)
Total assets as per statements of financial position	3,775,839	3,692,364
Segment liabilities		
Total liabilities for reportable segments	3,236,030	3,257,922
Elimination of inter-segment liabilities	(36,002)	(101,145)
Total liabilities as per statements of financial position	3,200,028	3,156,777

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

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

Group	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
2011					
Financial assets					
AFS financial assets	2,410,876	-	-	-	2,410,876
FVTPL financial assets	-	656,565	-	-	656,565
Loans and receivables	-	-	544,506	-	544,506
Reinsurance assets	-	-	3,021	-	3,021
Insurance receivables	-	-	27,123	-	27,123
Cash and bank balances	-	-	29,654	-	29,654
	2,410,876	656,565	604,304	-	3,671,745

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (Cont'd)

Group	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
2011					
Financial liabilities					
Insurance contract liabilities	-	-	-	2,777,264	2,777,264
Insurance claims liabilities	-	-	-	35,371	35,371
Insurance payables	-	-	-	328,478	328,478
Other payables	-	-	-	33,435	33,435
	-	-	-	3,174,548	3,174,548
2010					
Financial assets					
AFS financial assets	2,196,016	-	-	-	2,196,016
FVTPL financial assets	-	673,551	-	-	673,551
Loans and receivables	-	-	582,282	-	582,282
Reinsurance assets	-	-	2,368	-	2,368
Insurance receivables	-	-	24,512	-	24,512
Cash and bank balances	-	-	112,342	-	112,342
	2,196,016	673,551	721,504	-	3,591,071
Financial liabilities					
Insurance contract liabilities	-	-	-	2,753,341	2,753,341
Insurance claims liabilities	-	-	-	28,885	28,885
Insurance payables	-	-	-	294,140	294,140
Other payables	-	-	-	45,190	45,190
	-	-	-	3,121,556	3,121,556

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33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (Cont'd)

Company	AFS RM'000	LAR RM'000	OL RM'000	Total RM'000
2011				
Financial assets				
AFS financial assets	147,849	-	-	147,849
Loans and receivables	-	29,786	-	29,786
Cash and bank balances	-	3,889	-	3,889
	147,849	33,675	-	181,524
Financial liabilities				
Other payables	-	-	5,513	5,513
	-	-	5,513	5,513
2010				
Financial assets				
AFS financial assets	158,835	-	-	158,835
Loans and receivables	-	26,344	-	26,344
Cash and bank balances	-	21,148	-	21,148
	158,835	47,492	-	206,327
Financial liabilities				
Other payables	-	-	4,918	4,918
	-	-	4,918	4,918

(b) Determination of fair values

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

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

(ii) The fair values of quoted equities are based on quoted market prices as at the reporting date;

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

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

(v) The fair values of equity call options are based on the fair value quoted by a counter party based on a specific valuation model as at the reporting date; and

(vi) The fair values of investments in mutual funds, unit trust funds and real estate investment trusts are valued based on the net asset values of the underlying funds as at the reporting date.

33. FINANCIAL INSTRUMENTS (CONT'D)

(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 2011.

Comparative figures have not been presented for 31 December 2010 by virtue of the exemption allowed by paragraph 44G of FRS 7 "Financial Instruments: Disclosures".

Group **2011**	**Carrying amounts RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**
AFS financial assets				
Equity securities				
- Quoted in Malaysia	680,508	680,508	-	-
- Unquoted	2,516	-	-	2,516
Real estate investment trusts				
- Quoted in Malaysia	1,511	1,511	-	-
Unit trusts funds	82,830	82,830	-	-
Malaysian Government Securities	680,505	-	680,505	-
Government Investment Issues	103,304	-	103,304	-
Corporate debt securities - Unquoted	846,040	-	846,040	-
Accrued interest	13,662	-	13,662	-

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33. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value hierarchy (Cont'd)

Group 2011	Carrying amounts RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
FVTPL financial assets				
Equity securities				
- Quoted in Malaysia	203,037	203,037	-	-
Malaysian Government Securities	140,807	-	140,807	-
Government Investment Issues	18,338	-	18,338	-
Corporate debt securities - Unquoted	201,571	-	201,571	-
Mutual funds	90,105	90,105	-	-
Accrued interest	2,707	-	2,707	-
	3,067,441	1,057,991	2,006,934	2,516
Company				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	19,898	19,898	-	-
- Unquoted	572	-	-	572
Real estate investment trusts				
- Quoted in Malaysia	44	44	-	-
Malaysian Government Securities	47,618	-	47,618	-
Government Investment Issues	6,195	-	6,195	-
Corporate debt securities - Unquoted	72,629	-	72,629	-
Accrued interest	893	-	893	-
	147,849	19,942	127,335	572

34. RISK MANAGEMENT

(a) Risk management framework

The Group's and the Company's enterprise risk taking activities are undertaken with the understanding that risk taking and effective risk management are necessary and integral to achieving strategic objectives and managing business operations. The Group and the Company seek to strategically optimise risk taking and risk management to support long term revenue and earnings growth and shareholders' value growth. This is done by:

- capitalising on business opportunities that are aligned with the Group's and the Company's overall risk appetite and return expectations;
- identifying, measuring and assessing, monitoring and reporting on principal risks taken; and
- proactively executing effective risk controls and mitigation programme.

The risk governance structure is designed to foster a strong and well-informed risk culture across the Group and the Company to facilitate sound business decisions.

34. RISK MANAGEMENT (CONT'D)

(a) Risk management framework (Cont'd)

The Board of Directors ("The Board"), through its Group Audit Committee and Group Risk Management Committee, has overall responsibility for overseeing the Group's risk taking activities and risk management programme. At the management level, detailed risk management and oversight activities are undertaken by the following management committees comprising the Group Chief Executive Officer and key senior management executives:

– Executive Management Team ("EMT")
– Asset-Liability Committee ("ALCO")
– Investment Committee ("IC")

EMT is responsible for providing leadership, direction and oversight with regards to all matters of the Group. The EMT is also responsible for ensuring all risk exposures arising from the operations are thoroughly identified, assessed and measured, monitored and reported on, and controlled and mitigated in a manner consistent with the risk policies and standards of practice. The EMT is supported by the Senior Management Team ("SMT").

The mandate of the ALCO is to monitor the asset-liability risks of the Group's insurance subsidiary's operations. This includes identification, assessment, management of asset liability risks, establishment of asset liability policies and procedures, implementation of policies and procedures and oversight of the Group's asset liability activities. The ALCO is part of the Enterprise Risk Management Framework.

The IC monitors on a monthly basis, the implementation of investment policies approved by the Board and reviews the policies with the consideration of changes in business environment and economic outlook. The results of the investment activities are reported to the Board regularly.

(b) Regulatory framework

The insurance subsidiary of the Group is required to comply with the Insurance Act, 1996 and Insurance Regulations 1996, as well as guidelines and circulars issued by BNM.

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

(c) Capital management

The Group and the Company manages 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 of the Group is required to comply with the capital requirement under the Risk-Based Capital Framework ("the Framework") prescribed by BNM. The Framework requires each insurer to maintain a capital adequacy level that is commensurate with its risk profiles. The minimum capital requirement under the Framework is 130% for each insurance entity.

The insurance subsidiary of the Group has fully complied with the capital requirement prescribed by BNM during the reported financial year.

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34. RISK MANAGEMENT (CONT'D)

(c) Capital management (Cont'd)

The capital structure of the insurance subsidiary of the Group as at 31 December 2011, as prescribed under the Framework is as follows:

	2011 RM'000	2010 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	150,000	150,000
Retained earnings of the Group's insurance subsidiary	174,965	112,644
Eligible contract liabilities	727,402	905,286
	1,052,367	1,167,930
Eligible Tier 2 Capital		
Eligible reserves	162,550	178,702
Amounts deducted from capital	(487)	-
Total Capital Available	1,214,430	1,346,632

(d) Insurance risk

Insurance risk is the risk of loss due to actual experience emerging differently than assumed when a product was designed and priced with respect to mortality and morbidity claims, policyholders' behaviour and expenses.

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

The Group also limits its exposure to loss within the insurance operations through participation in reinsurance arrangement. For insurance contracts issued in 2011, the insurance subsidiary of the Group retains a maximum of RM300,000 for mortality risk per life and RM300,000 for critical illness risk per life, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance and catastrophe treaties. The insurance subsidiary is neither dependent on a single reinsurer at this moment nor are the operations of the insurance subsidiary is substantially dependent upon any reinsurance contract.

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

	Gross		Net	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Whole life	647,339	485,654	647,339	485,654
Endowment	280,202	223,456	280,202	223,456
Term	38,774	23,515	38,774	23,515
Annuity	174,139	164,784	174,139	164,784
Others	1,056,020	1,025,546	1,056,020	1,025,546
	2,196,474	1,922,955	2,196,474	1,922,955

34. RISK MANAGEMENT (CONT'D)

(d) Insurance risk (Cont'd)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be 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 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
2011					
Mortality/morbidity	+10	14,299	14,299	-	-
Discount rate	-1	40,528	40,528	-	-
Expenses	+10	7,752	7,752	-	-
Lapse and surrender rates	+10	990	990	-	-
2010					
Mortality/morbidity	+10	13,496	13,496	-	-
Discount rate	-1	32,573	32,573	-	-
Expenses	+10	5,938	5,938	-	-
Lapse and surrender rates	+10	2,754	2,754	-	-

In the sensitivity analysis above, the impact from the changes in assumptions in the table above to the non-participating fund is retained within the insurance contract liabilities. There is no material impact to the participating fund within the range of changes in assumptions as the participating nature of the participating fund gives the insurance subsidiary of the Group the flexibility to adjust the policyholders' bonus or dividends.

(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.

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34. RISK MANAGEMENT (CONT'D)

(e) Credit risk (Cont'd)

Policy loans arising from the insurance subsidiary of the Group are secured against the surrender value of policies and carry substantially no credit risk. Mortgage loans and staff loans are secured against the properties charged to the Group.

Credit risk in respect of customer balances incurred on non-payment of premiums arising from the insurance subsidiary of the Group will only persist during the grace period specified in the policy documents on the expiry of which either the premium is paid or the policy will be terminated.

Fixed and call deposits are placed with financial institutions approved by the Investment Committee of the Group with international ratings of 'A' or better.

Reinsurance arrangements for the insurance subsidiary of the Group are maintained with reinsurers with international ratings of 'A' or better.

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

The table below shows the Group's and the Company's maximum exposure to credit risk for the components in the statements of financial position by classifying assets according to the Group's and the Company's credit rating of counterparties, except for the investment-linked funds' assets of the Group's insurance subsidiary, as the Group does not have any direct exposure to credit risk in those assets as the credit risk is borne by the investment-linked policyholders.

The investment-linked funds are the assets of the investment-linked contracts backing the investment-linked policyholders' account in the insurance contract liabilities of the Group's insurance subsidiary.

34. RISK MANAGEMENT (CONT'D)

(e) Credit risk (Cont'd)

Group	Neither past-due nor impaired						
2011	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
AFS financial assets							
Equity securities	-	-	683,024	-	-	-	683,024
Real estate investment trusts	-	-	1,511	-	-	-	1,511
Unit trust funds	-	-	82,830	-	-	-	82,830
Malaysian Government Securities	-	680,505	-	-	-	-	680,505
Government Investment Issues	-	103,304	-	-	-	-	103,304
Corporate debt securities	529,034	317,006	-	-	-	-	846,040
Accrued interest	3,966	9,696	-	-	-	-	13,662
Financial assets at FVTPL – designated upon initial recognition							
Equity securities	-	-	-	-	-	203,037	203,037
Malaysian Government Securities	-	136,824	-	-	-	3,983	140,807
Government Investment Issues	-	18,338	-	-	-	-	18,338
Corporate debt securities	97,170	48,785	-	-	-	55,616	201,571
Mutual funds	-	-	-	-	-	90,105	90,105
Accrued interest	609	1,618	-	-	-	480	2,707
Loans and receivables				-			
Loan receivables	-	326,045	-	109	362	-	326,516
Fixed and call deposits	188,960	-	-	-	-	20,938	209,898
Other receivables	-	5,255	-	-	1,075	2,921	9,251
Reinsurance assets	2,547	474	-	-	-	-	3,021
Insurance receivables	-	27,117	-	-	1,070	-	28,187
Cash and bank balances	28,587	-	-	-	-	1,067	29,654
Allowance for impairment losses	-	-	-	-	(2,223)	-	(2,223)
	850,873	1,674,967	767,365	109	284	378,147	3,671,745

34. RISK MANAGEMENT (CONT'D)

(e) Credit risk (Cont'd)

Group	Neither past-due nor impaired						
2010	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
AFS financial assets							
Equity securities	-	-	642,256	-	-	-	642,256
Unit trust funds	-	-	81,765	-	-	-	81,765
Malaysian Government Securities	-	573,562	-	-	-	-	573,562
Government Investment Issues	-	95,195	-	-	-	-	95,195
Corporate debt securities	517,788	272,656	-	-	-	-	790,444
Accrued interest	4,120	8,674	-	-	-	-	12,794
Financial assets at FVTPL – designated upon initial recognition							
Equity securities	-	-	-	-	-	188,983	188,983
Malaysian Government Securities	-	113,336	-	-	-	2,979	116,315
Government Investment Issues	-	15,270	-	-	-	-	15,270
Corporate debt securities	100,499	50,756	-	-	-	45,457	196,712
Equity call options	-	-	-	-	-	5,723	5,723
Mutual funds	-	-	-	-	-	102,709	102,709
Negotiable instrument of deposits	-	-	-	-	-	45,373	45,373
Accrued interest	609	1,447	-	-	-	410	2,466
Loans and receivables							
Loan receivables	-	354,943	-	3,435	578	265	359,221
Fixed and call deposits	193,849	-	-	-	-	12,471	206,320
Other receivables	-	7,951	-	-	1,075	8,874	17,900
Reinsurance assets	1,943	425	-	-	-	-	2,368
Insurance receivables	-	24,502	-	-	1,129	-	25,631
Cash and bank balances	110,426	-	-	-	-	1,916	112,342
Allowance for impairment losses	-	-	-	-	(2,278)	-	(2,278)
	929,234	1,518,717	724,021	3,435	504	415,160	3,591,071

34. RISK MANAGEMENT (CONT'D)

(e) Credit risk (Cont'd)

Company	Neither past-due nor impaired					
2011	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	Total RM'000
AFS financial assets						
Equity securities	-	-	20,470	-	-	20,470
Real estate investment trust	-	-	44	-	-	44
Malaysian Government Securities	-	47,618	-	-	-	47,618
Government Investment Issues	-	6,195	-	-	-	6,195
Corporate debt securities	59,417	13,212	-	-	-	72,629
Accrued interest	532	361	-	-	-	893
Loans and receivables						
Loan receivables	-	-	-	1	-	1
Fixed and call deposits	22,325	-	-	-	-	22,325
Other receivables	-	7,460	-	-	1,075	8,535
Cash and bank balances	3,889	-	-	-	-	3,889
Allowance for impairment losses	-	-	-	-	(1,075)	(1,075)
	86,163	74,846	20,514	1	-	181,524
2010						
AFS financial assets						
Equity securities	-	-	22,007	-	-	22,007
Malaysian Government Securities	-	51,115	-	-	-	51,115
Government Investment Issues	-	10,417	-	-	-	10,417
Corporate debt securities	63,967	10,366	-	-	-	74,333
Accrued interest	572	391	-	-	-	963
Loans and receivables					-	
Loan receivables	-	1,833	-	351	-	2,184
Fixed and call deposits	19,618	-	-	-	-	19,618
Other receivables	-	4,542	-	-	1,075	5,617
Cash and bank balances	21,148	-	-	-	-	21,148
Allowance for impairments losses	-	-	-	-	(1,075)	(1,075)
	105,305	78,664	22,007	351	-	206,327

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34. RISK MANAGEMENT (CONT'D)

(e) Credit risk (Cont'd)

Age analysis of financial assets past-due but not impaired

Group	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	Total RM'000
2011					
Loan receivables	-	42	60	7	109
2010					
Loan receivables	-	49	-	3,386	3,435
Company					
2011					
Loan receivables	-	-	-	1	1
2010					
Loan receivables	-	-	-	351	351

34. RISK MANAGEMENT (CONT'D)

(e) Credit risk (Cont'd)

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 loan receivables, insurance receivables and other receivables in separate allowance for impairment loss accounts. A reconciliation of the allowance for impairment losses for loan receivables, insurance receivables and other receivables is as follows:

Group	Loan receivables		Insurance receivables		Other receivables		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
As at 1 January	84	84	1,119	1,119	1,075	1,075	2,278	2,278
Reversal of allowance for impairment loss during the financial year	-	-	(55)	-	-	-	(55)	-
As at 31 December	84	84	1,064	1,119	1,075	1,075	2,223	2,278

Company	Other receivables	
	2011 RM'000	2010 RM'000
As at 1 January/31 December	1,075	1,075

(f) Market risk

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

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

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

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34. RISK MANAGEMENT (CONT'D)

(f) Market risk (Cont'd)

(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 does not have direct exposure to foreign currency risk except for certain foreign currency denominated investment-linked business of the Group's insurance subsidiary, of which the foreign currency risk is borne by the policyholders.

(ii) Interest rate risk

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

Group	**Impact on profit before tax**		**Impact on equity**	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Change in variable:				
Interest rate				
+ 100 basis points	-	-	(18,460)	(14,870)
- 100 basis points	-	-	20,651	16,451
Company				
Change in variable:				
Interest rate				
+ 100 basis points	-	-	(6,920)	(6,591)
- 100 basis points	-	-	7,797	7,326

The above impact to the Group's and the Company's equity arose from the investments in fixed income securities which are classified as available-for-sale financial assets. In the analysis above, the impact arising from changes in interest rate risk to fixed income securities of the Life fund of the Group's insurance subsidiary is retained in the insurance contract liabilities.

34. RISK MANAGEMENT (CONT'D)

(f) Market risk (Cont'd)

(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 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.

Group	**Impact on profit before tax**		**Impact on equity**	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Change in variable:				
Market price				
+15%	-	-	5,412	4,829
-15%	-	-	(5,412)	(4,829)
Company				
Market price				
+15%	-	-	2,243	2,411
-15%	-	-	(2,243)	(2,411)

The above impact to the Group's and the Company's equity arose from the investments in equity securities which are classified as available-for-sale financial assets. In the analysis above, the impact arising from changes in price risk to equity securities of the Life fund of the Group's insurance subsidiary is retained in the insurance contract liabilities.

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34. RISK MANAGEMENT (CONT'D)

(g) Liquidity risk

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

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

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

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

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

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

34. RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (Cont'd)

Group	Carrying value RM'000	Up to a year RM'000	1-3 year RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity RM'000	Investment-linked funds RM'000	Total RM'000
2011								
Equity securities	886,061	-	-	-	-	683,024	203,037	886,061
Real estate investment trusts	1,511	-	-	-	-	1,511	-	1,511
Malaysian Government Securities	821,312	26,083	82,239	94,907	1,018,321	-	3,983	1,225,533
Government Investment Issues	121,642	4,103	14,974	42,927	86,785	-	-	148,789
Corporate debt securities	1,047,611	146,119	251,320	266,307	569,648	-	55,616	1,289,010
Unit trust funds	82,830	-	-	-	-	82,830	-	82,830
Mutual funds	90,105	-	-	-	-	-	90,105	90,105
Accrued interest:								
- Available-for-sale financial assets	13,662	13,662	-	-	-	-	-	13,662
- FVTPL financial assets	2,707	2,227	-	-	-	-	480	2,707
Loan receivables	326,432	323,537	104	161	2,630	-	-	326,432
Fixed and call deposits	209,898	128,089	1,454	73,140	-	-	20,938	223,621
Other receivables	8,176	4,565	-	-	690	-	2,921	8,176
Reinsurance assets	3,021	3,021	-	-	-	-	-	3,021
Insurance receivables	27,123	27,123	-	-	-	-	-	27,123
Cash and bank balances	29,654	28,587	-	-	-	-	1,067	29,654
Total assets	3,671,745	707,116	350,091	477,442	1,678,074	767,365	378,147	4,358,235
Insurance contract liabilities	2,777,264	263,627	200,146	321,691	5,185,878	-	366,032	6,337,374
Insurance claims liabilities	35,371	35,371	-	-	-	-	-	35,371
Insurance payables	328,478	328,478	-	-	-	-	-	328,478
Other payables	33,435	25,191	-	-	-	-	8,244	33,435
Total liabilities	3,174,548	652,667	200,146	321,691	5,185,878	-	374,276	6,734,658

34. RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (Cont'd)

Group	Carrying value RM'000	Up to a year RM'000	1-3 year RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity RM'000	Investment-linked funds RM'000	Total RM'000
2010								
Equity securities	831,239	-	-	-	-	642,256	188,983	831,239
Malaysian Government Securities	689,877	31,771	82,054	103,885	800,964	-	2,979	1,021,653
Government Investment Issues	110,465	3,759	9,112	38,365	86,882	-	-	138,118
Corporate debt securities	987,156	49,662	316,359	219,442	598,906	-	45,457	1,229,826
Unit trust funds	81,765	-	-	-	-	81,765	-	81,765
Mutual funds	102,709	-	-	-	-	-	102,709	102,709
Negotiable instrument of deposits	45,373	-	-	-	-	-	45,373	45,373
Equity call option	5,723	-	-	-	-	-	5,723	5,723
Accrued interest:								
- Available-for-sale financial assets	12,794	12,794	-	-	-	-	-	12,794
- FVTPL financial assets	2,466	2,056	-	-	-	-	410	2,466
Loan receivables	359,137	340,827	17,404	154	487	-	265	359,137
Fixed and call deposits	206,320	136,381	1,454	1,454	72,413	-	12,471	224,173
Other receivables	16,825	7,261	-	-	690	-	8,874	16,825
Reinsurance assets	2,368	2,368	-	-	-	-	-	2,368
Insurance receivables	24,512	24,512	-	-	-	-	-	24,512
Cash and bank balances	112,342	110,426	-	-	-	-	1,916	112,342
Total assets	3,591,071	721,817	426,383	363,300	1,560,342	724,021	415,160	4,211,023
Insurance contract liabilities	2,753,341	484,863	122,267	301,128	5,013,838	-	399,348	6,321,444
Insurance claims liabilities	28,885	28,885	-	-	-	-	-	28,885
Insurance payables	294,140	294,140	-	-	-	-	-	294,140
Other payables	45,190	36,594	-	-	-	-	8,596	45,190
Total liabilities	3,121,556	844,482	122,267	301,128	5,013,838	-	407,944	6,689,659

34. RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (Cont'd)

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
2011							
Equity securities	20,470	-	-	-	-	20,470	20,470
Real estate investment trusts	44	-	-	-	-	44	44
Malaysian Government Securities	47,618	1,603	3,738	3,938	67,698	-	76,977
Government Investment Issues	6,195	201	1,513	3,422	2,119	-	7,255
Corporate debt securities	72,629	9,326	19,644	21,263	37,297	-	87,530
Accrued interest:							
- Available-for-sale financial assets	893	893	-	-	-	-	893
Loan receivables	1	1	-	-	-	-	1
Fixed and call deposits	22,325	10,895	1,140	12,855	-	-	24,890
Other receivables	7,460	7,460	-	-	-	-	7,460
Cash and bank balances	3,889	3,889	-	-	-	-	3,889
Total assets	181,524	34,268	26,035	41,478	107,114	20,514	229,409
Other payables	5,513	5,513	-	-	-	-	5,513
Total liabilities	5,513	5,513	-	-	-	-	5,513

34. RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (Cont'd)

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
2010							
Equity securities	22,007	-	-	-	-	22,007	22,007
Malaysian Government Securities	51,115	1,863	11,390	3,445	62,357	-	79,055
Government Investment Issues	10,417	330	854	7,878	3,090	-	12,152
Corporate debt securities	74,333	7,490	19,853	21,782	42,116	-	91,241
Accrued interest:							
- Available-for-sale financial assets	963	963	-	-	-	-	963
Loan receivables	2,184	1	2,183	-	-	-	2,184
Fixed and call deposits	19,618	8,269	1,140	1,140	12,285	-	22,834
Other receivables	4,542	4,542	-	-	-	-	4,542
Cash and bank balances	21,148	21,148	-	-	-	-	21,148
Total assets	206,327	44,606	35,420	34,245	119,848	22,007	256,126
Other payables	4,918	4,918	-	-	-	-	4,918
Total liabilities	4,918	4,918	-	-	-	-	4,918

(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.

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current financial year's presentation.

		Group			Company		
		As previously reported RM'000	Reclassifications RM'000	As restated RM'000	As previously reported RM'000	Reclassifications RM'000	As restated RM'000
Statements of comprehensive income							
Net realised gains	(i)	64,266	(33,800)	30,466	-	-	-
Net fair value gains/(losses)	(i)	28,862	33,800	62,662	-	-	-
Gross change to contract liabilities	(ii)	(89,413)	(10,267)	(99,680)	-	-	-
Other operating expenses	(ii)	(28,543)	10,267	(18,276)	-	-	-
Statements of financial position							
Available-for-sale financial assets	(iii)	2,183,222	12,794	2,196,016	157,872	963	158,835
Fair value through profit or loss financial assets	(iii)	671,085	2,466	673,551	-	-	-
Loans and receivables	(iii) (iv)	685,236	(102,448)	582,788	47,675	(21,330)	26,345
Cash and cash equivalents	(iv)	25,154	87,188	112,342	781	20,367	21,148

(i) Fair value gains or losses arising from FVTPL financial assets have been reclassified from net realised gains to net fair value gains/(losses).

(ii) Currency translation reserve arising from the translation of investment-linked funds' assets and liabilities that have a functional currency other than Ringgit Malaysia and recorded in other operating expenses previously, is now reclassified to gross change in contract liabilities.

(iii) Accrued interest on AFS and FVTPL financial assets have been reclassified from other receivables to the respective financial assets' balances.

(iv) Placements with original maturity of less than three months, which are held for liquidity management purposes and recorded in loans and receivables previously, is now reclassified to cash and cash equivalents.

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36. INSURANCE FUNDS

The Group's insurance subsidiary's activities are organised by funds and segregated into Life fund, Investment-linked funds and Shareholders' fund in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.

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

Statement of Financial Position by Funds

2011	Shareholders' fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Assets					
Property and equipment	-	9,415	-	-	9,415
Investment properties	-	48,633	-	-	48,633
Intangible assets	-	61	-	-	61
Loans and receivables	79,803	453,182	23,859	(62,501)	494,343
Available-for-sale financial assets	261,353	2,001,674	-	-	2,263,027
Fair value through profit or loss financial assets	-	303,344	353,221	-	656,565
Reinsurance assets	-	3,021	-	-	3,021
Insurance receivables	-	27,123	-	-	27,123
Current tax assets	3,704	1,786	(1,455)	-	4,035
Cash and cash equivalents	1,179	22,013	1,067	-	24,259
Total assets	**346,039**	**2,870,252**	**376,692**	**(62,501)**	**3,530,482**
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	174,965	-	-	-	174,965
Other reserves	10,252	-	-	-	10,252
Total equity	**335,217**	**-**	**-**	**-**	**335,217**
Insurance contract liabilities	-	2,411,232	366,032	-	2,777,264
Insurance claims liabilities	-	35,372	-	-	35,372
Deferred tax liabilities	3,418	13,724	2,416	-	19,558
Insurance payables	-	328,461	-	-	328,461
Other payables	7,404	81,463	8,244	(62,501)	34,610
Total equity, policyholders' funds and liabilities	**346,039**	**2,870,252**	**376,692**	**(62,501)**	**3,530,482**

36. INSURANCE FUNDS (CONT'D)

Statement of Financial Position by Funds (Cont'd)

2010	Shareholders' fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Assets					
Property and equipment	-	4,583	-	-	4,583
Investment properties	-	51,215	-	-	51,215
Intangible assets	-	184	-	-	184
Loans and receivables	80,850	503,048	21,610	(65,121)	540,387
Available-for-sale financial assets	201,747	1,835,434	-	-	2,037,181
Fair value through profit or loss financial assets	-	281,917	391,634	-	673,551
Reinsurance assets	-	2,368	-	-	2,368
Insurance receivables	-	24,512	-	-	24,512
Cash and cash equivalents	913	86,697	1,916	-	89,526
Total assets	**283,510**	**2,789,958**	**415,160**	**(65,121)**	**3,423,507**
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	112,644	-	-	-	112,644
Other reserves	10,310	-	-	-	10,310
Total equity	**272,954**	**-**	**-**	**-**	**272,954**
Insurance contract liabilities	-	2,353,993	399,348	-	2,753,341
Insurance claims liabilities	-	28,885	-	-	28,885
Deferred tax liabilities	3,437	16,654	4,338	-	24,429
Insurance payables	-	294,114	-	-	294,114
Current tax liabilities	1,860	(1,685)	2,878	-	3,053
Other payables	5,259	97,997	8,596	(65,121)	46,731
Total equity, policyholders' funds and liabilities	**283,510**	**2,789,958**	**415,160**	**(65,121)**	**3,423,507**

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36. INSURANCE FUNDS (CONT'D)

Statement of Comprehensive Income by Funds

2011	Shareholders' fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Operating revenue	10,284	516,697	105,571	(4,420)	628,132
Gross earned premiums	-	393,982	93,923	-	487,905
Premiums ceded to reinsurers	-	(10,582)	-	-	(10,582)
Net earned premiums	-	383,400	93,923	-	477,323
Fee and commission income	-	4,420	-	(4,420)	-
Investment income	10,284	118,295	11,648	-	140,227
Net realised gains	2,572	47,301	-	-	49,873
Other operating income	1	(119)	1,904	-	1,786
Other income	12,857	169,897	13,552	(4,420)	191,886
Gross benefits and claims paid	-	(296,702)	(126,154)	-	(422,856)
Claims ceded to reinsurers	-	3,857	-	-	3,857
Gross change to contract liabilities	-	(73,334)	35,951	-	(37,383)
Net claims	-	(366,179)	(90,203)	-	(456,382)
Fee and commission expense	-	(65,464)	-	-	(65,464)
Net fair value losses	(218)	522	(10,835)	-	(10,531)
Investment expenses	(567)	(6,914)	-	-	(7,481)
Management expenses	(323)	(41,737)	(6,521)	4,420	(44,161)
Other operating expenses	(40)	(9,526)	84	-	(9,482)
Other expenses	(1,148)	(123,119)	(17,272)	4,420	(137,119)
Profit from operations	11,709	63,999	-	-	75,708
Transfer from/(to) revenue account	63,999	(63,999)	-	-	-
Profit before taxation	75,708	-	-	-	75,708
Taxation	(13,387)	-	-	-	(13,387)
Net profit for the financial year	62,321	-	-	-	62,321

36. INSURANCE FUNDS (CONT'D)

Statement of Comprehensive Income by Funds (Cont'd)

2010	Shareholders' fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Operating revenue	8,140	504,649	93,525	(4,034)	602,280
Gross earned premiums	-	383,117	83,899	-	467,016
Premiums ceded to reinsurers	-	(10,519)	-	-	(10,519)
Net earned premiums	-	372,598	83,899	-	456,497
Fee and commission income	-	4,034	-	(4,034)	-
Investment income	8,140	117,498	9,626	-	135,264
Net realised gains	1,894	26,210	-	-	28,104
Net fair value gains	-	10,901	51,495	-	62,396
Other operating income	-	75	879	160	1,114
Other income	10,034	158,718	62,000	(3,874)	226,878
Gross benefits and claims paid	-	(286,997)	(91,601)	-	(378,598)
Claims ceded to reinsurers	-	4,737	-	-	4,737
Gross change to contract liabilities	-	(57,289)	(42,391)	-	(99,680)
Net claims	-	(339,549)	(133,992)	-	(473,541)
Fee and commission expense	-	(73,908)	-	-	(73,908)
Investment expenses	(416)	(6,292)	-	-	(6,708)
Management expenses	(233)	(34,259)	(5,911)	3,874	(36,529)
Other operating expenses	(36)	(12,187)	(5,996)	-	(18,219)
Other expenses	(685)	(126,646)	(11,907)	3,874	(135,364)
Profit from operations	9,349	65,121	-	-	74,470
Transfer from/(to) revenue account	65,121	(65,121)	-	-	-
Profit before taxation	74,470	-	-	-	74,470
Taxation	(14,970)	-	-	-	(14,970)
Net profit for the financial year	59,500	-	-	-	59,500

For disclosure purposes, the investment component of the investment-linked contracts are shown separately.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

36. INSURANCE FUNDS (CONT'D)

Information on cash flows by Funds

2011	Shareholders' fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Total RM'000
Cash flows from:				
Operating activities	266	(62,951)	(849)	(63,534)
Investing activities	-	(1,733)	-	(1,733)
Net increase/(decrease) in cash and cash equivalents	266	(64,684)	(849)	(65,267)
At beginning of financial year	913	86,697	1,916	89,526
At end of financial year	1,179	22,013	1,067	24,259

2010	Shareholders' fund RM'000	Life fund RM'000	Investment-linked funds RM'000	Total RM'000
Cash flows from:				
Operating activities	24	(22,363)	9,607	(12,732)
Investing activities	-	(932)	-	(932)
Financing activities	-	8,098	(8,098)	-
Net increase/(decrease) in cash and cash equivalents	24	(15,197)	1,509	(13,664)
At beginning of financial year	889	101,894	407	103,190
At end of financial year	913	86,697	1,916	89,526

37. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the directors on 20 March 2012.

38. DISCLOSURE OF REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Malaysia 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 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 Securities Malaysia Berhad Listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

Pursuant to the directive and further guidance issued by Bursa Malaysia on 20 December 2010, the breakdown of the retained profits of the Group and Company as at 31 December 2011, into realised and unrealised profits is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained profits:				
- Realised	423,521	384,418	267,656	290,024
- Unrealised	11,163	10,219	11,162	10,219
	434,684	394,637	278,818	300,243
Consolidation adjustments	16,756	16,756	-	-
Total retained profits as per statements of financial position	451,440	411,393	278,818	300,243

STATEMENT BY DIRECTORS

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

We, Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim and Chan Yui Lung, two of the directors of Manulife Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 47 to 127 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Financial Reporting Standards in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to the Insurance Act,1996 and comply with the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 March 2012.

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM
CHAIRMAN

CHAN YUI LUNG
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

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

I, Tham Kok Yoke, the officer primarily responsible for the financial management of Manulife Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 47 to 127 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

THAM KOK YOKE

Subscribed and solemnly declared by the abovenamed Tham Kok Yoke at Kuala Lumpur in Malaysia on 20 March 2012, before me.

COMMISSIONER FOR OATHS
K NERMALA
(W378)

INDEPENDENT AUDITORS' REPORT

To the Members of Manulife Holdings Berhad
(Incorporated in Malaysia) (Company No.24851-H)

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 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 37.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to the Insurance Act,1996 and comply with the provisions of the Companies Act,1965, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to the Insurance Act, 1996 and comply with the provisions of the Companies Act, 1965, so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT

To the Members of Manulife Holdings Berhad
(Incorporated in Malaysia) (Company No.24851-H)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiary of which we have not acted as auditors, which are indicated in note 7 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 38 to the financial statements on page 127 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SHIRLEY GOH
(No. 1778/08/12 (J))
Chartered Accountant

Kuala Lumpur
20 March 2012

REGIONAL SUPPORT CENTRES

1. JURU
No. 1797-1-05 (First Floor),
Kompleks Auto World,
Jalan Perusahaan,
Juru Interchange,
13600 Perai, Penang.
Tel : 04 - 502 7916 / 502 7917
Fax : 04 - 502 7918

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

3. PETALING JAYA
Lot T101 - T106, 3rd Floor, Centrepoint,
No 3, Lebuh Bandar Utama,
Bandar Utama,
47800, Petaling Jaya, Selangor.
Tel : 03 - 7727 7772 / 7726 6680 / 7727 7618
Fax : 03 - 7726 6060

4. JOHOR BAHRU
2nd Floor, Bangunan Ang,
No. 1, Jalan Jeram, Taman Tasek,
80200 Johor Bahru.
Tel : 07 - 235 2549 / 235 0775
Fax : 07 - 235 0768

5. SIBU
3rd Floor, Grand Merdin,
No. 131, Kampung Nyabor Road,
96000 Sibu, Sarawak.
Tel : 084 - 324 755 / 333 976 / 321 613
Fax : 084 - 320 454

6. KUCHING
1st Floor, Lot 127- 129,
Section 54, Kuching Town Land District,
Jalan Petanak, 93100 Kuching,
Sarawak.
Tel : 082 - 424 755 / 419 755
Fax : 082 - 412 755

BRANCH OFFICE

7. MELAKA
524A & 524B, Jalan Merdeka,
Taman Melaka Raya,
75000, Melaka.
Tel : 06 - 288 2810 / 288 2811
Fax : 06 - 288 2812

8. KOTA KINABALU
Unit 59, Block J, 5th Floor,
KK Times Square Signature Office,
Coastal Highway,
88100 Kota Kinabalu, Sabah.
Tel : 088 - 486 239
Fax : 088 - 486 167

HEAD OFFICE MANAGEMENT

LIST OF OFFICERS

MANULIFE HOLDINGS BERHAD

Group Chief Executive Officer
MICHAEL CHAN YUI LUNG
FCMA, HKICPA, HKRFP, LIMRA
(Resigned on 31 May 2012)

Snr Vice President, Legal & Compliance
JASBENDER KAUR
LLB (Hons), CLP

Vice President, Legal & Compliance
SHARANJEET KAUR
LLB (Hons), CLP

Asst Vice President, Human Resources
MICHAEL KHOO KIEM YONG
MBA, B (Hons) Edu.

MANULIFE ASSET MANAGEMENT (MALAYSIA) SDN BHD

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

Asst Vice President, Investment (Equities)
TOCK CHIN HUI
B.Bus Accounting, CFA, CPA

Asst Vice President, Operations & Middle Office
TEW SOW HUME
ACCA, FCCA

MANULIFE UNIT TRUSTS BHD

Chief Executive Officer
EDWARD OOI TEE HEE
BBA (Mktg & Mgmt)

Asst Vice President, Unit Trusts
SABRINA ANG BEE LIN
BA (Hons) Marketing

Asst Vice President, Unit Trusts
KOO KOK LEONG
B.Sc (Business Finance), CFP, RFP

MANULIFE INSURANCE BERHAD

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

Appointed Actuary
GHO HAN JAA
B.Sc (Actuarial), FIA

Snr Vice President, Product Development & Agency Development
IVAN CHAN HUNG CHIN
BSc, MBA, FLMI, ACS, ALHC, ULHI, AIAA, AIRC

Snr Vice President and Chief Agency Officer
JEFFRIE TEH CHENG KEAT
Dip. Marketing, MCIM

Head, Distribution Admin & Marketing
SUSAN ONG CHAR KWEE
MBA, ACS, FLMI

Vice President, Agency Training
DARREN YAU KAH TIONG
B.A (Hons) Anthropology & Sociology, ACS,
Certified Trainer for Law of Attraction

Vice President, Operations
CARMEN FU LAI YAN
BBA (Marketing)

Vice President, Manulife Agency
YAP KOON YUM
B.Econ (Hons), CIAM

Vice President, Agency Development
ANDREW HONG AUN YEE
B.A (Hons) Business Administration

Asst Vice President & Chief Underwriter Insurance Operations
WILLIAM NG CHENG CHUAN
Dip. Med. Asst., FLMI, ALHC

Asst Vice President, Finance
THAM KOK YOKE
FCCA, CA (M)

Asst Vice President, Marketing
TUEN POH MANG
B. Commerce (Hons)

LIST OF PROPERTIES

As at 31 December 2011

Location	Land Area (sq.ft)	Built Up Area (sq.ft)	Tenure	Approx Age of Building (Years)	Net Book Value (RM'000)	Last Revaluation (Year)
Menara Manulife 6, Jalan Gelenggang Damansara Heights 50490 Kuala Lumpur Malaysia (18 storey building)	46,997	181,831	Freehold	14	94,747	2011

The above properties are for office and commercial use.

ANALYSIS OF SHAREHOLDINGS

As at 7 May 2012

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	:	2,309

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
1-99	218	9.44	6,511	0.00
100 to 1,000	619	26.81	479,638	0.24
1,001 to 10,000	1,161	50.28	4,692,306	2.32
10,001 to 100,000	255	11.04	8,037,992	3.97
100,001 to less than 5% of issued shares	55	2.38	69,566,364	34.38
5% of issued shares and above	1	0.05	119,587,189	59.09
Total	**2,309**	**100.00**	**202,370,000**	**100.00**

SUBSTANTIAL SHAREHOLDER ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Shareholdings	% of Issued Capital
Manulife Century Holdings (Netherlands) BV	119,587,189	59.09

DIRECTORS' SHAREHOLDINGS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
Name	No. of Shares	% of Issued Share Capital	No. of Shares	% of Issued Share Capital
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	50,000	0.02	-	-

Save as disclosed above, none of the Directors have any direct and deemed interest in the Company.

ANALYSIS OF SHAREHOLDINGS

As at 7 May 2012

30 LARGEST SHAREHOLDERS

	Name	No. of Shareholdings	% of Issued Capital
1	HSBC NOMINEES (ASING) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE CENTURY HOLDINGS (NETHERLANDS) B.V.	119,587,189	59.09
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	4,335,700	2.14
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND	3,942,066	1.95
8	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS LUX FOR ABERDEEN GLOBAL	3,511,800	1.74
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC DIVIDEND SELECT FUND	3,069,200	1.52
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	2,790,000	1.38
11	AMANAHRAYA TRUSTEES BERHAD PUBLIC ENHANCED BOND FUND	2,571,500	1.27
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC BALANCED FUND	2,554,500	1.26
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC EQUITY FUND	2,523,500	1.25
14	AMANAHRAYA TRUSTEES BERHAD PUBLIC SOUTH-EAST ASIA SELECT FUND	2,076,100	1.03
15	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SINGAPORE - SGD)	1,425,000	0.70

ANALYSIS OF SHAREHOLDINGS

As at 7 May 2012

30 LARGEST SHAREHOLDERS (CONT'D)

	Name	No. of Shareholdings	% of Issued Capital
16	YEOH KEAN HUA	1,190,000	0.59
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)	1,064,300	0.53
18	CHENG WEN-YIH	1,042,100	0.51
19	FU, CHEN SHU-CHEN	980,700	0.48
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (OPERATING FUND)	615,000	0.30
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ARSHAD BIN AYUB	600,875	0.30
22	CHAN SHIEK CHIN @ CHAN SHICK CHIN	485,000	0.24
23	YEO KHEE HUAT	480,000	0.24
24	HDM NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HSU, CHUN-TSANG	400,000	0.20
25	HSU, CHUN-TSANG	300,000	0.15
26	CHOO SIEW LIAN	269,134	0.13
27	HSU LIU, MEI-YU	269,000	0.13
28	YEO KHEE NAM	268,000	0.13
29	HUNG, WEN-CHIH	246,000	0.12
30	CHAN SING KEEM	245,000	0.12
	Total	**185,348,063**	**91.59**

Manulife
Manulife Holdings Berhad (24851-H)

PROXY FORM

I/We ____

(FULL NAME AND NRIC/PASSPORT NO./COMPANY NO. IN BLOCK LETTERS)

of ____

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

____

(FULL NAME AND NRIC/PASSPORT NO. IN BLOCK LETTERS)

or failing him THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf, at the Thirty-Sixth Annual General Meeting of the Company to be held on Monday , 25 June 2012 at 2.00 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 discretion):-

Resolution No.	Resolutions	For	Against
1.	Declaration of a First and Final Dividend		
2.	Mr Philip John Hampden-Smith		
3.	Datuk Seri Panglima Mohd Annuar bin Zaini		
4.	Dato' Dr Nik Norzrul Thani bin N. Hassan Thani		
5.	Tan Sri Dato' Mohd Sheriff bin Mohd Kassim		
6.	Directors' Remuneration in respect of 2011		
7.	Re-appointment of Auditors		
8.	Special Business – Ordinary Resolution 1		
9.	Special Business – Ordinary Resolution 2		
10.	Special Business – Ordinary Resolution 3		

Dated this ____________________ day of ____________________ 2012

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 18 June 2012 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. 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.
3. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
4. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of a person duly authorised.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

Fold this flap for sealing

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AFFIX
STAMP

THE COMPANY SECRETARY
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 Holdings Berhad
(24851-H)

12th Floor, Menara Manulife, 6 Jalan Gelenggang,
Damansara Heights, 50490 Kuala Lumpur, Malaysia.

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

www.manulife.com.my