Manulife

For your future™

50th Year
1963 - 2013

Annual Report 2012

MANULIFE HOLDINGS BERHAD
(24851-H)

MANULIFE'S

Vision & Values

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

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

P rofessionalism

R eal Value to Our Customers

I ntegrity

D emonstrated Financial Strength

E mployer of Choice

Contents

2 Notice Of Annual General Meeting

8 Corporate Information

9 Corporate Structure

10 Group Financial Highlights

12 Board Of Directors

14 Directors' Profile

19 Chairman's Statement

24 Corporate Governance Statement

30 Statement On Risk Management And Internal Control

32 Additional Compliance Information

35 Group Audit Committee Report

43 Financial Statements

143 Regional Support Centres

144 Head Office Management

145 List Of Properties

146 Analysis Of Shareholdings

Proxy Form

Notice Of
Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh 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 Wednesday, 26 June 2013 at 2:00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon.

2. To approve the declaration of a first and final dividend of 15 sen per share less 25% income tax for the financial year ended 31 December 2012. ***(Resolution 1)***

3. To re-elect Mr. Robert Allen Cook 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) Mr. Lim Hun Soon @ David Lim ***(Resolution 3)***
   (b) Mr. Mark Steven O'Dell ***(Resolution 4)***

5. To approve the payment of Directors' remuneration for the financial year ended 31 December 2012. ***(Resolution 5)***

6. To appoint Auditors and to authorise the Directors to fix their remuneration. ***(Resolution 6)***

   Notice of Nomination pursuant to Section 172(11) of the Companies Act 1965, a copy of which is annexed hereto and marked 'Annexure A' in the Annual Report have been received by the Company for the nomination of Messrs. Ernst & Young for appointment as Auditors and of the intention to propose the following ordinary resolution:-

   "THAT subject to their consent to act, Messrs. Ernst & Young be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

As Special Business

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

   (a) ORDINARY RESOLUTION 1
   - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965 ***(Resolution 7)***

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

As Special Business (cont'd)

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

(b) ORDINARY RESOLUTION 2 - PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE *(Resolution 8)*

"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 Part B of the Circular to Shareholders dated 31 May 2013 with the related parties mentioned therein PROVIDED THAT:-

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

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

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

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

(b) the expiration of the period within which the next AGM of the Company after that date it is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is the earlier;

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

(c) ORDINARY RESOLUTION 3 - PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE *(Resolution 9)*

"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 Part B of the Circular to Shareholders dated 31 May 2013 with the related parties mentioned therein PROVIDED THAT:

Notice Of
Annual General Meeting

As Special Business (cont'd)

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

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

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

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

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

    (b) the expiration of the period within which the next AGM of the Company after that date it is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

    whichever is the earlier;

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

    (d) SPECIAL RESOLUTION
    - PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY ***(Resolution 10)***

    "THAT the Proposed Amendments to the Articles of Association of the Company as set out in Part A of the Circular to Shareholders dated 31 May 2013 be and are hereby approved and adopted; AND THAT the Board of Directors and Secretaries of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said Proposed Amendments to the Company's Articles of Association."

8. 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 15 sen per share less 25% income tax in respect of the financial year ended 31 December, 2012, if approved, will be paid on 16 July 2013 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 28 June 2013.

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 28 June 2013 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 : 31 May 2013

NOTES :-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 19 June 2013 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

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

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

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

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

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

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim who retires in accordance with Section 129 of the Companies Act, 1965, has expressed his intention not to seek for re-appointment. Hence, Tan Sri Dato' Mohd Sheriff will retain office until the close of the Thirty-Seventh Annual General Meeting.

Mr. Gianni Fiacco who retires in accordance with Article 93(B) of the Company's Articles of Association, has expressed his intention not to seek for re-election. Hence, Mr. Gianni Fiacco will retain office until the close of the Thirty-Seventh Annual General Meeting.

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-Seventh 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-Sixth Annual General Meeting of the Company held on 25 June, 2012 (hereinafter referred to as the "Previous Mandate").

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

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

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

The proposed adoption of the Resolution 8 is to renew the Shareholders' Mandate granted by the shareholders of the Company at the Thirty-Sixth Annual General Meeting of the Company held on 25 June, 2012. Both Proposed Renewal of the Shareholders' Mandate and New Shareholders' Mandate will enable the Group to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

(3) PROPOSED ADMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY

The Special Resolution is intended to streamline the Company's Articles of Association with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Further information on the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed Amendments to Articles of Association are set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2012 Annual Report.

Annexure A

MANULIFE CENTURY HOLDINGS (NETHERLANDS) B.V.
Herengracht 483
1017 BT AMSTERDAM
The Netherlands

Tel : 31 20 623 0650
Fax : 31 20 623 2285

Dated : 8 APR 2013

The Board of Directors
MANULIFE HOLDINGS BERHAD
12th Floor, Menara Manulife,
6, Jalan Gelenggang,
Damansara Heights,
50490 Kuala Lumpur,
Wilayah Persekutuan.

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

We, the undersigned, being the registered shareholder of the Company hereby nominate pursuant to Section 172(11) of the Companies Act 1965, Messrs. Ernst & Young, for appointment as new Auditors of the Company in place of the retiring Auditors, Messrs. PricewaterhourseCoopers at the forthcoming Annual General Meeting.

Therefore, we propose that the following resolution be considered at the forthcoming Annual General Meeting of the Company:-

"That subject to their consent to act, Messrs. Ernst &Young be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. PricewaterhourseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

Yours faithfully,

____
Signature of Substantial Shareholder
Manulife Century Holdings (Netherlands) B.V.
Peter de Vries, Strategic Director

____
Signature of Substantial Shareholder
Manulife Century Holdings (Netherlands) B.V.
Brad Unsworth, Managing Director

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

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

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

LIM HUN SOON @ DAVID LIM
B. of Aris (Hons) in Economics,
The University of Leeds, Leeds UK
Independent non-executive director
(Appointed on 17 July 2012)

MARK STEVEN O'DELL
Completed Chartered Life Underwriter (CLU)
Completed Chartered Financial Consultant (ChFC)
Group Chief Executive Officer / Executive Director
(Appointed on 18 January 2013)

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

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

DATUK ABU HASSAN BIN KENDUT
PJN, MIA, MICPA
Independent non-executive director
(Resigned on 25 June 2012)

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

MARK STEVEN O'DELL
(Appointed on 18 January 2013)

- **GROUP AUDIT COMMITTEE/GROUP RISK MANAGEMENT COMMITTEE**

LIM HUN SOON @ DAVID LIM
(Chairman)
(Appointed on 17 July 2012)

GIANNI FIACCO

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

DATO' DR NIK NORZRUL THANI BIN N. HASSAN THANI

DATUK ABU HASSAN BIN KENDUT
(Resigned on 25 June 2012)

- **GROUP NOMINATING/ REMUNERATION COMMITTEE**

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM *(Chairman)*

PHILIP JOHN HAMPDEN-SMITH

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

DATO' DR NIK NORZRUL THANI BIN N. HASSAN THANI

LIM HUN SOON @ DAVID LIM
(Appointed on 17 July 2012)

DATUK ABU HASSAN BIN KENDUT
(Resigned on 25 June 2012)

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 9228 Ext 688
Email : amy_sp_loke@manulife.com

AGM HELPDESK

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
- Main Market

Corporate **Structure**

Manulife

Manulife Holdings Berhad
(24851-H)

- 100% Manulife Insurance Berhad
- 100% Manulife Asset Management Services Berhad (formerly known as Manulife Unit Trusts Berhad)
- 100% Manulife Asset Management (Malaysia) Sdn Bhd
- 100% Britama Credit Sdn Bhd
- 100% Britama Properties Sdn Bhd
- 100% The E-Software House Sdn Bhd
- 100% British American Investments Pte Ltd

Five-Year
Group Financial Highlights

	2008*	2009*	2010*	2011**	2012**
OPERATING RESULTS					
For the financial year ended 31 December (RM'million)					
Group Premiums	503.7	454.9	467.0	487.9	**515.4**
Investment Income and Other Operating Income - Net[1]	-0.9	207.7	239.5	197.2	**261.0**
Policyowners Benefit Paid and Payable	304.5	346.7	373.9	419.0	**369.6**
Group Profit Before Taxation	61.1	79.4	82.2	49.7	**56.8**
Group Net Profit Attributable To Shareholders	47.0	59.1	64.4	40.9	**49.0**
KEY BALANCE SHEET DATA					
As at 31 December (RM'million)					
Life Fund Assets	2,580.3	2,940.4	3,205.1	3,247.1	**3,490.7**
General/Shareholder Fund Assets	458.5	438.0	487.2	532.9	**564.2**
Total Assets	3,038.8	3,378.4	3,692.3	3,780.0	**4,054.9**
Total Liabilities	2,600.8	2,890.2	3,156.8	3,074.9	**3,316.0**
Shareholders' Equity	438.0	488.2	535.5	705.1	**738.9**
SHARE INFORMATION					
Group Basic Earnings Per Share (sen)	23.2	29.2	31.8	20.2	**24.2**
Net Dividend Per Share (sen)	9.8	12.8	13.5	13.5	**11.3**
Group Net Asset Per Share (RM)	2.16	2.41	2.65	3.48	**3.65**
Share Price - High (RM)	2.82	3.02	3.07	3.25	**3.76**
Share Price - Low (RM)	1.80	1.71	2.29	2.70	**2.98**
Share Price As At 31 December (RM)	1.83	3.02	3.00	2.92	**3.35**
Market Capitalisation (RM'million)	370.1	610.6	607.1	590.9	**677.9**
FINANCIAL RATIO (%)					
Return on Equity[2]	10.8	12.8	12.6	5.9	**6.8**
Return on Assets[3]	1.6	1.8	1.8	1.1	**1.2**

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

** Financial information for years 2011 and 2012 are presented based on Malaysian Financial Reporting Standards ("MFRS").

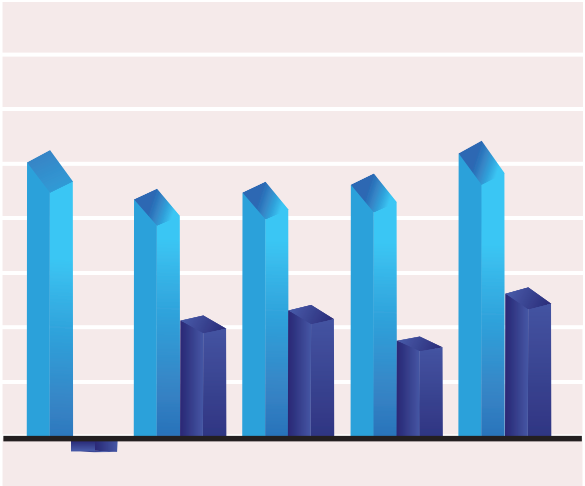
1 Comprises total revenue excluding net premiums, and net off net realised/fair value losses and investment expenses.

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

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

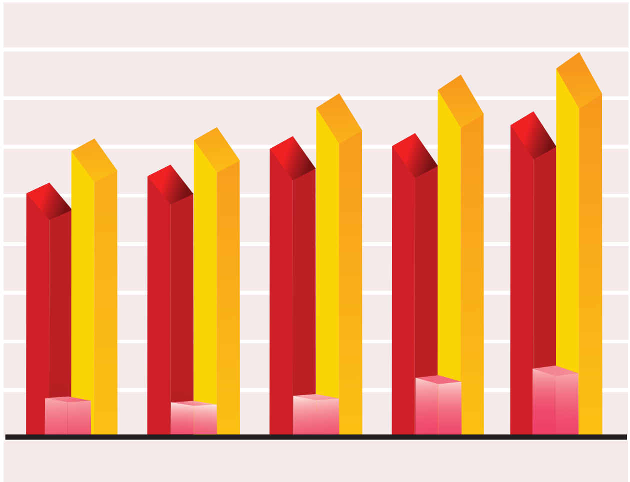
Five-Year
Group Financial Highlights

Group Income (RM' Mil)



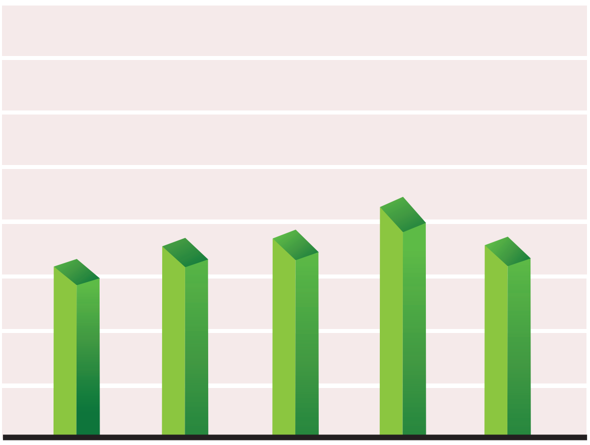
	2008	2009	2010	2011	2012
Group Premium	503.7	454.9	467.0	487.9	515.4
Investment Income and Other Operating Income-Net	-0.9	207.7	239.5	197.2	261.0

Group Assets (RM' Mil)



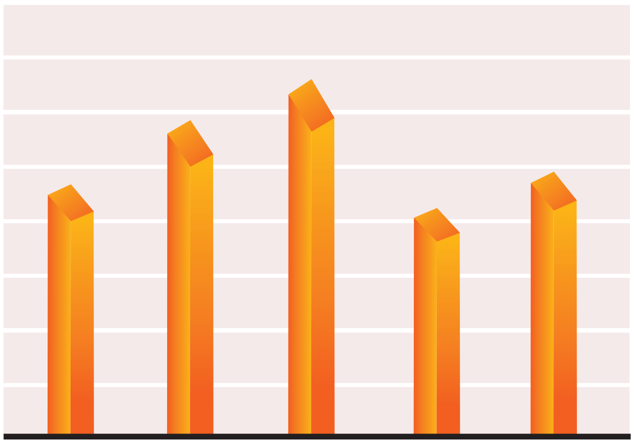
	2008	2009	2010	2011	2012
Life Fund Assets	2,580.3	2,940.4	3,205.1	3,247.1	3,490.7
General/Shareholder Fund Assets	458.5	438.0	487.2	532.9	564.2
Total Assets	3,038.8	3,378.4	3,692.3	3,780.0	4,054.9

Policyowners Benefit Paid and Payable (RM' Mil)



2008	2009	2010	2011	2012
304.5	346.7	373.9	419.0	369.6

Group Net Profit Attributable to Shareholders (RM' Mil)



2008	2009	2010	2011	2012
47.0	59.1	64.4	40.9	49.0

Board Of **Directors**

From Left to Right:

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

LIM HUN SOON @ DAVID LIM
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

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

Directors' **Profile**

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim, aged 74, a Malaysian, was appointed as 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 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 3 years.

Tan Sri Dato' Mohd Sheriff is President of the Malaysian Economic Association and he serves as Non-executive Chairman of 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.

Tan Sri is a Chairman of the Executive Committee and Group Nominating/ Remuneration 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 2012.

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

Directors' Profile

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

ROBERT ALLEN COOK
Non-independent non-executive director

Mr Philip John Hampden-Smith, aged 55, 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 is also a director on the Board of Manulife Insurance Berhad. He has attended four (4) out of five (5) Board meetings of the Company held during the financial year ended 31 December 2012.

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.

Mr Robert Allen Cook, aged 59, 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 is also a director on the Board of Manulife Insurance Berhad. He had attended all five (5) Board meetings of the Company held during the financial year ended 31 December 2012.

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.

Directors' Profile

GIANNI FIACCO
Non-independent
non-executive director

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

Mr Gianni Fiacco, aged 36, 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 is also a director and member of the Audit Committee of the Board of Manulife Insurance Berhad. He had attended four (4) out of five (5) Board meetings of the Company held during the financial year ended 31 December 2012.

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.

Datuk Seri Panglima Mohd Annuar bin Zaini, aged 62, 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 several private limited companies.

Datuk Seri Panglima Mohd Annuar is a member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/Remuneration Committee of the Board of Directors. He is also a director and member of the Audit Committee of the Board of Manulife Insurance Berhad and a director on the Board of Manulife Asset Management Services Berhad (formerly known as Manulife Unit Trusts Berhad). He had attended four (4) out of five (5) Board meetings of the Company held during the financial year ended 31 December 2012.

Directors' Profile

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

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

Dato' Dr Nik Norzrul Thani bin N. Hassan Thani, aged 53, 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 also a Fellow of the Financial Services Institute of Australasia (FINSIA).

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

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

Dato' Dr Nik is a member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/Remuneration Committee of the Board of Directors. He is also a director and member of Audit Committee of the Board of Manulife Insurance Berhad. He had attended four (4) out of five (5) Board meetings of the Company held during the financial year ended 31 December 2012.

Mr Mark Steven O'Dell, aged 55, an American, was appointed to the Board on 18 January 2013. He holds both the Chartered Life Underwriter (CLU) and the Chartered Financial Consultant (ChFC) designations from the American College, USA.

Mr O'Dell has over 32 years of experience in the life insurance business including 18 years in Asia across multiple geographies namely Singapore, Indonesia and Malaysia. Prior to his appointment as Group Chief Executive Officer, Mr. O'Dell served as the President and Chief Executive Officer of Manulife Taiwan since 2008. He was also instrumental in the establishment of Manulife Asset Management Taiwan.

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

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

Mr O'Dell is a member of the Executive Committee of the Board of Directors and a director of Manulife Asset Management Services Berhad (formerly known as Manulife Unit Trusts Berhad). He also sits on the Boards of Manulife Chinabank Life Assurance Corporation and Manulife (Singapore) Pte. Ltd.

Directors' Profile

LIM HUN SOON @ DAVID LIM
Independent non-executive director

Mr Lim Hun Soon @ David Lim, aged 58, a Malaysian, was appointed to the Board on 17 July 2012. He graduated from the University of Leeds with a Bachelor of Arts in Economics in July 1978 and subsequently joined KPMG (formerly known as Peat Marwick Mitchell) in the United Kingdom in 1978. He qualified as a member of the Institute of Taxation, United Kingdom in 1981 and as a Chartered Accountant in England and Wales in 1982. He then returned to Malaysia in 1982 to continue his service with KPMG where he was admitted in 1984 as a member of the Malaysian Association of Certified Public Accountants. Mr David Lim was admitted as a Partner of the firm in 1990.

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

In 2006, he was assigned by KPMG to start up the Malaysian Audit Committee Institute ("ACI Malaysia"), which was a virtual worldwide initiative sponsored by KPMG to assist Independent Directors in enhancing their awareness and ability to implement effective board processes. After five (5) years of relentless groundwork, the ACI Malaysia is now a source of information for which Non-Executive Directors can turn to if they require information to help them in the discharge of their duties and responsibilities.

He actively served as an examiner for Company Law examinations in the Malaysian Institute of Certified Public Accountants ("MICPA") for over a period of ten (10) years. He was also the Chairman of the MICPA Code of Ethics Committee and a member of the Malaysian Institute of Accountants Code of Ethics Committee from 2002 to 2004. He had also developed an expertise from undertaking the role of Reporting Accountants in initial public offerings ("IPO") and was the audit partner in charge of over 30 IPOs whilst at KPMG. He retired from KPMG in 2011.

Mr David Lim sits as an Independent Non-Executive Director on the Boards of Affin Investment Bank Berhad, Australasia Resources & Minerals Berhad, IJM Land Berhad and Rockwill Trustee Berhad as well as a few private limited companies.

Mr David Lim is a Chairman of the Group Audit Committee and Group Risk Management Committee and is a member of the Group Nominating/Remuneration Committee of the Board of Directors. He is also a director and Chairman of the Audit Committee of the Board of Manulife Insurance Berhad. Since his appointment on 17 July 2012, he has attended all two (2) Board meetings of the Company held during the financial year ended 31 December 2012.

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 2012. The details of attendance of the Directors are as follows:-

Name of Board of Directors	Attendance
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	5 out of 5
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 5
Dato' Dr Nik Norzrul bin N. Hassan Thani	4 out of 5
Lim Hun Soon @ David Lim	2 out of 2
Robert Allen Cook	5 out of 5
Philip John Hampden-Smith	4 out of 5
Gianni Fiacco	4 out of 5
Datuk Abu Hassan bin Kendut (Resigned on 25 June 2012)	3 out of 3
Michael Chan Yui Lung (Resigned on 31 May 2012)	2 out of 3

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 2012.

Chairman's **Statement**

Review of Results

Despite the uncertain global economy and challenging investment environment, 2012 was a positive year for the Manulife Group.

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

The Group registered a 5.4% growth in operating revenue of RM675.4 million in the current year as compared to RM640.9 million reported in the preceding year. This was primarily attributed by the life insurance segment which managed to achieve higher gross premium from investment-linked products. With the overall growth in operating revenue and improved strategic business measures undertaken by the life insurance segment, the Group's profit before taxation reported a significant increase of RM7.1 million, from RM49.7 million to RM56.8 million.

The Group's profit after tax and earnings per share surged by 19.7% to RM49 million and 24.19 sen respectively compared with the preceding year of RM40.9 million and 20.21 sen based on the restated prior year result using the current accounting standard. However, the profit after tax saw a decline when compared to prior year reported result.

Group's Financial Position

As at 31 December 2012, the Group's total assets stood at RM4,054.9 million, which was a 7.3% increase from the preceding year of RM3,780.0 million and the Group's net asset per share increased by 17 sen from RM3.48 to RM3.65 in the current year. The growth in the Group's total assets is mainly from investments in available-for-sale financial assets within the life insurance segment.

Review of Operations

Insurance Business

Manulife Insurance Berhad (Manulife Insurance) turned in a strong performance in 2012 with new business annualised premium registering a 19% growth to RM72.1 million. This is a commendable achievement when compared against the life insurance industry new business growth of 2.2% reported by the Life Insurance Association of Malaysia (LIAM).

The positive result can be attributed to the successful implementation of forward-looking strategies aimed at increasing our market presence in Malaysia. While Manulife Insurance has aspirations to build a more balanced sales contribution from its multi-distribution channels, the Agency channel was once again the key contributor to new business sales. With a dedicated team in place, the Bancasssurance channel worked more closely with its three partners, an encouraging sign that the support infrastructure is delivering results. It was a challenging year for the Financial Advisor channel though the company added two new partners during the period under review.

During the year, Manulife Insurance continued to focus on investment-linked sales and successfully increased its share to 70% of total sales, up from approximately 55% a year ago. New, easy to use investment-linked tools were introduced to assist the sales process. The investment-linked product range was also expanded with the launch of Total Wealth Synergy, a plan which provides both protection and cash assistance should an unforeseen medical situation occur. Manulife Insurance also launched ManuCare 100 Plus, an innovative medical plan that offered a first-of-its-kind room and board as charged feature.

Chairman's Statement

Review of Operations (cont'd)

Insurance Business (cont'd)

Recruitment of quality agents remained a key focus for the year. To support the recruitment effort and to increase our reach to potential customers, Manulife Insurance opened new branches in Kota Kinabalu, Sungai Petani and Kota Bharu as well as new agency offices in Alor Setar and Arau. Given their locations, these branches and agency offices will also play an integral role in the recruitment of bumiputera agents.

In August 2012, Mr George Chew was appointed Chief Executive Officer of Manulife Insurance. Prior to joining the Company, Mr Chew headed the Individual Financial Products Division at Manulife Hong Kong which recorded consistent growth under his stewardship.

Unit Trust and Asset Management Business

The year under review saw several exciting developments in the Group's unit trust and asset management businesses which commenced in 2009 through Manulife Unit Trusts Berhad (MUTB) and Manulife Asset Management (Malaysia) Sdn Bhd (MAMM) respectively. In July 2012, the Group merged the two entities for better synergy to capture the growing unit trust and wealth management industry. The merger resulted in MUTB changing its name to Manulife Asset Management Services Berhad (Manulife Asset Management).

During the year, Manulife Asset Management was approved as one of the eight Private Retirement Scheme (PRS) providers by the Securities Commission. The introduction of PRS is to encourage Malaysians to better save for their retirement. Manulife Asset Management launched the Manulife PRS NESTEGG Series which consists of three funds, Growth, Moderate and Conservative to meet different risk appetites of investors. Manulife Asset Management undertook an aggressive awareness campaign to promote the Manulife PRS as well as to educate the public on the benefits of PRS.

Assets under management (AUM) for 2012 grew by 8% during the year to RM 3,275.6 million. The February launch of Manulife Flexi Invest Fund, a new fund on the investment-linked platform; growth in AUM from various unit trust funds under Manulife Asset Management; and the securing of a new institutional mandate from a top ten unit trust company in Malaysia all contributed to the increase in AUM. The Manulife Bond Plus Fund saw significant increase via a successful partnership with a leading bank.

Performances of both equity and fixed income portfolios managed by Manulife Asset Management generally did well in 2012. All equity funds outperformed their respective benchmarks. In particular, Manulife HSBC Growth Fund (investment-linked) and Manulife Equity Plus Fund (unit trust) ended 2012 in the first quintile of their respective internal peer group rankings while newly launched Manulife Flexi Invest Fund (investment-linked) 10-month debut to December 2012 ended in the third quintile.

The fixed income portfolios on the other hand either outperformed or performed in line with their respective benchmarks. Manulife Bond Plus Fund (unit trust) outperformed, ending the year in the second quintile of its internal peer group rankings while Manulife Income Fund (investment linked) performed in line with its benchmark.

Manulife Asset Management completed the implementation of Bloomberg Asset and Investment Manager trading solution (Bloomberg AIM). With Bloomberg AIM, investing trading operations are now fully automated with pre-compliance check module to ensure all trades executed comply with Regulatory guidelines and the individual fund mandates.

Chairman's Statement

Corporate Social Responsibility

Giving back to the communities where the Group operates is one of the core pillars of our corporate identity. During the year, the Group focused on harnessing the power of volunteering, promoting health and wellness and supporting educational initiatives for young people and leaders of tomorrow.

Staff, agency members and customers across the country volunteered their time to support events that enhance the health and well-being of people from all walks of life. The Petaling Jaya Caring Home, Kota Kinabalu Grace Old Folk's Home, Ipoh Welfare Handicap Association and the Kuching Autistic Centre were the recipients of donations-in-kind as well as upgrade of premises.

Children are our future and education is the enabler to develop leaders of tomorrow. In June, in conjunction with Manulife Financial's 125th anniversary globally, the Group organised a month-long children's book donation campaign to restock the depleted library at Pure Life Society. The Manulife family generously contributed more than 400 books which will be enjoyed by the boys and girls staying at the home.

In December, an international team of Manulife staff together with their local counterparts hosted the children at Rumah K.I.D.S to a day of sporting activities. Manulife colleagues from Hong Kong and Toronto also brought story books as gifts.

Corporate Branding Initiatives

In 2012, Manulife Malaysia continued to invest in its brand. The Group extended the strategically located "Jalan ke Manulife" overhead bridge signage along Jalan Semantan, Damansara Heights for another year. Due to their prominent locations, branch offices were extensively used for brand building activities.

A new and exciting initiative for the year was the Manulife-branded KL Hop-on Hop-off tourist bus. The flag-off ceremony for the eye-catching Manulife-themed bus was held on 12 January 2012 at the Malaysia Tourism Centre (MATIC). The bus route encircled key, high-traffic areas of Kuala Lumpur, ensuring visibility of the brand amongst members of the public. Based on the positive response to the KL Hop-on Hop-off bus, the Group replicated the public bus advertising concept in Penang, Johor Bahru, Ipoh and Kota Kinabalu. Manulife-themed buses covered residential and business districts of the respective cities city, highlighting our brand and its attributes.

During the year, Manulife Financial Corporation celebrated its 125th global anniversary and its 115th year in Asia. Together with other Manulife operations around the world, Manulife Malaysia leveraged on this historic event to reinforce our key values in all internal and external communication.

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 optimise risk taking in line with the Group's risk appetite and place emphasis on risk management to support long term revenue and earning growth and shareholders' value growth. This is done by:

Chairman's Statement

Risk Management (cont'd)

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

Aside from enhancing its existing Enterprise Risk Management Policy to introduce a strengthened 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.

Market Trend & Business Development

Life Insurance

The Life Insurance Association of Malaysia expects the life insurance industry to grow by 8% to 10% in 2013 driven by demand for medical and health insurance, deferred annuity products and investment-linked products. The government continues to drive the financial services industry through the Economic Transformation Program (ETP). Specifically, the government has pledged to increase insurance protection of the low-income household segment, and for small business owners. Significant joint efforts from Bank Negara Malaysia (BNM), Employee Provident Fund, Persatuan Insurans Am Malaysia (PIAM) and the Malaysian Insurance Institute (MII) have been made to increase awareness of the importance of insurance and financial literacy to the public at large over the past 2 years and these efforts continue into the future. The goal is to ensure 75% of our population is covered with life insurance by 2020. Currently, the insurance penetration in Malaysia is approximately 45%.

Alternative distribution channels such as bancassurance, online purchase, telemarketing, and other direct-to-customer modes are expected to gain popularity, especially with the younger target market. This bodes well for the growth of the insurance industry.

The Takaful and Islamic finance segments will continue to be areas with high potential in light of Bumiputras comprising 60.9% of the Malaysian population but penetration of Takaful products is only at approximately 13%. As the public becomes more familiar with Takaful and with regulatory oversight, the Takaful industry is expected to grow.

The impending implementation of the Financial Services Act which replaces the Insurance Act will place greater emphasis on transparency, accountability and governance. Under the new Act, the onus is on both the insurer and the customer to fulfil their part of the obligation in an insurance contract.

Unit Trust and Asset Management

We believe the local capital markets are expected to continue growing, albeit at a slower rate than the year before. The global economy is currently experiencing a soft patch, impacted by the US budget tightening, rebalancing of China's GDP drivers and continued uncertainties in the Eurozone's economy. We view this weakness to be transitory as fiscal discipline works its way through these economies. We believe the global economy is in a stronger footing compared to a year ago and global central banks' accommodative monetary policies will continue to support a gradual economic recovery.

Chairman's Statement

Business Development and Trend (cont'd)

Unit Trust and Asset Management (cont'd)

As for Malaysia, we expect the market to play catch up with the regional markets on the back of its relative underperformance and under-ownership (by foreign investors) relative to its regional counterparts. Stocks that will benefit from the Government's Economic Transformation Program (ETP) and the global economic recovery will be in focus.

For the bond market, we expect the current ultra-loose monetary policies by global Central Banks to underpin demand for bonds, especially in investment grade countries like Malaysia where yields are still relatively more attractive.

Overall, in line with the global recovery, we foresee more interest in equity-based funds going forward.

Current Year Prospects

With global financial markets expected to remain volatile, the Group recognises that economic growth in Malaysia will be moderated. In line with this expectation, we expect the financial services industry to tread cautiously as well. The Group will actively look for both organic and inorganic growth initiatives to ensure healthy and sustainable growth. To remain competitive, the Group will proactively improve operational infrastructure, develop human talent and introduce innovative, customer-focused products to support growth plans. The Group will continue to adopt pragmatic and prudent measures in its utilisation and management of resources.

Barring any unforeseen circumstances, the Directors expect the Group's performance to remain satisfactory in the next financial year ending 31 December 2013 as the Group invests further towards its business expansion.

Dividend

The Board of Directors is pleased to recommend, subject to shareholders' approval at the forthcoming Annual General Meeting, a first and final dividend of 15 sen per share less income tax at 25% amounting to RM22,766,625 for the financial year ended 31 December 2012.

Board of Directors

On behalf of the Board of Directors, I am pleased to welcome Mr Lim Hun Soon @ David Lim to the Board of Manulife Holdings Berhad. Mr Lim, appointed on 17 December 2012, brings on board valuable expertise and experience. The Board is also pleased to welcome Mr Mark O'Dell, who was appointed Group Chief Executive Officer on 18 January 2013. Mr Mark O'Dell, who is well acquainted with the market both locally and in the ASEAN region, brings on board significant experience relevant to the Group's segments of business.

Acknowledgements

Finally, on behalf of the Board of Directors, I would like to thank our shareholders, policyowners and business associates 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 2013

Corporate **Governance Statement**

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

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

The Board has consistently supported the disclosure requirements and strived to achieve best practices in adopting the principles and recommendations proposed in the Malaysian Code on Corporate Governance 2007 ("the MCCG 2007") issued by Bursa Malaysia Securities Berhad in June 2009, aimed to enhance the effectiveness of corporate governance framework.

In 2012, the Securities Commission issued the Malaysian Code on Corporate Governance 2012 ("the MCCG 2012") which came into effect in December 2012 and superseded the MCCG 2007. The MCCG 2012 sets out broad principles and specific recommendations on structures and processes which companies may adopt in making good corporate governance an integral part of business dealings and culture. Management has been, on an ongoing basis, reviewing the transition between the MCCG 2007 and the MCCG 2012, and implementing the new recommendations and requirements, where appropriate. Unless as otherwise stated, the Board has adopted the recommendations of the MCCG 2012.

The Board of Directors

An effective Board leads and controls the Company. The Manulife Holdings Berhad Board meeting is held at least once a quarter, with additional meetings convened as necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. Four (4) out of eight (8) of the Directors are Independent Directors.

For the financial year ended 31 December 2012, five (5) Board meetings were held and the attendance of each Director is recorded in their respective profiles. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

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

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

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

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

Executive Committee of the Board

The Executive Committee has three (3) members, of which all are Non-Executive Directors.

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. Dato' Dr Nik Norzrul Thani bin N. Hassan Thani
Member/Independent Non- Executive Director
(Appointed on 31 May 2012)
4. 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 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, comprising three (3) Independent Non- Executive Directors and one (1) Non-Executive Director. The Report of the Group Audit Committee for the financial year can be found on pages 35 to 42 of the Annual Report.

Members

1. Mr Lim Hun Soon @ David Lim
Chairman/Independent Non-Executive Director
(Appointed on 17 July 2012)
2. Datuk Abu Hassan bin Kendut
Chairman/Independent Non-Executive Director
(Resigned on 25 June 2012)
3. Mr Gianni Fiacco
Member/Non-Independent Non-Executive Director
4. Datuk Seri Panglima Mohd Annuar bin Zaini,
Member/Independent Non- Executive Director
5. Dato' Dr Nik Norzrul Thani bin N. Hassan Thani
Member/Independent Non- Executive Director

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 35 to 41 of the Annual Report.

Meeting Attendance

The attendance list for the Group Audit Committee's members for the financial year ended 31 December 2012 is found on page 35 of the Annual Report.

Group Risk Management Committee

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

Members

1. Mr Lim Hun Soon @ David Lim
Chairman/Independent Non-Executive Director
(Appointed on 17 July 2012)
2. Datuk Abu Hassan bin Kendut
Chairman/Independent Non-Executive Director
(Resigned on 25 June 2012)
3. Mr Gianni Fiacco
Member/Non-Independent Non-Executive Director
4. Datuk Seri Panglima Mohd Annuar bin Zaini
Member/Independent Non- Executive Director
5. Dato' Dr Nik Norzrul Thani bin N. Hassan Thani
Member/Independent Non- Executive Director

Terms of Reference

The Group Risk Management Committee is responsible for :-

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

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

Meeting Attendance

The attendance list for the Group Risk Management Committee's members for the financial year ended 31 December 2012 are as follows:-

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

Group Nominating/Remuneration Committee

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

Members

1. Tan Sri Dato' Mohd Sheriff bin Mohd Kassim
Chairman/Independent Non- Executive Director
2. Mr Lim Hun Soon @ David Lim
Member/Independent Non-Executive Director
(Appointed on 17 July 2012)
3. Datuk Seri Panglima Mohd Annuar bin Zain
Member/Independent Non- Executive Director
4. Dato' Dr Nik Norzrul Thani bin N. Hassan Thani
Member/Independent Non- Executive Director
5. Mr Philip John Hampden-Smith
Member/ Non-Independent Non-Executive Director
6. Datuk Abu Hassan bin Kendut
Member/Independent Non-Executive Director
(Resigned on 25 June 2012)

Corporate Governance Statement

Group Nominating/Remuneration Committee (cont'd)

Terms of Reference

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

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

Meeting Attendance

The attendance list for the Group Nominating/ Remuneration Committee's members for the financial year ended 31 December 2012 are as follows:-

Name of members	Attendance
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	4 out of 4
Datuk Abu Hassan bin Kendut	2 out of 2
Mr Lim Hun Soon @ David Lim	2 out of 2
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 4
Dato' Dr Nik Norzrul Thani bin N. Hassan Thani	4 out of 4
Mr Philip John Hampden-Smith	4 out of 4

Various Management Committees

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

Board Balance, Duties and Responsibilities

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

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

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

The Independent Non-Executive Directors fulfill a pivotal role in corporate accountability by providing independent and unbiased view, advice and judgement to ensure a balanced and unbiased decision making process to ensure that the long term interest of all stakeholders and the community are well protected.

There is also a balance in the Board because of the presence of Independent Non-Executive Directors of the calibre necessary to carry sufficient weight in the Board's decisions. Although all the Directors have an equal responsibility for the Company's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and examined, and take into account 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 an 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) Ensuring that the operating infrastructure, systems of control, systems for risk management, financial and operational controls are in place and properly implemented;

Board Balance, Duties and Responsibilities (cont'd)

(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.

Code Of Business Conduct and Ethics

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

Supply of Information

All Directors are provided with the agenda and Board reports with sufficient time prior to a Board meeting. This is to enable the Directors to obtain further 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.

Board Appointments and Re-elections

The MCCG 2012 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 Directors of the Board are also selected, and annually assessed in accordance with the procedures set out in the Board Manual.

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

Board Charter

The MCCG 2012 recommends for the Board to formalise, review and make public its Board Charter, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities. In furtherance of its commitment on good corporate governance standards, the Board will review existing strategies, values, principles and ethos currently embodied in its Board Manual for it to be formalised, together with appropriate policies and procedures, into a Board Charter at the end of financial year 2013.

Directors' Training

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

The training programmes and seminars attended by the Directors during the financial year ended 31 December 2012 are, inter-alia, on areas relating to corporate governance, risk management, role of an effective Board, insurance, banking and finance. Conferences, seminars and training programmes attended by the Directors during the financial year ended 31 December 2012 were as follows:

Financial Services

- Islamic Banking and Finance
- Global Islamic Finance Forum (GIFF) 2012
- International Symposium on Sustainable Growth – Financial
- ACCA & CFA Business Mixer 2012
- Malaysian Sukuk and Capital Markets Conference
- Economic and Regional Integration Moving Forward

Role of an Effective Board

- International Conference on the Global Movement of the Moderates
- Directors Forum 2012 "Board Rising to the Challenges of Corporate Entrepreneurship"
- Asean 100 Leadership Forum
- Leadership Performance Coaching
- Global Public Lecture by International Monetary Fund
- Bank Negara Malaysia Governor's address on the Malaysian Economy and Panel Discussion
- Public Lecture on Economic Growth and Environmental Sustainability

Corporate Governance Statement

Directors' Training (cont'd)

Corporate Governance

- FIDE – Insurance
- Bursa Malaysia Berhad's Half Day Governance Programm

Others

- Mandatory Syariah Training
- 2013 Post Budget Dialogue
- Roundtable on Education for Enhancing National Unity
- Women Directors Onboarding Training Programme
- Word Bank Series: Malaysia Economic Monitor on "Tapping into Women's Talent"
- Seminar Wakaf: Penjana Pembangunan

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 2012 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	-	462
Salaries	407	-
Bonus	165	-
Retirement benefits contributions	28	-
Benefits-in-kind	185	-
Share option expenses	-	-
RSU expenses	55	-
Gratuity	80	-
Meeting allowances	-	46
Total	920	508

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	-	4
RM50,001 – RM100,000	-	5
RM900,001 – RM950,000	1	-

*** The aforesaid disclosures include the remuneration of two (2) Directors who resigned during the financial year 2012.*

Note: Successive bands of RM50,000 are not shown entirely as these are not represented.

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

Shareholders' Communications and Investor Relations Policy

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

Enquiries by shareholders are dealt with 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. All resolutions at the AGM are put to vote on a show of hands unless a request for poll is put forward.

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

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

Financial Reporting

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

Corporate Governance Statement

Statement of Directors' Responsibility for Preparing The Financial Statements

The Board is required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year then ended.

In preparing the financial statements, the Board has

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

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

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

Relationship with Auditors

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

Risk Management and Internal Control

The Group's Statement on Risk Management and Internal Control is set out on pages 30 and 31 of the Annual Report.

Compliance Statement

The Board has taken steps to ensure that the Group has implemented as far as possible the corporate governance best practices and the recommendations of the MCCG 2012. Save for the adoption of a Board Charter, the Board considers that all other recommendations of the MCCG 2012 have been substantially implemented.

This statement is in accordance with a resolution of the Board dated 16 May 2013.

Statement On Risk Management & **Internal Control For The Year 2012**

Board's Responsibility

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

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

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

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

Key Internal Controls and Risk Management Processes

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

- The process of identifying, evaluating and managing the significant risks has been in place for the year under review and up to date of approval of this statement for inclusion in the annual report.

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

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

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

- The GRMC 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 Charter for AS-Malaysia is reviewed and approved by the GAC annually.

- AS-Malaysia monitors and evaluates the Group's business risks, monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. A risk-based annual internal audit plan is developed based on AS-Malaysia's annual risk assessment on all identified auditable areas. The progress of the internal audit plan, a summary of internal audit issues and the status of corrective actions performed to address the internal audit issues are reported to the GAC when it meets.

Statement On Risk Management & Internal Control For The Year 2012

Key Internal Controls and Risk Management Processes (cont'd)

- 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, annual dynamic solvency test, semi-annual stress testing and assessing the Group's insurance business ability, to withstand various adverse scenarios as part of the capital assessment procedures.

- 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 CEO 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. The Board, through its GAC and GRMC, is responsible for overseeing the Group's management of its principal risks. The Group Chief Executive Officer (the GCEO) is directly accountable to the Board of Directors for all of Manulife Malaysia risk taking activities and risk management practices. The Board and GRMC delegate accountability for risk taking and risk management to the GCEO. The GCEO, supported by the Risk Officer (RO) and Executive Management Team (the EMT) establish risk policies, guide risk-taking activity, monitor material risk exposures, and sponsor strategic risk management priorities, thereby continuously shaping and promoting our risk culture throughout the Group. The Group EMT consisted of GCEO, Chief Executive Officer (CEO) of Manulife Insurance Berhad, CEO of Manulife Asset Management Servies Berhad, Group Chief Financial Officer, Head Legal & Compliance and Head of Human Resources.

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

Review of Statement by External Auditors

As required by paragraph 15.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this 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 20 March 2013.

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 2012 amounted to RM48,000.

	Services	RM
PricewaterhouseCoopers	Non-statutory audit related services	48,000
Total		**48,000**

2. MATERIAL CONTRACTS

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

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

At the Thirty-Sixth Annual General Meeting (AGM) of the Company held on 25 June 2012, 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 2012 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	**4,121**
2.	Outsourcing the Health Service Call Centre	MIB	MDSI	**Interested Directors*** - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco **Interested Major Shareholders#** - MFC - MLIC - MFAL^ - MHBL> - MCHN	**477**

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	**503**
4.	Rental Income**	MHB	MTSSB	**Interested Directors*** - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco **Interested Major Shareholders#** - MFC - MLIC - MFAL^ - MHBL> - MCHN	**892**
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	**24**

Additional Compliance Information

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

No.	Nature of Transactions	Transacting Party	Class of Related Party	Interested Related Party	Actual Value of Transaction RM'000
6.	Delivery of Private Requirement Scheme operating system	MAMSB	MTSSB	**Interested Directors*** - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco **Interested Major Shareholders#** - MFC - MLIC - MFAL^ - MHBL> - MCHN	**1,068**
7.	Outsourcing the Private Retirement Scheme data processing	MAMSB	MDSI	**Interested Directors*** - Philip John Hampden-Smith - Robert Allen Cook - Gianni Fiacco **Interested Major Shareholders#** - MFC - MLIC - MFAL^ - MHBL> - MCHN	**0**

Denote:-

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

Notes:

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

Group Audit
Committee Report

I. COMPOSITION OF THE GROUP AUDIT COMMITTEE

Lim Hun Soon @ David Lim (independent non-executive director) ***(Chairman)***
(Appointed on 17 July 2012)
Datuk Abu Hassan bin Kendut (independent non-executive director) ***(Chairman)***
(Resigned on 25 June 2012)
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)

The details of attendance of each member at the Group Audit Committee meetings held during 2012 are as follows:

Name of committee member	Attendance
Lim Hun Soon @ David Lim	2 out of 2
Datuk Abu Hassan bin Kendut	3 out of 3
Gianni Fiacco	4 out of 5
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 5
Dato' Dr Nik Norzrul Thani bin N. Hassan Thani	5 out of 5

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.

Group Audit Committee Report

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.

6.8 Questions arising at any meeting of the Group Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Group Audit Committee shall have a second or casting vote.

Group Audit Committee Report

II. TERMS OF REFERENCE (CONT'D)

6. Meetings (cont'd)

6.9 A resolution in writing signed by all members of the Group Audit Committee for the time being entitled to receive notice of a meeting of the Audit Committee, shall be as valid and effectual as if it had been passed at the meeting of the Group Audit Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one 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 theinstitution 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

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, and the details of attendance of each member are stated in page 35. Upon invitation, the Group Chief Executive Officer 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 known as Audit Services Asia - Malaysia (AS-Malaysia), which reports directly to the Group Audit Committee and assists the Board in monitoring and evaluating the adequacy and effectiveness of the risk management, internal controls and governance processes. In addition, the regional Audit Services Asia team also provides oversight and supports to AS-Malaysia to ensure alignment of audit methodology and practices, and compliance with Manulife's audit quality standards as well as the Institute of Internal Auditors' (IIA's) International Professional Practices Framework (IPPF). The Group Audit Committee approves the following year's AS-Malaysia Internal Audit plan and budget during the last Group Audit Committee meeting each year. Any subsequent significant interim changes will be submitted to the Group Audit Committee for approval including any resource limitations that impact Manulife Group's internal audit activities.

The scope of AS-Malaysia covers the audits of all units and operations of Manulife Holdings Berhad and its subsidiaries. The areas to be audited during the year would be selected based on an independent assessment of the inherent risks in each of the auditable areas by AS-Malaysia.

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

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

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

The total costs incurred in managing internal audit activities for Manulife Group in year 2012 were RM522,266 (2011: RM472,393).

Financial **Statements**

44 Directors' Report

49 Statements Of Financial Position

51 Statements Of Comprehensive Income

53 Statements Of Changes In Equity

55 Statements Of Cash flows

57 Notes To The Financial Statements

140 Statement By Directors

140 Statutory Declaration

141 Independent Auditors' Report

Directors' **Report**

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	48,955	6,448

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 2011.

The directors recommend the payment of a first and final dividend of 15 sen per share, less 25% tax, amounting to RM22,766,625 for the financial year ended 31 December 2012, 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, other than the effects of the transition from Financial Reporting Standards ("FRS") to Malaysian Financial Reporting Standards ("MFRS") as disclosed in note 2(a)(i) to the financial statements.

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
Philip John Hampden-Smith
Robert Allen Cook
Gianni Fiacco
Datuk Seri Panglima Mohd Annuar bin Zaini
Dato' Dr Nik Norzrul Thani bin N. Hassan Thani
Lim Hun Soon @ David Lim *(Appointed on 17 July 2012)*
Mark Steven O'Dell *(Appointed on 18 January 2013)*
Datuk Abu Hassan bin Kendut *(Resigned on 25 June 2012)*
Chan Yui Lung *(Resigned on 31 May 2012)*

In accordance with Article 93(B) of the Company's Articles of Association, Mr Robert Allen Cook and Mr Gianni Fiacco 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, Mr. Lim Hun Soon @ David Lim and Mr Mark Steven O'Dell shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

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 1.1.2012	**Acquired**	**Sold**	**As at 31.12.2012**
Manulife Holdings Berhad				
- Direct interest				
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	50,000	-	-	50,000

	Number of ordinary shares			
	As at 1.1.2012	**Acquired**	**Sold**	**As at 31.12.2012**
Manulife Financial Corporation				
- Direct interest				
Robert Allen Cook	10,000	-	-	10,000
Gianni Fiacco	334	-	-	334

DIRECTORS' INTERESTS (CONT'D)

	Number of option on ordinary shares			
	As at 1.1.2012/ date of appointment	Granted	Lapsed	As at 31.12.2012
Manulife Financial Corporation				
- Direct interest				
Robert Allen Cook	820,196	262,081	(64,000)	1,018,277
Philip John Hampden-Smith	251,428	61,649	-	313,077
Gianni Fiacco	21,584	-	-	21,584
Chew Yee Ming George	32,882	37,253	(8,741)	61,394

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 1.1.2012/ date of appointment	Reinvested/ granted	Lapsed	As at 31.12.2012
Manulife Financial Corporation				
- Direct interest				
Robert Allen Cook	97,633	39,065	(6,735)	129,963
Philip John Hampden-Smith	56,196	10,587	(4,490)	62,293
Gianni Fiacco	13,067	15,801	(3,781)	25,087
Chew Yee Ming George	53,100	-	-	53,100

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

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

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.

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.

Directors' Report

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 2013.

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM
CHAIRMAN

MARK STEVEN O'DELL
DIRECTOR

Kuala Lumpur

Statements Of
Financial Position
As At 31 December 2012

	Note	31.12.2012 RM'000	Group 31.12.2011 RM'000	01.01.2011 RM'000
ASSETS				
Property and equipment	4	20,183	20,201	15,168
Investment properties	5	81,741	81,173	82,497
Intangible assets	6	2,617	2,136	2,561
Available-for-sale financial assets	8(a)	2,550,577	2,410,876	2,196,016
Fair value through profit or loss financial assets	8(b)	714,785	656,565	673,551
Loans and receivables	9	606,890	541,995	581,226
Reinsurance assets		3,268	3,021	2,368
Insurance receivables	10	27,995	27,123	24,512
Deferred tax assets	15	64	80	561
Current tax assets		3	4,169	8
Cash and cash equivalents		46,779	32,667	113,995
TOTAL ASSETS		4,054,902	3,780,006	3,692,463
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES				
Share capital	11	101,185	101,185	101,185
Share premium		1,884	1,884	1,884
Retained earnings	12	598,734	577,099	563,513
Other reserves		37,123	24,972	25,100
TOTAL EQUITY		738,926	705,140	691,682
Insurance contract liabilities	13	2,803,687	2,607,779	2,548,269
Insurance claims liabilities	14	36,133	35,371	28,885
Deferred tax liabilities	15	47,691	65,636	77,429
Insurance payables	16	348,676	328,461	294,114
Current tax liabilities		13,284	4,167	6,777
Other payables	17	66,505	33,452	45,307
TOTAL LIABILITIES		3,315,976	3,074,866	3,000,781
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		4,054,902	3,780,006	3,692,463

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

Statements Of Financial Position

As At 31 December 2012

	Note	31.12.2012 RM'000	Company 31.12.2011 RM'000	01.01.2011 RM'000
ASSETS				
Property and equipment	4	9,550	10,036	9,804
Investment properties	5	32,844	32,540	31,282
Subsidiary companies	7	206,891	176,891	171,891
Available-for-sale financial assets	8(a)	112,696	147,849	158,835
Loans and receivables	9	12,047	29,902	26,415
Cash and cash equivalents		7,041	3,890	21,169
TOTAL ASSETS		381,069	401,108	419,396
EQUITY AND LIABILITIES				
Share capital	11	101,185	101,185	101,185
Share premium		1,884	1,884	1,884
Retained earnings	12	257,946	278,818	300,243
Other reserves		9,686	5,860	5,624
TOTAL EQUITY		370,701	387,747	408,936
Deferred tax liabilities	15	118	3,681	1,775
Current tax liabilities		2,106	4,167	3,676
Other payables	17	8,144	5,513	5,009
TOTAL LIABILITIES		10,368	13,361	10,460
TOTAL EQUITY AND LIABILITIES		381,069	401,108	419,396

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

Statements Of
Comprehensive Income
For The Financial Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Premium income					
Gross premiums		515,366	487,905	-	-
Premiums ceded to reinsurers		(10,499)	(10,582)	-	-
Net premiums	18	504,867	477,323	-	-
Investment income	19	158,217	151,554	10,628	11,903
Net realised gains	20	68,223	52,399	2,038	2,526
Net fair value gains	21	35,487	-	-	1,073
Fee income	22	1,775	1,415	1,330	1,462
Other operating income		949	4,635	11	53
Total revenue		769,518	687,326	14,007	17,017
Gross benefits and claims paid		(375,286)	(422,856)	-	-
Claims ceded to reinsurers		5,715	3,857	-	-
Gross change in contract liabilities		(169,824)	(75,299)	-	-
Net claims		(539,395)	(494,298)	-	-
Fee and commission expenses		(73,811)	(65,763)	-	-
Net fair value losses	21	-	(9,458)	(242)	-
Investment expenses		(3,605)	(3,315)	(2,012)	(1,946)
Management expenses	23	(77,199)	(54,956)	(6,267)	(5,625)
Other operating expenses	25	(18,706)	(9,803)	(34)	(170)
Other expenses		(173,321)	(143,295)	(8,555)	(7,741)
Profit before taxation		56,802	49,733	5,452	9,276
Taxation	26	(7,847)	(8,827)	996	(3,381)
Net profit for the financial year		48,955	40,906	6,448	5,895

Statements Of Comprehensive Income
For The Financial Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Other comprehensive income/(loss):					
Fair value change of available-for-sale financial assets:					
- Gross fair value change	8(c)	39,505	(18,800)	1,892	(186)
- Deferred tax	15	(2,219)	2,523	985	62
- Net gains/(losses)		37,286	(16,277)	2,877	(124)
Change in insurance contract liabilities arising from unrealised net fair value (gains)/losses	13	(26,084)	15,789	-	-
		11,202	(488)	2,877	(124)
Surplus from revaluation of property:					
- Gross surplus from revaluation		-	480	-	480
- Reversal/(provision for) deferred tax	15	949	(120)	949	(120)
- Net gain		949	360	949	360
Other comprehensive income for the year, net of tax		12,151	(128)	3,826	236
Total comprehensive income for the financial year		61,106	40,778	10,274	6,131
Net profit attributable to:					
Equity holders of the Company		48,955	40,906	6,448	5,895
Total comprehensive income attributable to:					
Equity holders of the Company		61,106	40,778	10,274	6,131
Basic earnings per share (sen)	27	24.19	20.21		

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

Statements Of
Changes In Equity
For The Financial Year Ended 31 December 2012

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 2011		101,185	1,884	2,486	5,190	13,449	411,393	535,587
Effects on adoption of MFRS	2(a)(i), 34	-	-	-	(5,190)	9,165	152,120	156,095
At 1 January 2011 – under MFRS		101,185	1,884	2,486	-	22,614	563,513	691,682
Total comprehensive income/(loss) for the financial year		-	-	360	-	(488)	40,906	40,778
Dividends paid	28	-	-	-	-	-	(27,320)	(27,320)
At 31 December 2011		101,185	1,884	2,846	-	22,126	577,099	705,140
At 1 January 2012		101,185	1,884	2,846	5,190	13,266	451,440	575,811
Effects on adoption of MFRS	2(a)(i), 34	-	-	-	(5,190)	8,860	125,659	129,329
At 1 January 2012 – under MFRS		101,185	1,884	2,846	-	22,126	577,099	705,140
Total comprehensive income for the financial year		-	-	949	-	11,202	48,955	61,106
Dividends paid	28	-	-	-	-	-	(27,320)	(27,320)
At 31 December 2012		101,185	1,884	3,795	-	33,328	598,734	738,926

Included in the retained earnings are surplus from Non-participating life fund of the insurance subsidiary of the Group (net of deferred tax) of approximately RM71,719,000 (1 January 2012/31 December 2011: RM120,469,000; 1 January 2011: RM146,930,000). These amounts are only distributable upon the actual recommended transfer from the Non-participating life fund to the Shareholders' fund of the insurance subsidiary of the Group by the Appointed Actuary.

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2012

Company	Note	Share capital RM'000	Share premium RM'000	Asset revaluation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
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	28	-	-	-	-	(27,320)	(27,320)
At 31 December 2011		101,185	1,884	2,846	3,014	278,818	387,747
At 1 January 2012		101,185	1,884	2,846	3,014	278,818	387,747
Total comprehensive income for the financial year		-	-	949	2,877	6,448	10,274
Dividends paid	28	-	-	-	-	(27,320)	(27,320)
At 31 December 2012		101,185	1,884	3,795	5,891	257,946	370,701

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

Statements Of **Cash Flows**

For The Financial Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit for the financial year		48,955	40,906	6,448	5,895
Adjustments for non-cash items	29	(63,945)	(101,944)	(12,846)	(11,683)
Operating losses before changes in operating assets and liabilities		(14,990)	(61,038)	(6,398)	(5,788)
Purchase of investments		(1,158,984)	(1,127,218)	-	-
Proceeds from sale and maturity of investments		1,066,981	948,320	-	-
Interest income received		109,774	107,717	5,712	6,585
Dividend income received		34,297	28,517	881	917
Rental income received		6,753	5,622	4,019	2,738
(Increase)/decrease in other receivables		(14,026)	4,457	2,863	(1,631)
Increase in payables		53,268	22,492	2,631	504
Increase in insurance claims liabilities		515	5,833	-	-
(Increase)/decrease in fixed and call deposits		(65,352)	(989)	13,384	(2,794)
Decrease in loans receivable		13,679	32,705	-	2,183
Cash generated from/(used in) operations		31,915	(33,582)	23,092	2,714
Income taxes paid		(25,445)	(31,496)	(991)	(1,078)
Net cash inflow/(outflow) from operating activities		6,470	(65,078)	22,101	1,636
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(2,096)	(2,050)	(88)	(189)
Purchase of intangible assets		(1,413)	(474)	-	-
Purchase of investments		(26,472)	(25,159)	(26,472)	(25,158)
Proceeds from sale and maturity of investments		64,930	38,752	64,930	38,752
Additional investment in a subsidiary company		-	-	(30,000)	(5,000)
Proceeds from disposal of property and equipment		13	1	-	-
Net cash inflow from investing activities		34,962	11,070	8,370	8,405

Statements Of Cash Flows

For The Financial Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Shareholders' dividends paid		(27,320)	(27,320)	(27,320)	(27,320)
Net cash outflow from financing activities		(27,320)	(27,320)	(27,320)	(27,320)
CASH AND CASH EQUIVALENTS					
Net increase/(decrease) during the financial year		14,112	(81,328)	3,151	(17,279)
Cash and cash equivalents at 1 January		32,667	113,995	3,890	21,169
Cash and cash equivalents at 31 December		46,779	32,667	7,041	3,890

CASH AND CASH EQUIVALENTS

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

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash and bank balances	33,819	22,262	1,745	1,983
Short-term deposits	12,960	10,405	5,296	1,907
Cash and cash equivalents	46,779	32,667	7,041	3,890

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

1 GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

General

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

The immediate holding company is Manulife Century Holdings (Netherlands) BV, a company 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, other than as disclosed in note 7 to the financial statements.

Registered office and principal place of business

The registered office and principal place of business of the Company is located at 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 financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRS, including MFRS 1 "First-time adoption of Malaysian Financial Reporting Standards". Subject to certain transition elections disclosed in note 2(a)(i), the Group and Company have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2011 (transition date) and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Note 34 discloses the impact of the transition to MFRS on the Group and Company's reported financial position, financial performance and cash flows.

The preparation of financial statements in conformity with the MFRS 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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.

(i) Effects of transition from Financial Reporting Standards ("FRS") to MFRS

The effects of the Group's and Company's transition to MFRS is summarised as follows:

MFRS 1 Mandatory Exceptions

- MFRS estimates

  MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

MFRS 1 Exemption Options

- Exemption for cumulative translation differences

  MFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with MFRS 121 "The effects of changes in foreign exchange rates" from the date a foreign operation was acquired. Prior to 1 January 2012, the Group recognised translation differences on foreign operations as a separate component of equity. Upon the change in Framework effective 1 January 2012, the Group elected to reset all cumulative translation differences to zero in opening retained earnings at its transition date.

  The impact of adopting this accounting policy to the Group is disclosed in note 34.

Unallocated surplus and fair value reserves on Non-participating life fund

- Under FRS, the Group recognised unallocated surplus and fair value reserves of Non-participating life fund of its insurance subsidiary as part of insurance contract liabilities as required under Guideline BNM_GL_003-28 Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") on 22 July 2010.

  On adoption of MFRS, in accordance to MFRS 4 "Insurance contracts" and the Framework for Preparation and Presentation of Financial Statements, the Group treated the unallocated surplus and fair value reserves of Non-participating life fund from insurance contract liabilities as equity component of the Company.

  The impact of adopting this accounting policy to the Group is disclosed in note 34.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

(ii) 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 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities". The Group and the Company will apply this standard from financial period beginning on 1 January 2013.

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Group and the Company will apply this standard from financial period beginning on 1 January 2013.

- 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.

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10. The Group and the Company will apply this standard from financial period beginning on 1 January 2013.

- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group and the Company will apply this standard from financial period beginning on 1 January 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

(ii) 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)

- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (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.

- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures of all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment. The Group and the Company will apply this standard from financial period beginning on 1 January 2013.

Financial year beginning on/after 1 January 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. The Group and the Company will apply this standard from financial period beginning on 1 January 2014.

Financial year beginning on/after 1 January 2015

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 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.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

  The Group and the Company will apply this standard from financial period beginning on 1 January 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property and equipment (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (cont'd)

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

(1) FVTPL

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

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

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

(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 profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(3) LAR

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

(4) AFS

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (cont'd)

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investment properties (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (cont'd)

(ii) Non-financial assets (cont'd)

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.

(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 2012.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Employee benefits (cont'd)

(iii) Share-based compensation (cont'd)

(ii) Cash-settled share-based compensation

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

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

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

(k) Other revenue recognition

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Product classification

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

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

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

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

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

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

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

(n) Reinsurance

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Reinsurance (cont'd)

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

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

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

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

(i) Gross premiums

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

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

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

(ii) Reinsurance premiums

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

(iii) Commission and agency expenses

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

(iv) Benefits, claims and expenses

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Life insurance underwriting results of the insurance subsidiary of the Group (cont'd)

(iv) Benefits, claims and expenses (cont'd)

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

(p) Insurance receivables

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

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

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in note 2(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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Cash and cash equivalents

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

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

(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.

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 zeroisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the insurance subsidiary of the Group.

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

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

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

(ii) Unallocated surplus

Surpluses of contract under the Participating life fund are attributable to policyholders and shareholders and the amount and timing of distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statement of financial position and is made in accordance with the provision of the Insurance Act, 1996 and related regulation by the Group's insurance subsidiary's Appointed Actuary. Unallocated surplus of Participating life fund, where the amounts of surplus are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

(iii) Fair value reserve

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Insurance contract liabilities (cont'd)

(iv) Asset revaluation reserve

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

(v) Net asset value attributable to unit holders

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

3 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, the Group and the Company establishes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events and reinsurance premium levels that are believed to be reasonable with the knowledge and information then available. Best estimate assumptions are constantly reviewed to ensure that they remain relevant and valid.

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

Valuation of actuarial liabilities

The valuation of the ultimate liability arising from policy benefits made under life insurance contracts is the Group's most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, surrender (including lapse) rates, policyholders' bonuses/dividends and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgement and therefore, actual experience may be materially different than the assumptions made by the Company. Actual experience is monitored to assess whether the assumptions remain appropriate and assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the actuarial liabilities. All contracts are subject to a liability adequacy test, which reflect management's best current estimate.

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

Interest rate

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

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

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

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

Valuation of actuarial liabilities (cont'd)

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

Tenor (Years)	1	2	3	4	5	6	7	8	9	10
Zero Coupon Spot Yield	3.05%	3.07%	3.09%	3.20%	3.28%	3.41%	3.50%	3.53%	3.56%	3.56%

Tenor (Years)	11	12	13	14	15+
Zero Coupon Spot Yield	3.61%	3.66%	3.70%	3.75%	3.80%

The risk free discounting yield will be adjusted downwards by 6 basis points per annum to reflect the expense for the levy assessed by Malaysia Deposit Insurance Corporation (or Perbadanan Insurans Deposit Malaysia, "PIDM").

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

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022+
Ordinary Par	5.25%	5.36%	5.48%	5.60%	5.71%	5.83%	5.95%	6.06%	6.18%	6.30%
Annuity Par	4.69%	4.84%	4.98%	5.12%	5.27%	5.41%	5.56%	5.70%	5.84%	5.99%

The graded yields shown above have been adjusted downwards by 6 basis points per annum to reflect the expense for the levy assessed by PIDM.

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

The insurance subsidiary of the Group based its mortality and morbidity assumptions on established industry and Malaysian tables which reflect historical experiences, adjusted where appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

The current expense assumption is derived from recent expense study which targeting breakeven in year 2016 in accordance to the planned sales and budget. An explicit maintenance expense deficiency reserve has been established to cater for current expected overrun. The expense for levy assessed by PIDM (i.e. 6 basis points per annum of the actuarial valuation of the insurance contract liabilities) has been implicitly reflected by the 6 basis points annual reduction of the valuation yield. In addition, inflation rate is assumed to be 3.5% p.a. on the fixed expenses.

In the current financial year, the insurance subsidiary of the Group has revised its surrender (including lapse) assumptions to reflect latest experience from its recent study.

For the Non-participating life fund, the non-unit liabilities of the Investment-linked funds and the guaranteed benefits liabilities of the Participating life 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 life fund, the best estimates assumptions are used.

Participating Policyholders' Bonuses/Dividends

Continuance of current bonus level (reflected with Bonus Revision 2012 which was effective from 1 September 2012) is assumed in the best estimate valuation.

4 PROPERTY AND EQUIPMENT

Group

	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 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/ 1 January 2012	13,574	169	17,277	1,117	32,137
Additions	-	938	1,151	7	2,096
Disposals	-	-	(8)	-	(8)
Write off	-	(119)	(125)	-	(244)
At 31 December 2012	13,574	988	18,295	1,124	33,981
Comprising assets stated at 31 December 2012:					
Valuation	13,574	-	-	-	13,574
Cost	-	988	18,295	1,124	20,407
	13,574	988	18,295	1,124	33,981
Comprising assets stated at 31 December 2011:					
Valuation	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 1 January 2011:					
Valuation	9,236	-	-	-	9,236
Cost	-	-	15,750	985	16,735
	9,236	-	15,750	985	25,971

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
Accumulated depreciation					
At 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/ 1 January 2012	-	-	11,089	847	11,936
Charge for the financial year	379	-	1,465	98	1,942
Disposals	-	-	(4)	-	(4)
Write off	-	-	(76)	-	(76)
At 31 December 2012	379	-	12,474	945	13,798
Carrying amount					
At 31 December 2012	13,195	988	5,821	179	20,183
At 31 December 2011	13,574	169	6,188	270	20,201
At 1 January 2011	8,996	-	5,928	244	15,168

4 PROPERTY AND EQUIPMENT (CONT'D)

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 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/ 1 January 2012	9,237	119	1,047	856	11,259
Additions	-	-	88	-	88
Write off	-	(119)	-	-	(119)
At 31 December 2012	9,237	-	1,135	856	11,228
Comprising assets stated at 31 December 2012:					
Valuation	9,237	-	-	-	9,237
Cost	-	-	1,135	856	1,991
	9,237	-	1,135	856	11,228
Comprising assets stated at 31 December 2011:					
Valuation	9,237	-	-	-	9,237
Cost	-	119	1,047	856	2,022
	9,237	119	1,047	856	11,259
Comprising assets stated at 1 January 2011:					
Valuation	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 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/ 1 January 2012	-	-	499	724	1,223
Charge for the financial year	258	-	122	75	455
At 31 December 2012	258	-	621	799	1,678
Carrying amount					
At 31 December 2012	8,979	-	514	57	9,550
At 31 December 2011	9,237	119	548	132	10,036
At 1 January 2011	8,996	-	618	190	9,804

The building of the Group and the Company are freehold properties and were revalued in 2012 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. However, no adjustments have been made in the current financial year as the directors are of the opinion that the latest market value assessed approximates the existing carrying amounts on 31 December 2012.

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

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Group			
Building	8,546	8,764	5,252
Company			
Building	4,972	5,112	5,252

The Company will transfer the title of the property in favour of its insurance subsidiary, to achieve compliance with the Insurance Act 1996, once clearance is obtained from the relevant authority, and the floors belonging to the Company will be held by its insurance subsidiary on trust for the Company.

5 INVESTMENT PROPERTIES

	2012 RM'000	2011 RM'000
Group		
At 1 January	81,173	82,497
Transfer to self-occupied properties (note 4)	-	(4,337)
Fair value gain (note 21)	568	3,013
At 31 December	81,741	81,173
Represented by:		
Freehold properties	81,741	81,173
Company		
At 1 January	32,540	31,282
Fair value gain (note 21)	304	1,258
At 31 December	32,844	32,540
Represented by:		
Freehold properties	32,844	32,540

In 2012, 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 (Dip. In Valuation, B.Surv (Hons) Prop.Mgt., MRICS, FRISM, MPEPS, MMIPPM Registered Valuer (V-368)) 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 2012.

The Company will transfer the title of the property in favour of its insurance subsidiary, to achieve compliance with the Insurance Act 1996, once clearance is obtained from the relevant authority, and the floors belonging to the Company will be held by its insurance subsidiary on trust for the Company.

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rental income	6,935	6,711	4,019	4,049
Direct operating expenses arising from investment properties that generate rental income	(2,953)	(2,406)	(1,531)	(1,293)
Direct operating expenses arising from investment properties that did not generate rental income	(262)	(510)	(126)	(246)

6 INTANGIBLE ASSETS

	Group	
	2012 RM'000	2011 RM'000
Cost		
At 1 January	4,654	4,180
Additions	1,413	474
At 31 December	6,067	4,654
Accumulated amortisation		
At 1 January	2,518	1,619
Amortisation during the financial year	932	899
At 31 December	3,450	2,518
Carrying amount	2,617	2,136

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

7 SUBSIDIARY COMPANIES

		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Unquoted shares at cost	214,644	184,644	179,644
Accumulated impairment losses	(7,753)	(7,753)	(7,753)
	206,891	176,891	171,891

During the year, the Company increased its interest in one of its subsidiary company via additional subscription of 30 million ordinary shares of RM1.00 each in cash.

7 SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest 31.12.2012	Effective interest 31.12.2011	Effective interest 01.01.2011	Principal activities
		%	%	%	
Manulife Insurance Berhad	Malaysia	100	100	100	Life insurance business
Manulife Asset Management (Malaysia) Sdn Bhd *	Malaysia	100	100	100	Dormant
Manulife Asset Management Services Berhad (Formerly known as "Manulife Unit Trusts Berhad") **	Malaysia	100	100	100	Management of unit trust funds, private retirement scheme fund, investment and fund management
Britama Credit Sdn Bhd	Malaysia	100	100	100	Money lending and hire purchase
Britama Properties Sdn Bhd	Malaysia	100	100	100	Property rental and managment
The e-Software House Sdn Bhd	Malaysia	100	100	100	Dormant
British American Investments Pte Ltd ***	Malaysia	100	100	100	Dormant

* The business operations of Manulife Asset Management (Malaysia) Sdn Bhd ("MAMM") was transferred to Manulife Asset Management Services Berhad ("MAMSB") vide a Business Transfer Arrangement on 1 July 2012. Subsequent to the business transfer, the subsidiary surrendered its investment and fund management license to the Securities Commission and has since ceased its operations.

** The business operations of MAMM was transferred to MAMSB with effect from 1 July 2012 vide a Business Transfer Arrangement. The subsidiary obtained approval to operate as an investment and fund management company. In addition, on 2 October 2012, MAMSB was granted the approval to operate as an approved Private Retirement Scheme provider by the Securities Commission.

*** The subsidiary company is audited by PricewaterhouseCoopers Singapore.

8 FINANCIAL ASSETS

(a) Available-for-sale

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 01.01.2011 RM'000
Equity securities			
- Quoted in Malaysia	696,536	680,508	639,740
- Unquoted	2,516	2,516	2,516
Real estate investment trusts			
- Quoted in Malaysia	-	1,511	-
Unit trust funds	90,010	82,830	81,765
Malaysia Government Securities	753,559	680,505	573,562
Government Investment Issues	152,858	103,304	95,195
Corporate debt securities			
- Unquoted	839,918	846,040	790,444
Accrued interest	15,180	13,662	12,794
	2,550,577	2,410,876	2,196,016
Current	881,351	883,482	759,956
Non-current	1,669,226	1,527,394	1,436,060
	2,550,577	2,410,876	2,196,016

	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 01.01.2011 RM'000
Equity securities			
- Quoted in Malaysia	17,534	19,898	21,435
- Unquoted	572	572	572
Real estate investment trusts			
- Quoted in Malaysia	-	44	-
Malaysia Government Securities	27,553	47,618	51,115
Government Investment Issues	7,133	6,195	10,418
Corporate debt securities			
- Unquoted	59,142	72,629	74,332
Accrued interest	762	893	963
	112,696	147,849	158,835
Current	24,593	28,471	28,184
Non-current	88,103	119,378	130,651
	112,696	147,849	158,835

8 FINANCIAL ASSETS (CONT'D)

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

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Equity securities			
- Quoted in Malaysia	249,107	203,037	188,983
- Quoted outside Malaysia	2,575	-	-
Malaysian Government Securities	130,712	140,807	116,315
Government Investment Issues	21,478	18,338	15,270
Corporate debt securities			
- Unquoted	217,294	201,571	196,712
Equity call options			
- Unquoted	-	-	5,723
Mutual funds			
- Quoted outside Malaysia	90,700	90,105	102,709
Negotiable instrument of deposits	-	-	45,373
Accrued interest	2,919	2,707	2,466
	714,785	656,565	673,551
Current	422,471	367,184	398,286
Non-current	292,314	289,381	275,265
	714,785	656,565	673,551

8 FINANCIAL ASSETS (CONT'D)

(c) Carrying value of financial assets

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

	Group		
	Available-for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2011	2,196,016	673,551	2,869,567
Purchases	586,486	565,891	1,152,377
Maturities	(18,660)	(14,842)	(33,502)
Disposals	(334,265)	(551,780)	(886,045)
Fair value losses recorded in:			
Profit or loss (note 21)	-	(22,477)	(22,477)
Other comprehensive income	(18,800)	-	(18,800)
Allowance for impairment losses (note 21)	(5,117)	-	(5,117)
Accretion of discounts, net of amortisation of premiums (note 19)	4,348	2,299	6,647
Unrealised exchange gain	-	3,682	3,682
Movement in accrued interest	868	241	1,109
At 31 December 2011/1 January 2012	2,410,876	656,565	3,067,441
Purchases	591,325	594,131	1,185,456
Maturities	(89,708)	(15,921)	(105,629)
Disposals	(400,115)	(534,243)	(934,358)
Fair value gains recorded in:			
Profit or loss (note 21)	-	17,025	17,025
Other comprehensive income	39,505	-	39,505
Allowance for impairment losses (note 21)	(6,049)	-	(6,049)
Accretion of discounts, net of amortisation of premiums (note 19)	3,225	403	3,628
Unrealised exchange loss	-	(3,387)	(3,387)
Movement in accrued interest	1,518	212	1,730
At 31 December 2012	2,550,577	714,785	3,265,362

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 2011	158,835	-	158,835
Purchases	25,158	-	25,158
Maturities	(5,174)	-	(5,174)
Disposals	(31,052)	-	(31,052)
Fair value losses recorded in:			
Other comprehensive income	(186)	-	(186)
Allowance for impairment losses (note 21)	(185)	-	(185)
Accretion of discounts, net of amortisation of premiums (note 19)	523	-	523
Movement in accrued interest	(70)	-	(70)
At 31 December 2011/1 January 2012	147,849	-	147,849
Purchases	26,472	-	26,472
Maturities	(4,700)	-	(4,700)
Disposals	(58,425)	-	(58,425)
Fair value losses recorded in:			
Other comprehensive income	1,892	-	1,892
Allowance for impairment losses (note 21)	(546)	-	(546)
Accretion of discounts, net of amortisation of premiums (note 19)	285	-	285
Movement in accrued interest	(131)	-	(131)
At 31 December 2012	112,696	-	112,696

9 LOANS AND RECEIVABLES

		Group		
		31.12.2012	31.12.2011	01.01.2011
		RM'000	RM'000	RM'000
Loans receivable				
Policy loans		309,657	323,088	340,372
Mortgage loans		2,894	3,231	1,106
Secured loans		-	-	17,472
Other loans		383	294	368
		312,934	326,613	359,318
Allowance for impairment loss		(181)	(181)	(181)
	(i)	312,753	326,432	359,137
Fixed and call deposits with licensed banks in Malaysia		274,524	206,627	203,437
Accrued interest		251	258	1,230
	(ii)	274,775	206,885	204,667
Other receivables:				
Amount due from related companies	(iii)	85	70	91
Accrued dividend income		1,020	1,472	1,688
Accrued rental income		270	88	74
Other debtors		17,181	6,548	14,949
Deposits		1,103	1,073	1,189
		19,659	9,251	17,991
Allowance for impairment loss		(1,075)	(1,075)	(1,075)
	(iv)	18,584	8,176	16,916
Prepayments	(v)	778	502	506
Total		606,890	541,995	581,226

9 LOANS AND RECEIVABLES (CONT'D)

		Company		
		31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Loans receivable				
Secured loans		-	-	2,183
Other loans		1	1	1
	(i)	1	1	2,184
Fixed and call deposits with licensed banks in Malaysia		9,016	22,167	19,373
Accrued interest		91	157	224
	(ii)	9,107	22,324	19,597
Other receivables:				
Amount due from subsidiary companies	(iii)	1,697	6,807	3,781
Amount due from related companies	(iii)	85	36	91
Accrued dividend income		5	80	36
Accrued rental income		-	-	-
Other debtors		2,051	1,351	1,332
Deposits		167	261	468
		4,005	8,535	5,708
Allowance for impairment loss		(1,075)	(1,075)	(1,075)
	(iv)	2,930	7,460	4,633
Prepayments	(v)	9	117	1
Total		12,047	29,902	26,415

9 LOANS AND RECEIVABLES (CONT'D)

		Group			Company		
		31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
(i)	Loans receivable						
	Receivable within 12 months	363	699	927	1	1	59
	Receivable after 12 months	312,390	325,733	358,210	-	-	2,125
		312,753	326,432	359,137	1	1	2,184
(ii)	Fixed and call deposits with licensed banks in Malaysia:						
	Receivable within 12 months	215,865	145,287	145,271	2,107	10,324	7,597
	Receivable after 12 months	58,910	61,598	59,396	7,000	12,000	12,000
		274,775	206,885	204,667	9,107	22,324	19,597

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

		31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
(iv)	Other receivables:						
	Receivable within 12 months	18,035	7,486	16,226	2,930	7,460	4,633
	Receivable after 12 months	549	690	690	-	-	-
		18,584	8,176	16,916	2,930	7,460	4,633

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

		31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
(v)	Prepayments:						
	Receivable within 12 months	778	502	506	9	117	1

10 INSURANCE RECEIVABLES

	Group 31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Due premiums including agents' balances	28,919	28,187	25,514
Due from reinsurers and cedants	122	-	117
	29,041	28,187	25,631
Allowance for impairment loss	(1,046)	(1,064)	(1,119)
	27,995	27,123	24,512
Receivable within 12 months	27,995	27,123	24,512

11 SHARE CAPITAL

	Company 2012		2011	
	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 2012, the Company has Section 108 balance and tax exempt income account balance of approximately RM70,116,363 and RM21,925,200 (2011: RM79,223,015 and RM21,912,678) respectively, to enable the distribution of all of its retained earnings up to RM232,274,288 (2011: RM259,581,722) if paid out as dividends.

13 INSURANCE CONTRACT LIABILITIES

Group		Gross/Net	
	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
Actuarial liabilities	2,138,525	2,196,472	1,922,955
Unallocated surplus	63,224	(98,163)	66,739
Fair value reserve	169,522	143,438	159,227
Investment-linked policyholders' account	432,416	366,032	399,348
	2,803,687	2,607,779	2,548,269
Current	674,226	408,113	638,719
Non-current	2,129,461	2,199,666	1,909,550
	2,803,687	2,607,779	2,548,269

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

	Gross/Net	
	2012	2011
	RM'000	RM'000
At 1 January	2,607,779	2,548,269
Inforce reserve movement	79,399	87,675
New business reserve	(4,704)	(12,452)
Discount rate and other changes	(132,642)	198,294
Unallocated surplus	161,387	(164,902)
Investment-linked policyholders' account	66,384	(33,316)
Fair value reserve, net of tax	26,084	(15,789)
At 31 December	2,803,687	2,607,779

With the Non-participating life fund's unallocated surplus and fair value reserve being reclassified from insurance contract liabilities to equity effective 1 January 2011, only the associated Participating life fund's unallocated surplus and fair value reserve are included in the above presentation.

During the year, the Group's insurance subsidiary refined certain parameters of assumptions used for its actuarial liabilities valuation. The change resulted in lower actuarial liabilities of RM167.1 million for the year ended 31 December 2012, with a corresponding increase in unallocated surplus for the Participating life fund and net profit before tax of RM158.3 million and RM8.8 million, respectively.

14 INSURANCE CLAIMS LIABILITIES

		Group	
	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
Provision for outstanding claims	36,133	35,371	28,885
Current	36,133	35,371	28,885

15 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Presented after appropriate offsetting as follows:			
Deferred tax liabilities	(47,691)	(65,636)	(77,429)
Deferred tax assets	64	80	561
	(47,627)	(65,556)	(76,868)
Current	(39,510)	(33,868)	(17,791)
Non-current	(8,117)	(31,688)	(59,077)
	(47,627)	(65,556)	(76,868)

	Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Presented after appropriate offsetting as follows:			
Deferred tax liabilities	(118)	(3,681)	(1,775)
Current	(118)	(3,681)	1,306
Non-current	-	-	(3,081)
	(118)	(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:

Group	Assets			Liabilities			Net		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Revaluation - investment properties	-	-	-	(411)	(2,400)	(1,977)	(411)	(2,400)	(1,977)
Accelerated depreciation	20	229	245	(125)	(454)	(391)	(105)	(225)	(146)
Revaluation - self-occupied properties	-	-	-	-	(949)	(829)	-	(949)	(829)
Investments	-	-	-	(23,274)	(21,661)	(25,198)	(23,274)	(21,661)	(25,198)
Unutilised tax losses	64	80	504	-	-	-	64	80	504
Unallocated surplus	-	-	-	(23,906)	(40,156)	(48,977)	(23,906)	(40,156)	(48,977)
Others	5	-	-	-	(245)	(245)	5	(245)	(245)
	89	309	749	(47,716)	(65,865)	(77,617)	(47,627)	(65,556)	(76,868)
Offsetting	(25)	(229)	(188)	25	229	188	-	-	-
Deffered tax assets/(liabilities) (after offsetting)	64	80	561	(47,691)	(65,636)	(77,429)	(47,627)	(65,556)	(76,868)
Company									
Revaluation - investment properties	-	-	-	-	(2,008)	(1,692)	-	(2,008)	(1,692)
Accelerated depreciation	-	229	183	(118)	-	-	(118)	229	183
Revaluation - self-occupied properties	-	-	-	-	(949)	(829)	-	(949)	(829)
Investments	-	-	1,938	-	(953)	(1,375)	-	(953)	563
	-	229	2,121	(118)	(3,910)	(3,896)	(118)	(3,681)	(1,775)
Offsetting	-	(229)	(2,121)	-	229	2,121	-	-	-
Deferred tax liabilities (after offsetting)	-	-	-	(118)	(3,681)	(1,775)	(118)	(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 entity.

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:

Group	Revaluation- investment properties RM'000	Accelerated depreciation RM'000	Revaluation- self-occupied properties RM'000	Investments RM'000	Unutilised tax losses RM'000	Unallocated surplus RM'000	Others RM'000	Total RM'000
At 1 January 2011	(1,977)	(146)	(829)	(25,198)	504	(48,977)	(245)	(76,868)
Recognised in:								
Profit or loss								
- Other operating expenses (note 25)	(107)	(71)	-	2,587	-	-	-	2,409
- Taxation (note 26)	(316)	(8)	-	(1,573)	(424)	8,821	-	6,500
Other comprehensive income	-	-	-	2,523	-	-	-	2,523
Asset revaluation reserve	-	-	(120)	-	-	-	-	(120)
At 31 December 2011/1 January 2012	(2,400)	(225)	(949)	(21,661)	80	(40,156)	(245)	(65,556)
Recognised in:								
Profit or loss								
- Other operating expenses (note 25)	(19)	355	-	(1,274)	-	-	-	(938)
- Taxation (note 26)	2,008	(235)	-	1,880	(16)	16,250	250	20,137
Other comprehensive income	-	-	-	(2,219)	-	-	-	(2,219)
Asset revaluation reserve	-	-	949	-	-	-	-	949
At 31 December 2012	(411)	(105)	-	(23,274)	64	(23,906)	5	(47,627)

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 2011	(1,692)	183	(829)	563	(1,775)
Recognised in:					
Profit or loss					
- Taxation (note 26)	(316)	46	-	(1,578)	(1,848)
Other comprehensive income	-	-	-	62	62
Asset revaluation reserve	-	-	(120)	-	(120)
At 31 December 2011/ 1 January 2012	(2,008)	229	(949)	(953)	(3,681)
Recognised in:					
Profit or loss					
- Taxation (note 26)	2,008	(347)	-	(32)	1,629
Other comprehensive income	-	-	-	985	985
Asset revaluation reserve	-	-	949	-	949
At 31 December 2012	-	(118)	-	-	(118)

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	
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Unutilised tax losses	7,427	2,397	-
Other deductible temporary differences	1,830	1,087	-
	9,257	3,484	-
Deferred tax assets not recognised	2,314	871	-

16 INSURANCE PAYABLES

		Group	
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Due to reinsurers and cedants	2,342	1,983	1,614
Due to agents	5,138	5,192	4,145
Due to insureds	341,196	321,286	288,355
	348,676	328,461	294,114
Current	348,676	328,461	294,114

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

17 OTHER PAYABLES

		Group	
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Other creditors	37,317	17,117	23,069
Accrued liabilities	26,315	15,114	22,056
Amount due to related companies	2,873	1,221	182
	66,505	33,452	45,307

		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Other creditors	2,371	1,550	1,724
Accrued liabilities	1,352	893	1,156
Amount due to subsidiary companies	1,891	1,862	1,947
Amount due to related companies	2,530	1,208	182
	8,144	5,513	5,009

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

18 NET PREMIUMS

	Group	
	2012 RM'000	2011 RM'000
First year premium	68,586	61,445
Renewal year premium	428,631	409,083
Single premium	7,650	6,795
	504,867	477,323

19 INVESTMENT INCOME

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Financial assets at FVTPL				
- designated upon initial recognition				
Interest/profit income	15,531	14,654	-	-
Dividend/distribution income				
- equity securities - quoted in Malaysia	8,311	7,077	-	-
Accretion of discounts, net of amortisation of premiums (note 8(c))	403	2,299	-	-
AFS financial assets				
Interest/profit income	69,914	63,667	4,712	5,203
Dividend/distribution income				
- equity securities - quoted in Malaysia	25,394	20,907	667	644
- equity securities - unquoted	140	315	140	315
Accretion of discounts, net of amortisation of premiums (note 8(c))	3,225	4,348	285	523
Loans and receivables				
Interest/profit income	25,034	27,666	542	855
Accretion of discounts, net of amortisation of premiums	2,312	2,201	-	-
Investment properties				
Rental income	6,935	6,711	4,019	4,049
Cash and cash equivalents				
Interest/profit sharing income	1,018	1,709	263	314
	158,217	151,554	10,628	11,903

20 NET REALISED GAINS

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Property and equipment				
Realised gains/(losses)	9	(4)	-	-
AFS financial assets				
Realised gains:				
Equity securities - quoted in Malaysia	67,518	49,312	1,678	2,038
Debt securities	539	3,147	127	488
Realised losses:				
Equity securities - quoted in Malaysia	-	(56)	-	-
Debt securities	(76)	-	-	-
Total net realised gains for AFS financial assets	67,981	52,403	1,805	2,526
Loans and receivables				
Realised gains	233	-	233	-
Total net realised gains	68,223	52,399	2,038	2,526

21 NET FAIR VALUE GAINS/(LOSSES)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Investment properties				
Unrealised fair value gains (note 5)	568	3,013	304	1,258
Financial assets at FVTPL – designated upon initial recognition				
Fair value gains				
- Realised	23,943	19,500	-	-
- Unrealised (note 8(c))	21,135	3,050	-	-
Fair value losses				
- Realised	-	(4,377)	-	-
- Unrealised (note 8(c))	(4,110)	(25,527)	-	-
Net fair value gains/(losses) on financial assets at FVTPL – designated upon initial recognition	40,968	(7,354)	-	-
AFS financial assets				
Impairment losses on quoted equities (note 8(c))	(6,049)	(5,117)	(546)	(185)
Total net fair value gains/(losses)	35,487	(9,458)	(242)	1,073

22 FEE INCOME

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Unit trust funds management fee income	1,690	1,312	-	-
Investment management fee income	85	103	-	-
Outsourcing fee income	-	-	1,330	1,462
	1,775	1,415	1,330	1,462

23 MANAGEMENT EXPENSES

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Staff costs (note 23(a))	34,803	25,717	2,719	2,856
Directors' remuneration:				
- Fees	462	408	334	346
- Other emoluments	967	2,375	238	605
Auditors' remuneration:				
- Statutory audit	425	404	55	53
- Audit related services	42	40	42	40
Office rental :				
- Subsidiary company	-	-	39	38
- Others	832	723	4	2
Depreciation of property and equipment	1,942	1,703	455	438
Property and equipment written off	168	127	119	-
Amortisation of intangible assets	932	899	-	-
Reversal of allowance for impairment loss	(18)	(55)	-	-
Credit card charges	2,018	1,987	-	-
Fund management expenses	1,512	1,273	-	-
Information technology outsourcing expenses	9,869	3,645	189	-
Marketing and advertising expenses	3,857	1,609	-	-
PIDM levy	1,318	1,154	-	-
Printing and stationery	1,529	1,183	88	101
Postage and courier charges	1,353	1,144	39	30
Other expenses	15,188	10,620	1,946	1,116
	77,199	54,956	6,267	5,625

(a) Staff costs

		Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Staff costs		30,721	22,913	2,432	2,583
Retirement benefits contributions	(i)	3,620	2,741	228	273
RSU expenses	(ii)	462	63	59	-
Total staff costs		34,803	25,717	2,719	2,856

(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.

24 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	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Share option expenses	(i)	-	58	-	-
RSU expenses	(ii)	517	483	114	252
		517	541	114	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.

25 OTHER OPERATING EXPENSES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net foreign exchange losses	3,599	-	34	-
Interest expense on agent's bond witheld	31	41	-	-
Others	1,176	329	-	170
Tax on investment income of Life fund and Investment-linked funds:				
- Current tax**	12,962	11,842	-	-
- Deferred tax (note 15)	938	(2,409)	-	-
	13,900	9,433	-	-
	18,706	9,803	34	170

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% (2011: 8%) of the assessable investment income, net of allowable deductions for the financial year.

** Included in the current tax is tax refundable from Inland Revenue Board of Malaysia ("IRB") in relation to a court ruling in favour of the insurance subsidiary of the Group amounting to RM3.1 million (2011: Nil).

26 TAXATION

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
In respect of the profit of the Group and Company:				
<u>Current tax</u>				
Current financial year	26,108	15,621	957	1,368
Under/(over) provision in prior financial years	1,876	(294)	(324)	165
	27,984	15,327	633	1,533
<u>Deferred tax</u>				
Origination and reversal of temporary differences	(16,212)	(8,438)	118	(90)
(Over)/under provision in prior financial years	(3,925)	1,938	(1,747)	1,938
	(20,137)	(6,500)	(1,629)	1,848
	7,847	8,827	(996)	3,381

The current income tax for the Group and the Company are calculated based on the tax rate of 25% (2011: 25%) of the estimated assessable profit for the financial year.

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation	56,802	49,733	5,452	9,276
Taxation at Malaysia statutory tax rate of 25% (2011: 25%)	14,200	12,432	1,363	2,319
Section 110B tax credit set off	(6,116)	(5,063)	-	-
Income not subject to tax	(985)	(1,550)	(568)	(1,420)
Expenses not deductible for tax purposes	1,354	493	280	379
Unrecognised deferred tax assets	1,443	871	-	-
	9,896	7,183	1,075	1,278
Under/(over) provision in prior financial years				
- Current tax**	1,876	(294)	(324)	165
- Deferred tax	(3,925)	1,938	(1,747)	1,938
Tax expense	7,847	8,827	(996)	3,381

** Included in the current tax is tax refundable from IRB in relation to a court ruling in favour of the Company amounting to RM0.6 million (2011: Nil).

27 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 (2011: 202,370,000) shares.

	Group	
	2012	**2011**
Net profit attributable to equity holders of the Company (RM'000)	48,955	40,906
Basic earnings per share (sen)	24.19	20.21

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.

Basic earnings per share (sen) for the prior year was restated due to the effects of transition from FRS to MFRS as disclosed in note 2(a)(i). The corresponding impact to basic earnings per share are disclosed in note 34.

28 DIVIDENDS

	Company			
	2012		**2011**	
	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	18	27,320

The directors recommend the payment of a first and final dividend of 15 sen per share, less 25% tax, amounting to RM22,766,625 for the financial year ended 31 December 2012, 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 ended 31 December 2012 when approved by the shareholders.

29 ADJUSTMENTS FOR NON-CASH ITEMS

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

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Life fund surplus after taxation	213,571	104,016	-	-
Transfer of Life fund surplus to profit or loss	(43,747)	(28,717)	-	-
Interest income	(111,497)	(107,696)	(5,517)	(6,372)
Dividend income	(33,845)	(28,299)	(807)	(959)
Rental income	(6,935)	(6,711)	(4,019)	(4,049)
Accretion of discounts, net of amortisation of premiums	(5,940)	(8,848)	(285)	(523)
(Gains)/losses on disposal of property and equipment	(9)	4	-	-
Gains on disposal of AFS financial assets	(67,981)	(52,403)	(1,805)	(2,526)

29 ADJUSTMENTS FOR NON-CASH ITEMS (CONT'D)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Gains on disposal of loans and receivables	(233)	-	(233)	-
Gain on revaluation of investment properties	(568)	(3,013)	(304)	(1,258)
Fair value (gains)/losses on FVTPL financial assets	(40,968)	7,354	-	-
Impairment losses on AFS financial assets	6,049	5,117	546	185
Depreciation of property and equipment	1,942	1,703	455	438
Property and equipment written off	168	127	119	-
Amortisation of intangible assets	932	899	-	-
Reversal of allowance for impairment loss	(18)	(55)	-	-
Taxation	7,847	8,827	(996)	3,381
Tax on investment income of Life fund and Investment-linked funds	13,900	9,433	-	-
Unrealised exchange losses/(gains)	3,387	(3,682)	-	-
	(63,945)	(101,944)	(12,846)	(11,683)

30 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

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Identity of related parties (cont'd)

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)
Lim Hun Soon @ David Lim (appointed on 17 July 2012)
Philip John Hampden-Smith
Robert Allen Cook
Gianni Fiacco
Datuk Seri Panglima Mohd Annuar bin Zaini
Dato' Dr Nik Norzrul Thani bin N Hassan Thani
Datuk Abu Hassan bin Kendut (resigned on 25 June 2012)

Executive director:

Chan Yui Lung (resigned on 31 May 2012)

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Intermediate holding company				
Reimbursement of software maintenance expenses	474	408	-	-
Reimbursement of personnel expenses	2,816	1,892	167	539
Subsidiaries of ultimate holding company				
Rental income	(893)	(912)	(423)	(430)
Outsourced information technology service expenses	5,378	3,645	-	-
Outsourcing fee for health service call centre and administrative service	437	458	-	-
Subsidiaries of the Company				
Outsourcing fee income	-	-	(1,034)	(1,462)
Rental income	-	-	(743)	(737)
Fund management fee expenses	-	-	319	364
Management fees and maintenance charges	-	-	93	93

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Significant related party transactions (cont'd)

Key management personnel

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

		Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Salaries and other short-term employee benefits		8,591	6,168	889	574
Retirement benefits contribution	(i)	118	216	10	20
Share option expenses	(ii)	-	58	-	-
RSU expenses	(ii)	517	483	114	252
		9,226	6,925	1,013	846

Directors

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

		Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Executive director:					
Salaries		407	1,017	61	153
Bonus		165	375	25	56
Retirement benefits contributions	(i)	28	71	4	10
Benefits in kind		185	346	55	90
Share option expenses	(ii)	-	58	-	-
RSU expenses	(ii)	55	420	55	252
Gratuity		80	-	12	-
		920	2,287	212	561
Non-executive directors:					
Fees		462	408	335	346
Meeting allowances		46	88	27	44
		508	496	362	390
Total		1,428	2,783	574	951

(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.

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

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:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Group			
Loans and receivables (note 9)			
- Amount due from related companies	85	70	91
Other payables (note 17)			
- Amount due to related companies	2,873	1,221	182
Company			
Loans and receivables (note 9)			
- Amount due from subsidiary companies	1,697	6,807	3,781
- Amount due from related companies	85	36	91
	1,782	6,843	3,872
Other payables (note 17)			
- Amount due to subsidiary companies	1,891	1,862	1,947
- Amount due to related companies	2,530	1,208	182
	4,421	3,070	2,129

31 SEGMENTAL REPORTING

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

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

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

31 SEGMENTAL REPORTING (CONT'D)

(a) Segment reporting

	Investment holding		Life insurance business		Others		Total	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
External revenue								
a) Premium income								
Gross premiums	-	-	515,366	487,905	-	-	515,366	487,905
Premiums ceded to reinsurers	-	-	(10,499)	(10,582)	-	-	(10,499)	(10,582)
Net premiums	-	-	504,867	477,323	-	-	504,867	477,323
b) Investment income	9,885	11,160	147,477	139,758	855	636	158,217	151,554
c) Fee income	-	-	-	-	1,775	1,415	1,775	1,415
d) Net realised gains	2,038	2,526	66,185	49,873	-	-	68,223	52,399
e) Net fair value (losses)/gains	(242)	-	35,729	-	-	-	35,487	-
f) Other operating income	11	52	933	4,571	5	12	949	4,635
Total external revenue	11,692	13,738	755,191	671,525	2,635	2,063	769,518	687,326
Inter-segment revenue								
a) Rental income	743	743	370	470	-	-	1,113	1,213
b) Fee income	1,330	1,462	-	-	6,737	6,239	8,067	7,701
Total inter-segment revenue	2,073	2,205	370	470	6,737	6,239	9,180	8,914
Total revenue by segment	13,765	15,943	755,561	671,995	9,372	8,302	778,698	696,240
Profit/(loss) before taxation	5,452	9,276	57,059	40,427	(5,709)	30	56,802	49,733
Segment assets	381,069	401,108	3,820,216	3,530,655	93,431	63,259	4,294,716	3,995,022
Segment liabilities	10,368	13,361	3,301,013	3,066,108	8,449	2,276	3,319,830	3,081,745

31 SEGMENTAL REPORTING (CONT'D)

(b) Reconciliation of reportable segments

	Group 2012 RM'000	Group 2011 RM'000
Total revenue		
Total revenue for reportable segments	778,698	696,240
Elimination of inter-segment revenue	(9,180)	(8,914)
Total revenue as per statements of comprehensive income	769,518	687,326
Segment assets		
Total assets for reportable segments	4,294,716	3,995,022
Elimination of inter-segment assets	(239,814)	(215,016)
Total assets as per statements of financial position	4,054,902	3,780,006
Segment liabilities		
Total liabilities for reportable segments	3,319,830	3,081,745
Elimination of inter-segment liabilities	(3,854)	(6,879)
Total liabilities as per statements of financial position	3,315,976	3,074,866

32 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

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

Group	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
31 December 2012					
Financial assets					
AFS financial assets	2,550,577	-	-	-	2,550,577
FVTPL financial assets	-	714,785	-	-	714,785
Loans and receivables	-	-	606,112	-	606,112
Reinsurance assets	-	-	3,268	-	3,268
Insurance receivables	-	-	27,995	-	27,995
Cash and cash equivalents	-	-	46,779	-	46,779
	2,550,577	714,785	684,154	-	3,949,516
Financial liabilities					
Insurance contract liabilities	-	-	-	2,803,687	2,803,687
Insurance claims liabilities	-	-	-	36,133	36,133
Insurance payables	-	-	-	348,676	348,676
Other payables	-	-	-	66,505	66,505
	-	-	-	3,255,001	3,255,001
31 December 2011					
Financial assets					
AFS financial assets	2,410,876	-	-	-	2,410,876
FVTPL financial assets	-	656,565	-	-	656,565
Loans and receivables	-	-	541,493	-	541,493
Reinsurance assets	-	-	3,021	-	3,021
Insurance receivables	-	-	27,123	-	27,123
Cash and cash equivalents	-	-	32,667	-	32,667
	2,410,876	656,565	604,304	-	3,671,745
Financial liabilities					
Insurance contract liabilities	-	-	-	2,607,779	2,607,779
Insurance claims liabilities	-	-	-	35,371	35,371
Insurance payables	-	-	-	328,461	328,461
Other payables	-	-	-	33,452	33,452
	-	-	-	3,005,063	3,005,063

32 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
1 January 2011					
Financial assets					
AFS financial assets	2,196,016	-	-	-	2,196,016
FVTPL financial assets	-	673,551	-	-	673,551
Loans and receivables	-	-	580,720	-	580,720
Reinsurance assets	-	-	2,368	-	2,368
Insurance receivables	-	-	24,512	-	24,512
Cash and cash equivalents	-	-	113,995	-	113,995
	2,196,016	673,551	721,595	-	3,591,162
Financial liabilities					
Insurance contract liabilities	-	-	-	2,548,269	2,548,269
Insurance claims liabilities	-	-	-	28,885	28,885
Insurance payables	-	-	-	294,114	294,114
Other payables	-	-	-	45,307	45,307
	-	-	-	2,916,575	2,916,575
Company					
31 December 2012					
Financial assets					
AFS financial assets	112,696	-	-	-	112,696
Loans and receivables	-	-	12,038	-	12,038
Cash and cash equivalents	-	-	7,041	-	7,041
	112,696	-	19,079	-	131,775
Financial liabilities					
Other payables	-	-	-	8,144	8,144
	-	-	-	8,144	8,144
31 December 2011					
Financial assets					
AFS financial assets	147,849	-	-	-	147,849
Loans and receivables	-	-	29,785	-	29,785
Cash and cash equivalents	-	-	3,890	-	3,890
	147,849	-	33,675	-	181,524
Financial liabilities					
Other payables	-	-	-	5,513	5,513
	-	-	-	5,513	5,513

32 FINANCIAL INSTRUMENTS (CONT'D)

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

Company	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
1 January 2011					
Financial assets					
AFS financial assets	158,835	-	-	-	158,835
Loans and receivables	-	-	26,414	-	26,414
Cash and cash equivalents	-	-	21,169	-	21,169
	158,835	-	47,583	-	206,418
Financial liabilities					
Other payables	-	-	-	5,009	5,009
	-	-	-	5,009	5,009

(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.

(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.

32 FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value hierarchy (cont'd)

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 2012.

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

32 FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value hierarchy (cont'd)

Group	Carrying amounts RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2011				
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 trust 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	-
	2,410,876	764,849	1,643,511	2,516
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	-
	656,565	293,142	363,423	-
	3,067,441	1,057,991	2,006,934	2,516

32 FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value hierarchy (cont'd)

Group	Carrying amounts RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
1 January 2011				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	639,740	639,740	-	-
- Unquoted	2,516	-	-	2,516
Unit trusts funds	81,765	81,765	-	-
Malaysian Government Securities	573,562	-	573,562	-
Government Investment Issues	95,195	-	95,195	-
Corporate debt securities				
- Unquoted	790,444	-	790,444	-
Accrued interest	12,794	-	12,794	-
	2,196,016	721,505	1,471,995	2,516
FVTPL financial assets				
Equity securities				
- Quoted in Malaysia	188,983	188,983	-	-
Malaysian Government Securities	116,315	-	116,315	-
Government Investment Issues	15,270	-	15,270	-
Corporate debt securities				
- Unquoted	196,712	-	196,712	-
Equity call options				
- Unquoted	5,723	-	5,723	-
Mutual funds	102,709	102,709	-	-
Negotiable instrument of deposit	45,373	-	45,373	-
Accrued interest	2,466	-	2,466	-
	673,551	291,692	381,859	-
	2,869,567	1,013,197	1,853,854	2,516

32 FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value hierarchy (cont'd)

Company	Carrying amounts RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2012				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	17,534	17,534	-	-
- Unquoted	572	-	-	572
Malaysian Government Securities	27,553	-	27,553	-
Government Investment Issues	7,133	-	7,133	-
Corporate debt securities				
- Unquoted	59,142	-	59,142	-
Accrued interest	762	-	762	-
	112,696	17,534	94,590	572
31 December 2011				
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
1 January 2011				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	21,435	21,435	-	-
- Unquoted	572	-	-	572
Malaysian Government Securities	51,115	-	51,115	-
Government Investment Issues	10,418	-	10,418	-
Corporate debt securities				
- Unquoted	74,332	-	74,332	-
Accrued interest	963	-	963	-
	158,835	21,435	136,828	572

33 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.

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;

33 RISK MANAGEMENT (CONT'D)

(c) Capital management (cont'd)

- 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.

The capital structure of the insurance subsidiary of the Group as at 31 December 2012, as prescribed under the Framework is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	150,000	150,000	150,000
Retained earnings of the Group's insurance subsidiary *	270,047	174,965	112,644
Eligible contract liabilities	725,550	727,402	905,286
	1,145,597	1,052,367	1,167,930
Eligible Tier 2 Capital			
Eligible reserves	197,398	162,550	178,702
Amounts deducted from capital	-	(487)	-
Total Capital Available	1,342,995	1,214,430	1,346,632

* Only the distributable retained earnings of the insurance subsidiary of the Group are included in the determination of the total capital available.

(d) Insurance risk

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

The Group has implemented product design and pricing 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 2012, the insurance subsidiary of the Group retains a maximum of RM300,000 for mortality risk per life and RM300,000 for accelerated critical illness risk per life and RM200,000 for additional critical illness per life, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance and catastrophe treaties. The insurance subsidiary is neither dependent on a single reinsurer at this moment nor are the operations of the insurance subsidiary 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.

33 RISK MANAGEMENT (CONT'D)

(d) Insurance risk (cont'd)

	31.12.2012 RM'000	Gross/Net 31.12.2011 RM'000	01.01.2011 RM'000
Whole life	683,325	647,338	485,654
Endowment	319,405	280,201	223,456
Term	26,499	38,774	23,515
Annuity	192,669	174,139	164,784
Others	916,627	1,056,020	1,025,546
	2,138,525	2,196,472	1,922,955

Sensitivities

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

	Change in assumptions %	Impact on gross actuarial liabilities RM'000	Impact on net actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
31 December 2012					
Mortality/morbidity	+10	14,444	14,444	(14,444)	(11,411)
Discount rate	-1	35,587	35,587	(35,587)	(28,114)
Expenses	+10	6,394	6,394	(6,394)	(5,051)
Lapse and surrender rates	+10	1,300	1,300	(1,300)	(1,027)
31 December 2011					
Mortality/morbidity	+10	14,299	14,299	(14,299)	(11,296)
Discount rate	-1	40,528	40,528	(40,528)	(32,017)
Expenses	+10	7,752	7,752	(7,752)	(6,124)
Lapse and surrender rates	+10	990	990	(990)	(782)
1 January 2011					
Mortality/morbidity	+10	13,496	13,496	(13,496)	(10,662)
Discount rate	-1	32,573	32,573	(32,573)	(25,733)
Expenses	+10	5,938	5,938	(5,938)	(4,691)
Lapse and surrender rates	+10	2,754	2,754	(2,754)	(2,176)

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

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

33 RISK MANAGEMENT (CONT'D)

(e) Credit risk

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

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

The Group and the Company has minimal exposure to credit risk on unrated Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities as these are either issued or guaranteed by the Federal Government of Malaysia. All the remaining unquoted corporate debt securities are issued by companies with minimum rating of BBB.

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

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

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

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

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

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

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

33 RISK MANAGEMENT (CONT'D)

(e) Credit risk (cont'd)

Group

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

33 RISK MANAGEMENT (CONT'D)

(e) Credit risk (cont'd)

Group	Neither past-due nor impaired						
31 December 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							
Loans receivable	-	326,142	-	109	362	-	326,613
Fixed and call deposits	185,947	-	-	-	-	20,938	206,885
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 cash equivalents	31,600	-	-	-	-	1,067	32,667
Allowance for impairment losses	-	-	-	-	(2,320)	-	(2,320)
	850,873	1,675,064	767,365	109	187	378,147	3,671,745

33 RISK MANAGEMENT (CONT'D)

(e) Credit risk (cont'd)

Group 1 January 2011	Neither past-due nor impaired 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							
Loans receivable	-	354,943	-	3,435	675	265	359,318
Fixed and call deposits	192,196	-	-	-	-	12,471	204,667
Other receivables	-	8,042	-	-	1,075	8,874	17,991
Reinsurance assets	1,943	425	-	-	-	-	2,368
Insurance receivables	-	24,502	-	-	1,129	-	25,631
Cash and cash equivalents	112,079	-	-	-	-	1,916	113,995
Allowance for impairment losses	-	-	-	-	(2,375)	-	(2,375)
	929,234	1,518,808	724,021	3,435	504	415,160	3,591,162

33 RISK MANAGEMENT (CONT'D)

(e) Credit risk (cont'd)

Company	Neither past-due nor impaired					
31 December 2012	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	-	-	18,106	-	-	18,106
Malaysian Government Securities	-	27,553	-	-	-	27,553
Government Investment Issues	-	7,133	-	-	-	7,133
Corporate debt securities	43,826	15,316	-	-	-	59,142
Accrued interest	402	360	-	-	-	762
Loans and receivables						
Loans receivable	-	-	-	1	-	1
Fixed and call deposits	9,107	-	-	-	-	9,107
Other receivables	-	2,930	-	-	1,075	4,005
Cash and cash equivalents	7,041	-	-	-	-	7,041
Allowance for impairment losses	-	-	-	-	(1,075)	(1,075)
	60,376	53,292	18,106	1	-	131,775

31 December 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	533	360	-	-	-	893
Loans and receivables						
Loans receivable	-	-	-	1	-	1
Fixed and call deposits	22,324	-	-	-	-	22,324
Other receivables	-	7,460	-	-	1,075	8,535
Cash and cash equivalents	3,890	-	-	-	-	3,890
Allowance for impairment losses	-	-	-	-	(1,075)	(1,075)
	86,164	74,845	20,514	1	-	181,524

33 RISK MANAGEMENT (CONT'D)

(e) Credit risk (cont'd)

Company 1 January 2011	Neither past-due nor impaired: Rating (BBB to AAA) RM'000	Neither past-due nor impaired: Not rated RM'000	Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
AFS financial assets						
Equity securities	-	-	22,007	-	-	22,007
Malaysian Government Securities	-	51,115	-	-	-	51,115
Government Investment Issues	-	10,418	-	-	-	10,418
Corporate debt securities	63,966	10,366	-	-	-	74,332
Accrued interest	572	391	-	-	-	963
Loans and receivables						
Loans receivable	-	1,833	-	351	-	2,184
Fixed and call deposits	19,597	-	-	-	-	19,597
Other receivables	-	4,633	-	-	1,075	5,708
Cash and cash equivalents	21,169	-	-	-	-	21,169
Allowance for impairments losses	-	-	-	-	(1,075)	(1,075)
	105,304	78,756	22,007	351	-	206,418

Age analysis of financial assets past-due but not impaired

Group	< 30days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	Over 180 days RM'000	Total RM'000
31 December 2012						
Loans receivable	-	-	-	-	43	43
31 December 2011						
Loans receivable	-	42	60	7	-	109
1 January 2011						
Loans receivable	-	49	-	3,386	-	3,435
Company						
31 December 2012						
Loans receivable	-	-	-	-	1	1
31 December 2011						
Loans receivable	-	-	-	1	-	1
1 January 2011						
Loans receivable	-	-	-	351	-	351

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

Group	Loans receivable RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
At 1 January 2011	181	1,119	1,075	2,375
Reversal of allowance for impairment loss during the financial year	-	(55)	-	(55)
At 31 December 2011	181	1,064	1,075	2,320
At 1 January 2012	181	1,064	1,075	2,320
Reversal of allowance for impairment loss during the financial year	-	(18)	-	(18)
At 31 December 2012	181	1,046	1,075	2,302

Company	Other receivables 2012 RM'000	Other receivables 2011 RM'000
At 1 January/31 December	1,075	1,075

(f) Market risk

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

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

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

(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.

33 RISK MANAGEMENT (CONT'D)

(f) Market risk (cont'd)

(ii) Interest rate risk

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

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

	Impact on profit before tax		Impact on equity	
Group	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Change in variable:				
Interest rate				
+ 100 basis points	6,634	8,700	(15,008)	(11,587)
- 100 basis points	(11,739)	(16,987)	13,312	7,231
Company				
Change in variable:				
Interest rate				
+ 100 basis points	-	-	(6,082)	(6,920)
- 100 basis points	-	-	6,804	7,797

The above impact to the Group's equity arose from the investments in fixed income securities which are classified as AFS and FVTPL financial assets, while the impact to the Group's profit before tax arose from fixed income securities which are classified as FVTPL financial assets. The impact to the Company's equity is attributable to the investments in fixed income securities which are classified as AFS financial assets. The impact arising from changes in interest rate risk to fixed income securities of the Participating life fund of the Group's insurance subsidiary is retained in the insurance contract liabilities.

33 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 life fund of the Group's insurance subsidiary gives the insurance subsidiary the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low equity returns.

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

	Impact on profit before tax		Impact on equity	
Group	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Change in variable:				
Market price				
+15%	-	-	17,338	16,631
-15%	-	-	(17,338)	(16,631)
Company				
Change in variable:				
Market price				
+15%	-	-	2,029	2,258
-15%	-	-	(2,029)	(2,258)

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

33 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.

33 RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (cont'd)

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

33 RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (cont'd)

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity RM'000	Investment-linked funds RM'000	Total RM'000
31 December 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:								
- AFS financial assets	13,662	13,662	-	-	-	-	-	13,662
- FVTPL financial assets	2,707	2,227	-	-	-	-	480	2,707
Loans receivable	326,432	323,537	104	161	2,630	-	-	326,432
Fixed and call deposits	206,885	125,076	1,454	73,140	-	-	20,938	220,608
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 cash equivalents	32,667	31,600	-	-	-	-	1,067	32,667
Total assets	3,671,745	707,116	350,091	477,442	1,678,074	767,365	378,147	4,358,235
Insurance contract liabilities	2,607,779	94,142	200,146	321,691	5,185,878	-	366,032	6,167,889
Insurance claims liabilities	35,371	35,371	-	-	-	-	-	35,371
Insurance payables	328,461	328,461	-	-	-	-	-	328,461
Other payables	33,452	25,208	-	-	-	-	8,244	33,452
Total liabilities	3,005,063	483,182	200,146	321,691	5,185,878	-	374,276	6,565,173

33 RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (cont'd)

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity RM'000	Investment-linked funds RM'000	Total RM'000
1 January 2011								
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:								
- AFS financial assets	12,794	12,794	-	-	-	-	-	12,794
- FVTPL financial assets	2,466	2,056	-	-	-	-	410	2,466
Loans receivable	359,137	340,827	17,404	154	487	-	265	359,137
Fixed and call deposits	204,667	134,728	1,454	1,454	72,413	-	12,471	222,520
Other receivables	16,916	7,352	-	-	690	-	8,874	16,916
Reinsurance assets	2,368	2,368	-	-	-	-	-	2,368
Insurance receivables	24,512	24,512	-	-	-	-	-	24,512
Cash and cash equivalents	113,995	112,079	-	-	-	-	1,916	113,995
Total assets	3,591,162	721,908	426,383	363,300	1,560,342	724,021	415,160	4,211,114
Insurance contract liabilities	2,548,269	279,791	122,267	301,128	5,013,838	-	399,348	6,116,372
Insurance claims liabilities	28,885	28,885	-	-	-	-	-	28,885
Insurance payables	294,114	294,114	-	-	-	-	-	294,114
Other payables	45,307	36,711	-	-	-	-	8,596	45,307
Total liabilities	2,916,575	639,501	122,267	301,128	5,013,838	-	407,944	6,484,678

33 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
31 December 2012							
Equity securities	18,106	-	-	-	-	18,106	18,106
Malaysian Government Securities	27,553	1,100	2,201	2,892	37,285	-	43,478
Government Investment Issues	7,133	292	4,674	222	3,220	-	8,408
Corporate debt securities	59,142	7,907	13,089	13,425	39,532	-	73,953
Accrued interest:							
- AFS financial assets	762	762	-	-	-	-	762
Loans receivable	1	1	-	-	-	-	1
Fixed and call deposits	9,107	2,440	665	7,166	-	-	10,271
Other receivables	2,930	2,930	-	-	-	-	2,930
Cash and cash equivalents	7,041	7,041	-	-	-	-	7,041
Total assets	131,775	22,473	20,629	23,705	80,037	18,106	164,950
Other payables	8,144	8,144	-	-	-	-	8,144
Total liabilities	8,144	8,144	-	-	-	-	8,144
31 December 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	67,699	-	76,978
Government Investment Issues	6,195	201	1,512	3,423	2,118	-	7,254
Corporate debt securities	72,629	9,326	19,644	21,264	37,296	-	87,530
Accrued interest:							
- AFS financial assets	893	893	-	-	-	-	893
Loans receivable	1	1	-	-	-	-	1
Fixed and call deposits	22,324	10,894	1,140	12,855	-	-	24,889
Other receivables	7,460	7,460	-	-	-	-	7,460
Cash and cash equivalents	3,890	3,890	-	-	-	-	3,890
Total assets	181,524	34,268	26,034	41,480	107,113	20,514	229,409
Other payables	5,513	5,513	-	-	-	-	5,513
Total liabilities	5,513	5,513	-	-	-	-	5,513

33 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
1 January 2011							
Equity securities	22,007	-	-	-	-	22,007	22,007
Malaysian Government Securities	51,115	1,862	11,390	3,445	62,357	-	79,054
Government Investment Issues	10,418	330	854	7,879	3,090	-	12,153
Corporate debt securities	74,332	7,490	19,853	21,782	42,116	-	91,241
Accrued interest:							
- AFS financial assets	963	963	-	-	-	-	963
Loans receivable	2,184	1	2,183	-	-	-	2,184
Fixed and call deposits	19,597	8,248	1,140	1,140	12,285	-	22,813
Other receivables	4,633	4,633	-	-	-	-	4,633
Cash and cash equivalents	21,169	21,169	-	-	-	-	21,169
Total assets	206,418	44,696	35,420	34,246	119,848	22,007	256,217
Other payables	5,009	5,009	-	-	-	-	5,009
Total liabilities	5,009	5,009	-	-	-	-	5,009

(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.

34 EFFECTS OF TRANSITION FROM FRS TO MFRS

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following table represents the reconciliations from FRS to MFRS for the respective periods arising from the transition elections as disclosed in note 2(a)(i) on equity and total comprehensive income. The transition from FRS to MFRS has had no effect on the reconciliation of equity and total comprehensive income of the Group and of the Company and on the reported cash flows generated by the Group and by the Company except for the following:-

34 EFFECTS OF TRANSITION FROM FRS TO MFRS (CONT'D)

		Group		
		As previously reported "FRS" RM'000	Adjustment RM'000	As restated "MFRS" RM'000
Statements of financial position				
At 1 January 2011				
Equity				
Foreign currency translation reserve	(i)	5,190	(5,190)	-
Fair value reserve	(ii)	13,449	9,165	22,614
Retained earnings	(i), (ii)	411,393	152,120	563,513
Liabilities				
Insurance contract liabilities	(ii)	2,753,341	(205,072)	2,548,269
Deferred tax liabilities	(iii)	28,452	48,977	77,429
At 31 December 2011				
Equity				
Foreign currency translation reserve	(i)	5,190	(5,190)	-
Fair value reserve	(ii)	13,266	8,860	22,126
Retained earnings	(i), (ii)	451,440	125,659	577,099
Liabilities				
Insurance contract liabilities	(ii)	2,777,264	(169,485)	2,607,779
Deferred tax liabilities	(iii)	25,480	40,156	65,636
Statements of comprehensive income				
For financial year ended 31 December 2011				
Total comprehensive income		67,544	(26,766)	40,778
Comprise of the following transitional adjustments:				
- Other income	(ii)	1,680	2,955	4,635
- Gross change in contract liabilities	(ii)	(37,383)	(37,916)	(75,299)
- Other operating expenses	(ii)	(9,482)	(321)	(9,803)
- Taxation	(iii)	(17,648)	8,821	(8,827)
- Net loss on fair value changes of available-for-sale financial assets	(ii)	(183)	(305)	(488)
Basic earnings per share (sen)		33.29	(13.08)	20.21

(i) Reclassification of foreign currency translation reserves to retained earnings.

(ii) Reclassification of unallocated surplus and fair value reserves (net of deferred tax) of Non-participating life funds previously held within insurance contract liabilities to non-distributable retained earnings and fair value reserves respectively as of 1 January 2011.

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 gross change in contract liabilities previously, is now reclassified to other income and operating expenses.

(iii) Recognition of corresponding deferred tax liabilities on unallocated surplus of Non-participating life funds.

35 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

		Insurance funds			
31 December 2012	**Shareholders' fund RM'000**	**Life fund RM'000**	**Investment-linked funds RM'000**	**Elimination RM'000**	**Total RM'000**
Assets					
Property and equipment	-	9,597	-	-	9,597
Investment properties	-	48,897	-	-	48,897
Loans and receivables	234,895	475,664	56,365	(219,561)	547,363
Available-for-sale financial assets	320,602	2,127,865	-	(10,586)	2,437,881
Fair value through profit or loss financial assets	-	309,743	405,042	-	714,785
Reinsurance assets	-	3,268	-	-	3,268
Insurance receivables	-	27,995	-	-	27,995
Cash and cash equivalents	4,204	23,714	2,512	-	30,430
Total assets	**559,701**	**3,026,743**	**463,919**	**(230,147)**	**3,820,216**
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	341,766	-	-	-	341,766
Other reserves	27,877	-	-	(440)	27,437
Total equity	**519,643**	**-**	**-**	**(440)**	**519,203**
Insurance contract liabilities	-	2,371,271	442,416	(10,000)	2,803,687
Insurance claims liabilities	-	36,133	-	-	36,133
Deferred tax liabilities	27,912	16,157	3,648	(146)	47,571
Insurance payables	-	348,676	-	-	348,676
Current tax liabilities	10,971	(1,965)	2,151	-	11,157
Other payables	1,175	256,471	15,704	(219,561)	53,789
Total equity, policyholders' funds and liabilities	**559,701**	**3,026,743**	**463,919**	**(230,147)**	**3,820,216**

35 INSURANCE FUNDS (CONT'D)

Statement of Financial Position by Funds (cont'd)

31 December 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	249,288	453,355	23,859	(231,986)	494,516
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	22,014	1,067	-	24,260
Total assets	**515,524**	**2,870,426**	**376,692**	**(231,986)**	**3,530,656**
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	295,434	-	-	-	295,434
Other reserves	19,112	-	-	-	19,112
Total equity	**464,546**	**-**	**-**	**-**	**464,546**
Insurance contract liabilities	-	2,241,747	366,032	-	2,607,779
Insurance claims liabilities	-	35,371	-	-	35,371
Deferred tax liabilities	43,574	13,724	2,416	-	59,714
Insurance payables	-	328,461	-	-	328,461
Other payables	7,404	251,123	8,244	(231,986)	34,785
Total equity, policyholders' funds and liabilities	**515,524**	**2,870,426**	**376,692**	**(231,986)**	**3,530,656**

35 INSURANCE FUNDS (CONT'D)

Statement of Financial Position by Funds (cont'd)

1 January 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	-	4,583	-	-	4,583
Investment properties	-	51,215	-	-	51,215
Intangible assets	-	184	-	-	184
Loans and receivables	285,922	503,198	21,610	(270,193)	540,537
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	86,828	1,916	-	89,657
Total assets	**488,582**	**2,790,239**	**415,160**	**(270,193)**	**3,423,788**
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	259,574	-	-	-	259,574
Other reserves	19,475	-	-	-	19,475
Total equity	**429,049**	**-**	**-**	**-**	**429,049**
Insurance contract liabilities	-	2,148,921	399,348	-	2,548,269
Insurance claims liabilities	-	28,885	-	-	28,885
Deferred tax liabilities	52,414	16,654	4,338	-	73,406
Insurance payables	-	294,114	-	-	294,114
Current tax liabilities	1,860	(1,685)	2,878	-	3,053
Other payables	5,259	303,350	8,596	(270,193)	47,012
Total equity, policyholders' funds and liabilities	**488,582**	**2,790,239**	**415,160**	**(270,193)**	**3,423,788**

35 INSURANCE FUNDS (CONT'D)

Statement of Comprehensive Income by Funds

2012	Shareholders' fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Premium Income					
Gross premiums	-	404,882	120,484	(10,000)	515,366
Premiums ceded to reinsurers	-	(10,499)	-	-	(10,499)
Net premiums	-	394,383	120,484	(10,000)	504,867
Fee and commission income	-	5,084	-	(5,084)	-
Investment income	12,502	123,393	11,951	-	147,846
Net realised gains	3,399	62,786	-	-	66,185
Net fair value (losses)/gains	(187)	(2,643)	38,559	-	35,729
Other operating income	-	83	850	-	933
Total revenue	15,714	583,086	171,844	(15,084)	755,560
Gross benefits and claims paid	-	(293,962)	(81,324)	-	(375,286)
Claims ceded to reinsurers	-	5,715	-	-	5,715
Gross change in contract liabilities	-	(103,440)	(76,384)	10,000	(169,824)
Net claims	-	(391,687)	(157,708)	10,000	(539,395)
Fee and commission expenses	-	(73,231)	-	-	(73,231)
Investment expenses	(676)	(7,502)	-	-	(8,178)
Management expenses	(520)	(56,614)	(6,968)	5,084	(59,018)
Other operating expenses	(1,206)	(10,305)	(7,168)	-	(18,679)
Other expenses	(2,402)	(147,652)	(14,136)	5,084	(159,106)
Profit from operations	13,312	43,747	-	-	57,059
Transfer from/(to) revenue account	43,747	(43,747)	-	-	-
Profit before taxation	57,059	-	-	-	57,059
Taxation	(10,727)	-	-	-	(10,727)
Net profit for the financial year	46,332	-	-	-	46,332

35 INSURANCE FUNDS (CONT'D)

Statement of Comprehensive Income by Funds (cont'd)

2011	Shareholders' fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Premium Income					
Gross premiums	-	393,982	93,923	-	487,905
Premiums ceded to reinsurers	-	(10,582)	-	-	(10,582)
Net 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
Net fair value gains	-	-	-	-	-
Other operating income	1	32	4,538	-	4,571
Total revenue	12,857	553,448	110,109	(4,420)	671,994
Gross benefits and claims paid	-	(296,702)	(126,154)	-	(422,856)
Claims ceded to reinsurers	-	3,857	-	-	3,857
Gross change in contract liabilities	-	(108,615)	33,316	-	(75,299)
Net claims	-	(401,460)	(92,838)	-	(494,298)
Fee and commission expenses	-	(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)	(9,678)	85	-	(9,633)
Other expenses	(1,148)	(123,271)	(17,271)	4,420	(137,270)
Profit from operations	11,709	28,717	-	-	40,426
Transfer from/(to) revenue account	28,717	(28,717)	-	-	-
Profit before taxation	40,426	-	-	-	40,426
Taxation	(4,566)	-	-	-	(4,566)
Net profit for the financial year	35,860	-	-	-	35,860

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

35 INSURANCE FUNDS (CONT'D)

Information on cash flows by Funds

2012	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	3,025	3,275	1,445	7,745
Investing activities	-	(1,575)	-	(1,575)
Net increase in cash and cash equivalents	3,025	1,700	1,445	6,170
At beginning of financial year	1,179	22,014	1,067	24,260
At end of financial year	4,204	23,714	2,512	30,430

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	(63,081)	(849)	(63,664)
Investing activities	-	(1,733)	-	(1,733)
Net increase/(decrease) in cash and cash equivalents	266	(64,814)	(849)	(65,397)
At beginning of financial year	913	86,828	1,916	89,657
At end of financial year	1,179	22,014	1,067	24,260

36 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the directors on 20 March 2013.

37 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 Malaysia Securities 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 2012, into realised and unrealised profits is as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Total retained profits:				
- Realised	481,113	415,983	249,731	272,536
- Unrealised	93,497	139,170	8,215	6,282
	574,610	555,153	257,946	278,818
Consolidation adjustments	24,124	21,946	-	-
Total retained profits as per statements of financial position	598,734	577,099	257,946	278,818

Statement
By Directors
Pursuant To Section 169(15) Of The Companies Act, 1965

We, Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim and Mark Steven O'Dell, two of the directors of Manulife Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 49 to 139 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 2012, and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards 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 2013.

TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM
CHAIRMAN

MARK STEVEN O'DELL
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 49 to 139 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

THAM KOK YOKE

Subscribed and solemnly declared by the abovenamed Tham Kok Yoke at Kuala Lumpur in Malaysia on 20 March 2013, before me.

COMMISSIONER FOR OATHS
KALASAGAR NAIR
NO : W513

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 2012 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 36.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act,1965 in Malaysia, 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards, and comply with the provisions of the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial 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 37 to the financial statements on page 139 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS	**SHIRLEY GOH**
(No. AF: 1146)	**(No. 1778/08/14 (J))**
Chartered Accountants	**Chartered Accountant**

Kuala Lumpur
20 March 2013

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 / 082 - 419 755
Fax : 082 - 412 755

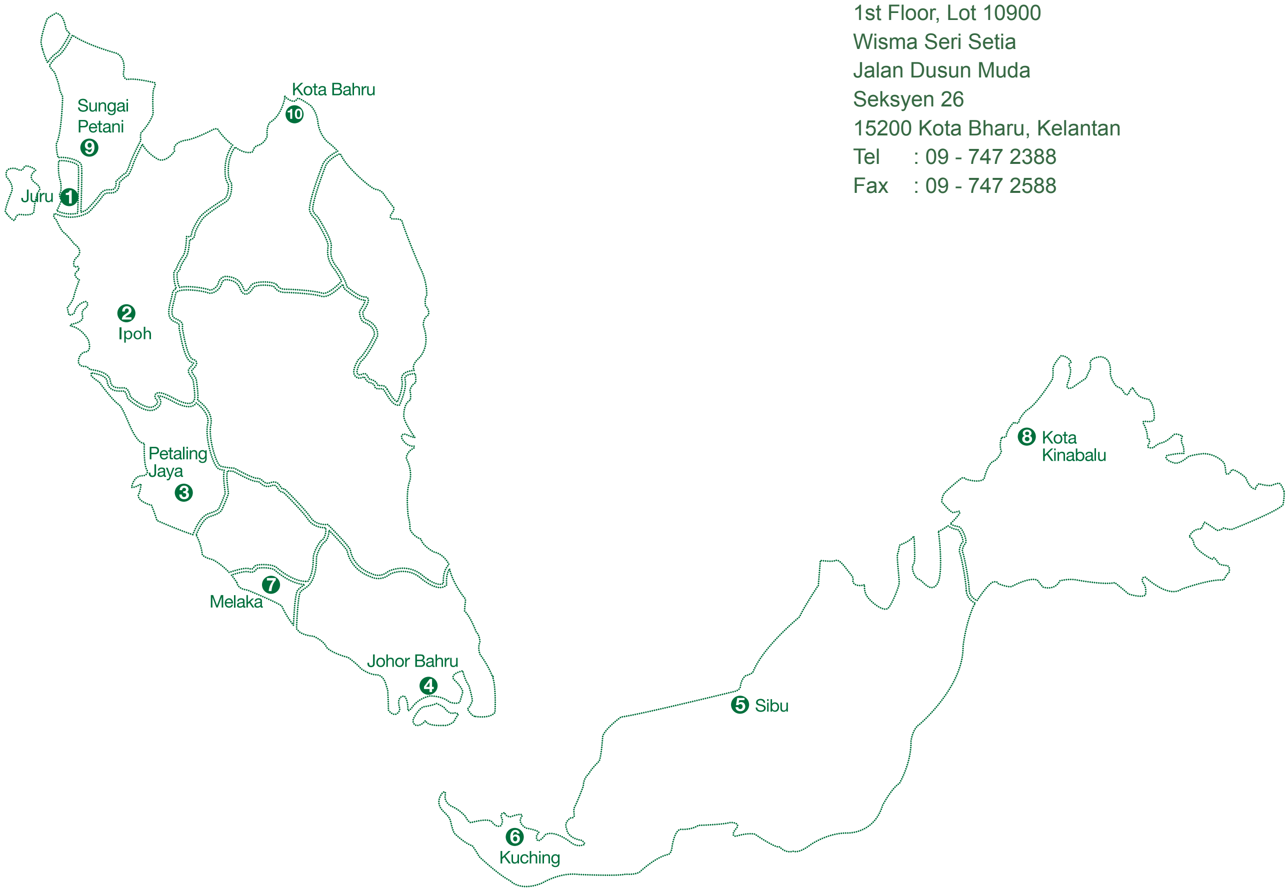
BRANCH OFFICE

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

9. SUNGAI PETANI
1st Floor, 185, Jalan Lagenda 1
Lagenda Heights
08000 Sungai Petani
Kedah Darulaman
Tel : 04 - 420 1917 / 420 1918
Fax : 04 - 420 1919

10. KOTA BAHRU
1st Floor, Lot 10900
Wisma Seri Setia
Jalan Dusun Muda
Seksyen 26
15200 Kota Bharu, Kelantan
Tel : 09 - 747 2388
Fax : 09 - 747 2588



Head Office **Management**

List of Officers

Manulife Holdings Berhad

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

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

Asst Vice President, Risk Management
SYAHRIL NIZAM BIN ABU HASAN
BA Accounting

Head of Internal Audit
TONY LIN CHOI FOO
BSc Applied Accounting

Manulife Asset Management Services Berhad
(formerly known as Manulife Unit Trusts Berhad)

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

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

Head of Operations (MAMSB)
TAN SOO SIONG
Diploma in Inter. Advertising

Head of Sales (PRS)
CHONG TZE LING
MBA International Business

Head of Institutional Partnerships
SABRINA ANG BEE LIN
BA (Hons) Marketing

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 Insurance Berhad

Chief Executive Officer
GEORGE CHEW YEE MING
B. Business Admin

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

Head of Agency
TAN YEOH HOCK
FLMI, LOMA

Vice President, Agency Sales
YAP KOON YUM
B. Econs (Hons), CIAM

Vice President, Agency Training & Development
CHIA CHU YONG
B. Sc (Statistics), FLMI

Vice President, Strategic Initiatives
ANDREW HONG AUN YEE
B.A (Hons) Business Administration

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

Head of Partnership & Marketing
CITHRA KARAN MUKUNDAN
MBA Marketing

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

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

Head of Product & Marketing
AMY LOKE SIEW PEI
B. Accounting (Hons)

Head of Insurance Services
WILLIAM NG CHENG CHUAN @ NG CHENG TEONG
Dip. Med. Asst., FLMI, ALHC

Head of Finance
THAM KOK YOKE
FCCA, CA (M)

List Of **Properties**

As At 31 December 2012

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	15	94,936	2012

The above properties are for office and commercial use.

Analysis
Of Shareholdings
As At 3 May 2013

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	:	2,228

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
1-99	210	9.43	6,042	0.00
100 to 1,000	592	26.57	449,252	0.22
1,001 to 10,000	1,123	50.40	4,513,077	2.23
10,001 to 100,000	248	11.13	7,533,276	3.72
100,001 to less than 5% of issued shares	54	2.42	69,557,564	34.37
5% of issued shares and above	1	0.04	120,310,789	59.45
Total	**2,228**	**100.00**	**202,370,000**	**100.00**

SUBSTANTIAL SHAREHOLDER SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Shareholdings	% of Issued Capital
Manulife Century Holdings (Netherlands) BV	120,310,789	59.45

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 Capita
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 3 May 2013

30 LARGEST SECURITIES ACCOUNT HOLDERS

	Name	No. of Shareholdings	% of Issued Capital
1	HSBC NOMINEES (ASING) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE CENTURY HOLDINGS (NETHERLANDS) B.V.	120,310,789	59.45
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND	9,260,733	4.58
3	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	9,167,500	4.53
4.	AMANAHRAYA TRUSTEES BERHAD PUBLIC SAVINGS FUND	5,085,000	2.51
5	AMANAHRAYA TRUSTEES BERHAD PUBLIC GROWTH FUND	4,993,166	2.47
6	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS LUX FOR ABERDEEN GLOBAL	4,363,800	2.16
7	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	4,335,700	2.14
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND	3,806,866	1.88
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC DIVIDEND SELECT FUND	3,069,200	1.52
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	2,940,000	1.45
11	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	YEOH KEAN HUA	1,190,000	0.59
16	CHENG WEN-YIH	1,075,600	0.53
17	FU, CHEN SHU-CHEN	996,400	0.49

Analysis Of Shareholding

As At 3 May 2013

30 LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)

	Name	No. of Shareholdings	% of Issued Capital
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)	947,300	0.47
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (OPERATING FUND)	732,000	0.36
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ARSHAD BIN AYUB	600,875	0.30
21	CHAN SHIEK CHIN @ CHAN SHICK CHIN	502,000	0.25
22	YEO KHEE HUAT	480,000	0.24
23	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES	423,000	0.21
24	HDM NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HSU, CHUN-TSANG	400,000	0.20
25	YU KOK ANN	309,600	0.15
26	HSU,CHUN-TSANG	300,000	0.15
27	HSU LIU, MEI-YU	269,000	0.13
28	YEO KHEE NAM	268,000	0.13
29	CHOO SIEW LIAN	266,134	0.13
30	CHAN SING KEEM	256,000	0.13
	Total	**186,074,263**	**91.95**

Manulife

Manulife Holdings Behad (24851-H)

Proxy Form

I/We ____

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

of ____

(ADDRESS)

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-Seventh Annual General Meeting of the Company to be held on Wednesday, 26 June 2013 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.	Re-election of Mr. Robert Allen Cook		
3.	Re-election of Mr. Lim Hun Soon @ David Lim		
4.	Re-election of Mr. Mark Steven O'Dell		
5.	Directors' Remuneration in respect of Financial Year Ended 31 December 2012		
6.	Appointment of Auditors		
7.	Special Business – Ordinary Resolution 1		
8.	Special Business – Ordinary Resolution 2		
9.	Special Business – Ordinary Resolution 3		
10.	Special Business – Special Resolution		

Dated this______________________ day of ______________________ 2013

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 19 June 2013 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

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

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

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

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

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

Fold this flap for sealing

Fold here

AFFIX
STAMP

THE COMPANY 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