Building a better working world

Manulife Insurance Berhad
(814942-M)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2015

Company No.

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

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MANULIFE INSURANCE BERHAD
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DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITY

The Company is principally engaged in the underwriting of life insurance business. There has been no significant change in the principal activity of the Company during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	43,973

DIVIDENDS

No dividends have been paid nor declared by the Company since the end of the previous financial year.

The directors do not recommend any payment of any final dividend for the current financial year.

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.

PROVISION OF INSURANCE LIABILITIES

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers.

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that any current assets, which were unlikely to realise their values as shown in the accounting records of the 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 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 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 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 Company which has arisen since the end of the financial year.

No contingent or other liability of 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 Company to meet its 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 Company.

DIRECTORS' REPORT (CONTINUED)

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 Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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

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

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE

The Company has taken concerted steps to ensure compliance with Bank Negara Malaysia's (“BNM”) Prudential Framework of Corporate Governance for Insurers (BNM/RH/GL/003-2) and its best practice applications.

Board responsibility and oversight

The Board of Directors (“the Board”) has generally complied with BNM's Minimum Standards for Prudential Management of Insurers (BNM/RH/GL/003-1) (Consolidated). As at the date of this report the Board comprises 3 independent non-executive directors, 1 non-independent non-executive director and 1 executive director to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

Board Committees

During the financial year, the Company used the services of the Board committees of the immediate holding company, which are as follows:

(i) Group Nominating/Remuneration Committee
(ii) Group Risk Management Committee

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Audit Committee

The members of the Audit Committee of the Company as at 31 December 2015 are as follows:-

Lim Hun Soon @ David Lim *(Chairman)*
Datuk Seri Panglima Mohd Annuar bin Zaini
Leung Rockson Lok-Shuen
Datuk Dr. Nik Norzrul Thani bin N Hassan Thani (resigned on 1 January 2016)

A total of five (5) Audit Committee Meetings were held on 23 February 2015, 23 March 2015, 21 May 2015, 17 August 2015 and 23 November 2015, for the financial year ended 31 December 2015. The attendance of the Audit Committee members are as follows:-

Name of Members	Attendance
Lim Hun Soon @ David Lim (Chairman)	5 out of 5 meetings
Datuk Seri Panglima Mohd Annuar bin Zaini	5 out of 5 meetings
Datuk Dr. Nik Norzrul Thani bin N Hassan Thani	5 out of 5 meetings
Leung Rockson Lok-Shuen	4 out of 5 meetings

The main duties and responsibilities of the Audit Committee are to review audit issues concerning internal control and risk management identified by the internal auditors, external auditors and regulatory examiners. The Audit Committee annually reviews and approves the audit plan and budget to ensure that the Internal Audit function operates effectively.

Management accountability

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employee and formal performance appraisal is done annually. Information is effectively communicated to the relevant employee within the Company. The Company has a formal and transparent procedure for developing policies on executive remuneration. None of the directors and senior management of the Company has, in any circumstances, conflict of interest referred to in the Financial Services Act 2013.

The management meets all prescriptive requirements under this section, and has already adopted best practices in the areas of organisational structure and allocation of responsibilities, conflicts of interest, goal setting and the areas of communication.

Corporate independence

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL/018-6) in respect of all its related party undertakings. Necessary disclosures have been made to the Board and where required, the prior approval of the Board has also been obtained.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Internal controls and operational risk management

The Company has established an internal control system and formalised its risk management system. As risk management is a continuous process, risk and controls self-assessment are performed on a quarterly basis. The results are reported to the Board accordingly and the corrective actions, where necessary, are taken in a timely manner.

Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

Financial reporting

The Company has maintained proper accounting records and the Company's financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965 in Malaysia.

DIRECTORS

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

Dato' Md Agil bin Mohd Natt
Datuk Seri Panglima Mohd Annuar bin Zaini
Lim Hun Soon @ David Lim
Mark Steven O'Dell
Leung Rockson Lok-Shuen
Datuk Dr. Nik Norzrul Thani bin N Hassan Thani (resigned on 1 January 2016)
Chew Yee Ming George (resigned on 31 July 2015)
Robert Allen Cook (resigned on 30 April 2015)

In accordance with Article 1 of the Company's Articles of Association and Regulation 63 of the Table A in the Fourth Schedule to the Companies Act, 1965, Datuk Seri Panglima Mohd Annuar bin Zaini and Mark Steven O'Dell shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits disclosed as directors' remuneration and benefits in note 24 to the financial statements) by reason of a contract made by the Company or a related company with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

DIRECTORS' INTERESTS

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

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

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

	Number of deferred/restricted/performance share units			
	As at 1.1.2015	**Granted/ reinvested dividends**	**Vested**	**As at 31.12.2015**
Manulife Financial Corporation				
- Direct interest				
Mark Steven O'Dell	22,403	10,642	(15,464)	17,581
Leung Rockson Lok-Shuen	17,992	9,597	(10,007)	17,582

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

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

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

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

HOLDING COMPANIES

The directors regard Manulife Holdings Berhad, a company incorporated in Malaysia, as the Company's immediate holding company, and Manulife Financial Corporation, a corporation incorporated in Canada, as the ultimate holding company.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 March 2016.

DATO' MD AGIL BIN MOHD NATT

CHAIRMAN

MARK STEVEN O'DELL

DIRECTOR

Kuala Lumpur, Malaysia

Company No.

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Md Agil bin Mohd Natt and Mark Steven O'Dell, being two of the directors of Manulife Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 85 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 March 2016.

DATO' MD AGIL BIN MOHD NATT
CHAIRMAN

MARK STEVEN O'DELL
DIRECTOR

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Tham Kok Yoke, being the officer primarily responsible for the financial management of Manulife Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 85 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

THAM KOK YOKE

Subscribed and solemnly declared by the above named Tham Kok Yoke at Kuala Lumpur in Malaysia on 23 March 2016, before me.

COMMISSIONER FOR OATHS

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Independent auditors' report to the member of Manulife Insurance Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Manulife Insurance Berhad, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss, statement of total comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 85.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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Independent auditors' report to the member of Manulife Insurance Berhad (Continued) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
23 March 2016

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MANULIFE INSURANCE BERHAD
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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
ASSETS			
Property and equipment	4	19,790	20,581
Investment property	5	51,320	49,177
Intangible assets	6	30,720	36,200
Loans and receivables	7	399,363	459,250
Available-for-sale financial assets	8(a)	2,721,196	2,617,360
Financial assets at fair value through profit or loss	8(b)	1,143,991	950,579
Reinsurance assets	9	4,561	2,644
Current tax assets		854	2,212
Insurance receivables	10	26,177	23,608
Cash and cash equivalents		64,578	56,403
TOTAL ASSETS		4,462,550	4,218,014
EQUITY, POLICYHOLDERS' FUND AND LIABILITIES			
Share capital	11	150,000	150,000
Retained earnings	12	291,470	247,497
Other reserve	12	9,639	11,493
TOTAL EQUITY		451,109	408,990
Insurance contract liabilities	13	3,405,306	3,272,101
Insurance claims liabilities	14	51,635	42,385
Financial liability at fair value through profit or loss	15	-	700
Deferred tax liabilities	16	32,029	33,576
Insurance payables	17	432,428	396,502
Other payables	18	90,043	63,760
TOTAL LIABILITIES		4,011,441	3,809,024
TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES		4,462,550	4,218,014

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

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MANULIFE INSURANCE BERHAD
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STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Premium income			
Gross premiums		814,177	779,025
Premiums ceded to reinsurers		(16,104)	(11,337)
Net premiums	19	798,073	767,688
Investment income	20	161,743	158,283
Net realised gains	21	22,708	55,748
Net fair value losses	22	(64,609)	(12,237)
Fee income	23	3,343	2,092
Other operating income		1,604	1,767
Total revenue		922,862	973,341
Gross benefits and claims paid		(603,781)	(490,013)
Claims ceded to reinsurers		5,279	3,783
Gross change in contract liabilities		(131,283)	(260,369)
Net claims		(729,785)	(746,599)
Fee and commission expenses		(61,426)	(72,752)
Investment expenses		(8,360)	(8,306)
Management expenses	24	(102,591)	(90,056)
Other operating income	26	38,128	694
Other expenses		(134,249)	(170,420)
Profit before taxation		58,828	56,322
Taxation	27	(14,855)	(12,895)
Net profit for the financial year		43,973	43,427
Net profit attributable to:			
Equity holder of the Company		43,973	43,427
Basic and diluted earnings per share (sen)	28	14.66	14.48

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

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

	Note	2015 RM'000	2014 RM'000
Net profit for the financial year		43,973	43,427
Other comprehensive losses, net of tax:			
Other comprehensive losses to be reclassified to profit or loss in subsequent periods:-			
Fair value change of available-for-sale financial assets:			
- Gross fair value change	8(c)	(2,174)	(71,000)
- Deferred tax	16	314	5,409
		(1,860)	(65,591)
Change in insurance contract liabilities arising from unrealised net fair value change	13	6	62,039
Net losses		(1,854)	(3,552)
Net other comprehensive losses to be reclassified to profit or loss in subsequent periods		(1,854)	(3,552)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:-			
Surplus from revaluation of property:			
- Gross surplus from revaluation		201	-
Changes in insurance contract liabilities arising from revaluation of property	13	(201)	-
Net gains		-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive losses for the financial year		(1,854)	(3,552)
Total comprehensive income for the financial year		42,119	39,875
Total comprehensive income attributable to:			
Equity holder of the Company		42,119	39,875

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

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MANULIFE INSURANCE BERHAD
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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Company	Share capital RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2014	150,000	15,045	204,070	369,115
Net profit for the financial year	-	-	43,427	43,427
Other comprehensive losses for the financial year	-	(3,552)	-	(3,552)
Total comprehensive (losses)/ income for the financial year	-	(3,552)	43,427	39,875
At 31 December 2014/1 January 2015	150,000	11,493	247,497	408,990
Net profit for the financial year	-	-	43,973	43,973
Other comprehensive losses for the financial year	-	(1,854)	-	(1,854)
Total comprehensive (losses)/income for the financial year	-	(1,854)	43,973	42,119
At 31 December 2015	150,000	9,639	291,470	451,109

Included in the retained earnings are surplus from Non-participating life fund of the Company (net of deferred tax) of approximately RM71,155,000 (31 December 2014: RM71,719,000) as further disclosed in note 12. These amounts are only distributable upon the actual recommended transfer from the Non-participating life fund to the Shareholder's fund by the Appointed Actuary.

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

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

	Note	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year		43,973	43,427
Adjustments for non-cash items	30	(135,705)	(184,131)
Operating losses before changes in operating assets and liabilities		(91,732)	(140,704)
Purchase of investments		(2,172,327)	(2,248,375)
Proceeds from sale and maturity of investments		1,880,973	2,073,630
Interest income received		104,789	100,202
Dividend income received		49,648	46,235
Rental income received		3,685	4,350
(Increase)/decrease in insurance receivables		(2,723)	3,343
Increase in reinsurance assets		(1,917)	(913)
(Increase)/decrease in other receivables		(19,584)	10,378
Decrease in loans receivable		48,032	32,361
Decrease/(increase) in fixed and call deposits		31,506	(72,882)
Increase in insurance contract liabilities		133,010	261,309
Increase in insurance claims liabilities		9,250	1,384
Increase in payables		61,509	6,162
Cash generated from operations		34,119	76,480
Income taxes paid		(24,455)	(35,906)
Net cash inflow from operating activities		9,664	40,574
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1,388)	(7,706)
Purchase of intangible assets		(137)	(10,933)
Proceeds from disposal of property and equipment		36	64
Net cash outflow from investing activities		(1,489)	(18,575)
Net increase during the financial year		8,175	21,999
Cash and cash equivalents at 1 January		56,403	34,404
Cash and cash equivalents at 31 December		64,578	56,403

CASH AND CASH EQUIVALENTS

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

	2015 RM'000	2014 RM'000
Cash and bank balances	61,572	56,328
Short-term deposits	3,006	75
Cash and cash equivalents	64,578	56,403

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

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The immediate holding company is Manulife Holdings Berhad, a public listed company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding company is Manulife Financial Corporation, a corporation incorporated and domiciled in Canada and listed on the Toronto, New York and Hong Kong Stock Exchanges.

Principal activities

The Company is engaged principally in the underwriting of life insurance business. There have been no significant changes in the principal activities of the Company during the financial year.

Registered office and principal place of business

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

(i) Adoption of new pronouncements in the current year

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Adoption of new pronouncements in the current year (continued)

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

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

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

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

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

MFRS 9 Financial Instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property and equipment

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

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

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

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

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

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

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

The surplus arising on revaluation is credited to the asset revaluation reserve account within insurance contract liabilities 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 installments over the period of their respective leases or earlier if the expected useful life is shorter than the leasehold period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property and equipment (continued)

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 to the residual values over their estimated useful lives. The principal annual rates of depreciation used are as follows:

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

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

At each reporting date, the 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)(ii) on impairment of non-financial assets.

On disposal of property and equipment, the difference between net proceeds and the carrying amount is recognised in 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.

(c) Intangible assets

(i) Exclusive right

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

(ii) Computer software

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

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

At each reporting date, 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)(ii) on impairment of non-financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments

(i) Classification, recognition and measurement of financial assets

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

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

(1) FVTPL

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

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

(2) HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the 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 any allowance for impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(3) LAR

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

(4) AFS

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

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

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

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

(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 Company have also transferred substantially all risks and rewards of ownership.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

(f) Financial liabilities

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

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

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

(g) Offsetting of financial assets and financial liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investment property

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

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

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

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

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

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

(i) Impairment of assets

(i) Financial assets

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

Financial assets carried at amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(i) Financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment losses as previously recognised in the profit or loss, is transferred from equity or insurance contract liabilities to the profit or loss.

Reversal of impairment losses on equity instruments classified as AFS financial assets are not recognised in the profit or loss. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. Reversal of impairment losses on debt instruments classified as AFS financial assets are reversed through the profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the profit or loss.

(ii) Non-financial assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits

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

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

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

(iii) Share-based compensation

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 Company reviews 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 (CONTINUED)

(j) Employee benefits (continued)

(iii) Share-based compensation (continued)

(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 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) Foreign currencies

(i) Functional and Presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”).

The 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 statement of profit or loss.

(iii) Operations denominated in functional currency other than Ringgit Malaysia

The results and financial position of investment-linked funds’ operations (none of which has the currency of a hyperinflationary economy) with functional currency that is different from the presentation currency of the Company are translated into the presentation currency as follows:

(1) Assets and liabilities for statement of financial position presented are translated at the closing rate at the date of the statement of financial position; and

(2) Income and expenses for the profit or loss are translated at the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Product classification

An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. For purposes of MFRS 4 on "Insurance Contracts", the Company 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 Company, including investment-linked contracts, are considered insurance contracts as at the date of the statement of financial position. The investment components of the investment-linked contracts are not unbundled.

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Reinsurance

The Company cedes insurance risk in the normal course of business for its 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 Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company 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 Company 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.

(n) Life insurance underwriting results

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Life insurance underwriting results (continued)

(iii) Commission and agency expenses

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

(iv) Benefits, claims and expenses

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

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

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

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

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

(o) 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 receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in the profit or loss. The Company 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)(i) on impairment.

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

(p) Assets held for sale

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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 Company classifies cash flows from the acquisition and disposal of financial assets 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, which are respectively treated under the operating activities.

(s) Other revenue recognition

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, 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 loans and receivables is recognised using the original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Other revenue recognition (continued)

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

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

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

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

Fee income is recognised when the services are provided.

(t) Dividends on ordinary share capital

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

(u) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses 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 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 Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, Non-participating Annuity policies and non-unit liabilities of Investment-Linked policies.

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

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

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Insurance contract liabilities (continued)

(ii) Unallocated surplus

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

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

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

(iii) Fair value reserve

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

(iv) Asset revaluation reserve

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

(v) Net asset value attributable to unit holders

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

(w) Fair value measurement

Fair value of an asset or liability is measured at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

The valuation techniques and categories of fair values of assets and liabilities are further described in note 4, note 5, note 32(b) and note 32(c).

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

Valuation of actuarial liabilities

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

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

<u>Interest rate</u>

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

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

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

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

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

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

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

Valuation of actuarial liabilities (continued)

Interest rate (continued)

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

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

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

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

Assumptions on future expenses are based on current expense levels with appropriate expected expense inflation adjustments.

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

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

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

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

Participating Policyholders' Bonuses/Dividends

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

4. PROPERTY AND EQUIPMENT

	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost/valuation							
At 1 January 2014		9,243	2,225	15,899	262	-	27,629
Additions		-	7,300	185	221	-	7,706
Disposal		-	-	-	(107)	-	(107)
Transfer to building		1,005	(1,005)	-	-	-	-
Transfer to intangible assets	6	-	-	(644)	-	-	(644)
Transfer to furniture, fittings and equipment and renovations		-	(5,344)	2,646	-	2,698	-
Transfer to investment property	5	-	(3,550)	-	-	-	(3,550)
Transfer from/(to) holding company		-	2,681	(4)	-	-	2,677
Transfer to related companies		-	(274)	-	-	-	(274)
Write off		-	-	(1,310)	-	-	(1,310)
At 31 December 2014/1 January 2015		10,248	2,033	16,772	376	2,698	32,127
Additions		-	1,129	259	-	-	1,388
Disposal		-	-	-	(143)	-	(143)
Transfer to building		473	(473)	-	-	-	-
Transfer to investment property	5	-	(1,852)	-	-	-	(1,852)
Transfer from holding company		-	1,145	-	-	-	1,145
Transfer from related company		-	-	149	-	-	149
Write off		-	-	(16)	-	(40)	(56)
Revaluation adjustment		(391)	-	-	-	-	(391)
At 31 December 2015		10,330	1,982	17,164	233	2,658	32,367
Comprising assets stated at 31 December 2015:							
Valuation		10,330	-	-	-	-	10,330
Cost		-	1,982	17,164	233	2,658	22,037
		10,330	1,982	17,164	233	2,658	32,367

Company No.

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

4. PROPERTY AND EQUIPMENT (CONTINUED)

	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Comprising assets stated at 31 December 2014:							
Valuation		10,248	-	-	-	-	10,248
Cost		-	2,033	16,772	376	2,698	21,879
		10,248	2,033	16,772	376	2,698	32,127
Accumulated depreciation							
At 1 January 2014		-	-	11,353	163	-	11,516
Charge for the financial year	24	273	-	1,164	22	22	1,481
Disposal		-	-	-	(82)	-	(82)
Transfer to intangible assets		-	-	(386)	-	-	(386)
Transfer to holding company		-	-	(3)	-	-	(3)
Write off		-	-	(980)	-	-	(980)
At 31 December 2014/1 January 2015		273	-	11,148	103	22	11,546
Charge for the financial year	24	319	-	1,128	23	239	1,709
Disposal		-	-	-	(93)	-	(93)
Transfer from related company		-	-	58	-	-	58
Write off		-	-	(11)	-	(40)	(51)
Reversal on revaluation		(592)	-	-	-	-	(592)
At 31 December 2015		-	-	12,323	33	221	12,577
Net carrying amount							
At 31 December 2015		10,330	1,982	4,841	200	2,437	19,790
At 31 December 2014		9,975	2,033	5,624	273	2,676	20,581

4. PROPERTY AND EQUIPMENT (CONTINUED)

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

	2015 RM'000	2014 RM'000
Building	6,692	6,849

The title deed of the freehold property of the insurance fund which was previously registered under the name of the Company's immediate holding company, Manulife Holdings Berhad was transferred to the Company's name on 16 June 2015 to comply with the requirements of Financial Services Act, 2013.

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

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

Fair value hierarchy

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

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

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

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

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

	2015 RM'000	2014 RM'000
Fair value as stated in valuation report	10,330	9,935
Last recognised revalued amount	10,330	9,243

The reconciliation from beginning to ending balances for the freehold property is as disclosed on page 36 and page 37.

4. PROPERTY AND EQUIPMENT (CONTINUED)

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

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

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

5. INVESTMENT PROPERTY

	Note	2015 RM'000	2014 RM'000
At 1 January		49,177	45,586
Transfer from property and equipment	4	1,852	3,550
Fair value gain	22	291	41
At 31 December		51,320	49,177
Represented by:			
Freehold property		51,320	49,177

The title deed of investment property of the insurance fund which was previously registered under the name of the Company's immediate holding company, Manulife Holdings Berhad was transferred to the Company's name on 16 June 2015 to comply with the requirements of Financial Services Act, 2013.

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

	2015 RM'000	2014 RM'000
Rental income (note 20)	4,141	4,350
Direct operating expenses arising from investment property that generate rental income	(1,431)	(1,555)
Direct operating expenses arising from investment property that did not generate rental income	(322)	(322)

5. INVESTMENT PROPERTY (CONTINUED)

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

The fair value of the investment property is categorised under Level 3 of the fair value hierarchy and the description of valuation techniques used and significant unobservable inputs to valuation of the investment property are as set out below:

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

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

The reconciliation from beginning to ending balances for investment property is as disclosed on page 39.

6. INTANGIBLE ASSETS

	Note	Exclusive right RM'000	Computer software RM'000	Total RM'000
Cost				
At 1 January 2014		30,000	491	30,491
Additions		10,000	933	10,933
Transfer from property and equipment	4	-	644	644
At 31 December 2014/1 January 2015		40,000	2,068	42,068
Additions		-	137	137
At 31 December 2015		40,000	2,205	42,205
Accumulated amortisation				
At 1 January 2014		1,373	491	1,864
Amortisation during the financial year	24	3,505	113	3,618
Transfer from property and equipment		-	386	386
At 31 December 2014/1 January 2015		4,878	990	5,868
Amortisation during the financial year	24	5,322	295	5,617
At 31 December 2015		10,200	1,285	11,485
Net carrying amount				
At 31 December 2015		29,800	920	30,720
At 31 December 2014		35,122	1,078	36,200

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

7. LOANS AND RECEIVABLES

		2015 RM'000	2014 RM'000
Loans receivable:			
Policy loans		197,670	245,902
Mortgage loans		2,218	2,472
Staff loans		951	497
		200,839	248,871
Allowance for impairment loss		(181)	(181)
	(i)	200,658	248,690
Fixed and call deposits with licensed banks in Malaysia		164,767	193,595
Accrued interest		62	166
	(ii)	164,829	193,761
Other receivables:			
Amount due from related companies	(iii)	10,511	2,030
Accrued dividend income		1,635	3,084
Accrued rental income		467	11
Deposits		651	633
Other debtors		19,141	9,654
		32,405	15,412
Allowance for impairment loss		(278)	-
	(iv)	32,127	15,412
Prepayments		1,749	1,387
Total		399,363	459,250

7. LOANS AND RECEIVABLES (CONTINUED)

		2015 RM'000	2014 RM'000
(i)	Loans receivable:		
	Receivable within 12 months	409	406
	Receivable after 12 months	200,249	248,284
		200,658	248,690
(ii)	Fixed and call deposits with licensed banks in Malaysia:		
	Receivable within 12 months	164,829	136,873
	Receivable after 12 months	-	56,888
		164,829	193,761

(iii) The amount due from related companies is unsecured, trade related, interest free and repayable on demand.

		2015 RM'000	2014 RM'000
(iv)	Other receivables:		
	Receivable within 12 months	31,737	15,022
	Receivable after 12 months	390	390
		32,127	15,412

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

8. FINANCIAL ASSETS

(a) Available-for-sale

	2015 RM'000	2014 RM'000
Equity securities		
- Quoted in Malaysia	720,187	688,748
- Unquoted	1,944	1,944
Real estate investment trusts		
- Quoted in Malaysia	3,056	-
Unit trust funds*	206,179	231,112
Malaysian Government Securities	568,059	638,011
Government Investment Issues	186,402	166,109
Corporate debt securities		
- Unquoted	1,017,862	875,291
Accrued interest	17,507	16,145
	2,721,196	2,617,360
Current	1,013,644	1,028,931
Non-current	1,707,552	1,588,429
	2,721,196	2,617,360

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

	2015 RM'000	2014 RM'000
Equity securities		
- Quoted in Malaysia	377,602	287,743
- Quoted outside Malaysia	4,890	4,153
Unit trust funds*	2,674	486
Malaysian Government Securities	67,339	67,133
Government Investment Issues	14,198	18,541
Corporate debt securities		
- Unquoted	191,743	195,545
Mutual funds		
- Quoted outside Malaysia	481,863	374,566
Forward foreign exchange contract (note 15)	1,113	-
Accrued interest	2,569	2,412
	1,143,991	950,579
Current	961,428	763,305
Non-current	182,563	187,274
	1,143,991	950,579

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

8. FINANCIAL ASSETS (CONTINUED)

(c) Carrying value of financial assets

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

	Available-for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2014	2,509,428	893,520	3,402,948
Purchases	1,097,261	1,151,114	2,248,375
Maturities	(45,850)	(7,850)	(53,700)
Disposals	(873,807)	(1,054,297)	(1,928,104)
Fair value losses recorded in:			
Profit or loss (note 22)	-	(50,724)	(50,724)
Other comprehensive income	(71,000)	-	(71,000)
Allowance for impairment losses (note 22)	(3,550)	-	(3,550)
Net accretion of discounts (note 20)	3,020	41	3,061
Unrealised exchange gains	-	18,873	18,873
Movement in accrued interest	1,858	(98)	1,760
At 31 December 2014/1January 2015	2,617,360	950,579	3,567,939
Purchases	1,202,535	969,792	2,172,327
Maturities	(80,426)	(12,374)	(92,800)
Disposals	(981,110)	(811,637)	(1,792,747)
Fair value losses recorded in:			
Profit or loss (note 22)	-	(12,999)	(12,999)
Other comprehensive income	(2,174)	-	(2,174)
Allowance for impairment losses (note 22)	(36,934)	-	(36,934)
Net accretion of discounts/ (amortisation of premiums) (note 20)	583	(62)	521
Unrealised exchange gains	-	60,535	60,535
Movement in accrued interest	1,362	157	1,519
At 31 December 2015	2,721,196	1,143,991	3,865,187

9. REINSURANCE ASSETS

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

10. INSURANCE RECEIVABLES

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

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

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

11. SHARE CAPITAL

	2015		2014	
	Number of shares	Nominal value	Number of shares	Nominal Value
	'000	RM'000	'000	RM'000
Authorised:				
Ordinary shares of 50 sen each:				
At 1 January/31 December	1,000,000	500,000	1,000,000	500,000
Issued and fully paid up:				
Ordinary shares of 50 sen each:				
At 1 January/31 December	300,000	150,000	300,000	150,000

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

12. RESERVES

	Note	2015 RM'000	2014 RM'000
Non-distributable:			
Fair value reserve	(i)	9,639	11,493
Retained earnings	(ii)	71,155	71,719
Distributable:			
Retained earnings	(iii)	220,315	175,778
		301,109	258,990

(i) Fair value reserve is in respect of fair value gains or losses on available-for-sale financial assets, net of deferred tax, held by the Non-participating life fund and Shareholder's fund.

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

(iii) Under the single tier system, the Company is able to frank the payment of dividends out of its entire distributable retained earnings as at the date of the statement of financial position, subject to the approval by Bank Negara Malaysia under section 51 of the Financial Services Act, 2013.

13. INSURANCE CONTRACT LIABILITIES

	Gross		Net	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Actuarial liabilities	2,163,399	2,133,716	2,160,641	2,132,685
Unallocated surplus	162,694	223,854	162,694	223,854
Fair value reserve	53,081	53,087	53,081	53,087
Asset revaluation reserve	842	641	842	641
Investment-linked policyholders' account	1,025,290	860,803	1,025,290	860,803
	3,405,306	3,272,101	3,402,548	3,271,070
Current	1,294,268	1,272,534	1,294,268	1,272,563
Non-current	2,111,038	1,999,567	2,108,280	1,998,507
	3,405,306	3,272,101	3,402,548	3,271,070

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

	Gross		Net	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	3,272,101	3,072,831	3,271,070	3,072,740
Inforce reserve movement	(19,680)	16,768	(19,680)	16,768
New business reserve	23,466	17,179	21,739	16,239
Discount rate and other changes	25,897	11,905	25,897	11,905
Unallocated surplus	(61,160)	21,267	(61,160)	21,267
Fair value reserve, net of tax	(6)	(62,039)	(6)	(62,039)
Asset revaluation reserve				
- Revaluation adjustment	(391)	-	(391)	-
- Reversal on revaluation	592	-	592	-
	201	-	201	-
Investment-linked policyholders' account	164,487	194,190	164,487	194,190
At 31 December	3,405,306	3,272,101	3,402,548	3,271,070

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

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

14. INSURANCE CLAIMS LIABILITIES

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

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

Derivatives

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

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

16. DEFERRED TAX LIABILITIES

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

	2015 RM'000	**2014 RM'000**
Deferred tax liabilities	32,029	33,576
Current	8,337	10,002
Non-current	23,692	23,574
	32,029	33,576

16. DEFERRED TAX LIABILITIES (CONTINUED)

	Unallocated surplus RM'000	Revaluation-investment property RM'000	Accelerated depreciation RM'000	Revaluation-investments RM'000	Total RM'000
At 1 January 2014	23,906	507	(3)	17,262	41,672
Recognised in:					
Profit or loss:					
- Other operating expense/(income) (note 26)	-	3	98	(2,785)	(2,684)
- Taxation (note 27)	-	-	-	(3)	(3)
Other comprehensive income					
- Fair value reserve	-	-	-	(5,409)	(5,409)
At 31 December 2014/1 January 2015	23,906	510	95	9,065	33,576
Recognised in:					
Profit or loss:					
- Other operating expenses/(income) (note 26)	-	23	(87)	384	320
- Taxation (note 27)	(1,436)	-	-	(117)	(1,553)
Other comprehensive income					
- Fair value reserve	-	-	-	(314)	(314)
At 31 December 2015	22,470	533	8	9,018	32,029

17. INSURANCE PAYABLES

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

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

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

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

18. OTHER PAYABLES

	2015 RM'000	2014 RM'000
Other creditors	60,284	26,506
Accrued liabilities	27,752	30,995
Amount due to immediate holding company	1,425	6,211
Amount due to related companies	582	48
	90,043	63,760

The amounts due to immediate holding company and related companies are unsecured, trade related, interest free and repayable on demand. The carrying amounts disclosed above approximate the fair values as at the end of the financial year. All amounts are payable within one year.

19. NET PREMIUMS

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

20. INVESTMENT INCOME

	2015 RM'000	2014 RM'000
Financial assets at FVTPL - designated upon initial recognition		
Interest/profit sharing income	12,479	13,070
Dividend income		
- equity securities - quoted in Malaysia	9,996	7,956
- equity securities - quoted outside Malaysia	110	51
- unit trusts	7	43
- mutual funds - outside Malaysia	6,497	5,130
Net (amortisation of premiums)/accretion of discounts (note 8(c))	(62)	41
AFS financial assets		
Interest income	75,869	69,277
Dividend income		
- equity securities - quoted in Malaysia	21,162	22,875
- equity securities - unquoted in Malaysia	194	292
- unit trusts	10,233	9,902
Net accretion of discounts (note 8(c))	583	3,020
Loans and receivables		
Interest/profit income	17,325	19,210
Net accretion of discounts	2,678	2,550
Investment property		
Rental income (note 5)	4,141	4,350
Cash and cash equivalents		
Interest/profit sharing income	531	516
	161,743	158,283

21. NET REALISED GAINS

	2015 RM'000	2014 RM'000
Property and equipment		
Realised (losses)/gains	(14)	39
AFS financial assets		
Realised gains:		
Equity securities - quoted in Malaysia	19,641	54,852
Unit trusts funds	654	225
Debt securities	2,427	632
Total net realised gains for AFS financial assets	22,722	55,709
Total net realised gains	22,708	55,748

22. NET FAIR VALUE LOSSES

	2015 RM'000	2014 RM'000
Investment property		
Unrealised fair value gains (note 5)	291	41
Financial assets at FVTPL		
- designated upon initial recognition		
Fair value gains		
Realised	11,252	42,285
Unrealised (note 8(c))	-	161
Fair value losses		
Realised	(26,219)	(289)
Unrealised (note 8(c))	(12,999)	(50,885)
Net fair value losses on financial assets at FVTPL - designated upon initial recognition	(27,966)	(8,728)
AFS financial assets		
Impairment losses on quoted equities (note 8(c))	(36,934)	(3,550)
Total net fair value losses	(64,609)	(12,237)

23. FEE INCOME

Fee income comprises outsourcing fee income earned from related companies.

24. MANAGEMENT EXPENSES

	2015 RM'000	2014 RM'000
Staff costs (note 24(a))	38,171	32,877
Directors' remuneration: (note 24(b))		
- Fees	139	209
- Other emoluments	1,705	2,458
Auditors' remuneration:		
- Statutory audit	358	345
- Audit related services	37	37
Office rental payable to:		
- Immediate holding company	704	561
- Others	1,360	1,256
Depreciation of property and equipment (note 4)	1,709	1,481
Amortisation of intangible assets (note 6)	5,617	3,618
Property and equipment written off (note 4)	5	330
Allowance for impairment loss on insurance receivables	154	18
Allowance for impairment loss on other receivables	278	-
Bancassurance service fee	3,000	3,000
Credit card charges	2,570	2,273
Sub-total carried forward to the next page	55,807	48,463

24. MANAGEMENT EXPENSES (CONTINUED)

	2015 RM'000	2014 RM'000
Sub-total brought forward from the previous page	55,807	48,463
Fund management expenses	14,269	13,467
Information technology outsourcing expenses	6,708	10,186
Marketing and advertising expenses	14,496	12,051
Printing and stationery expenses	1,271	1,510
Postage and courier charges	992	919
Outsourcing fees	509	409
Software maintenance	3,597	799
Travelling expenses	1,146	968
Other expenses	3,796	1,284
	102,591	90,056

(a) Staff costs

		2015 RM'000	2014 RM'000
Staff costs		33,780	28,935
Retirement benefits contributions	(i)	4,272	3,812
Share-based payments	(ii)	119	130
Total staff costs		38,171	32,877

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

(iii) 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.

(b) Directors' remuneration

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

	2015 RM'000	2014 RM'000
Executive director/Chief Executive Officer ("CEO"):		
Salaries	1,133	1,166
Bonus	459	402
Contribution to defined contribution plan	71	73
RSU expenses	-	680
Benefits in kind	42	137
	1,705	2,458

24. MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration (continued)

	2015 RM'000	2014 RM'000
Non-executive directors:		
Fees	139	209
	139	209
Total	1,844	2,667
Represented by:		
Directors' fees	139	209
Directors' emoluments	1,663	2,321
Benefits in kind	42	137
	1,844	2,667

The number of executive and non-executive directors whose total remuneration received during the financial year fall within the following bands are analysed as below:

	Number of directors 2015	2014
Executive director/CEO:		
RM1,500,000-RM2,000,000	1	-
RM2,000,001-RM2,500,000	-	1
Non-executive directors:		
Below RM50,000	5	6
Above RM50,000	1	-

(c) Directors fees received by the Non-executive directors during the financial year are as follows:

	2015 RM'000	2014 RM'000
Non-executive directors:		
Dato' Md Agil bin Mohd Natt	65	46
Datuk Seri Panglima Mohd Annuar Bin Zaini	11	35
Datuk Dr. Nik Norzrul Thani bin N Hassan Thani	20	33
Lim Hun Soon @ David Lim	21	38
Robert Allen Cook	7	27
Leung Rockson Lok-Shuen	15	30
	139	209

25. SHARE-BASED COMPENSATION

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

	2015 RM'000	2014 RM'000
RSU expenses	119	810
	119	810

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

26. OTHER OPERATING INCOME

	2015 RM'000	2014 RM'000
Foreign exchange		
- Realised losses	(12,329)	(5,879)
- Unrealised gains	60,535	18,873
Interest on agent's bond withheld	(21)	(40)
Others	(332)	55
Tax expense on investment income of Life fund and Investment-linked funds:		
- Current tax	(9,405)	(14,999)
- Deferred tax (note 16)	(320)	2,684
	(9,725)	(12,315)
	38,128	694

The income tax for the Life fund and Investment-linked funds of the insurance business is calculated based on the tax rate of 8% (2014: 8%) of the assessable investment income, net of allowable deductions for the financial year.

27. TAXATION

	2015 RM'000	2014 RM'000
Current tax		
Current financial year	16,660	12,780
(Over)/under provision in prior financial years	(252)	118
	16,408	12,898
Deferred tax		
Current financial year (note 16)	(1,553)	(3)
	14,855	12,895

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

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

	2015 RM'000	2014 RM'000
Profit before taxation	58,828	56,322
Taxation at Malaysia statutory tax rate of 25% (2014: 25%)	14,707	14,081
Section 110B tax credit set off	(2,116)	(2,375)
Income not subject to tax	(766)	(865)
Expenses not deductible for tax purposes	4,158	1,936
Effect on changes in tax rate	(876)	-
	15,107	12,777
(Over)/under provision in prior financial years	(252)	118
Tax expense	14,855	12,895

28. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share of the Company is calculated by dividing the net profit attributable to ordinary equity holder of the Company for the financial year over the number of ordinary shares in issue during the financial year.

	2015 RM'000	2014 RM'000
Profit attributable to ordinary equity holder (RM'000)	43,973	43,427
Number of shares in issue ('000)	300,000	300,000
Basic earnings per share (sen)	14.66	14.48

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

29. DIVIDEND PAID

No dividend payment is recommended for the financial year ended 31 December 2015 (2014: Nil).

30. ADJUSTMENTS FOR NON-CASH ITEMS

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

	2015 RM'000	**2014 RM'000**
Interest income	(106,204)	(102,073)
Dividend income	(48,199)	(46,249)
Rental income	(4,141)	(4,350)
Net accretion of discounts	(3,199)	(5,611)
Losses/(gains) on disposal of property and equipment	14	(39)
Gains on disposal of AFS financial assets	(22,722)	(55,709)
Fair value gains on investment property	(291)	(41)
Fair value losses on FVTPL financial assets	27,966	8,728
Impairment losses on AFS financial assets	36,934	3,550
Depreciation of property and equipment	1,709	1,481
Property and equipment written off	5	330
Amortisation of intangible assets	5,617	3,618
Allowance for impairment loss on insurance receivables	154	18
Allowance for impairment loss on other receivables	278	-
Tax on investment income of Life fund and Investment-linked funds	9,725	12,315
Taxation	14,855	12,895
Realised exchange losses	12,329	5,879
Unrealised exchange gains	(60,535)	(18,873)
	(135,705)	(184,131)

31. SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if 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 Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationships with its holding companies and subsidiaries of holding companies. The related parties of, and their relationship with the Company are as follows:

Name of company	Country of incorporation	Relationship
Manulife Financial Corporation ("MFC")	Canada	Ultimate holding company
Manulife Financial Asia Limited ("MFAL")	Hong Kong	Intermediate holding company
Manulife Holdings Berhad ("MHB")	Malaysia	Immediate holding company
Britama Properties Sdn Bhd	Malaysia	Subsidiary of MHB
MAAKL Mutual Bhd	Malaysia	Subsidiary of MHB
Manulife Asset Management (Malaysia) Sdn Bhd	Malaysia	Subsidiary of MHB
Manulife Asset Management Services Berhad	Malaysia	Subsidiary of MHB
Manulife Technology and Services Sdn Bhd ("MTS")	Malaysia	Subsidiary of ultimate holding company
Manulife Data Services Inc.	Philippines	Subsidiary of ultimate holding company

In the normal course of business, the Company undertakes 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 Company either directly or indirectly. Key management personnel of the Company include the directors and certain members of senior management of the Company. Total compensation paid to the Company's directors are disclosed in note 24.

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 Company and its related parties are set out below:

	2015 RM'000	2014 RM'000
Intermediate holding company		
Reimbursement of software maintenance expenses	3,858	326
Reimbursement of personnel expenses	2,118	2,068

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

	2015 RM'000	2014 RM'000
Subsidiaries of ultimate holding company		
Rental income	(769)	(722)
Outsourced information technology service expenses	3,691	3,926
Outsourcing fee for health service call centre and administrative service	764	549
Subsidiaries of the holding company		
Rental income	(473)	(346)
Outsourcing fee income	(2,306)	(1,499)
Fund management fee expenses	6,875	6,586
Management fees and maintenance charges	99	99
Immediate holding company		
Outsourcing fee income	(947)	(593)
Outsourcing fee expenses	428	409
Rental income	-	(20)
Rental and office maintenance expenses	809	788

Key management personnel

Total compensation paid to the Company's key management personnel are as follows:

		2015 RM'000	2014 RM'000
Salaries, other short-term employee benefits and emoluments		7,852	8,435
Retirement benefits contribution	(i)	524	828
RSU expenses	(ii)	119	1,049
		8,495	10,312

(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)(ii) to the financial statements

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party balances

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

	2015 RM'000	2014 RM'000
Loans and receivables (note 7)		
- Amount due from related companies	10,511	2,030
Other payables (note 18)		
- Amount due to immediate holding company	1,425	6,211
- Amount due to related companies	582	48
	2,007	6,259

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").

	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
31 December 2015					
Financial assets					
Loans and receivables	-	-	397,614	-	397,614
AFS financial assets	2,721,196	-	-	-	2,721,196
Financial assets at FVTPL	-	1,143,991	-	-	1,143,991
Insurance receivables	-	-	26,177	-	26,177
Cash and cash equivalents	-	-	64,578	-	64,578
	2,721,196	1,143,991	488,369	-	4,353,556
Financial liabilities					
Insurance payables	-	-	-	432,428	432,428
Other payables	-	-	-	90,043	90,043
	-	-	-	522,471	522,471

32. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
31 December 2014					
Financial assets					
Loans and receivables	-	-	457,863	-	457,863
AFS financial assets	2,617,360	-	-	-	2,617,360
Financial assets at FVTPL	-	950,579	-	-	950,579
Insurance receivables	-	-	23,608	-	23,608
Cash and cash equivalents	-	-	56,403	-	56,403
	2,617,360	950,579	537,874	-	4,105,813
Financial liabilities					
Financial liabilities at FVTPL	-	700	-	-	700
Insurance payables	-	-	-	396,502	396,502
Other payables	-	-	-	63,760	63,760
	-	700	-	460,262	460,962

(b) Determination of fair values

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

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

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

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

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

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

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by 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 Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

In determining the fair value of its financial instruments, the Company uses observable market data, when available, and minimises the use of unobservable inputs to the extent possible when determining fair value.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2015 and 31 December 2014.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2015			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	720,187	720,187	-
Real estate investment trusts	3,056	3,056	-
Unit trust funds	206,179	206,179	-
Malaysian Government Securities	568,059	-	568,059
Government Investment Issues	186,402	-	186,402
Corporate debt securities			
- Unquoted	1,017,862	-	1,017,862
Accrued interest	17,507	-	17,507
	2,719,252	929,422	1,789,830
Financial assets at FVPTL			
Equity securities			
- Quoted in Malaysia	377,602	377,602	-
- Quoted outside Malaysia	4,890	4,890	-
Unit trust funds	2,674	2,674	-
Malaysian Government Securities	67,339	-	67,339
Government Investment Issues	14,198	-	14,198
Corporate debt securities			
- Unquoted	191,743	-	191,743
Mutual funds			
- Quoted outside Malaysia	481,863	481,863	-
Forward foreign exchange contract	1,113	-	1,113
Accrued interest	2,569	-	2,569
	1,143,991	867,029	276,962
	3,863,243	1,796,451	2,066,792

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2014			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	688,748	688,748	-
Unit trust funds	231,112	231,112	-
Malaysian Government Securities	638,011	-	638,011
Government Investment Issues	166,109	-	166,109
Corporate debt securities			
- Unquoted	875,291	-	875,291
Accrued interest	16,145	-	16,145
	2,615,416	919,860	1,695,556
Financial assets at FVPTL			
Equity securities			
- Quoted in Malaysia	287,743	287,743	-
- Quoted outside Malaysia	4,153	4,153	-
Unit trust funds	486	486	-
Malaysian Government Securities	67,133	-	67,133
Government Investment Issues	18,541	-	18,541
Corporate debt securities			
- Unquoted	195,545	-	195,545
Mutual funds			
- Quoted outside Malaysia	374,566	374,566	-
Accrued interest	2,412	-	2,412
	950,579	666,948	283,631
	3,565,995	1,586,808	1,979,187
Financial liabilities at FVPTL			
Forward foreign exchange contract	700	-	700

Unquoted equity securities of RM1,944,444 (31 December 2014: RM1,944,444) of the Company as disclosed in note 8(a) are not disclosed in the fair value hierarchy above as they are measured at cost as fair value is not readily available.

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

33. RISK MANAGEMENT

(a) Risk management framework

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

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

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

The Company’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 and risk management to support long term revenue and earnings growth, with the ultimate objective of increasing shareholder value. This is done by:

- Capitalising on business opportunities that are aligned with the Company’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 programs

33. RISK MANAGEMENT (CONTINUED)

(b) Regulatory framework

The Company is required to comply with the Financial Services Act 2013 (Act 758) as well as guidelines and circulars issued by BNM.

(c) Capital management

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

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

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

The Company has fully complied with its internal target solvency range during the reported financial years.

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

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

* Only distributable retained earnings of the Company are included in the determination of Total Capital Available.

(d) Insurance risk

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

33. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

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

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

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

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

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.

33. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

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

* Impact on equity is stated after considering tax effects

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

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

(e) Credit risk

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

As at the date of the statement of financial position, the credit exposure of 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 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 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 Company.

33. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Credit risk in respect of customer balances incurred on non-payment of premiums 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 Company and with international ratings of ‘A’ or better.

Reinsurance arrangements 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 Company’s maximum exposure to credit risk for the components in the statement of financial position by classifying assets according to the Company’s credit rating of counterparties except for the Investment-linked funds’ assets, as the Company 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.

33. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

	Neither past-due nor impaired						
31 December 2015	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	-	-	722,131	-	-	-	722,131
Real estate investment trusts	-	-	3,056	-	-	-	3,056
Unit trust funds	-	-	206,179	-	-	-	206,179
Malaysian Government Securities	-	568,059	-	-	-	-	568,059
Government Investment Issues	-	186,402	-	-	-	-	186,402
Corporate debt securities	748,090	269,772	-	-	-	-	1,017,862
Accrued interest	7,384	10,123	-	-	-	-	17,507
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	-	-	-	-	-	382,492	382,492
Unit trust funds	-	-	-	-	-	2,674	2,674
Malaysian Government Securities	-	55,758	-	-	-	11,581	67,339
Government Investment Issues	-	14,198	-	-	-	-	14,198
Corporate debt securities	82,416	38,554	-	-	-	70,773	191,743
Mutual funds	-	-	-	-	-	481,863	481,863
Foreign forward exchange contract	-	-	-	-	-	1,113	1,113
Accrued interest	765	1,169	-	-	-	635	2,569
Loans and receivables							
Fixed and call deposits	62,516	-	-	-	-	102,313	164,829
Loans receivable	-	200,328	-	128	383	-	200,839
Other receivables	-	26,224	-	13	278	5,890	32,405
Reinsurance assets	1,409	3,152	-	-	-	-	4,561
Insurance receivables	-	26,324	-	-	1,081	-	27,405
Cash and cash equivalents	59,706	-	-	-	-	4,872	64,578
Allowance for impairment losses	-	-	-	-	(1,687)	-	(1,687)
Total financial and insurance assets	962,286	1,400,063	931,366	141	55	1,064,206	4,358,117

33. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

	Neither past-due nor impaired						
	Rating (BBB to AAA)	Not rated	Not subject to credit risk	Past due but not impaired	Past due and impaired	Investment -linked funds	Total
31 December 2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
AFS financial assets							
Equity securities	-	-	690,692	-	-	-	690,692
Unit trust funds	-	-	231,112	-	-	-	231,112
Malaysian Government Securities	-	638,011	-	-	-	-	638,011
Government Investment Issues	-	166,109	-	-	-	-	166,109
Corporate debt securities	591,344	283,947	-	-	-	-	875,291
Accrued interest	5,773	10,372	-	-	-	-	16,145
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	-	-	-	-	-	291,896	291,896
Unit trust funds	-	-	-	-	-	486	486
Malaysian Government Securities	-	65,175	-	-	-	1,958	67,133
Government Investment Issues	-	18,052	-	-	-	489	18,541
Corporate debt securities	82,540	33,961	-	-	-	79,044	195,545
Mutual funds	-	-	-	-	-	374,566	374,566
Accrued interest	784	1,023	-	-	-	605	2,412
Loans and receivables							
Fixed and call deposits	64,554	-	-	-	-	129,207	193,761
Loans receivable	-	248,398	-	100	373	-	248,871
Other receivables	-	8,054	-	-	-	7,358	15,412
Reinsurance assets	1,326	1,318	-	-	-	-	2,644
Insurance receivables	-	23,608	-	-	1,074	-	24,682
Cash and cash equivalents	53,978	-	-	-	-	2,425	56,403
Allowance for impairment losses	-	-	-	-	(1,255)	-	(1,255)
Total financial and insurance assets	800,299	1,498,028	921,804	100	192	888,034	4,108,457

33. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

	Neither past-due nor impaired						
	Rating (BBB to AAA)	Not rated	Not subject to credit risk	Past due but not impaired	Past due and impaired	Investment -linked funds	Total
31 December 2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial liabilities at FVTPL							
Forward foreign exchange contract	-	-	-	-	-	700	700
Total financial liabilities	-	-	-	-	-	700	700

Age analysis of financial assets past-due but not impaired

	< 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2015						
Loans receivable	-	-	-	-	128	128
Other receivables	-	-	-	-	13	13
	-	-	-	-	141	141
31 December 2014						
Loans receivable	-	-	-	-	100	100

33. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Impaired financial assets

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

	Loans receivable RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
At 1 January 2015	181	1,074	-	1,255
Allowance for impairment losses during the financial year	-	154	278	432
At 31 December 2015	181	1,228	278	1,687
At 1 January 2014	181	1,056	-	1,237
Allowance for impairment losses during the financial year	-	18	-	18
At 31 December 2014	181	1,074	-	1,255

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

(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 instrument 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 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.

33. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(i) Currency risk

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

The Company manages the risk through matching the currency of the assets with the currency of the liabilities which these assets support. The Company does not have direct exposure to foreign currency risk except for certain foreign currency denominated investment linked-business, of which the foreign currency risk is borne by the policyholders.

Exposure to foreign currency risk

The Company's exposure to the foreign currency (a currency which is other than the functional currency of the Company), based on carrying amounts as at the end of the reporting period was:

	Denominated in USD	
	2015	**2014**
	RM'000	**RM'000**
Amount due from related parties	-	(210)
Amount due to related parties	2,148	-
Cash and cash equivalents	23,968	16,978
	26,116	16,768

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

		Impact on profit before tax/equity (Decrease)/increase	
		2015	**2014**
		RM'000	**RM'000**
Changes in foreign currency rates			
USD	+ 5%	1,306	838
USD	- 5%	(1,306)	(838)

(ii) Interest rate risk

Interest rate risk is the risk that the fair 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. Interest rate risk is managed by the liability side, by limiting the interest rate guarantees that are embedded in the insurance plans that are marketed. The interest rate risk is also managed through setting the appropriate asset benchmark reflecting the liability profile and the availability of suitable instruments in the investment market. The participating nature of the Participating life fund gives the Company the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low interest rates.

33. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(ii) Interest rate risk (continued)

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

	Impact on profit before tax Increase/(decrease)		Impact on equity* (Decrease)/increase	
	2015	2014	2015	2014
Change in variable:	RM'000	RM'000	RM'000	RM'000
Interest rate				
+100 basis point	8,770	9,897	(4,006)	(844)
- 100 basis point	(12,658)	(14,579)	2,262	(1,806)

* Impact on equity is stated after considering tax effects

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

(iii) Price risk

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 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 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 gives the Company 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 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.

33. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(iii) Price risk (continued)

	Impact on profit before tax Increase/(decrease)		Impact on equity* Increase/(decrease)	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Change in variable:				
Market price				
+15%	-	-	23,217	22,972
- 15%	-	-	(23,217)	(22,972)

* Impact on equity is stated after considering tax effects

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

(g) Liquidity risk

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

It is unusual for a Company transacting insurance business to predict the requirements of funding with absolute certainty as the 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 Company's financial and insurance assets and financial and insurance liabilities into their relevant maturity groups based on the remaining undiscounted contractual obligations.

All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities which are presented based on 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. 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 (CONTINUED)

(g) Liquidity risk (continued)

31 December 2015	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
Equity securities	1,104,623	-	-	-	-	722,131	382,492	1,104,623
Real estate investment trusts	3,056	-	-	-	-	3,056	-	3,056
Malaysian Government Securities	635,398	27,664	55,328	112,336	822,953	-	11,581	1,029,862
Government Investment Issues	200,600	9,027	26,054	17,789	277,764	-	-	330,634
Corporate debt securities	1,209,605	124,937	264,004	253,562	883,934	-	70,773	1,597,210
Unit trust funds	208,853	-	-	-	-	206,179	2,674	208,853
Mutual funds	481,863	-	-	-	-	-	481,863	481,863
Forward foreign exchange contract	1,113	-	-	-	-	-	1,113	1,113
Accrued interest								
- AFS financial assets	17,507	17,507	-	-	-	-	-	17,507
- FVTPL financial assets	2,569	1,934	-	-	-	-	635	2,569
Loans receivable	200,658	589	945	669	966	197,489	-	200,658
Fixed and call deposits	164,829	63,087	-	-	-	-	102,313	165,400
Other receivables	32,127	25,847	-	-	390	-	5,890	32,127
Reinsurance assets	4,561	4,561	-	-	-	-	-	4,561
Insurance receivables	26,177	26,177	-	-	-	-	-	26,177
Cash and cash equivalents	64,578	59,706	-	-	-	-	4,872	64,578
Total financial and insurance assets	4,358,117	361,036	346,331	384,356	1,986,007	1,128,855	1,064,206	5,270,791
Insurance contract liabilities	3,405,306	324,103	173,056	271,011	5,164,310	842	1,025,290	6,958,612
Insurance claims liabilities	51,635	51,635	-	-	-	-	-	51,635
Insurance payables	432,428	432,428	-	-	-	-	-	432,428
Other payables	90,043	61,278	-	-	-	-	28,765	90,043
Total financial and insurance liabilities	3,979,412	869,444	173,056	271,011	5,164,310	842	1,054,055	7,532,718

33. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

31 December 2014	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
Equity securities	982,588	-	-	-	-	690,692	291,896	982,588
Malaysian Government Securities	705,144	40,577	71,387	111,935	783,704	-	1,958	1,009,561
Government Investment Issues	184,650	29,208	21,888	46,719	145,717	-	489	244,021
Corporate debt securities	1,070,836	112,887	252,124	222,097	704,995	-	79,044	1,371,147
Unit trust funds	231,598	-	-	-	-	231,112	486	231,598
Mutual funds	374,566	-	-	-	-	-	374,566	374,566
Accrued interest								
- AFS financial assets	16,145	16,145	-	-	-	-	-	16,145
- FVTPL financial assets	2,412	1,807	-	-	-	-	605	2,412
Loans receivable	248,690	462	650	654	1,202	245,722	-	248,690
Fixed and call deposits	193,761	7,823	60,128	-	-	-	129,207	197,158
Other receivables	15,412	7,664	-	-	390	-	7,358	15,412
Reinsurance assets	2,644	2,644	-	-	-	-	-	2,644
Insurance receivables	23,608	23,608	-	-	-	-	-	23,608
Cash and cash equivalents	56,403	53,978	-	-	-	-	2,425	56,403
Total financial and insurance assets	4,108,457	296,803	406,177	381,405	1,636,008	1,167,526	888,034	4,775,953
Insurance contract liabilities	3,272,101	421,407	210,007	239,540	5,066,516	641	860,802	6,798,913
Insurance claims liabilities	42,385	42,385	-	-	-	-	-	42,385
Financial liabilities at fair value through profit or loss	700	-	-	-	-	-	700	700
Insurance payables	396,502	396,502	-	-	-	-	-	396,502
Other payables	63,760	53,524	-	-	-	-	10,236	63,760
Total financial and insurance liabilities	3,775,448	913,818	210,007	239,540	5,066,516	641	871,738	7,302,260

33. RISK MANAGEMENT (CONTINUED)

(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 Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people are in place throughout the Company. The Company 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. CAPITAL AND OTHER COMMITMENTS

	2015 RM'000	2014 RM'000
Capital expenditure commitments		
Property and equipment		
- Authorised but not provided for	-	1,398
Other commitments		
Exclusive bancassurance agreement		
- Authorised but not provided for	22,500	25,500

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

35. INSURANCE FUNDS

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

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

Statement of Financial Position by Funds

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

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35. INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds (continued)

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

35. INSURANCE FUNDS (CONTINUED)

Statement of Profit or Loss by Funds

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

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35. INSURANCE FUNDS (CONTINUED)

Statement of Profit or Loss by Funds (continued)

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

35. INSURANCE FUNDS (CONTINUED)

Information on cash flows by Funds

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