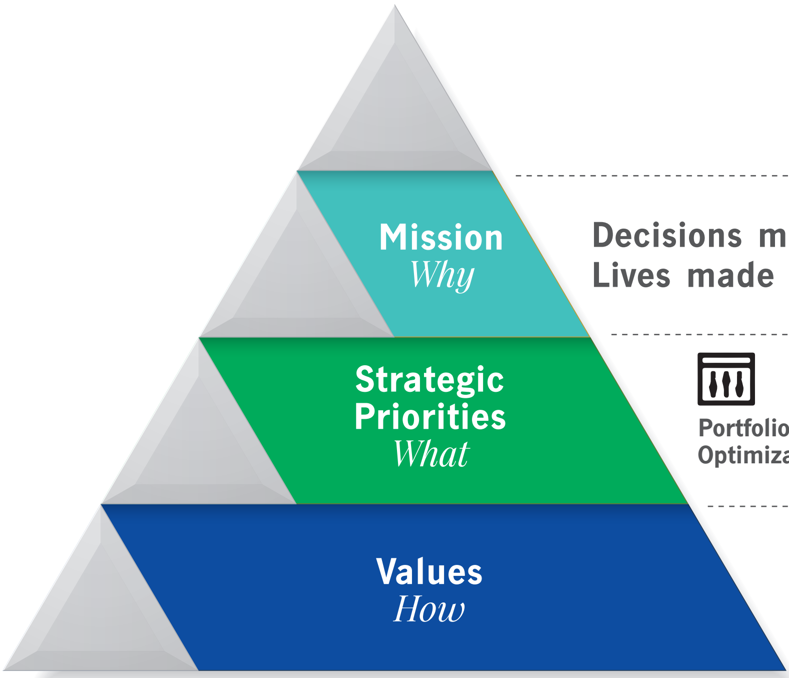
Manulife

MANULIFE HOLDINGS BERHAD
(24851-H)

ANNUAL REPORT 2018

STRATEGIC FRAMEWORK



Decisions made *easier.*
Lives made *better.*

- Portfolio Optimization
- Expense Efficiency
- Accelerate Growth
- Digital, Customer Leader
- High Performing Team

OUR VALUES

Obsess about customers

Predict their needs and do everything in your power to satisfy them.

- Customers pay the bills
- Simple is best
- Listen before acting
- Communicate with empathy

Do the right thing

Act with integrity and do what you say.

- Work with integrity
- Show respect
- Do what you say
- Don't be a bystander

Think big

Anything is possible. We can always find a better way.

- Anything is possible
- Driven by passion
- Let curiosity flow
- Always learning

Get it done together

We're surrounded by an amazing team. Do it better by working together.

- Collaborate for success
- Keep it transparent
- Disagree to agree
- Be open & candid

Own it

Feel empowered to make decisions and take action to deliver our Mission.

- Take ownership
- Focus on what matters
- Create solutions
- Action with insights

Share your humanity

Build a supportive, diverse, and thriving workplace

- Embrace our diversity
- We're in this together
- Be kind
- Have some fun

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Third Annual General Meeting of the Company will be held at Banquet Hall, 1st Floor, TPC Kuala Lumpur, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, Wilayah Persekutuan on Friday, 31 May 2019 at 2:30 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and the Auditors thereon.

2. To approve the declaration of a First and Final Single-Tier Dividend of 7.0 sen per share for the financial year ended 31 December 2018. (Resolution 1)

3. To re-elect Datuk Seri Panglima Mohd Annuar bin Zaini who retires pursuant to Article 93(B) of the Company's Articles of Association. (Resolution 2)

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

   (a) Mr. Kenneth Joseph Rappold Jr. (Resolution 3)
   (b) Mr. Lee Sang Hui (Resolution 4)
   (c) Mrs. Vijayam Nadarajah (Resolution 5)

5. To approve the payment of Directors' fees of RM356,000 for the financial year ended 31 December 2018. (Resolution 6)

6. To approve the payment of Directors' benefits of up to an amount of RM100,000.00 from 1 June 2019 until the next Annual General Meeting of the Company held in 2020. (Resolution 7)

7. To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. (Resolution 8)

AS SPECIAL BUSINESS

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

   (a) ORDINARY RESOLUTION 1
   – AUTHORITY TO ISSUE SHARES (Resolution 9)

   "**THAT** subject always to the Companies Act 2016 ("**the Act**"), the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price to such persons and upon such terms and conditions, for such purposes as the Directors of the Company may in their absolute discretion deem fit, provided always that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being;

   AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS (CONT'D)

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

(b) ORDINARY RESOLUTION 2 (Resolution 10)

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

"**THAT** subject always to the provisions of Bursa Malaysia Securities Berhad Main Market Listing Requirements, a shareholders' mandate be and is hereby granted to Manulife Holdings Berhad and its subsidiary companies to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature ("**Recurrent Related Party Transaction**") as described in the Circular to Shareholders dated 30 April 2019 with the related parties mentioned therein **PROVIDED THAT**:-

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

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

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

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

(b) the expiration of the period within which the next AGM of the Company after that date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**the Act**") [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or

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

whichever is the earlier;

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

(c) ORDINARY RESOLUTION 3 (Resolution 11)

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

"**THAT** subject always to the provisions of Bursa Malaysia Securities Berhad Main Market Listing Requirements, a shareholders' mandate be and is hereby granted to Manulife Holdings Berhad and its subsidiary companies to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature ("**Recurrent Related Party Transaction**") as described in the Circular to Shareholders dated 30 April 2019 with the related parties mentioned therein **PROVIDED THAT**:

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS (CONT'D)

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

(c) ORDINARY RESOLUTION 3 (CONT'D) (Resolution 11)
– PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (cont'd)

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

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

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

(b) the expiration of the period within which the next AGM of the Company after that date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**the Act**") [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or

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

whichever is the earlier;

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

(d) SPECIAL RESOLUTION (Resolution 12)
– PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY

"**THAT** approval be and is hereby given for the Company to adopt the new Constitution in the form and manner as set out in Appendix II of the Circular to Shareholders dated 30 April 2019, in place of the existing Memorandum and Articles of Association of the Company;

AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by any relevant authorities and to do all acts and take all such steps as may be considered necessary to give effect to the foregoing."

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Single-Tier Dividend of 7.0 sen per share in respect of the financial year ended 31 December 2018, if approved, will be paid on 12 July 2019 to shareholders whose names appear in the Company's Record of Depositors at the close of business at 5:00 p.m. on 20 June 2019.

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

(a) shares transferred into the Depositor's Securities Account before 4:00 p.m. on 20 June 2019 in respect of ordinary transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

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

Kuala Lumpur
Dated: 30 April 2019

NOTES:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2019 shall be eligible to attend the Meeting.

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

3. A proxy may but does not need to be a member of the Company. A member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

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

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

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

EXPLANATORY NOTE ON DIVIDEND PAYMENT

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

EXPLANATORY NOTE ON SPECIAL BUSINESS

(1) AUTHORITY TO ISSUE SHARES

The Company wishes to renew the mandate on the authority to issue shares pursuant to the Companies Act 2016 at the Forty-Third Annual General Meeting of the Company (hereinafter referred to as the "**General Mandate**"). The Company had been granted a general mandate by its shareholders at the Forty-Second Annual General Meeting of the Company held on 5 June 2018 (hereinafter referred to as the "**Previous Mandate**").

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

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

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

The proposed adoption of Resolutions 10 and 11 is to renew the shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature granted by the shareholders of the Company at the Forty-Second Annual General Meeting of the Company held on 5 June 2018 and to obtain new Shareholders' Mandate for new Recurrent Related Party Transactions ("**New Shareholders' Mandate**") respectively. Both Renewal of Shareholders' Mandate and New Shareholders' Mandate will enable the Company and its subsidiary companies ("**the Group**") to enter into the Recurrent Related Party Transactions which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

(3) PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY

The proposed adoption of Resolution 12 is to bring the Company's Memorandum and Articles of Association ("**M&A**") in line with the amendments that arise from the Companies Act 2016, the revised Bursa Malaysia Securities Berhad Main Market Listing Requirements and Malaysian Code on Corporate Governance as well as enhancing administrative efficiency. In view of the substantial amount of amendments to be made, the Board proposed that the existing M&A of the Company be abolished and be replaced in its entirety with a new Constitution which incorporated all the proposed amendments.

Further information on the Renewal of Shareholders' Mandate, New Shareholders' Mandate and proposed adoption of new Constitution of the Company are set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2018 Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' DR. ZAHA RINA BINTI ZAHARI
DSAP, MBA, DBA
Bachelor of Arts (Honours) in Accounting and Finance,
The University of Leeds, UK
Masters in Business Administration, University of Hull, UK
Doctorate in Business Administration, University of Hull, UK
Chairman/Independent Non-Executive Director

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

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

LEE SANG HUI
Bachelor of Arts in Molecular Cellular Development Biology, University of Colorado, USA
Master of Business Administration, Thunderbird School of International Management, USA
Group Chief Executive Officer/Executive Director
(appointed w.e.f. 1 November 2018)

KENNETH JOSEPH RAPPOLD JR.
CPA, CFA, FRM, FLMI
Bachelor of Business Administration, The University of Texas at Austin, USA
Master of Professional Accounting, The University of Texas at Austin, USA
Non-Independent Non-Executive Director (appointed w.e.f. 1 October 2018)

VIJAYAM NADARAJAH
CPA, C.A.(M), C.F.I.I.A
Bachelor of Economics, Monash University, Melbourne, Australia
Bachelor of Laws (L.L.B.), University of London, UK
Master of Business Administration, Monash University, Melbourne, Australia
Independent Non-Executive Director (appointed w.e.f. 19 April 2019)

JOINT SECRETARY

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

COMMITTEES OF THE BOARD

- **GROUP AUDIT COMMITTEE**

  LIM HUN SOON @ DAVID LIM *(Chairman)*
  DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI
  KENNETH JOSEPH RAPPOLD JR.
  (appointed w.e.f. 1 October 2018)
  VIJAYAM NADARAJAH
  (appointed w.e.f. 19 April 2019)

- **GROUP RISK MANAGEMENT COMMITTEE**

  LIM HUN SOON @ DAVID LIM *(Chairman)*
  DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI
  KENNETH JOSEPH RAPPOLD JR.
  (appointed w.e.f. 1 October 2018)
  VIJAYAM NADARAJAH
  (appointed w.e.f. 19 April 2019)

- **GROUP NOMINATING/ REMUNERATION COMMITTEE**

  DATO' DR. ZAHA RINA BINTI ZAHARI *(Chairman)*
  DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI
  LIM HUN SOON @ DAVID LIM
  KENNETH JOSEPH RAPPOLD JR.
  (appointed w.e.f. 1 October 2018)
  VIJAYAM NADARAJAH
  (appointed w.e.f. 19 April 2019)

REGISTERED OFFICE

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

REGISTRAR

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

PRINCIPAL BANKERS

Malayan Banking Berhad
Public Bank Berhad
OCBC Bank (Malaysia) Berhad
Citibank Berhad
HSBC Bank Malaysia Berhad
Alliance Bank Malaysia Berhad
Standard Chartered Bank Malaysia Berhad

AUDITORS

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

INVESTOR RELATIONS

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

AGM HELPDESK

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

STOCK EXCHANGE LISTING

Bursa Malaysia – Main Market

CORPORATE STRUCTURE

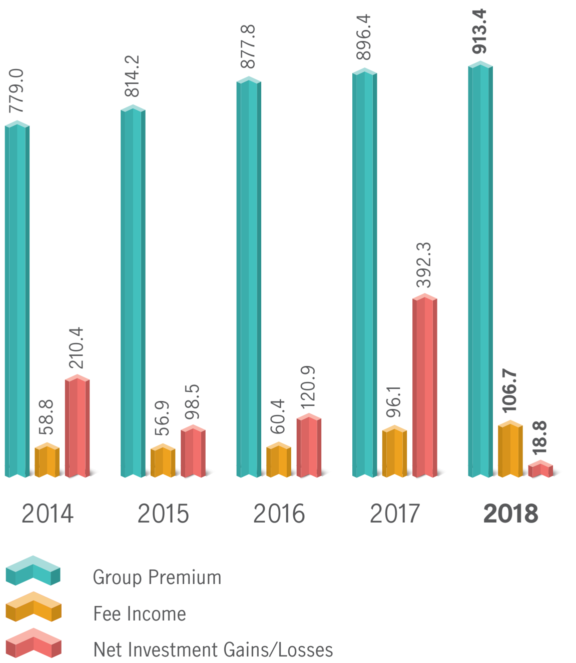
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2014	2015	2016	2017	2018
OPERATING RESULTS					
For the financial year ended 31 December (RM'million)					
Group Premiums	779.0	814.2	877.8	896.4	913.4
Fee Income	58.8	56.9	60.4	96.1	106.7
Net Investment Gains/Losses[1]	210.4	98.5	120.9	392.3	18.8
Policyowners Benefit Paid and Payable	486.2	598.5	550.9	634.2	657.3
Group Profit Before Taxation	49.9	47.9	62.3	41.6	38.2
Group Net Profit Attributable To Shareholders	35.7	35.6	46.5	28.0	26.3
KEY BALANCE SHEET DATA					
As at 31 December (RM'million)					
Life Fund Assets	3,963.8	4,169.7	4,368.3	4,765.8	4,705.4
General/Shareholder Fund Assets	667.7	696.4	744.1	868.2	829.5
Total Assets	4,631.5	4,866.1	5,112.4	5,634.0	5,534.9
Total Liabilities	3,868.6	4,088.8	4,313.2	4,818.7	4,713.0
Shareholders' Equity	762.9	777.2	799.1	815.3	821.9
SHARE INFORMATION					
Group Basic Earnings Per Share (sen)	17.6	17.6	23.0	13.8	13.0
Net Dividend Per Share (sen)	10.0	9.0	10.5	8.0	7.0
Group Net Asset Per Share (RM)	3.76	3.84	3.95	4.02	4.05
Share Price - High (RM)	3.85	3.30	3.20	3.32	3.31
Share Price - Low (RM)	3.10	2.65	2.75	3.00	2.30
Share Price As At 31 December (RM)	3.14	2.92	3.02	3.30	2.50
Market Capitalisation (RM'million)	635.4	590.9	611.2	667.8	505.9
FINANCIAL RATIO (%)					
Return on Equity[2]	4.7	4.6	5.9	3.5	3.2
Return on Assets[3]	0.8	0.7	0.9	0.5	0.5

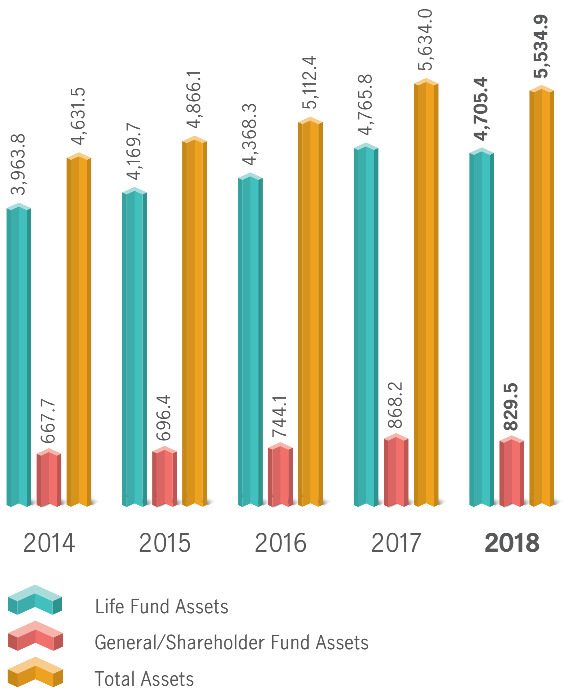
[1] Comprises Investment income and Net realised/fair value gains or losses, net off investment expenses
[2] Return on Equity = Group Net Profit Attributable To Shareholders / Average Shareholder's Equity
[3] Return on Assets = Group Net Profit Attributable To Shareholders / Average Total Assets

FIVE-YEAR
GROUP FINANCIAL HIGHLIGHTS

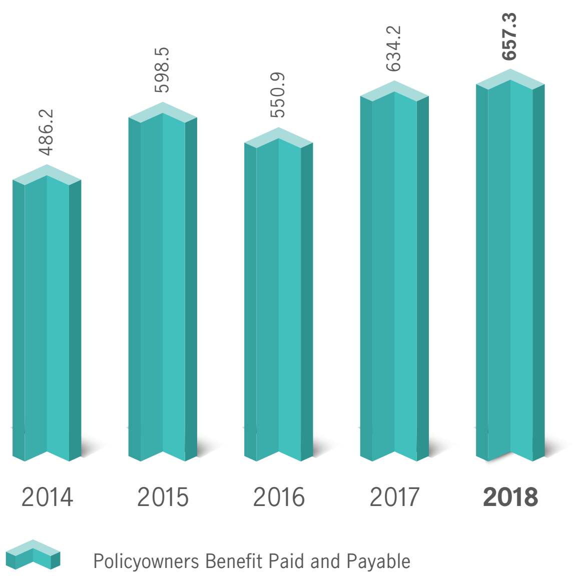
GROUP INCOME
(RM' MIL)



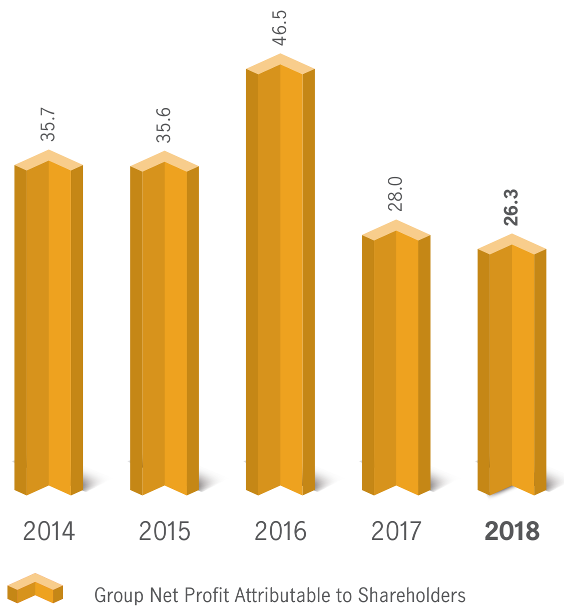
GROUP ASSETS
(RM' MIL)



POLICYOWNERS BENEFIT PAID AND PAYABLE
(RM' MIL)



GROUP NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(RM' MIL)



BOARD OF DIRECTORS

from left to right

KENNETH JOSEPH RAPPOLD JR.
Non Independent Non-Executive Director

LEE SANG HUI
Group Chief Executive Officer/Executive Director

VIJAYAM NADARAJAH
Independent Non-Executive Director

BOARD OF DIRECTORS

from left to right

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

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

LIM HUN SOON @ DAVID LIM
Independent Non-Executive Director

DIRECTORS' PROFILE

DATO' DR. ZAHA RINA BINTI ZAHARI

57 years, Malaysian, Female

Chairman/Independent Non-Executive Director

Appointed to the Board: 12 December 2013

Dato' Dr. Zaha Rina binti Zahari received her Bachelor of Arts (Honours) in The University of Leeds, UK and Doctorate in Business Administration from University of Hull, UK focusing on capital markets research and specialising in derivatives.

She was a Consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange (BFX) launched in January 2009. Prior to this, she was with Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. She has more than 25 years of experience in the financial, commodities and securities industry and the development of the Malaysian Capital Market, which includes managing a futures broking company, and was Chief Executive Officer of RHB Securities Sdn Bhd from 2004 to 2006. She has previous Board appointments at the Commodity and Monetary Exchange of Malaysia (COMMEX) from 1993 to 1996, then as the Chief Operating Officer of Kuala Lumpur Options and Financial Futures Exchange (KLOFFE) in 2001, which merged to become Malaysian Derivatives Exchange (MDEX) in June 2001.

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

She was a Director of Zurich Insurance Malaysia Bhd from 2007 to 2013 prior to being appointed Chairman of Manulife Holdings Berhad. She sits on the Board of Hong Leong Industries Bhd since 2012, Hibiscus Petroleum Bhd since 2017 and IGB Berhad since 2018, besides holding directorship in several private limited companies. She is also a member of Market Participants Committee (MPC) of Bursa Malaysia Securities Berhad since July 2014.

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

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

LEE SANG HUI

50 years, American, Male

Group Chief Executive Officer/Executive Director

Appointed to the Board: 1 November 2018

Mr. Lee Sang Hui holds a Master of Business Administration from Thunderbird School of International Management, USA and a Bachelor's Degree from the University of Colorado in Molecular Cellular Developmental Biology.

Mr. Lee has 27 years of experience in the life insurance and asset management industries. Prior to his appointment as Group Chief Executive Officer, Mr. Lee held various senior management roles in American Life Insurance in Japan before joining AIG/ AIA where he had a noteworthy career across Investments, Finance, Marketing and Distribution. Mr. Lee is a seasoned international executive with a proven track record of delivering consistent, high quality results across Thailand, Korea, Hong Kong and Japan.

Mr. Lee also sits on the Boards of Manulife Insurance Berhad and Manulife Asset Management Services Berhad.

DIRECTORS' PROFILE

DATUK SERI PANGLIMA MOHD ANNUAR BIN ZAINI

68 years, Malaysian, Male

Independent Non-Executive Director

Appointed to the Board: 5 July 2011

Datuk Seri Panglima Mohd Annuar bin Zaini holds a Master of Arts in Law & Diplomacy from The Fletcher School of Laws & Diplomacy, Tufts University, USA and a Bachelor of Arts with honours in Economics from University Kebangsaan Malaysia.

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

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

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

Datuk Seri Panglima Mohd Annuar is a member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/Remuneration Committee of the Board of Directors.

He is a Director of the Board of Manulife Insurance Berhad and Manulife Asset Management Services Berhad. He is also a Chairman of Nominating/Remuneration Committee and is a member of the Audit Committee and Risk Management Committee of the Board of Manulife Insurance Berhad.

KENNETH JOSEPH RAPPOLD JR.

48 years, American, Male

Non Independent Non-Executive Director

Appointed to the Board: 1 October 2018

Mr. Kenneth Joseph Rappold Jr. holds a Master's Degree in Professional Accounting and a Bachelor's Degree in Business Administration from The University of Texas at Austin, USA. He is also a Certified Public Accountant (CPA), CFA Charterholder, Certified FRM and a Fellow of the Life Management Institute.

Mr. Rappold is the Chief Financial Officer ("CFO") for the Asia Division and a member of the Asia Executive Leadership Team of Manulife. He has been in the position of CFO since March 2018. In this role, he provides leadership for all aspects of financial management for Manulife's Asia division.

Mr. Rappold has over 20 years of experience in the financial services industry; he has worked in Asia for at least 21 years. Prior to joining Manulife, Mr. Rappold served as a regional CFO for Aviva Asia. He focused on providing financial and strategic leadership to their businesses in Asia.

Prior to joining Aviva Asia, Mr. Rappold held senior roles at AIA, including CFO of AIA Korea, CFO of AIA Thailand, and Vice President of Finance and Accounting Compliance for the AIA Group in Hong Kong. Mr. Rappold's earlier career also included roles at New York Life International (in Hong Kong), Allianz AG (at its head office in Munich, Germany) and KPMG (in both the US and Europe).

Mr. Rappold is a member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/Remuneration Committee of the Board of Directors.

DIRECTORS' PROFILE

LIM HUN SOON @ DAVID LIM

64 years, Malaysian, Male

Independent Non-Executive Director

Appointed to the Board: 17 July 2012

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

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

In 2006, he was assigned by KPMG to start up the Malaysian Audit Committee Institute (ACI Malaysia), which was a virtual worldwide initiative sponsored by KPMG to assist Independent Non-Executive Directors in enhancing their awareness and ability to implement effective board processes.

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

In July 2013, Mr. David Lim was appointed as a Council Member of the ICAEW representing South East Asia (Malaysia). His appointment represents a huge accolade for Malaysia, as it's the first time in ICAEW's sterling 130 years history, a Malaysian is represented on ICAEW's Council. In 2015, his term was renewed for a second term of two (2) years. Mr. David Lim's appointment was extended for a third term of two years from 2017 till 2019.

Mr. David Lim sits on the Boards of a few public listed companies, namely Sasbadi Holdings Berhad, Kawan Food Berhad, Ranhill Holdings Berhad and Press Metal Aluminium Holdings Berhad as an Independent Non-Executive Director. He also sits on the Board of Affin Investment Berhad (In Members' Voluntary Winding-up), Affin Hwang Investment Bank Berhad, Rockwills Trustee Berhad and Fairview Schools Berhad and a few private limited companies.

Mr. David Lim is the Chairman of the Group Audit Committee and Group Risk Management Committee and is a member of the Group Nominating/Remuneration Committee of the Board of Directors. He is also a Director and Chairman of the Audit Committee and Risk Management Committee and is a member of the Nominating/Remuneration Committee of the Board of Manulife Insurance Berhad.

DIRECTORS' PROFILE

VIJAYAM NADARAJAH

57 years, Malaysian, Female

Independent Non-Executive Director

Appointed to the Board: 19 April 2019

Mrs. Vijayam Nadarajah holds a Master's in Business Administration as well as a Bachelor's in Economics (with a major in accounting) from Monash University in Melbourne, Australia. She has also acquired an L.L.B. from London University, United Kingdom. In terms of professional memberships, she is a Fellow Member of CPA Australia, a Chartered Accountant under the Malaysian Institute of Accountants, and a Fellow Member of the Institute of Internal Auditors Malaysia.

She was the president of Institute of Internal Auditors Malaysia ("IIAM") from 1996 to 1997, and was then reappointed as a governor to the Board of Governors of IIAM in 2016. Mrs. Nadarajah co-chaired the taskforce on Guidance for Effective Internal Audit Function.

Mrs. Nadarajah currently holds the position of Independent Non-Executive Director for ScotiaBank Berhad effective 28 June 2018. She is a consultant and trainer in topics such as risk management, compliance, internal audit and board governance.

Prior to her appointment to the board of ScotiaBank Berhad, she was a consultant for China Construction Bank Malaysia Berhad. Mrs. Nadarajah was in charge of overseeing the incorporation of a public company to set up the bank in Malaysia, and application for a bank license. During this process, she liaised with Bank Negara Malaysia on matters related to application of license and operational readiness audit. Furthermore, she advised on the structure and nomination of independent directors for the Board, and also drafted the board charter and terms of reference of board committees, on top of other governance policies.

From 2013 to 2016, Mrs. Nadarajah served as a Specialist for the Research and Development/Corporate Program of the Financial Accreditation Agency ("FAA"), which is an initiative supported by Bank Negara Malaysia and the Securities Commission Malaysia. She also served as Financial Controller at CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad, Assistant General Manager of Finance at Oriental Capital Assurance Berhad, as well as senior roles in RHB Bank Berhad and Sime Bank Berhad/UMBC Bank Berhad.

Mrs. Vijayam Nadarajah is a member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/Remuneration Committee of the Board of Directors. She is also a Director and member of the Audit Committee, Risk Management Committee and Nominating/Remuneration Committee of the Board of Manulife Insurance Berhad.

OTHER INFORMATION ON DIRECTORS

Save as disclosed, none of the Directors has any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. None of the Directors has had any convictions for any offences within the past five (5) years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018.

There were five (5) Board Meetings held during the financial year ended 31 December 2018. The details of attendance of the Directors are as follows:-

Name of Board of Directors	Attendance
Dato' Dr. Zaha Rina binti Zahari	5 out of 5
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 5
Mr. Lim Hun Soon @ David Lim	5 out of 5
Mr. Lee Sang Hui *(appointed w.e.f. 1 November 2018)*	1 out of 1
Mr. Kenneth Joseph Rappold Jr. *(appointed w.e.f. 1 October 2018)*	1 out of 1
Mrs. Vijayam Nadarajah *(appointed w.e.f. 19 April 2019)*	0 out of 0
Mr. Mark Steven O'Dell *(retired w.e.f. 31 October 2018)*	4 out of 4
Mr. Leung Rockson Lok-Shuen *(resigned w.e.f. 31 October 2018)*	3 out of 4
Dr. Gopakumar Kurup *(resigned w.e.f. 31 March 2018)*	1 out of 2

SENIOR KEY MANAGEMENT PROFILE

LEE SANG HUI

Male

Group Chief Executive Officer & Executive Director

Mr. Lee Sang Hui's profile is listed in the Directors' Profile on page 12 of the Annual Report.

JASON CHONG SOON MIN

Male

Chief Executive Officer & Executive Director

Mr. Jason Chong Soon Min, aged 51, Malaysian, joined Manulife Asset Management (Malaysia) Sdn Bhd as Chief Executive Officer (CEO) in February 2010 and commenced employment with Manulife Asset Management Services Berhad ("MAMSB") in July 2012 as Chief Investment Officer. In May 2017, he was promoted to CEO of MAMSB.

He holds a Bachelor of Science degree in Economics and Finance (honors) from the University of Southern New Hampshire, USA, as well as a Capital Markets and Services Representative License in Fund Management and Financial Planning in Malaysia.

Mr. Chong has more than 30 years of experience in the investment industry. Before joining Manulife, he was Chief Investment Officer of another asset management company where he was responsible for the management of Malaysian and regional funds totaling approximately RM5 billion. Prior to that, Mr. Chong spent 14 years as an investment analyst covering both local and foreign equities, with his last position as Head of Research at Merrill Lynch/Smith Zain Securities.

Mr. Chong does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

JUSTIN DAVID HELFERICH

Male

Chief Financial Officer

Mr. Justin D. Helferich, aged 39, an American, joined Manulife Insurance Berhad ("MIB") as Chief Financial Officer (CFO) in November 2016. He holds Bachelor of Science in Accounting from the University of Connecticut, Storrs and Certified Public Accountant (CPA) license both from USA.

Mr. Helferich has 15 years of experience within the financial services sector in both United States and Asia. Since becoming employed by Manulife in 2010, Mr. Helferich has held various positions within the company including Director of Accounting Policy, Boston and AVP, Operational Risk Management, Asia Division. Prior to his appointment as the CFO of MIB, he was the CFO of Manulife Cambodia from 2014 to 2016. Before joining Manulife, he was a Senior Manager within the KPMG audit/advisory practice, serving primarily insurance companies.

Mr. Helferich does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

SENIOR KEY MANAGEMENT PROFILE

ALEX TAN CHENG LEONG

Male

Chief Agency Officer

Mr. Alex Tan Cheng Leong, aged 43, a Malaysian, joined Manulife Insurance Berhad as Chief Agency Officer in January 2019. He graduated from La Trobe University, Australia and is a Fellow of the Life Management Institute of USA. He is a Registered Financial Planner of Malaysia's Financial Planning Council and registered FIMM member, for both Unit Trust and Private Retirement Scheme certifications.

Prior to joining Manulife, Mr. Tan was Head, Retail & Retirement Funds (Malaysia & International) for AmFunds Management Berhad. Mr. Tan built his career firstly in Prudential Assurance Malaysia Berhad as Team Lead, Life Underwriter, Policy Servicing & Valuation Unit before moving on to AmAssurance Berhad as Head of Corporate Communication & Marketing. He then moved on to Syarikat Takaful Malaysia Berhad as Chief Marketing Officer and subsequently progressed as Marketing Director & Business partner with Malaysia SME Sdn Bhd. Prior to AmFunds Management Berhad, Mr. Tan was the Director of Alliance Management, Communication, STAR CLUB & Training (Malaysia & Singapore) for CIMB Principal Asset Management Berhad.

Mr. Tan does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

JOHN CHOW ZEYANG

Male

Chief Partnership Officer

Mr. John Chow Zeyang, aged 39, a Singaporean, appointed as the Chief Bancassurance Officer of Manulife Insurance Berhad on 7 November 2018. He graduated with a Masters in Aeronautical Engineering (1st Class Hons) degree from Imperial College London. His functional title changed to Chief Partnership Officer effective 1 April 2019.

Mr. Chow was previously Head, Performance Management DBS Regional Partnership for Manulife Asia. He is a seasoned executive with over 10 years of leadership experience with a successful and solid track record of driving the distribution strategy and sales performance management of wealth management products particularly in the affluent market segment.

Mr. Chow built his career in Singapore; following a stint in Singapore Airlines as a Management trainee, he joined the financial services industry in a variety of roles focused on wealth management. Mr. Chow was first in HSBC as a frontline financial advisor, before moving on to UOB Bank in Sales Management & Distribution Strategy, for Privilege Banking International. Prior to joining Manulife, Mr. Chow was Head of Bancassurance, OCBC Bank.

Mr. Chow does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

TAN CHUE CHAU

Male

Appointed Actuary

Mr. Tan Chue Chau, aged 43, a Malaysian, was appointed as the Appointed Actuary of Manulife Insurance Berhad and Manulife Insurance Labuan Limited in February 2019. Mr. Tan graduated from Malaya University with Bachelor of Science in Mathematics. He is a fellow member of Society of Actuaries and Actuarial Society of Malaysia.

Mr. Tan was the Chief Actuary for Prudential BSN Takaful Berhad. He built his career firstly in Sunlife Malaysia as Assistant Actuarial Manager before moving on to Tokio Marine Life as Actuarial Manager. He then moved on joining Manulife Insurance Berhad as Appointed Actuary. Mr. Tan was an EXCO member of Prudential BSN Takaful Berhad who was responsible collectively with other members in forming and executive business strategies. At industry level, he was a member of Family Takaful Sub-Committee of Malaysian Takaful Association.

Mr. Tan does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

SENIOR KEY MANAGEMENT PROFILE

BIANCA ILIBASIC

Female

Chief Operations & Transformation Officer

Ms. Bianca Ilibasic, aged 43, an Australian, joined Manulife Insurance Berhad as Chief Operating and Transformation Officer in 2019. She holds a Bachelor of Business in Business Administration from RMIT University.

Ms. Ilibasic served as the Head of Transformation for Manulife Asia prior to her appointment, and in her 3 years at Manulife has worked throughout Asia to improve Manulife's delivery capability and benefit realisation through execution, winning international awards for her work.

Prior to joining Manulife, Ms. Ilibasic was the Head of Global Portfolio Management Office at Telstra Global, and has years of experience executing large complex programmes in multi-national companies such as BNP Paribas, Prudential Corporation Asia and AXA.

Ms. Ilibasic does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. She has had no convictions for any offences within the past five (5) years.

JASON LIM YEONG TAH

Male

Chief Marketing Officer

Mr. Jason Lim Yeong Tah, aged 40, a Malaysian, was appointed as the Chief Marketing Officer ("CMO") of Manulife Insurance Berhad ("MIB") in 2018 and is responsible for the Brand and Communications, Product Development, Customer Centricity, Digital Marketing and Alternative Distribution functions. He holds a Bachelor's Degree in Computer Science and the Fellow, Life Management Institute (FLMI) designation from the Life Office Management Association.

Mr. Jason Lim joined MIB in 2013, and has helmed various senior positions in the organization, heading the Product Development, Product & Project Implementation and Alternative Distribution units. During this period, he was involved in a wide range of projects across the business covering product management, digitization and process improvement including the launch of the Company's online insurance distribution platform.

Mr. Lim has over 17 years of experience in the insurance industry and prior to joining Manulife, he held managerial positions in Allianz Life Malaysia and Great Eastern Life Malaysia, covering the area of business development and channel support for Alternative Distribution and Bancassurance distribution channel.

Mr. Lim does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

JASBENDER KAUR

Female

Chief Counsel & Corporate Services Officer

Ms. Jasbender Kaur, aged 48, a Malaysian, is the Chief Counsel & Corporate Services Officer of Manulife Holdings Berhad responsible for the Group's legal and corporate governance matters. Ms. Kaur is a LL.B (Hons) graduate from the University of London and was called to the Malaysian Bar in 1996. She is also a certified Company Secretary and alongside her other roles, serves as Company Secretary to several local subsidiaries of Manulife Holdings Berhad.

Ms. Kaur joined Manulife in 2005 and was appointed Head of Legal, Compliance and Corporate Secretariat in 2011. In addition to her role, Ms. Kaur has headed several different departments from time to time in the course of her tenure with Manulife.

Ms. Kaur has almost 18 years of experience in the life insurance industry in Malaysia. Prior to joining Manulife, Ms. Kaur served as Legal Officer with a large multinational insurer in Malaysia before being appointed Managing Editor with a world leading provider of professional information solutions.

Ms. Kaur does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. She has had no convictions for any offences within the past five (5) years.

SENIOR KEY MANAGEMENT PROFILE

AIZA ARYATI KASIM

Female

Chief Human Resources Officer

Ms. Aiza Aryati Kasim, aged 41, a Malaysian, joined Manulife Holdings Berhad in 2018. She holds Bachelor of Science in Business Management from University of Bradford.

Ms. Kasim is the Chief Human Resources Officer at Manulife Holdings Berhad.

Prior to joining Manulife, Ms. Kasim served as Head of HR, Business Banking, Wholesale Banking & AmInvestment Bank at AmBank Berhad. She has more than 18 years of experience across the whole spectrum of HR functions such as business partnering, project management, talent management and succession, recruitment, leadership and learning development. Apart from AmBank, Ms. Kasim has worked in established financial institutions such as OCBC Bank (M) Berhad, HSBC Bank (M) Berhad, RHB Bank Berhad and Citibank (M) Berhad as well as an IT company known as Petronas ICT Sdn Bhd.

Ms. Kasim does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. She has had no convictions for any offences within the past five (5) years.

TAN YONG NIEN

Male

Head of Information Services

Mr. Tan Yong Nien, aged 43, Malaysian, joined Manulife Insurance Berhad as Head of Information Services in January 2017. Mr. Tan holds a Master of Science in Information Systems and Technology from John Hopkins University USA, and a Bachelor of Science in Computer Science from Iowa State University, USA.

Mr. Tan's primary responsibilities include providing operational and strategic leadership over the areas of Information Technology, Information Risk Management and Business Continuity Management.

Mr. Tan served as Deputy Head of Operation for Manulife Technology and Services Sdn Bhd between April 2016 and December 2016. He has over 21 years of experience in the information technology working in various industries, including serving as IT Director for Sherwin Williams for the Asia Pacific region and was instrumental in the setup of its IT shared services center in Malaysia.

Prior to joining Manulife, Mr. Tan was the Deputy Director for NCS, a member of Singtel, in its IT outsourcing center in Malaysia. He also worked for Northrop Grumman, based in USA, in the field of software engineering in the earlier part of his career.

Mr. Tan does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

NG CHZE HOW

Male

Head of Retail Wealth Distribution

Mr. Ng Chze How, aged 47, joined Manulife Asset Management Sdn Bhd in January 2019 as the Head of Retail Wealth Distribution. He is a graduate with Bachelor of Arts from University of Strathclyde, UK. Mr. Ng currently holds the Capital Market Services Representative License, and his key functional area includes strategic business development with the agency force, financial advisors and partnership distribution.

Mr. Ng has more than 20 years of experience in asset management, banking and life insurance industry in Malaysia. Prior to joining Manulife, he was the General Manager and Director of AIA Pension & Asset Management Sdn Bhd. He was subsequently appointed as Chief Agency Officer of the Northern Region at AIA Bhd, and has also held several senior leadership roles with AmFund Bhd, Prudential Funds Bhd and Standard Chartered Bank.

Mr. Ng does not have any family relationship with any director and/or major shareholders of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the company. He has had no convictions for any offences within the past five (5) years.

SENIOR KEY MANAGEMENT PROFILE

TAN SOO SIONG

Male

Head of Operations

Mr. Tan Soo Siong, aged 58, a Malaysian, is the Head of Operations, Manulife Asset Management Services Berhad responsible for Operations and Customer Service. Mr. Tan holds a Diploma in International Advertising from The World Secretariat, International Advertising Association Incorporated, USA.

Mr. Tan joined Manulife in 2012 as Head of Operations and oversees both Unit Trusts and Private Retirement Schemes (PRS). His responsibilities expanded after the merger with MAAKL Mutual to include Customer Service, Investment Operations and Funds Accounting.

Mr. Tan has almost 15 years of experience in the asset management industry in Malaysia and 20 years of commercial banking experience. Prior to joining Manulife, Mr. Tan served as the Chief Operating Officer of Prudential Asset Management Berhad (now known as East Spring Asset Management Berhad).

Mr. Tan does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past five (5) years.

TOCK CHIN HUI

Female

Head of Total Solutions & Equity Investments

Ms. Tock Chin Hui, aged 46, a Malaysian, is the Head of Total Solutions & Equity Investments of Manulife Asset Management Services Berhad responsible for asset allocation and equity strategies of the Manager. Ms. Tock holds a Bachelor of Business (Accounting) degree from Monash University and is a Chartered Financial Analyst (CFA) charter holder. She is also a holder of the Capital Markets and Services Representative's License in fund management.

Ms. Tock joined Manulife in 2010 as Head of Equities and was appointed to the current role in 2017. During her tenure with Manulife, the equity funds under management won several accolades under the Edge-Lipper Fund Awards 2015, The Edge Thomson Reuters Lipper Malaysia Fund Awards 2016, 2017 & 2018 as well as The Thomson Reuters Lipper Fund Award Global Islamic 2016 & 2017.

Ms. Tock has more than 20 years of experience in the investment industry. Prior to joining Manulife, she was Deputy Head of Equities of a regional asset management company, managing a range of equity and mixed asset funds.

Ms. Tock does not have any family relationship with any Director and/or major shareholder of Manulife Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. She has had no convictions for any offences within the past five (5) years.

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

DEAR SHAREHOLDERS,

Manulife Holdings Berhad and its subsidiaries ("the Group") is a leading financial services group that helps people make their decisions easier and lives better. The Group provides financial advice, insurance and wealth and asset management solutions for individuals, groups, and institutions.

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to report that the Group recorded a 3.2% growth in operating revenue of RM1,217.2 million in the financial year under review given a challenging market environment. The Group, however, reported a lower profit before tax of RM38.2 mil, compared to RM41.6 mil in the prior year.

FINANCIAL REVIEW

The Group's Financial Performance at a glance:

	2018 RM' mil	2017 RM' mil	Variance RM' mil	%
Group's Operating Revenue[1]	1,217.2	1,179.8	37.4	3.2%
Gross Premiums	913.4	896.4	17.0	1.9%
Investment Income	197.1	187.3	9.8	5.2%
Fee Income	106.7	96.1	10.6	11.0%
Profit Before Taxation	38.2	41.6	(3.4)	(8.2%)
By Business Segment:				
Investment Holding	1.5	(4.3)	5.8	134.9%
Life Insurance Business	32.4	48.3	(15.9)	(32.9%)
Asset Management Services	4.3	(2.4)	6.7	279.2%
Net Profit For The Financial Year	26.3	28.0	(1.7)	(6.1%)
Basic Earnings Per Share (sen)	13.0	13.8	(0.8)	(5.8%)
Total Assets	5,534.9	5,634.0	(99.1)	(1.8%)
Total Equity	821.9	815.3	6.6	0.8%
Return On Equity (%)	3.2%	3.5%	(0.3%)	(8.6%)
Return On Assets (%)	0.5%	0.5%	-	-
Net Asset Per Share (RM)	4.05	4.02	0.03	0.7%

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

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

The Group's five-year financial highlights are set out on pages 8 to 9 of this Annual Report.

The strong contributor to the Group's operating revenue was its asset management business, which delivered a double-digit growth of fee income over last year. The growth in fee income was primarily attributable to the higher unit trust sales and higher management fee income earned from higher asset under management.

The Group's profit before taxation decreased 8.0%, from RM41.6 million to RM38.2 million in 2018, mainly impacted by our life insurance business which recorded a lower profit before taxation of RM32.4 million, a decrease of 32.9% from the preceding year. This is mainly attributable to actuarial valuation assumption change impact and lower investment gains from equity investments.

The Group's total assets stood at RM5,534.9 million while total equity stood at RM821.9 million, delivering a net asset per share of RM4.05 as at 31 December 2018.

There was no capital expenditure commitment and no significant changes to the Group's capital structure and capital resources in 2018.

OPERATIONS REVIEW

- **Insurance Business**

Manulife Insurance Berhad ("MIB") recorded new business Sales of RM128.0mil in 2018, a contraction of 14.1% compared to RM149.0mil in 2017, mainly driven by a lower manpower in both the Agency and Bancassurance channels. As a result, the market share year-to-date 2018 dropped to 2.2% from 2.7% recorded in the same period last year. Overall, the life insurance industry remains flattish for the whole of 2018, with a minimal growth of 0.5% in that period. Nonetheless, MIB's market ranking remains 9th among the life insurance companies in Malaysia.

The Agency channel, together with the Manulife Wealth Advisor ("MWA") recorded RM99.8mil in total new business sales in 2018, a 4.6% reduction compared to the RM104.6mil recorded in 2017. The agency manpower count was 1763 at end of 2018, a slight increase from 1746 in the year before.

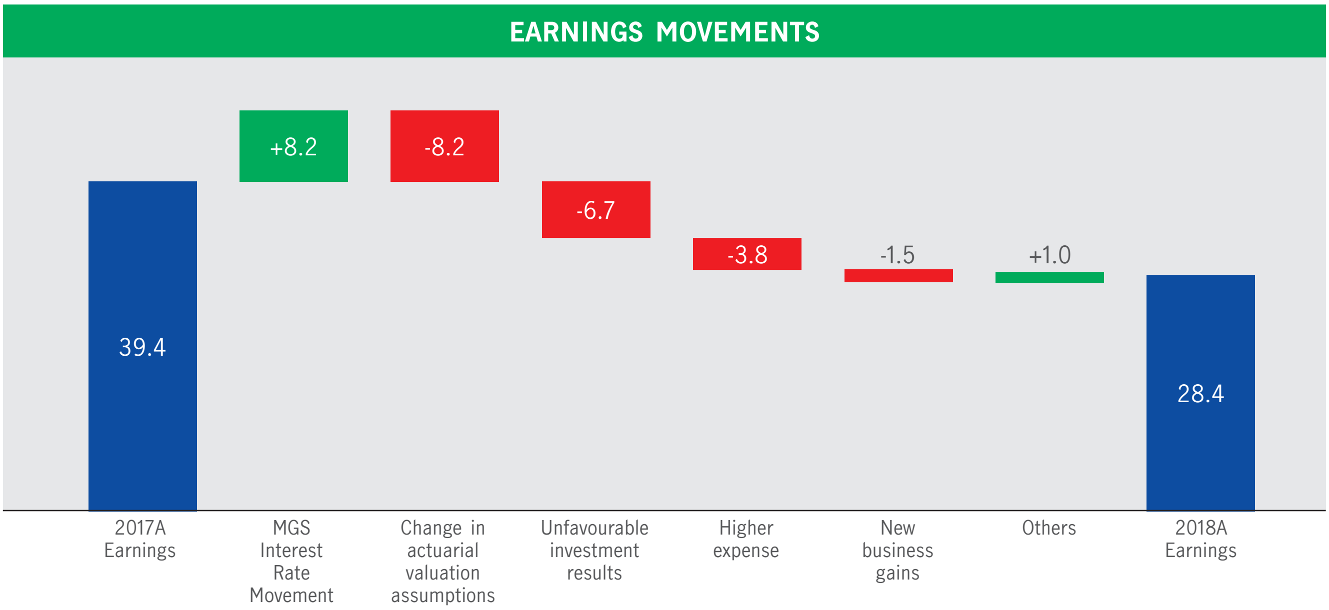
The Bancassurance channel, on the other hand, recorded a new business sales of RM27.1mil in 2018 compared to RM43.2mil in the year before. Lower sales were driven mainly by lower Insurance Specialist manpower at the partner bank to drive the sales. Despite registering lower sales, the channel recorded improved product mix by selling more credit life business which gives a better margin, hence registering an improved new business value ("NBV"). As part of the Bancassurance channel transformation, a consultant has been engaged to reassess the existing partnership model and to optimize the relationship.

In 2018, the Group launched Manulife Insurance Labuan Limited ("MILL"), to offer customised insurance solutions to its high net worth customers with its maiden product, Signature Heirloom, targeted at the ultra-high net worth individuals. During the year, the company recorded RM2.6mil as new business sales. As at the end of 2018, MILL also successfully secured an insurance broker licence in Labuan. In addition, MILL also managed to tie-up with two other independent brokers to distribute its product.

Earnings from the Group's life insurance segment declined RM11.0 million or 28%, from RM39.4 million in 2017 to RM28.4 million in 2018. In order to clearly articulate the key drivers of our earnings movement from 2017 to 2018, we have compiled an earnings movement analysis below.

When reading the earnings movement analysis below, please note that an earnings driver having a positive impact to earnings when compared to prior year is highlighted in green and an earnings driver having a negative impact to earnings compared to prior year is highlighted in red.

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS



***Net profit for the financial year** was RM11.0 mil lower than YTD 31 December 2018 mainly due to:-*

Malaysian Government Securities ("MGS") interest rate movement
Favourable interest rate movement (RM8.2 mil), the 10-year tenor MGS yield YTD movement was an increase +19 bps in Dec'18 and a decrease -31bps in Dec'17.

Change in actuarial valuation assumptions
+RM4.8 mil higher reserve in 2018, mainly from lower persistency assumptions and higher provision for expense deficiency reserve vs –RM3.4 mil lower reserve in 2017, mainly from lower mortality assumptions) (RM8.2 mil).

Unfavourable investment results
Unfavourable investment results mainly due to lower realised gains on disposal of equities and higher impairment on quoted equities were recorded, RM3.4 mil (2018: RM4.5 mil vs 2017: RM1.1 mil).

Higher expense
Higher YoY expenses mainly due to waiver of prior year software maintenance expenses in 2017 (RM3.0 mil) and severance expenses (RM2.6 mil).

New business gains
Lower new business gains from Universal Life product in 2018 (RM1.5 mil).

- **Unit Trust and Asset Management Business**

The year 2018 saw Manulife Asset Management Services Berhad's ("MAMSB") profitability turning-around to a maiden profit of RM 4.17mil from a loss of RM2.75mil in 2017. Despite the poor global stock market performances, unit trust sales for the year hit RM1.4 billion, surpassing our internal planned numbers by 10%. Both our agency and partnership businesses performed commendably.

In line with the Group's strategic priority of transforming into a digital, customer-centric market leader, the year saw MAMSB increasing automation in the business, both in terms of back-office operations as well as through the refreshed look of the Manulife Home Office (MHO) app, making it easier for customers to monitor their investments.

Meanwhile, MAMSB continued to tap on our extensive global expertise by launching two new funds in the market, namely the Manulife SGD Income Fund and Manulife Investment Shariah Progress Plus Fund, which were well received by customers.

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

As testament to the growth of MAMSB, it continues to receive awards from various international and local agencies in the year. Among the notable awards that were received in 2018 were:

1.

2018 Thomson Reuters Lipper Fund Awards Global Islamic

- **Best Fund Over 5 years, Mixed Asset MYR Flexible**
  Manulife Investment-HW Shariah Flexi Fund

- **Best Group Over 3 Years, Mixed Assets**
  Manulife

2.

2018 The Edge | Thomson Reuters Lipper Fund Awards

- **Best Fund Over 3 years, Equity Asia Pacific ex-Japan**
  Manulife Investment Pacific Fund

- **Best Fund Over 10 Years, Mixed Asset MYR Flexible**
  Manulife Investment-HW Flexi Fund

3.

Fundsupermart's Recommended Unit Trusts Awards 2018/19

- **Single Country Equity - India**
  Manulife India Equity Fund

- **Sector Equity - Global Resources**
  Manulife Global Resources Fund

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

CUSTOMER CENTRICITY

Manulife is continuously striving to focus and improve on creating a positive experience for customers by putting customers at the centre of our business.

To achieve it this year, the Customer Centricity unit of Manulife Malaysia took on different strategies and implementations. Keeping in mind the three major principles, Listen, Learn and Act, the team was able to engage and listen to customers, learn from their feedback and act to resolve the issues with collaborative effort from cross-functional teams within a stipulated time frame.

The Net Promoter Score (NPS) remained the main measurement of progress and performance, with a quarterly survey to gauge customer satisfaction and where Manulife stands amongst its key competitors. Manulife Malaysia continued with a structured approach through Transactional Net Promoter System (NPSystem) in gathering customers' feedback whenever they transacted with us. This helped us have a better understanding of customers' wants and needs in touch point areas of contact centre, branches, new business process and claims. Manulife Malaysia aims to activate more NPSystem touch points to better serve our customers.

Manulife Malaysia is not only customer focused but is moving towards being a more customer-centric organisation, by using customers analytics to gain a holistic view for better customer-relationship management and business-making decisions.

CORPORATE BRANDING

A strong brand is an outcome of sustainable building and strengthening of its personality – it is then that a brand is able to manifest strong perceptions and eventually, influence a customer's decision making aptitude. Therefore, emulating a strong brand requires an in-depth understanding of the meaning of Brand Personality. It helps in easing communication with customers as they can relate to the traits that they possess with the personality traits that a brand has. Thus, an emotional connection is generally created amongst the brand and the customer.

The Manulife brand has a strong footprint – with over five decades behind us – granting not only credibility, but trust among our valued customers. With the growing stimulus of digitalisation, businesses have all experienced its fair share of saturation in terms of maintaining a "top-of-mind" influence with customers.

With a firm brand identity in place, the Manulife brand had to find ways to reinvent itself – the idea of building a brand personality was then brought to life. Consequently, Manulife foresaw the strategy of leveraging the era of digitalisation and marrying it with our vision to create a Brand Personality.

These insights moved to then shape Manulife Malaysia's corporate branding initiatives in 2018 – where tactical executions were skewed towards building and strengthening a digital/social media presence. Manulife began curating more engaging and humanised contents on digital platforms – among its successes include the garnering of up to 300,000 followers as of 31 December 2018 on Facebook – a positive spike compared to 2017. Subsequently, Manulife pushed to diversify its branding efforts on Instagram, seeing that it was a growing social media force – especially for products and engagements relating to Gen-Y and millennial target audiences. This then spearheaded a favourable achievement of 1,272 followers – a promising increment since the account creation in July 2017.

Working hand-in-hand with its social media initiatives, Manulife Malaysia continued to propel with the launch of the new Manulife brand identity and refreshed values on 1 October 2018. Locally, the Head Office welcomed the change on 19 October 2018 with a mini event with the employees.

Manulife Malaysia's on-ground campaigns included a celebratory building banner for the Head Office and the enhanced brand visibility at the Mass Rapid Transit (MRT) Manulife Semantan Station, which easily captures near 300,000 daily commuters along the line, making it a prominent landmark for the brand. Aside from that, Manulife Malaysia was also among the main partners of Alliance Bank's BizSmart Challenge 2018 (three-year running), and saw the sponsorship of RM100,000 in cash prize, to the winner of the Manulife Sustainability Award 2018.

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

GROUP INITIATIVES

- **Global Women's Alliance**

  Manulife's Global Women's Alliance ("GWA") was established to support its female workforce to reach their full potential and aims at elevating the profiles of women across the organisation, inspiring and enabling each one to reach their full potential by offering resources for success but also to provide a network in which women can mentor each other, share their experiences and help each other design fulfilling career paths.

  The Malaysian Chapter of GWA was established on 10 September 2015, and since then, Manulife has carried out many activities towards achieving its objectives.

  We continued to celebrate International Women's Day on 8 March 2018 and collaborated with the National Cancer Council Malaysia (MAKNA) to raise awareness on cancer. Manulife Malaysia also organised a Public Speaking and Leadership Program with Taman Tun Dr Ismail (TTDI) Toastmasters Club, where it sponsored 15 staff to participate in the TTDI Toastmasters Club for six months inclusive of lifetime registration fee of RM100 per person.

AWARDS AND RECOGNITION:

In 2018, Manulife stood at the forefront of excellence when we were recognised and awarded for our achievements in various segments of our business:

Year	Recognised and Awarded	Achievement
2018	CSR Malaysia Award 2018	Manulife Malaysia clinched the CSR Malaysia Award 2018, Company of the Year in the Financial Services Category for Pioneering Community Health & Children Welfare Initiatives.
2018	ACES Award	Mark O'Dell, the Group Chief Executive Officer (GCEO) of Manulife Holdings Berhad (MHB) and Chief Executive Officer (CEO) of Manulife Insurance Berhad in Malaysia was conferred the Outstanding Leaders in Asia award by Asia Corporate Excellence & Sustainability Awards (ACES Awards).
2018	Graduates' Choice Award 2018 – Top 10 Best Employer Brands in the category of insurance	Manulife Insurance Berhad won the Graduates' Choice Award 2018 – Top 10 Best Employer Brands in the category of insurance.
2018	The BrandLaureate Industry Champion Brand ICON Awards 2018 – Financial Planning Solutions	Manulife Malaysia received the 2018 BrandLaureate Industry Champion Brand ICON Awards for Financial Planning Solutions.
2018	The Edge Thomson Reuters Lipper Malaysia Fund Awards	• Manulife Investment Asia-Pacific ex Japan Fund (formerly known as Manulife Investment Pacific Fund) was awarded the Best Fund Over 3 Years, Equity Asia Pacific ex-Japan. • Manulife Investment-HW Flexi Fund was awarded the Best Fund Over 10 Years, Mixed Asset MYR Flexible.
2018	Thomson Reuters Lipper Fund Awards Global Islamic	• Manulife was awarded the Best Group Over 3 Years, Mixed Assets. • Manulife Investment-HW Shariah Flexi Fund was awarded the Best Fund Over 5 Years, Mixed Asset MYR Flexible.
2018	Fundsupermart's Recommended Unit Trust Awards 2018/2019	• Manulife India Equity Fund won the Single Country Equity - India Category Award. • Manulife Global Resources Fund won the Sector Equity - Global Resources Category Award.

CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

MOVING AHEAD

Moving forward, the Group's priority is to grow Manulife's distribution network through various channels and use the combination of insurance and asset management presence to penetrate the market and grow the Group's business.

- **Life Insurance**

  Looking ahead, the Group's Insurance Business expects to achieve its aspirations by focusing on 5 core pillars under Manulife's NEXT initiatives:-

  - To commence Agency channel transformation via Next Agency
  - To return to growth with our exclusive Bancassurance partner
  - To increase our digital capabilities for improved customer experience and operational efficiency
  - To actively manage the expenditure and optimize resource utilization
  - To build a high performing team and culture

  The strategies are expected to enhance the operational, services and product capabilities as well as improve distribution reach and proficiency.

- **Unit Trust and Asset Management**

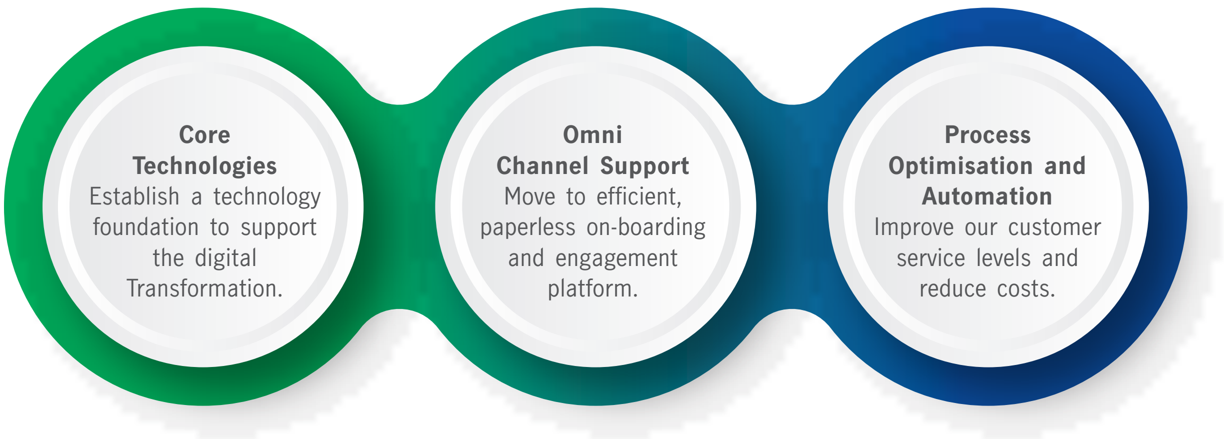
  Though the local stock market will continue to see volatility in 2019, we are seeing values emerging and opportunities for out-performance. We also expect buying interest in our local bond market to be supported by ample domestic liquidity and a slower pace of monetary policy tightening by the US Fed.

  In view of this, the Group is cautiously optimistic on the outlook for 2019 where we will be looking to grow our business in both the agency and partnership distribution channels as well as venture into the institutional/pension market. We will also continue to tap on our extensive Global experience in order to expand our international product offerings, and to provide more innovative/unique products in the market.

TECHNOLOGY

The Group is embarking on a digital transformation with the "customer at the centre of everything we do". We will be using technology to support our aspiration to delight our customers in their everyday actions and experiences which will ultimately create a superior customer experience, engage our employees, and provide new and enhanced revenue opportunities.

The three (3) core strategic focus in technology for 2018-2019 will be:



CEO'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

In addition to technology foundation, we will invest to build lean and strong delivery capabilities across Information Technology to support fast and frequent changes at marginal cost, leveraging fully Agile and Development Operations, which are part of Manulife's transformation to dynamic ways of working to execute work in iterative, time-boxed periods with cross-functional teams to enable rapid, secure releases of new products and services to respond to customer needs.

RISK MANAGEMENT

As a financial institution offering insurance, wealth and asset management products that help customers with their most significant financial decisions, the Group business activities invariably involve elements of risk taking. When making decisions about risk taking and risk management, the Group places priority on managing and mitigating the foreseeable risks within the context of its enterprise risk management. Within enterprise risk management, Manulife formulated its pre-defined appetite for risk taking activities, which is carefully and closely guided by tangible control mechanism in the form of guided level of tolerance to financial and non-financial exposures. The appetite also serves as means of formulating business plans and allocating capital.

For the financial year under review, Manulife emphasized the importance of addressing strategy against the anticipated business targets. Manulife has also observed challenges in managing its key operational risks and where required, has put in place specific plans for action.

DIVIDEND

I am pleased to inform that the Board of Directors has recommended, subject to shareholders' approval at the forthcoming Annual General Meeting, a First and Final dividend of 7.0 sen per share amounting to RM14,165,900 for the financial year ended 31 December 2018. The recommendation is made in accordance with the nature of profits arising in 2018.

APPRECIATION

I wish to take this opportunity to extend our thanks and appreciation to our customers, shareholders and business associates for their continued support. My appreciation also goes out to the Board of Directors for their keen insight and guidance to management.

I wish to also extend sincere appreciation on behalf of the Board of Directors to my predecessor, Mr. Mark Steven O'Dell, for his contribution during his tenure of service with the Group.

Last but not least, I wish to convey our gratitude to our Agency force and employees for their dedication and hard work.

I am hopeful we will continue to enjoy the support and confidence of our stakeholders as we chart the way forth for the Group.

LEE SANG HUI
Group Chief Executive Officer
Manulife Holdings Berhad

SUSTAINABILITY STATEMENT

Manulife Holdings Berhad ("MHB" or "the Company") commences reporting on its sustainability for the period of 1 January 2018 to 31 December 2018 pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The establishment of a formal sustainability approach on a Group-wide basis is still on-going as the Company moves towards strengthening its sustainability governance, by ensuring its community investment and projects are long-term and sustainable.

The year 2018 saw Manulife receiving several accreditation for our sustainability efforts; Manulife was bestowed the CSR Malaysia Award 2018, Company of the Year in the Financial Services category for Pioneering Community Health & Children Welfare Initiatives, as a recognition for the corporation's commitment towards the community at large; Manulife's then Group Chief Executive Officer, Mr. Mark O'Dell received the Outstanding Leaders in Asia award by Asia Corporate Excellence & Sustainability Awards (ACES Awards), an award that recognises leaders who carry out significant corporate social responsibility ("CSR") campaigns, and demonstrates compassion for the community among others. Manulife has also been the recipient of the HR Asia Best Companies to Work for in Asia for three (3) consecutive years from 2015, the award that recognises companies for its best practices that help set the standards and raise the bar for employee engagement and workplace excellence in Asia.

The aspects of sustainability in Manulife are apparent in the day-to-day operations, and especially in initiatives involving customer centricity, employee engagement, ensuring effective compliance framework, risk management culture, adherence to governance principles and awareness of risks associated with the businesses. Here are the Company's economic, environmental and social initiatives that focus on aspects of sustainability:

| ECONOMIC IMPACT

- **Customers Centricity** - In line with Manulife's focus on instilling a customer-centric culture within the Company, various efforts to develop strategies involving cross-functional team were initiated. At the heart of delivering an exceptional customer experience, 12 Customer Experience ("CX") Principles were created at the start of 2018. Each CX principle was then disseminated to all Manulife staff on a monthly basis throughout the year in the form of videos, emails, quizzes and other interactive activities.

  The Net Promoter Score (NPS) remained as the main measurement of progress and performance, with a quarterly survey to gauge customer satisfaction and where Manulife stands amongst our key competitors. The Net Promoter System, which is way of running the business by focusing on changing the behaviour of employees across Manulife will result in enthusiastic employees; hence, earning our customers' advocacy, and generating sustainable, profitable growth that outpaces competition.

- **ManulifeNow** – Manulife's online sales platform, www.manulifenow.com.my was conceptualised to provide a user-friendly touch point for consumers to buy insurance. It is hassle-free, affordable and provides a convenient method of buying insurance, clearly what the current generation are looking for. The launch of the online platform is in line with the insurance industry's efforts to increase insurance penetration rates in Malaysia, by appealing to the millennial and digital generation. With so many Malaysians active online, Manulife recognises the potential of a new digital platform to make customer experience simpler and faster.

- **Employee Assistance Program ("EAP")** – Manulife provides EAP for all its employees. It is a work-based intervention programme designed to identify and assist employees in resolving personal problems (examples, marital, financial or emotional problems; family issues; and substance/alcohol abuse) that may be adversely affecting the employee's performance. It is part of an initiative to provide employees with support to manage and improve mental health.

SUSTAINABILITY STATEMENT

- **Alliance Bank Malaysia Berhad's BizSmart Challenge** – Manulife has been the proud title sponsor of the "Manulife Sustainability Award" for three (3) years i.e. 2015, 2016 and 2017, as part of the Alliance Bank Malaysia Berhad's BizSmart Challenge. As Alliance Bank Malaysia Berhad's strategic bancassurance partner, Manulife is supportive of this annual programme that aims to nurture and grow small-and-medium-sized enterprises (SMEs).

| ENVIRONMENTAL IMPACT

The Company has taken several steps to reduce its carbon footprints by saving electricity where possible, and separating recyclable items before disposal. Manulife's headquarters building, Menara Manulife, is fitted with motion sensor lights, and electricity is automated to run from 8:30 a.m. to 5:30 p.m. on weekdays (working days).

| SOCIAL IMPACT

- **Valuing Manulife's employees** – Manulife Sports Club is part of the Company's initiative to organise out-of-office sports activities that will strengthen the bond and interaction among colleagues.
- **Recognition** – Staff rewards and recognition were given out quarterly in the form of W3 and BAGUS awards.
- **Healthy Active Living** – All confirmed employees of Manulife are covered under the Employee Group Insurance Scheme (EGIS).
- **Financial Well-being** – The Employees Retirement Benefit Scheme ("ERBS") is administered to ensure that employees receive a retirement gratuity when they retire. The ERBS is a non-contributory, the cost of providing the benefits being borne by the Company.

COMMUNITY INVESTMENT

Manulife encourages the spirit of giving through its employees and this translated into several activities that Manulife actively initiated in our bid to create life changing experience not only for the less fortunate but also for our employees through volunteering.

Giving back to the communities in which Manulife operates is ingrained in our culture and has been throughout Manulife's history. It is part of our commitment as an active and caring corporate citizen in Malaysia to help people lead better and more financially secure lives.

Manulife's community investments are primarily focused in areas that are a natural extension of our business and where we can make the greatest contribution to driving broad social change. Rather than being passive donors, we seek to collaborate with community partners and engage our employees.

Manulife has partnered with PeopleGiving by Manulife, a crowdfunding platform that provides easy, transparent and cost-effective way to raise funds for the cause one cares about, for three (3) years starting from 2016. We supported the non-profitable organisation with a contribution of RM100,000 annually. The amount covered their backend operations, which also include our quarterly CSR initiatives and involvement with them.

Apart from these activities, the Company activated Manulife's Global and Regional initiatives namely, the Global Walk Day, World Heart Day, fundraiser activity for Angkor Hospital for Children (AHC) and sponsoring the Angkor Wat International Half Marathon (AWHM).

SUSTAINABILITY STATEMENT

Details of Manulife's CSR activities throughout 2018 are as set out below:

1. Orang Asli Women Empowerment Program

Priority : Women/ Community
Date : 24 March 2018

Manulife together with PeopleGiving by Manulife

Manulife and PeopleGiving by Manulife empowered Orang Asli women to take on extra skills that would enable them to make a living. The activities involved were six (6) weeks of sewing and cooking classes.

Venue : Kampung Bertang, Pahang

2. Library of Hope

Priority : Education/ Community
Date : 5 May 2018

Manulife and PeopleGiving by Manulife set up a library for the Orang Asli children of Kampung Bertang, Pahang. Total funds raised amounting to RM17,550 were from crowd-funding and corporate sponsorship. The funds were used to purchase items for setting up the library, such as books and stationery.

Venue : Kampung Bertang, Pahang

3. Financial assistance for the purchase of wheelchairs to MAKNA

Priority : Health/ Community Fund Raising Event
Date : 18 July 2018

MAKNA (Majlis Kanser Nasional or National Cancer Council) received financial assistance of RM10,000 from Manulife on 18 July 2018 for the purchase of wheelchairs that were donated to 18 of their patients.

Venue : Menara Manulife, Kuala Lumpur

4. World Heart Day Celebration in Manulife

Priority : Health/ Community Fund Raising Event
Date : 26 September 2018

Created and led by World Heart Federation, World Heart Day aims to combat the rising number of people with cardiovascular disease, which is one of the world's leading killer. This is done by raising awareness and promoting the importance of living a heart-healthy lifestyle. In conjunction with World Heart Day on 29 September 2018, Manulife organised several heart-health related activities, cardiovascular workout session, healthy cooking demonstration and free health checks for Manulife's staff.

Venue : Menara Manulife, Kuala Lumpur

SUSTAINABILITY STATEMENT

5. Walk2Inspire 2018

Priority : Health/ Community Fund Raising Event
Date : 29 September 2018

Manulife and PeopleGiving by Manulife challenged participants to complete 10,000 steps, in a bid to promote healthy living. Over 500 participants turned up at the event. Seven (7) of Manulife's Senior Management pledged to raise funds for two (2) heart-related organisations i.e. National Stroke Association of Malaysia (NASAM) and Institut Jantung Negara Foundation (IJNF). The total amount collected through registration fees and funds raised were RM88,000.

Venue : Taman Pudu Ulu, Cheras

6. Gol and Gincu 2 Charity Screening

Priority : Community Fund Raising Event
Date : 25 October 2018

Manulife contributed to the purchase of 125 movie tickets, amounting to RM7,500, for the charity screening of Gol and Gincu 2, organised by Sisters in Islam (SIS), a civil society organisation committed to promoting the rights of women within the frameworks of Islam and universal human rights.

Venue : Golden Screen Cinemas, Mid Valley Megamall, Kuala Lumpur

7. Manulife Blood Donation Drive

Priority : Health/ Community
Date : 25 October 2018

The Health Awareness and Nationwide Blood Donation Campaign 2018 was organised by Life Insurance Association of Malaysia (LIAM) with its member companies and aimed at bringing the life insurance industry closer to the people in Malaysia. In line with this, Manulife teamed up with the Ministry of Health in a bid to save lives through blood donation campaign. A total of 41 donors donated blood.

Venue : Menara Manulife, Kuala Lumpur

8. "Let's Read" Campaign

Priority : Education/ Community
Date : 1-30 November 2018

In support of the Malaysian Insurance Institute (MII)'s "Let's Read" campaign, Manulife collected pre-loved and new books in the whole month of November 2018 from our staff. The "Let's Read" campaign is aimed at cultivating and promoting the habit of reading amongst young children and teens. Books collected were then distributed to various children's facilities/centres around Klang Valley, including special needs centres and hospitals.

Venue : Menara Manulife, Kuala Lumpur

SUSTAINABILITY STATEMENT

9. Back2School and Christmas celebration

Priority : Education/ Community
Date : 1 December 2018

Manulife and PeopleGiving by Manulife spread Back2School and Christmas joy to the 22 children of Rumah Juara, Puchong. Each child received a set of school uniform, school shoes & socks and stationery sets, and the Home received grocery items. Total funds amounting to RM6,215 were raised and spent for this programme.

Venue : Rumah Juara, Puchong

10. Dear Santa 2018

Priority : Underprivileged/ Community
Date : 15 December 2018

Manulife spread the joy of giving during Christmas season by fulfilling the wishes of the children of Stepping Stones Living Centre, Taman Seputeh. Following the successes of "the Dear Santa project" since 2016, a microsite containing the wishes of the children was created to fulfil each child's wishes. Manulife also contributed household appliances and groceries to the Home.

Venue : Stepping Stones Living Centre, Taman Seputeh

The year ended with enthusiasm over the positive contribution Manulife can bring to the society in the years to come.

MOVING FORWARD

Moving forward, as Manulife establishes a formal sustainability approach, our community investments will be focused on supporting innovative programmes that are long-term and sustainable. Manulife will continue to support the community and social projects that are not only important to our employees, but the emphasis going forward will be on aligning the majority of our donations specifically towards below initiatives:

Healthy, active living

Manulife champions healthy, active living through various internal and external programmes. Supporting physical well-being recognises that people are living longer, hence the need to better care for the long livelihood ahead. Simple actions and behavioural changes, such as moving more and eating better, can have significant long-term impacts and improve quality of life. Our emphasis has and will be on innovative health and wellness programmes that empower people to make better choices, with an eye to prevention rather than treatment. The Company will also be providing assistance to organisations and associations that aids communities in health.

Empowering underprivileged communities

Opportunities create platforms for individuals to unleash their potential. When given the encouragement, knowledge and necessary push, individuals from underprivileged communities will be able to self-sustain themselves, and in the long-run make major advancements in their lives. The Company believes in extending a helping hand to such communities by providing much needed support for them to be empowered. Education and living skills are some of the self-sustainable empowerment programmes that the Company intends to set foot in. Our approach would be to make contribution to support and participate in existing philanthropic initiatives by individuals or organisations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

As an investment holding company with financial services subsidiaries, the corporate governance model of the Company has been built and enhanced based on the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements"), the Corporate Governance Code issued by Bank Negara Malaysia, the Malaysian Code on Corporate Governance ("MCCG") and international best practices and standards.

The Board has consistently supported the disclosure requirements and strived to achieve best practices in adopting the principles and recommendations proposed in MCCG.

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

THE BOARD

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

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

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

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

An effective Board leads and controls the Company. Board meetings are held at least once a quarter, with additional meetings convened as necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. Three (3) out of five (5) Directors are Independent Directors.

For the financial year ended 31 December 2018, five (5) Board meetings were held and the attendance of each Director is recorded in the Directors' profile section. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD (CONT'D)

Apart from the aforesaid responsibilities, the Board has also delegated specific responsibilities to three (3) Board Committees, namely, the Group Audit Committee, the Group Risk Management Committee and the Group Nominating/Remuneration Committee. The Terms of Reference of the Board Committees clearly define the duties and obligations of the Board Committees in assisting and supporting the Board. While the Board Committees have the authority to examine specific issues, they will report to the Board with their decisions and/or recommendations and the ultimate responsibility on making decisions in the best interest of the Company lies with the entire Board.

In order to facilitate Board effectiveness, self-evaluations are completed on an annual basis with findings presented to the Group Nominating/Remuneration Committee meeting to address pertinent issues such as leadership, review of existing processes and performance of the Board and Board committees. An independent assessment is also conducted once every three (3) years to increase objectivity and improve efficacy. The last assessment was conducted in November 2016 by the Institute of Corporate Directors Malaysia (ICDM), formerly known as the Malaysian Directors Academy (MINDA).

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

Group Audit Committee

The Group Audit Committee has three (3) members, comprising two (2) Independent Non-Executive Directors and one (1) Non-Independent Non Executive Director. The Group Audit Committee Report for the financial year under review can be found on pages 57 to 60 of the Annual Report.

Members

1. Mr. Lim Hun Soon @ David Lim
   Chairman/Independent Non-Executive Director
2. Datuk Seri Panglima Mohd Annuar bin Zaini
   Member/Independent Non-Executive Director
3. Mr. Kenneth Joseph Rappold Jr. *(appointed w.e.f. 1 October 2018)*
   Member/Non-Independent Non-Executive Director
4. Dr. Gopakumar Kurup *(resigned w.e.f. 31 March 2018)*
   Member/Independent Non-Executive Director

Terms of Reference

The terms of reference of the Group Audit Committee is published in the Company's website at www.manulife.com.my.

Meeting Attendance

The attendance of the Group Audit Committee's members for the financial year ended 31 December 2018 is set out under the Group Audit Committee Report on page 57 of the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD (CONT'D)

Group Risk Management Committee

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

Members

1. Mr. Lim Hun Soon @ David Lim
   Chairman/Independent Non-Executive Director
2. Datuk Seri Panglima Mohd Annuar bin Zaini
   Member/Independent Non-Executive Director
3. Mr. Kenneth Joseph Rappold Jr. *(appointed w.e.f. 1 October 2018)*
   Member/Non-Independent Non-Executive Director
4. Mr. Leung Rockson Lok-Shuen *(resigned w.e.f. 31 October 2018)*
   Member/Non-Independent Non-Executive Director

Terms of Reference

The Group Risk Management Committee is responsible for:-

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

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

Meeting Attendance

The attendance of the Group Risk Management Committee's members for the financial year ended 31 December 2018 are as follows:-

Name of members	Attendance
Mr. Lim Hun Soon @ David Lim	4 out of 4
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 4
Mr. Kenneth Joseph Rappold Jr. *(appointed w.e.f. 1 October 2018)*	0 out of 1
Mr. Leung Rockson Lok-Shuen *(resigned w.e.f. 31 October 2018)*	1 out of 3

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD (CONT'D)

Group Nominating/Remuneration Committee

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

Members

1. Dato' Dr. Zaha Rina binti Zahari
Chairman/Independent Non-Executive Director
2. Mr. Lim Hun Soon @ David Lim
Chairman/Independent Non-Executive Director
3. Datuk Seri Panglima Mohd Annuar bin Zaini
Member/Independent Non-Executive Director
4. Mr. Kenneth Joseph Rappold Jr. *(appointed w.e.f. 1 October 2018)*
Member/Non-Independent Non-Executive Director
5. Mr. Leung Rockson Lok-Shuen *(resigned w.e.f. 31 October 2018)*
Member/Non-Independent Non-Executive Director

Terms of Reference

The terms of reference of the Group Nominating/Remuneration Committee is published in the Company's website at www.manulife.com.my.

Meeting Attendance

The attendance of the Group Nominating/Remuneration Committee's members for the financial year ended 31 December 2018 are as follows:-

Name of members	Attendance
Dato' Dr. Zaha Rina binti Zahari	7 out of 7
Mr. Lim Hun Soon @ David Lim	6 out of 7
Datuk Seri Panglima Mohd Annuar bin Zaini	7 out of 7
Mr. Kenneth Joseph Rappold Jr. *(appointed w.e.f. 1 October 2018)*	1 out of 1
Mr. Leung Rockson Lok-Shuen *(resigned w.e.f. 31 October 2018)*	5 out of 6

For the financial year ended 31 December 2018, the Group Nominating/Remuneration Committee has undertaken the following activities:-

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

Various Management Committees

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD BALANCE, DUTIES AND RESPONSIBILITIES

Board Composition

The Company's Constitution specifies that the number of Directors shall not be less than five (5) and not more than ten (10). The Board has the authority as governed under the Constitution to appoint a Director to fill a casual vacancy or as an additional Director. In addition, the Board should comprise at least two (2) Independent Directors, and at least one-third of the Board should be Independent Directors.

The Board currently has five (5) members, comprising three (3) Independent Non-Executive Directors (including the Chairman of the Board), a Non-Independent Non-Executive Director and an Executive Director. Together, the Directors bring with them a wealth of experience, and the required mix of skills and core competencies which are necessary to enable the Company to achieve its corporate objectives and fulfill all its fiduciary duties.

Chairman

There is a clear division of responsibility between the Chairman and the Group Chief Executive Officer ("CEO") to ensure that there is a balance of power and authority. The Board is led by Dato' Dr. Zaha Rina binti Zahari, Chairman/Independent Non-Executive Director, who is responsible for the leadership and management of the Board and ensuring the Board and its Committees function effectively. The Chairman assumes the formal role of a leader and chairs all Board meetings, leads discussions among Directors and provides leadership to the Board in its oversight of management.

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

1. Smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;
2. Guidelines and procedures are in place to govern the Board's operations and conduct;
3. All relevant issues are on agenda for Board meeting and all Directors are able to participate in the Board activities;
4. The Board debates strategic and critical issues;
5. The Board receives the necessary information on a timely basis from Management;
6. Avenues are provided for all Directors to participate openly in the discussion;
7. Provides leadership to the Board and is responsible for the developmental needs of the Board; and
8. Leads the Board in oversight of Management.

Group Chief Executive Officer

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD BALANCE, DUTIES AND RESPONSIBILITIES (CONT'D)

Group Chief Executive Officer (Cont'd)

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

(i) Developing strategic direction;

(ii) Ensuring strategies and corporate policies are effectively implemented;

(iii) Ensuring Board decisions are implemented and Board directions are responded to;

(iv) Providing directions in the implementation of short and long-term business plans;

(v) Providing strong leadership, that is, effectively communicating a vision, management philosophy and business strategy to the employees;

(vi) Keeping the Board fully informed of all important aspects of the Group's operations and ensuring sufficient information is disseminated to Board members;

(vii) Ensuring the day-to-day business affairs of the Group are effectively managed; and

(viii) Together with the Board sets objectives, visions, targets and strategic direction of the Group.

Non-Executive Directors

The Non-Executive Directors are to deliberate and discuss policies and strategies formulated and proposed by Management with the view of the long-term interest of all stakeholders. They contribute to the formulation of policies and decision making using their expertise and experience. They also provide guidance and promote professionalism to Management. The Independent Non-Executive Directors fulfill a pivotal role in corporate accountability by providing independent and unbiased view, advice and judgement to ensure a balanced and unbiased decision making process to ensure that the long-term interest of all stakeholders and the community are well protected.

There is also a balance in the Board because of the presence of Independent Non-Executive Directors of the necessary calibre to carry sufficient weight in the Board's decisions. Although all the Directors have an equal responsibility for the Company's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and examined, and take into account the long-term interests, not only of the shareholders, but also of the customers, employees, suppliers and the communities in which the Company conducts its business.

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

Board Responsibilities

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

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

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

BOARD BALANCE, DUTIES AND RESPONSIBILITIES (CONT'D)

Board Responsibilities (Cont'd)

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

(i) Strategic/business plans and annual budget.

(ii) New investments, divestments, mergers and acquisitions, corporate restructuring, including the establishment of subsidiaries, joint ventures or strategic alliances both locally and abroad.

(iii) Acquisition and disposal of significant assets of the Company.

(iv) Annual financial statements and the quarterly financial results prior to release to Bursa Securities.

(v) Appointment of new Directors, Group CEO and other senior management positions based on recommendations of the Group Nominating/Remuneration Committee.

(vi) Related party transactions and capital financing.

Foster Commitment

The Directors are able to devote sufficient time commitment to their role and responsibilities as Directors of the Company. All Directors attended at least 75% of all Board and Board Committees meetings in 2018 (except for Mr. Kenneth Joseph Rappold Jr. who was appointed to the Board in October 2018). The quorum of all Board meetings were met with attendance of not less than two (2) Directors present for all the purposes. This is evidenced by the attendance record for the financial year ended 31 December 2018 as set out under the Directors' Profile on page 15 of the Annual Report.

BOARDROOM DIVERSITY

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

The Board aspires at all times to achieve the right balance in terms of gender and skills mix that best serve the needs of the Group and its shareholders.

CODE OF BUSINESS CONDUCT AND ETHICS

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

SUPPLY OF INFORMATION

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

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

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

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

BOARD APPOINTMENTS AND SUCCESSION PLANNING OF KEY SENIOR MANAGEMENT

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

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

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

(i) Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind and fairness;

(ii) Competence and capability, where the candidate must have the skills, working experience, capability and commitment necessary to carry out the role; and

(i) Financial integrity, where the candidate must manage his debts or financial affairs prudently.

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

The Company's Constitution requires all Directors to submit themselves for re-election by shareholders at the Annual General Meeting ("AGM") at least once in every three (3) years.

The Group Nominating/Remuneration Committee also oversees the succession planning of key senior management across the Group with a view to build and maintain senior leadership bench strength. Diversity at key senior management level is also taken into consideration.

BOARD CHARTER

A Board Charter was formalised and adopted by the Board on 21 November 2013. The Board Charter not only sets out the roles and responsibilities of the Board in accordance with applicable rules and regulations but also provides clear delineation of duties of the Chairman and individual Director. The Board Charter aims to promote ethical behaviour among the members and firmly inculcate good governance in the Board's undertakings. The Board Charter will be reviewed from time to time to ensure that it remains not only consistent with the corporate governance standards but also relevant to the Board's objectives and responsibilities.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIRECTORS' TRAINING

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

The training programmes and seminars attended by the Directors during the financial year ended 31 December 2018 are, inter-alia, on areas relating to corporate governance, risk management, role of an effective Board, insurance, banking and finance. The conferences, seminars and training programmes attended by the Directors during the financial year ended 31 December 2018 are as follows:-

Financial and Capital Market

- IFRS Regional Workshop: IFRS 17 Insurance Contract
- Blockchain in Financial Services Industry by IBM
- Anti-Money Laundering (AMLA) Training
- Affin Hwang Capital Conference series 2018: Rebuilding a New Malaysia
- 3rd ASEAN Insurance Summit- the 4th Industrial Revolution and its impact on the ASEAN insurance industry
- IFRS 17: Introduction and Overview Training
- Financial Master Class, a simple yet practical financial plan tool
- Digital Economy & Capital Market Series: Financial Technology (Fintech), Artificial Intelligence (AI), Big Data and Internet of Things (IOT)
- Updates and Changes Arising from Budget 2019
- MFRS 17 Insurance Contracts

Role of an Effective Board

- FIDE FORUM DIALOGUE: Navigating the VUCA World (1st Distinguished Board Leadership Series)
- FIDE FORUM: Dialogue with Senior Officials of Bank Negara Malaysia – discuss the emerging and future challenges of Directors of Financial Institutions (FIs) in Malaysia
- ADEC GM Development – Skill Building Programme – Negotiation Skill

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

- Managing Cyber Risks In Financial Institutions, FIDE
- Beyond Compliance: Achieving Cyber Resiliency (Moving from compliance focused to robust readiness)
- Understanding Liquidity Risk Management in Banking
- Governance, Risk and Control – Embracing The Future
- Affin Bank Group Board of Directors and Management Training: Risk, Challenges & Vulnerabilities Towards Regulatory Compliance
- Corporate Governance: MCCG & CG Guide
- Prevention of Insider Trading

Others

- MIA-ICAEW Complimentary Talk: Artificial Intelligence and The Future of Accountancy
- 5th BNM-Fide Forum Annual Dialogue: Up Close with the Deputy Governor of BNM
- FIDE FORUM – IBM Think Malaysia
- Offshore Technology Conference Asia 2018
- The Eighth Malaysia Investor Relations Awards

The Board will continue to undergo other relevant training programmes and seminars to ensure that they remain well-equipped with the relevant knowledge as well as emergent strategic directions and ideas to discharge their duties effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The remuneration of the Directors for the financial year ended 31 December 2018 is set out below:-

	Fees (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Retirement benefits contribution (RM'000)	Benefits-in-kind (RM'000)	RSU expenses (RM'000)	Tax equalisation* (RM'000)	Others (RM'000)	Total (RM'000)
COMPANY									
Executive									
Lee Sang Hui	–	58	–	7	3	–	–	104	172
Mark Steven O'Dell	–	435	–	20	65	21	465	42	1,048
Non-Executive									
Dato' Dr. Zaha Rina Binti Zahari	105	–	–	–	–	–	–	–	105
Datuk Seri Panglima Mohd Annuar Bin Zaini	79	–	–	–	–	–	–	–	79
Lim Hun Soon @ David Lim	84	–	–	–	–	–	–	–	84
Kenneth Joseph Rappold Jr.	18	–	–	–	–	–	–	–	18
Leung Rockson Lok-Shuen	53	–	–	–	–	–	–	–	53
Dr. Gopakumar Kurup	17	–	–	–	–	–	–	–	17
GROUP									
Executive									
Lee Sang Hui	–	289	–	35	7	–	–	521	852
Mark Steven O'Dell	–	2,176	–	100	332	107	2,324	209	5,248
Non-Executive									
Dato' Dr. Zaha Rina Binti Zahari	148	–	–	–	–	–	–	–	148
Datuk Seri Panglima Mohd Annuar Bin Zaini	160	–	–	–	–	–	–	–	160
Lim Hun Soon @ David Lim	141	–	–	–	–	–	–	–	141
Kenneth Joseph Rappold Jr.	18	–	–	–	–	–	–	–	18
Leung Rockson Lok-Shuen	53	–	–	–	–	–	–	–	53
Dr. Gopakumar Kurup	32	–	–	–	–	–	–	–	32

Note:

* *Tax equalisation refers to the tax incurred by the Group and the Company on behalf of the Chief Executive Officer who is on international assignment so as to allow him a tax neutral position for working in Malaysia. Included in the current year amount are payments with respect to prior years of RM407,000.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (CONT'D)

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

The Board has in place policies and procedures to determine the remuneration of its Directors as well as its senior management that take into account the demands, complexities and performance of the Group as well as skills and experience required, and these are periodically reviewed. An explanation on the principles and practice of remuneration is available on the Company's website at www.manulife.com.my, and the Board deems this explanation is sufficient disclosure of the Group policies and procedures.

The Board has further deliberated and taken the decision not to disclose its senior management's remuneration as it deems disclosing this sensitive information will put the Group at a competitive disadvantage.

DIRECTORS' INDEPENDENCE

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

As at 31 December 2018, none of the Independent Directors has served as an Independent Director for more than nine (9) years.

SHAREHOLDERS' COMMUNICATIONS AND INVESTOR RELATIONS POLICY

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

The Company has been using the AGM as a means of communication with its shareholders. The Board encourages participation from shareholders by having question and answer sessions during the AGM where members of the Board as well as Management and the external auditors are available to answer questions raised at the AGM. All resolutions are put to vote on a poll as per the Listing Requirements. In addition to AGM, the Company also expeditiously addresses enquiries from shareholders from time to time.

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

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

CORPORATE DISCLOSURE

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

FINANCIAL REPORTING

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

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board is required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year then ended.

In preparing the financial statements, the Board has:-

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

The Board has the responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 2016.

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

RELATIONSHIP WITH AUDITORS

The Group Audit Committee meeting held on 20 February 2019 undertook an annual assessment of suitability and independence of the external auditors. In its assessment, the Group Audit Committee considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of Messrs. Ernst & Young ("EY") and the level of non-audit services to be rendered by EY to the Company for the financial year 2019. Being satisfied with EY's performance, technical competency and audit independence, the Group Audit Committee recommended the re-appointment of EY as external auditors for the financial year ending 31 December 2019. The Board at its meeting held on 27 February 2019 approved the Group Audit Committee's recommendation for the shareholders' approval to be sought at the Forty-Third AGM on the re-appointment of EY as external auditors of the Company for the financial year 2019.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

RECOGNISE AND MANAGE RISK

The Statement on Risk Management and Internal Control, set out on pages 48 to 50 of the Annual Report provides an overview of the management of risks and state of internal controls within the Group.

INTERNAL AUDIT FUNCTION

The Internal Audit Department carries out the internal audit function and reports directly to the Group Audit Committee. The details of the internal audit function are set out on pages 59 to 60 of the Annual Report.

CORPORATE GOVERNANCE REPORT

This Report is published in the Company's website at www.manulife.com.my.

This statement is in accordance with a resolution of the Board dated 27 February 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2018

BOARD'S RESPONSIBILITY

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

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

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

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

KEY INTERNAL CONTROLS AND RISK MANAGEMENT PROCESSES

Enterprise Risk Management Framework

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

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

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

The GRMC meets at least quarterly to review both the key risks identified by Management and plans for the mitigation of these risks. The key risk areas examined are strategic risk, insurance risk, market and liquidity risk, credit risk and operational risk. A formalised risk assessment is conducted quarterly by the respective risk managers, comprising the Heads of Business units. For the key risks identified, Management action plans are formulated and implemented. The results of the risk assessments are reviewed by the Enterprise Risk Management Committee ("ERM") before they are reported to the Board via the GRMC, to ensure that the risk management monitoring is independent.

There is a clearly defined assignment of responsibilities to the Committees of the Board and to Management to provide oversight and governance over the Group's activities. The Board, through its GAC and GRMC, is responsible for overseeing the Group's management of its principal risks. The Group Chief Executive officer ("CEO') is directly accountable to the Board for all of Manulife Malaysia's risk taking activities and risk management practices. The Board and GRMC delegate accountability for risk taking and risk management to the Group CEO. The Group CEO, supported by the Risk Officers and ERMC establish risk policies, guide risk-taking activity, monitor material risk exposures, and develop strategic risk management priorities, thereby continuously shaping and promoting the risk culture throughout the Group. The ERMC consists of the Group CEO, CEO of Manulife Insurance Berhad, CEO of Manulife Asset Management Services Berhad, CEO of Manulife Insurance Labuan Limited, Group Chief Finance Officer ("GCFO"), Chief Counsel and Corporate Services Officer, Risk Officers, Compliance Heads, Information Risk Officer, Appointed Actuary and Chief Marketing Officer.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2018

Internal Audit Services Function

The Charter for Audit Services – Malaysia ("AS-Malaysia") is reviewed and approved by the GAC annually.

The scope of Audit Services Asia - Malaysia' work encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee and Senior Management on the adequacy and effectiveness of Manulife's governance, risk management and internal control processes. Internal audit assessments include evaluating:

- The comprehensiveness, reliability, and integrity of financial and operating information, and the means used to identify, measure, analyze, classify, and report such information;
- The comprehensiveness and appropriateness of policies and procedures;
- The processes that ensure compliance with policies, procedures, laws, and regulations that could have a significant impact on operations, management or financial reporting;
- The means of safeguarding assets against accident, theft, malicious damage or other improper or illegal activities;
- The appropriateness and comprehensiveness of operating standards, the extent to which they are communicated and understood, and whether deviations from standards are identified analyzed and communicated; and corrective action taken; and
- Consultation and other services related to audit expertise as needs arise.

The annual audit plan is primarily driven by an independent assessment of inherent risk of the common units across the company and includes consideration of external information published by industry groups, and input from management, Committee members, regulators and other stakeholders. The objective of the risk assessment exercise is to focus annual activity on the most important risks faced by Manulife while providing appropriate audit coverage over other areas over time. The progress of the internal audit plan, a summary of internal audit issues and the status of corrective actions performed to address the internal audit issues are reported to the GAC when it meets.

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

Other Key Internal Controls

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

An annual review of the current and future financial position of the Group's insurance business is performed by the Appointed Actuary ("AA"), as guided by Policy Document issued by Bank Negara Malaysia's (BNM/RH/GL/003-17) Financial Condition Report and (BNM/RH/GL/032-12) Risk Based Capital Framework for Insurers. These include annual assessment on various aspects of the Company's financial condition, quarterly capital adequacy ratio reporting, annual multi-period stress testing and assessing the Group's insurance business' ability to withstand various adverse scenarios as part of the capital assessment procedures. Generally the appointment and duties of the AA is in accordance with BNM/RH/STD 029-5 - Appointed Actuary: "Appointment and Duties".

The Compliance function ensures that the Group works within the applicable statutory, regulatory and ethical frameworks defined by all applicable laws, regulations and guidelines governing the insurance, asset management and unit trust and private retirement scheme industries. The Business Unit Compliance Officer ensures that any compliance-related matters are reported to the Senior Management and the Board promptly as follows:

Manulife Insurance Berhad

On a half-yearly basis, assessment and monitoring of the legislative compliance to applicable Acts, regulations, internal policies and procedures are carried out to ensure that adequate risk management exists to assist Senior Management in identifying, addressing and integrating significant legislative or regulatory requirements into the Company's business activities through appropriate internal control procedures and risk management practices.

Manulife Asset Management Services Berhad

As and when there is a regulatory change, assessment and monitoring of the legislative compliance to applicable Acts, regulations, internal policies and procedures are carried out to ensure that adequate risk management exists to assist Senior Management in identifying, addressing and integrating significant legislative or regulatory requirements into the Group's business activities through appropriate internal control procedures and risk management practices. On a yearly basis, the record kept in the system will be reviewed and updated accordingly.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE YEAR 2018

There are proper processes within the Group for hiring, termination and promotion of staff including continuous training programmes and two (2) performance reviews conducted at mid-year and year end. In addition, other relevant procedures are in place to ensure that staff are competent, adequately trained in carrying out their roles and responsibilities and focused on achieving the desired results and business objectives. Another key human resource initiative is succession planning. Succession planning is reviewed on an annual basis leveraging on outcomes of the talent review. Key roles are identified in consultation with Senior Management based on its criticality and availability via a robust deliberation process. Identified high potentials are reflected in the succession plans depending on the role, growth opportunity, personal aspirations and mobility.

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

The Information Risk Management function has in place, an existing risk assessment process that covers cyber security risk. The assessment is guided by policies and standards in place, in areas such as network security, encryption standards (for data at rest and in transit), operational security, application security, vulnerability management and logical access control.

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

Risk Policies in Place

The Group's Enterprise Risk Policy sets out the overall enterprise risk management framework by defining policies and standards of practice related to risk governance, risk identification, risk measurement, risk monitoring, risk control and mitigation. There are various key risk policies in place to guide specific risk taking and Management activities.

ASSURANCE FROM MANAGEMENT

The Board has received full assurance from the Group CEO and the GCFO that the Group's risk management and internal control system is operating adequately and effectively, in all material respects, based on the enterprise risk management framework adopted by the Group.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer, nor is the Statement factually inaccurate. The external auditors are not required by AAPG 3 to consider, whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk management and control procedures.

CONCLUSION

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

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

This Statement was made in accordance with a resolution of the Board dated 27 February 2019.

ADDITIONAL COMPLIANCE INFORMATION

1. AUDIT FEES AND NON-STATUTORY AUDIT FEES

The audit fees and non-statutory audit fees for the Group and the Company paid to Messrs. Ernst & Young, the External Auditors and its affiliated companies for the financial year ended 31 December 2018 are as follows:-

Services	Company (RM'000)	Group (RM'000)
Audit Fees	98	624
Non-statutory audit related services	52	184
Total	150	808

2. MATERIAL CONTRACTS

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

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

At the Forty-Second Annual General Meeting ("**AGM**") of the Company held on 5 June 2018, the Company had obtained the Shareholders' Mandate to allow the Group to enter into RRPTs ("**Shareholders' Mandate**").

In accordance with Section 3.1.5 of Practice Note No. 12 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the details of the RRPTs conducted during the financial year ended 31 December 2018 pursuant to the Shareholders' Mandate are disclosed as follows:-

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Actual value of transaction (RM'000)
1.	Provision of various training, advisory and support services from Manulife Asia headquarters	MHB Group	MFAL^	–	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#

ADDITIONAL COMPLIANCE INFORMATION

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Actual value of transaction (RM'000)
2.	Delegation of fund management of foreign mandate portfolio	MAMSB	MAMHK¤	–	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
3.	Marketing and client servicing support to clients/potential clients seeking offshore investments	MAMSB	MAMSP¤	–	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
4.	Outsourcing of asset management subsidiary back office system	MAMSB	MFCGroup~	792	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#

ADDITIONAL COMPLIANCE INFORMATION

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Actual value of transaction (RM'000)
5.	Provision for actuarial services provided by Manulife's Regional Office	MIB	MFAL^	–	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
6.	Outsourcing of human resource operations including payroll and back-office processing	MHB	MFCGroup~	–	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
7.	Provision of treasury system	MHB Group	MFCGroup~	–	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#

ADDITIONAL
COMPLIANCE INFORMATION

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Actual value of transaction (RM'000)
8.	Investment management/ advisory and other related services	MAMSB	MAMSP¤	562	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
9.	Investment management/ advisory and other related services	MAMSB	MAMHK¤	316	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
10.	Accounting and finance support	MIB	MFAL^	192	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
11.	Investment management/ advisory and other related services	MAMSB	MAMUS ø	-	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#

ADDITIONAL COMPLIANCE INFORMATION

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Actual value of transaction (RM'000)
12.	Provision of application system services and infrastructure support	MHB Group	MFAL^	1,818	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
13.	Manulife Centre of Excellence (COE) – Operations and information technology support services	MAMSB	MFAL^	(442)	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
14.	Investment management	MILL	HCIMø	-	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
15.	Derivative executive and other related services	MAMSB	MFC Group~	-	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#

ADDITIONAL COMPLIANCE INFORMATION

No.	Nature of Transactions	Transacting Party	Class of Related Party	Actual value of transaction (RM'000)	Actual value of transaction (RM'000)
16.	Provision of reinsurance services	MILL	MILHK	7	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#
17.	Provision of underwriting services	MILL	Manulife Singapore^	–	Interested Director* – Kenneth Joseph Rappold Jr. (became interested Director with effect from 1 October 2018) – Leung Rockson Lok-Shuen (ceased as Interested Director with effect from 31 October 2018) Interested Major Shareholders – MFC~ – MLIC – MFAL^ – MHBL> – MCHN#

Denote:-

HCIM - Hancock Capital Investment Management LLC
MAMSB - Manulife Asset Management Services Berhad
MCHN - Manulife Century Holdings (Netherlands) B.V.
MFC - Manulife Financial Corporation
MFC Group - MFC, its subsidiaries and associate companies
MFAL - Manulife Financial Asia Limited
MHB - Manulife Holdings Berhad
MHB Group - MHB, its subsidiaries and associate companies
MHBL - Manulife Holdings (Bermuda) Limited
MIB - Manulife Insurance Berhad
MLIC - The Manufacturers Life Insurance Company
MAMHK - Manulife Asset Management (Hong Kong) Limited
MAMSP - Manulife Asset Management (Singapore) Pte. Ltd
MAMUS - Manulife Asset Management (US) LLC
MILL - Manulife Insurance Labuan Limited
MILHK - Manulife International Limited (HK)
Manulife Singapore - Manulife (Singapore) Private Limited

Notes:

* Representing MCHN to the Board.
# MCHN's ultimate holding company is MLIC.
~ MFC is the holding company of MLIC.
ø MLIC is the ultimate holding company of MAMUS and HCIM.
¤ MFC is the ultimate holding company of MAMHK and MAMSP.
^ MFAL is the holding company of MCHN and Manulife Singapore.
> MHBL is the holding company of MFAL.

GROUP
AUDIT COMMITTEE REPORT

I. COMPOSITION OF THE GROUP AUDIT COMMITTEE

Mr. Lim Hun Soon @ David Lim *(Independent Non-Executive Director) (Chairman)*
Datuk Seri Panglima Mohd Annuar bin Zaini *(Independent Non-Executive Director)*
Mr. Kenneth Joseph Rappold *(Non-Independent Non-Executive Director) (appointed w.e.f. 1 October 2018)*
Dr. Gopakumar Kurup *(Independent Non-Executive Director) (resigned w.e.f. 31 March 2018)*

The details of attendance of each member at the Group Audit Committee meetings held during the year 2018 are as follows:-

Name of Group Audit Committee member	Attendance
Mr. Lim Hun Soon @ David Lim	5 out of 5
Datuk Seri Panglima Mohd Annuar bin Zaini	5 out of 5
Mr. Kenneth Joseph Rappold Jr. *(appointed w.e.f. 1 October 2018)*	0 out of 1
Dr. Gopakumar Kurup *(resigned w.e.f. 31 March 2018)*	2 out of 2

II. MEETINGS

The Group Audit Committee had five (5) meetings during the year and the details of attendance of each member are stated above. Upon invitation, the Group Chief Executive Officer and members of Senior Management attended all the meetings.

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

III. SUMMARY OF ACTIVITIES

The Group Audit Committee's activities during the year 2018 comprised the following:-

1.1. Financial Reporting

(a) In overseeing Manulife's financial reporting, the Group Audit Committee reviewed the quarterly financial statements for the fourth quarter of 2017 and the Annual Audited Financial Statements of 2017 at its meetings on 21 February 2018 and 19 March 2018 respectively. The quarterly financial statements for the first, second and third quarters of 2018, which were prepared in compliance with the Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting and International Financial Reporting Standard ("IFRS"), were reviewed at the Group Audit Committee meetings on 21 May 2018, 16 August 2018 and 19 November 2018 respectively. All the Group Audit Committee's recommendations were presented for approval at the subsequent Board of Directors' meetings.

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

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

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

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

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

v. The Annual Audited Financial Statements and Condensed Consolidated Interim Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Company and its subsidiaries ("Manulife Group") and of their financial performance and cash flows for the financial year and period ended in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia, where required.

GROUP AUDIT COMMITTEE REPORT

III. SUMMARY OF ACTIVITIES (CONT'D)

The Group Audit Committee's activities during the year 2018 comprised the following (cont'd):-

1.1. Financial Reporting (Cont'd)

(c) On 16 August 2018, the Group Audit Committee noted the Review Report on the Condensed Consolidated Interim Financial Information of the Company for the six (6)-month financial period ended 30 June 2018 and Manulife Group's 2018 audit plan presented by the External Auditors, Messrs. Ernst & Young ("EY").

1.2 Related Party Transactions

The Group Audit Committee reviewed and verified the related party transactions and conflicts of interest entered into by the Company and its subsidiaries and recommended the same to the Board of Directors for review.

1.3 External Audit

Meeting with the External Auditors
On 21 February 2018, the External Auditors presented their Audit Results for 2017 and discussed significant audit matters with the Group Audit Committee. The finalised audit fees for year 2017 was also presented in the Audit Results and deliberated by the Group Audit Committee. In addition, the External Auditors also confirmed to the Group Audit Committee that in accordance with relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2017.

The Group Audit Committee deliberated the External Auditors' Report for 2017 and Management Letter Report for the financial year ended 31 December 2017 during the Group Audit Committee meetings held on 21 February 2018 and 19 March 2018 respectively. During these meetings, the Group Audit Committee together with the External Auditors discussed the audit results and recommendations to improve the accounting procedures and internal control measures in relation to the financial year ended 31 December 2017.

On 16 August 2018, the Group Audit Committee reviewed the list of services for the financial year 2018 presented by EY in the Annual Plan 2018 which comprised audit and audit related services and other services. In considering the nature and scope of services to be provided, the Group Audit Committee was satisfied that those services were not likely to neither create any conflicts of interest nor impair the independence and objectivity of the External Auditors. In the same meeting, the External Auditors also highlighted the areas of audit emphasis for the audit for the financial year 2018. The External Auditors also presented the review report and review results arising from the limited review performed on the quarterly financial statements for the second quarter of 2018 prior to the announcement of the half yearly financial results during the same meeting.

Annual Evaluation and Review of Independence of External Auditors
Mr. Ahmad Hammami Muhyidin and Ms. Ng Sue Ean became the lead audit engagement partner and the audit concurring partner respectively for 2018 year-end audit. The previous lead audit engagement partner and the audit concurring partner had rotated off the audit after the 2017 audit. There is a rotation policy of audit partners within the External Auditors team, which is guided by regulatory requirements.

In this respect, the Group Audit Committee carries out an annual review of the performance of the External Auditors, including assessment of their independence in performing their obligations. Based on the annual evaluation of their performance and audit fees conducted by the Group Audit Committee on 21 February 2018, the Group Audit Committee was satisfied with the External Auditors' technical competency and independence for 2017.

Being satisfied with EY's performance, technical competency and audit independence, the Group Audit Committee recommended to the Board for approval of the re-appointment of EY as External Auditors for the financial year ended 31 December 2018 on 21 February 2018.

GROUP AUDIT COMMITTEE REPORT

III. SUMMARY OF ACTIVITIES (CONT'D)

1.4. Oversight of Internal Audit

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

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

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

(b) Annual review of internal audit charter;

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

(d) Level of independence of Internal Audit staff;

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

(f) Quality and achievement of annual audit plan.

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

For the year 2018, the Group Audit Committee assessed the overall performance of the Internal Audit Department to be strong.

IV. GROUP INTERNAL AUDIT FUNCTION

The Group has a well-established Internal Audit Department known as Audit Services – Malaysia ("**AS-Malaysia**"), which reports directly to the Group Audit Committee. AS-Malaysia comprises five (5) personnel, and is headed by Mr. Yoga Adrian A/L Kandasamy, who has a Certificate in Shariah Finance from International Islamic University Malaysia (IIUM). The mandate of AS-Malaysia is to provide independent, objective assurance and consulting services of sufficient scope to add value, improve the operations of the Company, and enable the Board of Directors to satisfy its fiduciary and legal responsibilities. Accordingly, all AS-Malaysia personnel are free from any relationships or conflicts of interest which could impair their objectivity and independence. In addition, the Regional Audit Services Asia team also provides oversight and supports to ensure that AS-Malaysia is staffed and operated to ensure that is consistent with Manulife's values, in accordance with the code of conduct as well as the other mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing.

The Group Audit Committee approves the following year's AS-Malaysia risk-based Internal Audit plan, independence, structure, resources and budget during the last Group Audit Committee meeting each year. Any subsequent significant changes to the audit plan will be submitted to the Group Audit Committee for approval and any resource limitations are communicated that impact Manulife Group's internal audit activities. The Group Audit Committee will also review the skills and qualification of the AS-Malaysia team during the year.

GROUP
AUDIT COMMITTEE REPORT

IV. GROUP INTERNAL AUDIT FUNCTION (CONT'D)

The scope of AS-Malaysia covers the audits of all units and operations of the Manulife Group. The annual audit plan is primarily driven by an independent assessment of inherent risk of the common units (i.e. business or functional unit most relevant to senior leaders, the 3 Lines of Defense, Board and Regulators) across the Company. The objective of the risk assessment exercise is to focus annual activity on the most important risks faced by the Company while providing appropriate audit coverage over other areas over time. While still very much risk-based, AS Malaysia does have a cycle element to its coverage methodology whereby AS Malaysia targets to cover key elements (i.e. auditable entities) of highest risk units within two (2) years, medium risk over three (3) to four (4) years, and low risk units on a five (5)+ year cycle (or alternate procedures). The key areas reviewed in 2018 covered the following:

1. Regulatory requirements including Anti-Money Laundering and Anti-Terrorism Financing Act 2001;
2. Procurement:
3. Claims;
4. Agents and Wealth Advisor Financing Scheme;
5. Data privacy; and
6. Business continuity management.

The scope of AS-Malaysia's work encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Group Audit Committee and Senior Management on the adequacy and effectiveness of the Company's governance, risk management and internal control processes. Internal audit assessments include evaluating:

- The comprehensiveness, reliability, and integrity of financial and operating information, and the means used to identify, measure, analyse, classify, and report such information;
- The comprehensiveness and appropriateness of policies and procedures;
- The processes that ensure compliance with policies, procedures, laws, and regulations that could have a significant impact on operations, management or financial reporting;
- The means of safeguarding assets against accident, theft, malicious damage or other improper or illegal activities;
- The appropriateness and comprehensiveness of operating standards, the extent to which they are communicated and understood, and whether deviations from standards are identified, analysed and communicated; and corrective action taken; and
- Consultation and other services related to audit expertise as needs arise.

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

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

The total costs incurred in managing internal audit activities for Manulife Group in year 2018 were RM760,723 (2017: RM624,659).

V. CONCLUSION

This report is made in accordance with a resolution of the Board dated 27 February 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to:-		
Owners of the Company	26,251	93,348
Non-controlling interests	61	–
	26,312	93,348

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single-tier dividend of 8.0 sen per share amounting to RM16,189,600 for the financial year ended 31 December 2017.

The directors recommend the payment of a first and final dividend of 7.0 sen per share, amounting to RM14,165,900 for the financial year ended 31 December 2018, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

Material transfers to or from reserves and provisions during the financial year are as disclosed in the financial statements.

SHARE CAPITAL

There were no changes in the issued share capital of the Company during the financial year.

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS

The significant events during the financial year are as follows:-

(i) MAAKL Mutual Berhad ("MAAKL"), a wholly-owned subsidiary of the Group, was dissolved on 1 August 2018. The dissolution of the subsidiary contributed to a gain of approximately RM1,500,000 to the financial results of the Group (note 7 and note 23 to the financial statements)

(ii) The Company had on 19 September 2018 redeemed 6,000,000 preference shares in one of its subsidiary, British American Investments Pte. Ltd., for RM18,145,000, recording a currency translation reserve of approximately RM9,248,000 (note 7 to the financial statements).

Subsequently, on 1 November 2018, the subsidiary has been placed under Members' Voluntary Winding Up. The affairs and conduct of the subsidiary is now placed under the control of the Liquidator who will manage the entire process of liquidation. The winding up have no material impact on the financial results on the Group for the financial year ended 31 December 2018.

(iii) The Company had on 30 November 2018 subscribed for additional 1,000,000 ordinary shares of USD1.00 each in the capital of Manulife Insurance Labuan Limited, a wholly-owned subsidiary of the Company for a total consideration of approximately RM4,235,000.

(iv) Manulife Insurance Labuan Limited, the insurance subsidiary incorporated in Federal Territory of Labuan, Malaysia, had on 19 June 2018 been licensed as an approved Insurance Broker in Labuan by the Labuan Financial Services Authority.

PROVISION OF INSURANCE LIABILITIES

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities of the Group's insurance subsidiaries, in accordance with the valuation methods specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia and guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business by Labuan Financial Services Authority.

DIRECTORS

The directors who have held office during the financial year to the date of this report are:

Dato' Dr. Zaha Rina binti Zahari
Datuk Seri Panglima Mohd Annuar bin Zaini
Lim Hun Soon @ David Lim
Lee Sang Hui (appointed on 1 November 2018)
Kenneth Joseph Rappold Jr. (appointed on 1 October 2018)
Mark Steven O'Dell (resigned on 31 October 2018)
Leung Rockson Lok-Shuen (resigned on 31 October 2018)
Dr. Gopakumar Kurup (resigned on 31 March 2018)

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

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

In accordance with Article 98 of the Company's Articles of Association, Mr. Kenneth Joseph Rappold Jr. and Mr. Lee Sang Hui shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

Other than the Directors of the Company listed above, the following is a list of Directors who held office in the subsidiaries of the Company during the year to the date of this report:

Dato' Md Agil bin Mohd Natt
Wong Boon Choy
John Delford Allan Parker
Swee Leng Edmond Cheah
Chong Soon Min
Gianni Fiacco
Jasbender Kaur a/p Mehar Singh
Tham Kok Yoke
Justin David Helferich (appointed on 8 August 2018)
Lu Kee Hong (appointed on 11 September 2018)
Lee Wei Hsiung (resigned on 11 September 2018)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits disclosed as directors' remuneration and benefits in note 33 to the financial statements) by reason of a contract made by the Company or a related company with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

DIRECTORS' INTERESTS

No directors in office at the end of the financial year held any interest in the shares of the Company or its related corporations during the financial year.

INDEMNITY AND INSURANCE

During the financial year, the indemnity given or insurance effected for any Directors and officers of the Group and Company amounts to RM32,500,000 in aggregate with total annual premium of RM208,850 and RM18,774 respectively.

There were no indemnity given to, or insurance effected for auditors of the Group and Company during the financial year.

DIRECTORS' REPORT

HOLDING COMPANIES

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

AUDITORS AND AUDITORS' REMUNERATION

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

Auditors' remuneration is disclosed in note 26 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 March 2019.

DATO' DR. ZAHA RINA BINTI ZAHARI
CHAIRMAN

LEE SANG HUI
DIRECTOR

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) AND SECTION 251(3) OF THE COMPANIES ACT, 2016

We, Dato' Dr. Zaha Rina binti Zahari and Lee Sang Hui, being two of the directors of Manulife Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 73 to 188 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their 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 27 March 2019.

DATO' DR. ZAHA RINA BINTI ZAHARI
CHAIRMAN

LEE SANG HUI
DIRECTOR

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, Tham Kok Yoke (MIA Membership No: 17299), being the officer primarily responsible for the financial management of Manulife Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 73 to 188 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

THAM KOK YOKE

Subscribed and solemnly declared by the abovenamed Tham Kok Yoke at Kuala Lumpur in Malaysia on 27 March 2019, before me.

COMMISSIONER FOR OATHS
MOHD IBRAHIM BIN YAAKOB
No: W641

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MANULIFE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Manulife Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 73 to 188.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

1. Insurance Contract Liabilities of the Group

   The Group's insurance contract liabilities as at 31 December 2018 amounted to RM3.87 billion (as disclosed in Note 15 to the financial statements) or approximately 82% of its total liabilities. These long-term liabilities represent the Group's obligations to policyholders of its insurance subsidiaries, Manulife Insurance Berhad and Manulife Insurance Labuan Limited, and mainly consists of actuarial liabilities and investment-linked policyholders' account.

   The actuarial liabilities amounted to RM2.50 billion and has been estimated based on standard actuarial valuation models used in the insurance industry and considering the requirements stipulated under the Risk-based Capital Framework issued by Bank Negara Malaysia and the Guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business issued by Labuan Financial Services Authority as well as the accounting policy described in Note 2(y) to the financial statements. The investment-linked policyholders' account amounted to RM1.30 billion and represents the Net Asset Value of the investment-linked funds managed by the insurance subsidiary, and is recognised in accordance with the accounting policy described in Note 2(y) to the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MANULIFE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

1. Insurance Contract Liabilities of the Group (continued)

The complexity of the actuarial valuation models applied to derive the actuarial liabilities may give rise to estimation errors as a result of inadequate or incomplete data, the design and application of the relevant models by the management's expert (i.e. the Appointed Actuary) and the use of inappropriate assumptions. Economic and non-economic assumptions used such as investment yields, discount rates, policyholders' bonus/dividends, expense, mortality/morbidity, critical illnesses and surrenders/lapsation are some of the key inputs used in the valuation models to estimate the actuarial liabilities. Significant professional judgement is applied by the Group in deriving the assumptions (as described in Note 3 to the financial statements) and any significant changes thereon may have a material effect on the insurance contract liabilities.

We have engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620: *Reliance on the Work of an Auditors' Expert* to assist us in performing certain audit procedures on the actuarial liabilities of the Group.

Our audit procedures were focused on the following key areas:

- Understanding and documenting the qualifications, objectivity and independence of the Appointed Actuary tasked with estimating the actuarial liabilities of the insurance subsidiary;
- Assessing the valuation methodologies applied by the Group to derive the actuarial liabilities in respect of policy benefits promised under life insurance contracts issued by the insurance subsidiary;
- Assessing the design and testing the operating effectiveness of key internal controls over the actuarial valuation process with respect to financial reporting, including the bases used by the management of the insurance subsidiary in determining and approving the key assumptions applied;
- Assessing the experience analyses of the insurance subsidiary used during the setting of the key assumptions to derive the actuarial liabilities and challenging the rationale applied by the Appointed Actuary and management in deriving those assumptions. In addition and where appropriate, comparisons have also been made against other industry constituents;
- Testing the completeness and sufficiency of data used in the valuation of actuarial liabilities including reviewing the data extraction process and reconciliations carried out by management of the insurance subsidiary. These tests also included control tests performed on selected samples of insurance policies issued by the insurance subsidiary to ascertain effectiveness of operating controls over quality and accuracy of the underlying data;
- Performing audit tests on the model review process applied by management of the insurance subsidiary and independently reviewing the results thereon;
- Reviewing the Liability Adequacy Test results performed by the insurance subsidiary;
- Auditing the fair value of financial assets and adequacy of liabilities of the investment-linked funds;
- Performing control tests over the creation and cancellation of units of the investment-linked funds as well as calculation of Net Asset Values;
- Assessing the adequacy of disclosures made in the financial statements in respect of the insurance contract liabilities of the Group.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MANULIFE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

2. Management Rights of the Group and Investment in Asset Management subsidiary of the Company

   (a) Management Rights of the Group

   Management rights represent the purchase consideration paid to acquire the rights to manage unit trust funds. The carrying value as at 31 December 2018 amounted to RM86.82 million (as disclosed in Note 6 to the financial statements). This asset, which has an indefinite useful life is tested for impairment annually and whenever there is indication that it is impaired.

   (b) Investment in Asset Management subsidiary of the Company

   The Company's investment in subsidiaries amounted to RM348.96 million as of 31 December 2018 (as disclosed in Note 7 to the financial statements). Included in investment in subsidiaries is the cost of investment in its wholly owned asset management subsidiary, Manulife Asset Management Services Berhad.

   The Group has performed an impairment assessment to ascertain if the Value-In-Use ("VIU) of the asset management cash generating unit ("CGU") is sufficient to support the carrying values of the management rights of the Group and investment in asset management subsidiary of the Company.

   In testing for impairment, the Group estimated the VIU of the asset management CGU using the discounted cash flow ("DCF") method. The DCF method requires the application of assumptions which are subjective in nature and which requires judgement in its application. The application of such assumptions has impact on the estimated VIU and thus may affect the impairment decisions to be made for the CGU. The key assumptions used in deriving the VIU of the asset management CGU include assets-under-management, gross and net sales growth, terminal value estimates, expenses growth and discount rates. These key assumptions are disclosed in Note 6 to the financial statements and the policy for impairment of non-financial assets is disclosed in Note 2(l).

   Our audit procedures were focused on the following key areas:

   a. Challenging the key assumptions which would have the most significant effects on the estimated VIU calculated by the Group and benchmarking these against industry and historical experiences of the Group;

   b. Understanding the rationale and considerations used by management in deriving the relevant assumptions underlying the DCF and related VIU estimates;

   c. Performing mathematical accuracy calculations on the DCF workings performed by the Group;

   d. Performing appropriate stress-tests on the DCF estimated by the Group to estimate the VIU of the asset management CGU;

   e. Assessing the adequacy of disclosures made in respect of the intangible asset – management rights of the Group and investment in asset management subsidiary.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MANULIFE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MANULIFE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 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

Ahmad Hammami Bin Muhyidin
No. 03313/07/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
27 March 2019

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
Property and equipment	4	41,072	42,107	19,008	20,375
Investment property	5	82,709	82,600	31,604	31,114
Intangible assets	6	110,040	115,213	59	265
Subsidiaries	7	–	–	348,963	342,296
Available-for-sale financial assets	8(a)	3,089,541	3,090,586	–	66,357
Financial assets at fair value through other comprehensive income	8(b)	–	–	134,570	–
Financial assets at fair value through profit or loss	8(c)	1,561,729	1,536,831	21,268	–
Loans and receivables	9(a)	479,200	586,605	11,891	6,602
Reinsurance assets	10	10,068	6,412	–	–
Insurance receivables	11	24,344	23,971	–	–
Current tax assets		5,258	686	–	686
Deferred tax assets	18	–	–	86	–
Cash and cash equivalents		130,893	148,973	1,328	1,153
TOTAL ASSETS		5,534,854	5,633,984	568,777	468,848
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES					
Share capital	12	103,069	103,069	103,069	103,069
Retained earnings	13	704,924	694,863	428,823	350,850
Other reserves		11,788	16,197	15,770	6,131
Equity attributable to the owners of the Company		819,781	814,129	547,662	460,050
Non-controlling interests	14	2,090	1,195	–	–
TOTAL EQUITY		821,871	815,324	547,662	460,050
Insurance contract liabilities	15	3,873,195	3,948,122	–	–
Insurance claims liabilities	16	55,014	56,489	–	–
Financial liability at fair value through profit or loss	17	116	–	–	–
Deferred tax liabilities	18	16,802	36,540	–	103
Insurance payables	19	559,159	526,936	–	–
Current tax liabilities		178	2,456	177	–
Other payables	20	208,519	248,117	20,938	8,695
TOTAL LIABILITIES		4,712,983	4,818,660	21,115	8,798
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		5,534,854	5,633,984	568,777	468,848

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

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Premium income					
Gross premiums		913,371	896,375	–	–
Premiums ceded to reinsurers		(47,965)	(38,895)	–	–
Net premiums	21	865,406	857,480	–	–
Investment income	22	197,088	187,287	109,590	8,630
Net realised gains/(loss)	23	37,746	50,147	(97)	1,323
Net fair value (losses)/gains	24	(211,977)	159,291	(1,213)	(882)
Fee income	25	106,734	96,105	1,195	637
Other operating income		2,849	2,193	2	1
Total revenue		997,846	1,352,503	109,477	9,709
Gross benefits and claims paid and payable		(671,041)	(647,404)	–	–
Claims ceded to reinsurers		13,790	13,252	–	–
Gross change in insurance contract liabilities		(2,863)	(294,323)	–	–
Change in insurance contract liabilities ceded to reinsurers		1,578	(3,213)	–	–
Net claims		(658,536)	(931,688)	–	–
Fee and commission expenses		(120,842)	(120,601)	–	–
Investment expenses		(4,058)	(4,404)	(2,073)	(2,324)
Management expenses	26	(178,878)	(172,962)	(12,814)	(15,531)
Other operating income/(expenses)	28	2,695	(81,289)	(11)	326
Other expenses		(301,083)	(379,256)	(14,898)	(17,529)
Profit/(loss) before taxation		38,227	41,559	94,579	(7,820)
Taxation	29	(11,915)	(13,506)	(1,231)	78
Net profit/(loss) for the financial year		26,312	28,053	93,348	(7,742)
Net profit/(loss) attributable to:					
Owners of the Company		26,251	28,018	93,348	(7,742)
Non-controlling interests		61	35	–	–
		26,312	28,053	93,348	(7,742)
Basic and diluted earnings per share (sen)	30	12.97	13.84		

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

STATEMENTS OF TOTAL COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Net profit/(loss) for the financial year		26,312	28,053	93,348	(7,742)
Other comprehensive (loss)/income net of tax:					
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:-					
Net gains/(loss) on foreign currency translation		24	(786)	9,248	–
Fair value change of available for sale financial assets:					
– Gross fair value change	8(d)	(89,388)	77,276	–	980
– Deferred tax	18	6,730	(6,330)	–	–
		(82,658)	70,946	–	980
Change in insurance contract liabilities arising from unrealised net fair value change	15	77,975	(62,024)	–	–
Net (loss)/income		(4,683)	8,922	–	980
Fair value change of debt securities at fair value through other comprehensive income – Gross fair value change	8(d)	–	–	956	–
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(4,659)	8,136	10,204	980
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:-					
Surplus from revaluation of property:					
– Gross surplus from revaluation		419	834	250	470
		419	834	250	470
Changes in insurance contract liabilities arising from revaluation of property	15	(169)	(364)	–	–
Net income		250	470	250	470
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		250	470	250	470
Other comprehensive (loss)/income for the financial year, net of tax		(4,409)	8,606	10,454	1,450
Total comprehensive income/(loss) for the financial year		21,903	36,659	103,802	(6,292)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		21,842	36,624	103,802	(6,292)
Non-controlling interests		61	35	–	–
		21,903	36,659	103,802	(6,292)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company								
		<--- Non-distributable				--->	Distributable			
Group	Note	Share capital RM'000	Share premium RM'000	Asset revaluation reserve RM'000	Currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings* RM'000	Total RM'000	Non-controlling Interests RM'000	Total equity RM'000
At 1 January 2017		101,185	1,884	5,078	–	2,513	688,094	798,754	365	799,119
Transition to no-par value regime	12	1,884	(1,884)	–	–	–	–	–	–	–
Changes in ownership interest in a unit trust fund managed by a subsidiary		–	–	–	–	–	–	–	795	795
Net profit for the financial year		–	–	–	–	–	28,018	28,018	35	28,053
Other comprehensive income/ (loss) for the financial year		–	–	470	(786)	8,922	–	8,606	–	8,606
Total comprehensive income/ (loss) for the financial year		–	–	470	(786)	8,922	28,018	36,624	35	36,659
Dividend paid	31	–	–	–	–	–	(21,249)	(21,249)	–	(21,249)
At 31 December 2017		103,069	–	5,548	(786)	11,435	694,863	814,129	1,195	815,324
At 1 January 2018		103,069	–	5,548	(786)	11,435	694,863	814,129	1,195	815,324
Changes in ownership interest in a unit trust fund managed by a subsidiary		–	–	–	–	–	–	–	834	834
Net profit for the financial year		–	–	–	–	–	26,251	26,251	61	26,312
Other comprehensive income/ (loss) for the financial year		–	–	250	24	(4,683)	–	(4,409)	–	(4,409)
Total comprehensive income/ (loss) for the financial year		–	–	250	24	(4,683)	26,251	21,842	61	21,903
Dividend paid	31	–	–	–	–	–	(16,190)	(16,190)	–	(16,190)
At 31 December 2018		103,069	–	5,798	(762)	6,752	704,924	819,781	2,090	821,871

* Included in the retained earnings are surplus from Non-participating life fund of the insurance subsidiaries of the Group (net of deferred tax) of approximately RM 69,495,000 (31 December 2017: RM68,988,000) as further disclosed in note 13. These amounts are only distributable upon the actual recommended transfer from the Non-participating life fund to the Shareholder's fund of the insurance subsidiaries of the Group by the Appointed Actuary.

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Note	Share capital RM'000	Share premium RM'000	Asset revaluation reserve RM'000	Fair value reserve RM'000	Currency Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
		<---- Non-distributable				---->	Distributable	
At 1 January 2017		101,185	1,884	5,078	(397)	–	379,841	487,591
Transition to no-par value regime	12	1,884	(1,884)	–	–	–	–	–
Net loss for the financial year		–	–	–	–	–	(7,742)	(7,742)
Other comprehensive income for the financial year		–	–	470	980	–	–	1,450
Total comprehensive income/(loss) for the financial year		–	–	470	980	–	(7,742)	(6,292)
Dividend paid	31	–	–	–	–	–	(21,249)	(21,249)
At 31 December 2017/ 1 January 2018		103,069	–	5,548	583	–	350,850	460,050
Effect on adoption of MFRS 9	39	–	–	–	(815)	–	815	–
At 1 January 2018 (restated)		103,069	–	5,548	(232)	–	351,665	460,050
Net profit for the financial year		–	–	–	–	–	93,348	93,348
Other comprehensive income for the financial year		–	–	250	956	9,248	–	10,454
Total comprehensive income for the financial year		–	–	250	956	9,248	93,348	103,802
Dividend paid	31	–	–	–	–	–	(16,190)	(16,190)
At 31 December 2018		103,069	–	5,798	724	9,248	428,823	547,662

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit/(loss) for the financial year		26,312	28,053	93,348	(7,742)
Adjustments for non-cash items	32	(9,661)	(294,205)	(106,030)	(8,450)
Operating profit/(losses) before changes in operating assets and liabilities		16,651	(266,152)	(12,682)	(16,192)
Purchase of investments	8(d)	(1,936,830)	(1,430,212)	–	–
Proceeds from disposal and maturity of investments		1,746,600	1,222,192	–	–
Interest income received		133,939	125,292	3,575	3,579
Dividend income received		57,112	52,574	100,870	821
Rental income received		6,091	6,965	4,520	4,859
(Increase)/decrease in insurance receivables		(371)	4,811	–	–
(Increase)/decrease in reinsurance assets		(3,656)	2,199	–	–
Decrease/(increase) in fixed and call deposits		104,976	(125,352)	154	1,085
Decrease in loans receivable		9,383	10,190	–	–
Increase in other receivables		(7,085)	(17,741)	(5,483)	(3,808)
Increase in insurance contract liabilities		2,879	294,323	–	–
(Decrease)/increase in insurance claims liabilities		(1,475)	725	–	–
(Decrease)/increase in payables		(6,539)	140,425	13,506	(4,780)
Cash generated from/(used in) operations		121,675	20,239	104,460	(14,436)
Income taxes paid		(32,255)	(34,061)	(557)	(58)
Net cash inflow/(outflow) from operating activities		89,420	(13,822)	103,903	(14,494)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	4	(1,455)	(1,908)	(517)	(280)
Purchase of intangible assets	6	(1,371)	(1,368)	(20)	–
Purchase of investments	8(d)	(209,483)	(98,173)	(209,483)	(98,173)
Proceeds from disposal and maturity of investments		119,851	147,944	119,851	147,944
Acquisition of subsidiary, balance of cash consideration paid		–	(1,446)	–	(1,446)
Incorporation of new subsidiary	7	–	–	–	(12,963)
Additional investment in a subsidiary	7	–	–	(4,235)	–
Proceeds from liquidation of subsidiary	7	–	–	6,770	–
Proceeds from disposal of property and equipment		314	1	96	–
Net cash (outflow)/inflow from investing activities		(92,144)	45,050	(87,538)	35,082

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

STATEMENTS OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to shareholders	31	(16,190)	(21,249)	(16,190)	(21,249)
Changes in non-controlling interests		834	795	–	–
Net cash outflow from financing activities		(15,356)	(20,454)	(16,190)	(21,249)
CASH AND CASH EQUIVALENTS					
Net (decrease)/increase during the financial year		(18,080)	10,774	175	(661)
Cash and cash equivalents at 1 January		148,973	138,199	1,153	1,814
Cash and cash equivalents at 31 December		130,893	148,973	1,328	1,153

CASH AND CASH EQUIVALENTS

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash and bank balances	105,971	130,643	979	815
Short-term deposits*	24,922	18,330	349	338
Cash and cash equivalents	130,893	148,973	1,328	1,153

* Short-term deposits with original maturities of less than 3 months.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

General

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

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

Principal activities

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

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

Registered office and principal place of business

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in these summary of significant accounting policies, and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act, 2016 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 new pronouncements effective from 1 January 2018 as follows:

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Amendments to MFRS 1 First-Time Adoption of MFRS (Annual Improvements to MFRS Standard 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 4 Insurance Contract Liabilities (Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts)	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new pronouncements effective from 1 January 2018 as follows: (continued)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 128 Investments in Associate and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
IC interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

The adoption of the above new pronouncements did not have any significant effect on the disclosures or amounts recognised in the Group and the Company's financial statements, other than as discussed below:-

MFRS 15 Revenue from Contracts with Customers

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

(i) Identify the contract with the customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to each distinct good or service; and
(v) Recognise the revenue

Applying the five-step model, an entity recognises revenue when (or as) a performance obligation is satisfied and provided to the customer, which is when the customer obtains control over the goods or services provided. The point at which revenue is able to be recognised may shift some revenue which is currently recognised at a point in time at the beginning of the contract or at the end of a contract, to be recognised over the contract term and vice versa.

In addition, an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Any bundled goods or services that are distinct must be separately recognised.

Impact on adoption of MFRS 15

The Group and Company have adopted MFRS 15 on 1 January 2018. The adoption did not have any significant financial impact to the Group and Company's financial results and financial position, as most of the revenue streams of the Group and the Company – other than those arising from insurance contracts and financial instruments held, which are scoped out of MFRS 15 – are already recognised in accordance with the principles of MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

MFRS 9 Financial Instruments and Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

MFRS 9 Financial Instruments

In July 2014, the Malaysian Accounting Standards Board ("MASB") issued the final version of MFRS 9 Financial Instruments that replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. It is equivalent to IFRS 9 as issued by International Accounting Standards Board ("IASB"), including the effective and issuance dates. MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting.

The changes on financial statements disclosures are summarised below:

i) Classification and measurement of financial assets

MFRS 9 establishes three primary measurement categories for financial assets: Amortised Cost, Fair Value Through Other Comprehensive Income ("FVOCI") and Fair Value Through Profit or Loss ("FVTPL"). It eliminates the existing MFRS 139 categories of Available-for-sale ("AFS"), Held-to-Maturity ("HTM") and Loans and Receivables ("LAR"). The basis of classification under MFRS 9 depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Amortised Cost
Financial assets are measured at amortised cost if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest. On derecognition, gains or losses are recognised in profit or loss.

Fair Value Through Other Comprehensive Income
Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows which are solely payments of principal and interest and selling the financial assets. Gains or losses on FVOCI financial instruments are recognised in Other Comprehensive Income ("OCI"). On derecognition, cumulative gains or losses in OCI are reclassified to profit or loss.

Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception of the Standard to present changes in OCI. However, such option will result in no reclassification of gains or losses to Profit or Loss upon derecognition but directly to retained earnings. No impairment loss considerations will apply to equity instruments under FVOCI.

Fair Value Through Profit or Loss
Financial assets are classified as FVTPL if the financial assets are held for trading or are managed on a fair value basis (including derivatives). Other financial assets with contractual cash flow that are not solely payments of principal and interest, regardless of its business model are classified as FVTPL.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

MFRS 9 Financial Instruments and Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (continued)

MFRS 9 Financial Instruments (continued)

The changes on financial statements disclosures are summarised below (continued):

ii) Classification and measurement of financial liabilities

For financial liabilities, MFRS 9 retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recognised in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

iii) Impairment

MFRS 9 introduces the Expected Credit Losses ("ECL") model for impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses incurred as at the reporting date. The ECL model will apply to financial assets measured at Amortised cost or FVOCI, except for investments in equity instruments.

Under MFRS 9, allowance for impairment is made based on the simplified approach which is based on Lifetime ECL or the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

Stage 1: 12-month ECL
For financial assets that have no significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the 12-month ECL which is based on the probability of default events occurring within next the 12 months will be recognised in profit or loss.

Stage 2: Lifetime ECL – Non-credit impaired
For financial assets that have significant increase in credit risks since initial recognition but do not have objective evidence of impairment, a lifetime ECL that is based on results from all possible default events over the expected life of the financial assets will be recognised in profit or loss.

Stage 3: Impairment – Credit impaired
Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, impairment will be recognised in profit or loss.

The assessment of credit risk and estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions, forecasts of future events and economic conditions at the reporting date.

iv) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

MFRS 9 Financial Instruments and Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (continued)

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

In December 2016, the MASB issued Amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (MFRS 17). Amendments to MFRS 4 is issued by the MASB in respect of its application in Malaysia. It is equivalent to the Amendments to IFRS 4 as issued by the IASB.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if:

i. It has not previously applied any version of MFRS 9; and

ii. Its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income, an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

An entity can apply the temporary exemption from MFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

Impact as a result of the adoption of MFRS 9 and Amendments to MFRS 4

The changes upon adoption of MFRS 9 and Amendments to MFRS 4 on the Group and on the Company are as follows:-

Group

The Group applied the temporary exemption under Amendments to MFRS 4 to defer the adoption of MFRS 9 until 1 January 2021, which is in line with the adoption of MFRS 17 Insurance Contracts, as the Group's activities are predominantly connected with insurance, and on the basis of meeting the predominance "insurance related industry" test under Amendments to MFRS 4, whereby the Group's insurance liabilities is more than 90% of the Group's total liabilities.

The accounting policies applied by the Group under MFRS 139 for both financial year ended 31 December 2017 and 31 December 2018 are set out in note 2(g).

Additional disclosures as required under Amendments to MFRS 4 are included in the financial statements of the Group as stated in note 38.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

MFRS 9 Financial Instruments and Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (continued)

Impact as a result of the adoption of MFRS 9 and Amendments to MFRS 4 (continued)

Company

The Company, which is an investment holding company does not meet the criterias stipulated under the Amendments to MFRS 4 to apply either the temporary exemption or overlay approach. Accordingly, the Company has adopted MFRS 9 on 1 January 2018.

The Company has applied the transitional provisions of not restating the comparative period as allowed in MFRS 9 upon the adoption. Accordingly, the comparative balances are not comparable, as the Company applied MFRS 139 and MFRS 9 for financial year ended 31 December 2017 and 31 December 2018, respectively. The accounting policies applied by the Company under MFRS 139 and MFRS 9 are set out in note 2(g) and 2(h), respectively.

The changes and impact upon the adoption of MFRS 9 to the Company's financial statements are discussed in note 39.

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

The standards and amendments/improvements to published standards and interpretations that are issued but not yet effective up to the financial year end of the Group and the Company are disclosed below. The Group and the Company intend to adopt these new pronouncements, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 119: Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Business Combinations: Definition of Business	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors expect that the adoption of the above new pronouncements will have no material impact on the financial statements in the period of initial application except as discussed below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet).

i. Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

ii. Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

Impact as a result of the result of the adoption of MFRS 16

The Group and the Company have performed an assessment on the requirements under MFRS 16 and reached the following conclusions:-

The Group and the Company will adopt MFRS 16 with effect from 1 January 2019 using the modified retrospective approach, under which no restatement of comparative numbers is required. The Group and the Company will elect to apply MFRS 16 to contracts that were previously identified as leases in accordance with MFRS 117 and IFRIC 4. The Group and the Company will not apply MFRS 16 to contracts previously identified as not containing leases in accordance with MFRS 117 and IFRIC 4.

The Group and the Company will elect to use the exemptions under MFRS 16 on lease contracts with a remaining lease term of 12 months or less as of date of initial application, and lease contracts for which the lease asset is of low value.

As at the date of this report, the Group and the Company are at the final stages of completing the financial impact assessment upon initial adoption of MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

MFRS 17 Insurance Contract Liabilities

MFRS 17 which was issued in August 2017, will replace MFRS 4 Insurance Contracts. MFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects, from recognition and measurement, presentation and disclosure.

MFRS 17 is effective for annual periods beginning on or after 1 January 2021. The Group plans to adopt the new standard on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17 for the insurance subsidiaries. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have significant impact on the total profit and the total equity, as well as changes to the overall presentation and disclosures in the Group's financial statements.

The Group will continue its implementation plan over the next few years.

(b) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Business combination

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

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

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

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

(iii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and statement of total comprehensive income as an allocation of the profit or loss for the financial year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Transactions eliminated on consolidation

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Fair value measurement

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

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

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

(d) Property and equipment

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

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

Subsequent expenditure relating to the property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the 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 Group 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 Group and the Company decides, after discussions with the external valuer, which valuation techniques and inputs to use. The valuation result is presented to the Board of Directors for approval prior to the adoption of the valuation report.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment (continued)

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

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

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

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

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

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

At each reporting date, the Group and the Company assesses whether there is any indication of impairment of property and equipment. 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(l) on impairment of non-financial assets.

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

(e) Investment property

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment property (continued)

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

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

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

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

(f) Intangible assets

(i) Management rights

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

(ii) Exclusive right

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

(iii) Computer software

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments under MFRS 139

As discussed in note 2(a)(i), the Group deferred the adoption of MFRS 9 as permitted under Amendment to MFRS 4. Accordingly, the Group continues to apply the following policies under MFRS 139 for both current year and prior year. As the Company elected to apply the transitional provision of not restating the comparative periods, the Company adopts the following policies for financial year ended 31 December 2017.

(i) Classification, recognition and measurement of financial assets

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

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

(1) FVTPL

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

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

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

Derivative financial instruments held by the Group and the Company are forward foreign exchange contract to hedge its currency risks. Any fair value gains on these derivative financial instruments are recognised as financial assets.

(2) HTM

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments under MFRS 139 (continued)

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

(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, with gains or losses recognised in other comprehensive income, except for impairment losses.

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.

On derecognition, the cumulative fair value gains and losses previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Derecognition and impairment of financial assets

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

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

All financial assets, except for FVTPL, are subject to review for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments under MFRS 139 (continued)

(iii) Impairment

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

Financial assets carried at amortised cost

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

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

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

AFS financial assets

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

(h) Financial instruments under MFRS 9

(i) Classification and measurement

The classification of financial assets depends on the Company's business model of managing the financial assets in order to generate cashflows ("business model test") and the contractual cashflow charateristics of the financial instruments ("SPPI test"). The business model test determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The SPPI test determines whether the contractual cash flows are solely for payments of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments under MFRS 9 (continued)

(i) Classification and measurement (continued)

Financial assets are classified into four categories:

(1) Financial assets at amortised costs

A financial asset is measured at amortised cost if its business model is to hold the asset in order to collect contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

Financial assets at amortised cost are subsequently measured using the effective interest and are subject to impairment assessment.

The Company classifies loans and receivables as financial assets measured at amortised cost.

(2) Financial assets at FVOCI (debt instruments)

A financial asset is measured at fair value through other comprehensive income ("FVOCI") if its business model is both to hold the asset to collect contractual cash flows and to sell the financial asset. In addition, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

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. All fair value adjustments are initially recognised through OCI. Debt instruments at FVOCI are subject to impairment assessment.

The Company classifies its debts instruments as financial assets at FVOCI.

(3) Financial assets at FVOCI (equities)

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on investment-by-investment basis.

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. All fair value adjustments are initially recognised through OCI. All equity instruments designated at FVOCI are not subject to impairment assessment.

As at the date of adoption, the Company did not irrevocably designate any equity investments as FVOCI.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments under MFRS 9 (continued)

(i) Classification and measurement (continued)

Financial assets are classified into four categories: (continued)

(4) Financial assets at FVTPL

Financial assets are classified as FVTPL if the financial assets are held for trading or are managed on a fair value basis (including derivatives). Other financial assets with contractual cash flow that are not solely payments of principal and interest, regardless of its business model are classified as FVTPL.

Certain financial assets that otherwise meets the requirements to be either measured at amortised cost or at FVOCI, may irrevocably be designated at FVTPL on initial recognition, when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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. All subsequent fair value adjustments are recognised through profit or loss.

The Company mandatorily classifies its equity securities, real estate investment trusts and unit trust funds as financial assets at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for management of the financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

(ii) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of financial assets in its entirety, other than for equity instruments which are FVOCI, all gains and losses, (difference between the carrying amount and the sum of consideration received or receivable), if any, is recognised in the profit or loss. Accumulated fair value gains and losses on debt securities at FVOCI which were recognised within OCI will be reclassified from OCI to profit or loss; whilst accumulated fair value gains and losses on equity instruments at FVOCI which were recognised within OCI are directly transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments under MFRS 9 (continued)

(iii) Impairment of financial assets

Recognition of Expected Credit Loss ("ECL")

The Company assesses at each reporting date to determine loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost and debt securities at FVOCI based on two different approaches as follows:-

General approach – three-stage approach

The general approach impairment recognition requires loss allowance to be recognised based on "three-staging" model which reflects the change in credit quality of the financial instrument since initial recognition:

Stage 1: 12-month ECL
For financial assets that have no significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the 12-month ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months) will be recognised in profit or loss.

Stage 2: Lifetime ECL – Non-credit impaired
For financial assets that have significant increase in credit risks since initial recognition but do not have objective evidence of impairment, a lifetime ECL that results from all possible default events over the expected life of the financial assets will be recognised in profit or loss. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Stage 3: Impairment – Credit impaired
Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, impairment will be recognised in profit or loss.

The Company uses the general approach to measure loss allowances for the following:-

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company considers debt security to have low credit risk when its credit risk rating is a minimum rating of "BBB". The Company also considers all government issued or government guaranteed debt securities to have low credit risk. The Company's fixed deposits with licensed banks are also assessed to have low credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments under MFRS 9 (continued)

(iii) Impairment of financial assets (continued)

Recognition of Expected Credit Loss ("ECL") (continued)

A significant increase in credit risk since inception may occur in the following:-

(i) if the financial assets, either reinsurance assets, or loans receivables are 30 days past due;

(ii) in the case of corporate debt securities or reinsurance assets, if there is a significant deterioration of credit risk rating by 2 ranks from the initial purchase or contract date; or

(iii) significant increase in bond yields due to market's assessment of creditworthiness of those investments.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer, such as lawsuits of similar actions that threaten the financial viability of the counterparty;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Simplified approach

The simplified approach impairment recognition allows for loss allowance to be recognised based on expected lifetime ECL, without considering credit risk.

Loss allowances for trade and other receivables, with no financing component are always measured at an amount equal to lifetime ECLs.

Measurement of ECL

ECL is a probability weighted estimate of credit losses over the expected life of a financial asset. The estimated ECL incorporates time value of money and considers historical data, current conditions and forecasts of future economic conditions.

The Company measures the ECL on an individual basis for debts securities that are deemed significant. When estimating ECL, the Company considers the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD").

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments under MFRS 9 (continued)

(iii) Impairment of financial assets (continued)

Measurement of ECL (continued)

PD represents the likelihood of a borrower defaulting on its financial obligation at the time of default, either over the next 12 months, or over the remaining lifetime of the obligation. Multi-year PDs (of up to 30 years) are generated, based on proprietary and publicly available ratings data, using statistical methods. PDs representing different economic scenarios are projected, allowing the Company to consider a range of possible outcomes as required under MFRS 9. If a counterparty of exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD.

LGD is the estimated magnitude of the likely loss if there is a default, based on statistical method. LGD is expressed as a percentage per loss per unit of exposure at the time of default and varies by type and seniority of claims, availability of collateral, geographical location and industry of borrower and existing market conditions.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset is its gross carrying amount.

The PDs and LGDs are then applied accordingly to the carrying value of financial assets (debt securities at FVOCI) to obtain an ECL.

When the Company measures ECL on a collective basis, the financial assets are grouped based on shared characteristics such as credit risk rating, type of financial asset, and etc.

Forward looking information and key economic variables are considered while assessing the change in credit risk of an instrument. These economic variables and their associated impact on PD, LGD and EAD vary by financial instruments. Some of the key macroeconomics factors incorporated into the ECL estimation include Gross Domestic Product, current and future interest rates environment, potential economic outlook and forecast collateral values.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not significant to the Company for the year ended 31 December 2018.

(iv) Write off

Financial assets are written off either partially or in full when there is no realistic prospect of recovery. The Company determines this based on the inability of the borrower to pay.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(j) 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.

Derivative financial instruments held by the Group and the Company are forward foreign exchange contract to hedge its currency risks. Any fair value losses on these derivative financial instruments are recognised as financial liabilities.

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.

Financial liabilities are derecgonised when the obligation under the liability is extinguished and resulting gains or losses are recognised in profit or loss.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of 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 are 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.

(m) 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.

(n) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

(iii) Share-based compensation

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

(i) Equity-settled share-based compensation

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

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

(ii) Cash-settled share-based compensation

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

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

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

(iii) Deferred remuneration scheme

The Group provides deferred remuneration to certain employees by investing in unit trust funds on behalf of the said employees. The deferred remuneration shall be paid to the employees at the end of 3 years. The Group recognises a liability in respect of these deferred remuneration which reflects its obligation to the said employees, and which takes into account the fair value movements of the underlying unit trust funds and the related dividend income earned thereon.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Other revenue recognition

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

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

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

Rental income from investment 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.

Charges and fee income are recognised upon allotment of units, net of cost of units sold on unit trusts.

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

Outsourcing fee income is earned from provision of shared services to the companies within the Group, and are recognised when services are provided.

(p) Product classification

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Product classification (continued)

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.

(q) Reinsurance

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Life insurance underwriting results of the insurance subsidiaries of the Group

(i) Gross premiums

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

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

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

(ii) Reinsurance premiums

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

(iii) Commission and agency expenses

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

(iv) Benefits, claims and expenses

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

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

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

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

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

(s) 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 is impaired, the insurance subsidiaries of the Group reduce the carrying amount of the insurance receivables accordingly and recognise that impairment loss in the profit or loss. The insurance subsidiaries of the Group gather 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(g)(iii) on impairment.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Foreign currencies

(i) Functional and Presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of all entities in the Group, except for Manulife Insurance Labuan Limited and certain Investment-linked funds of the Manulife Insurance Berhad is Ringgit Malaysia. The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(ii) Transactions and balances

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

(iii) Translation of Group's financial statements

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

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

All resulting exchange differences from translating the financial statements of Manulife Insurance Labuan Limited are recognised in other comprehensive income as a foreign currency translation reserve and are subsequently reclassified to profit or loss upon disposal. Differences from translating the foreign Investment-linked funds are included in profit or loss.

(u) Dividends on ordinary share capital

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

(v) Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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.

(x) Contingent liabilities and contingent assets

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

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

(y) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

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

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

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

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

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

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

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

(ii) Unallocated surplus

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

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

Unallocated surplus for Non-participating life 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 life 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Insurance contract liabilities (continued)

(iv) Asset revaluation reserve

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

(v) Net asset value attributable to unit holders

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

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

(i) Valuation of freehold property and investment property – note 4 and note 5
(ii) Impairment of financial assets – note 2(g)(iii) and 2(h)(iii)
(iii) Impairment of intangible assets – note 2(l)
(iv) Recognition of deferred tax assets – note 18

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 Group's insurance subsidiaries' 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 different than the assumptions made by the insurance subsidiaries. Actual experience is monitored to assess whether the assumptions remain appropriate or 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.

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

Valuation of actuarial liabilities (continued)

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

Interest rate

i. Manulife Insurance Berhad

The discount rates used for the valuation of Non-participating life fund (except for Universal Life Non-participating policy), 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, Malaysian Government Bond zero coupon spot yields of matching duration are used; and

(ii) For cash flows with duration of 15 years or more, Malaysian 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 products which used the corresponding US treasury yield as the valuation interest rate.

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

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

	Resultant Valuation Discounting Yields				
Calendar Year	Ordinary Par	Annuity Par	Non-Par Annuity + Non-Par + IL	Non-Par Universal Life	IL SIP (VA)
2019	5.15%	3.45%	3.45%	4.76%	2.63%
2020	5.23%	3.61%	3.61%	4.70%	2.33%
2021	5.31%	3.80%	3.80%	4.65%	2.42%
2022	5.39%	4.10%	4.10%	4.60%	2.56%
2023	5.47%	4.34%	4.34%	4.54%	2.61%
2024	5.56%	4.70%	4.70%	4.49%	2.75%
2025	5.64%	4.28%	4.28%	4.44%	2.83%
2026	5.72%	4.20%	4.20%	4.39%	2.86%
2027	5.80%	4.24%	4.24%	4.33%	2.92%
2028	5.88%	4.68%	4.68%	4.28%	2.99%
2029	5.96%	5.13%	5.13%	4.23%	2.89%
2030	5.96%	5.19%	5.19%	4.23%	2.92%
2031	5.96%	5.49%	5.49%	4.23%	2.96%
2032	5.96%	5.67%	5.67%	4.23%	3.00%
2033	5.96%	6.00%	6.00%	4.23%	3.03%
2034	5.96%	4.59%	4.59%	4.23%	2.78%
2035+	5.96%	4.59%	4.59%	4.23%	2.78%

NOTES TO THE FINANCIAL STATEMENTS
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3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Valuation of actuarial liabilities (continued)

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

Interest rate (continued)

ii. Manulife Insurance Labuan Limited

The risk-free discount rate was used for all cash flows to determine the liability of a Non-participating Universal Life policy with only guaranteed benefits considered. The subsidiary's product cash flows are denominated in US Dollar currency. Hence, USD treasury yields are used.

The risk-free discount rate was derived from a yield curve, as follows:

- For durations of less than 15 years: zero coupon spot yield of USD treasury yields with matching duration; and
- For durations of 15 years or more: zero coupon spot yield of USD treasury yields with 15 years term to maturity.

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

Where total guaranteed and non-guaranteed benefits are considered, the discount rate was derived from a suitable discount rate based on the historical yield and future investment outlook of the funds/invested assets.

For Universal Life Non-Participating policy, the current yield and expected long term (ELT) yield were derived based on weighted average of respective asset mix and returns of the fund / investment portfolio. The total benefits valuation yield is calculated from current yield grading to expected long-term yield.

The table below shows the valuation discounting forward yields for the Life funds, after taking into consideration the applicable adjustment on investment expense.

Universal Life Non-Participating							
Calendar Year	Discounting Yield	Calendar Year	Discounting Yield	Calendar Year	Discounting Yield	Calendar Year	Discounting Yield
2019	4.36%	2034	4.75%	2049	5.15%	2064	5.54%
2020	4.38%	2035	4.78%	2050	5.17%	2065	5.57%
2021	4.41%	2036	4.81%	2051	5.20%	2066	5.60%
2022	4.44%	2037	4.83%	2052	5.23%	2067	5.62%
2023	4.46%	2038	4.86%	2053	5.25%	2068	5.65%
2024	4.49%	2039	4.88%	2054	5.28%	2069	5.67%
2025	4.52%	2040	4.91%	2055	5.31%	2070	5.70%
2026	4.54%	2041	4.94%	2056	5.33%	2071	5.73%
2027	4.57%	2042	4.96%	2057	5.36%	2072	5.75%
2028	4.59%	2043	4.99%	2058	5.38%	2073	5.78%
2029	4.62%	2044	5.02%	2059	5.41%	2074	5.81%
2030	4.65%	2045	5.04%	2060	5.44%	2075	5.83%
2031	4.67%	2046	5.07%	2061	5.46%	2076	5.86%
2032	4.70%	2047	5.10%	2062	5.49%	2077	5.89%
2033	4.73%	2048	5.12%	2063	5.52%	2078+	5.91%

NOTES TO THE
FINANCIAL STATEMENTS
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3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Valuation of actuarial liabilities (continued)

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

i. Manulife Insurance Berhad

Assumptions on mortality are derived from the insurance subsidiaries' historical experience. For morbidity assumptions, they are based on reinsurance premium tables, adjusted where appropriate to reflect the insurance subsidiaries' unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risks 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 insurance subsidiaries' 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.

ii. Manulife Insurance Labuan Limited

Assumptions on mortality are derived based on the best estimate assumptions.

Assumptions on future expenses are based on best estimate assumptions with appropriate expected expense inflation adjustments.

Assumptions on policy persistency (including lapses and surrender) are derived from the best estimate assumptions.

Provision of risk for adverse deviation ("PRAD") assumptions is added to the best estimate assumptions.

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

Participating Policyholders' Bonuses/Dividends

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

4. PROPERTY AND EQUIPMENT

Group	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost/valuation							
At 1 January 2017		20,929	1,746	22,282	1,756	9,657	56,370
Additions		–	638	642	–	628	1,908
Disposal		–	–	(4)	–	–	(4)
Transfer to furniture, fittings and equipment		–	(140)	140	–	–	–
Transfer to renovations		–	(546)	–	–	546	–
Transfer (to)/from intangible assets	6	–	(286)	19	–	–	(267)
Transfer from investment property	5	5,314	–	–	–	–	5,314
Internal reclassifications and adjustments		–	(7)	–	–	–	(7)
Write off		–	(65)	(182)	–	–	(247)
Revaluation adjustment		157	–	–	–	–	157
At 31 December 2017/1 January 2018		26,400	1,340	22,897	1,756	10,831	63,224
Additions		–	137	537	711	70	1,455
Disposal		–	–	(549)	(995)	(175)	(1,719)
Transfer to furniture, fittings and equipment		–	(383)	383	–	–	–
Transfer to renovations		–	(849)	–	–	849	–
Transfer to intangible assets	6	–	(3)	–	–	–	(3)
Internal reclassifications and adjustments		–	(56)	900	–	–	844
Revaluation adjustment		(109)	–	–	–	–	(109)
At 31 December 2018		26,291	186	24,168	1,472	11,575	63,692
Comprising assets stated at 31 December 2018:							
Valuation		26,291	–	–	–	–	26,291
Cost		–	186	24,168	1,472	11,575	37,401
		26,291	186	24,168	1,472	11,575	63,692
Comprising assets stated at 31 December 2017:							
Valuation		26,400	–	–	–	–	26,400
Cost		–	1,340	22,897	1,756	10,831	36,824
		26,400	1,340	22,897	1,756	10,831	63,224
Accumulated depreciation							
At 1 January 2017		–	–	15,523	1,042	1,662	18,227
Charge for the financial year	26	677	–	1,740	267	1,049	3,733
Disposal		–	–	(2)	–	–	(2)
Write off		–	–	(164)	–	–	(164)
Reversal on revaluation		(677)	–	–	–	–	(677)
At 31 December 2017/1 January 2018		–	–	17,097	1,309	2,711	21,117
Charge for the financial year	26	528	–	1,701	215	1,109	3,553
Disposal		–	–	(549)	(797)	(176)	(1,522)
Reversal on revaluation		(528)	–	–	–	–	(528)
At 31 December 2018		–	–	18,249	727	3,644	22,620
Carrying amount							
At 31 December 2018		26,291	186	5,919	745	7,931	41,072
At 31 December 2017		26,400	1,340	5,800	447	8,120	42,107

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2018

4. PROPERTY AND EQUIPMENT (CONTINUED)

Company	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost/valuation							
At 1 January 2017		10,608	561	3,244	874	3,413	18,700
Additions		–	–	50	–	230	280
Transfer from investment property	5	5,314	–	–	–	–	5,314
Revaluation adjustment		127	–	–	–	–	127
At 31 December 2017/1 January 2018		16,049	561	3,294	874	3,643	24,421
Additions		–	–	70	447	–	517
Disposal		–	–	(9)	(391)	–	(400)
Transfer to renovations		–	(505)	–	–	505	–
Transfer to a subsidiary company		–	–	(364)	–	(978)	(1,342)
Internal reclassifications and adjustments		–	(56)	–	–	–	(56)
Revaluation adjustment		(71)	–	–	–	–	(71)
At 31 December 2018		15,978	–	2,991	930	3,170	23,069
Comprising assets stated at 31 December 2018:							
Valuation		15,978	–	–	–	–	15,978
Cost		–	–	2,991	930	3,170	7,091
		15,978	–	2,991	930	3,170	23,069
Comprising assets stated at 31 December 2017:							
Valuation		16,049	–	–	–	–	16,049
Cost		–	561	3,294	874	3,643	8,372
		16,049	561	3,294	874	3,643	24,421
Accumulated depreciation							
At 1 January 2017		–	–	2,233	652	556	3,441
Charge for the financial year	26	343	–	186	78	341	948
Reversal on revaluation		(343)	–	–	–	–	(343)
At 31 December 2017/1 January 2018		–	–	2,419	730	897	4,046
Charge for the financial year	26	321	–	180	87	349	937
Disposal		–	–	(9)	(313)	–	(322)
Transfer to a subsidiary company		–	–	(103)	–	(176)	(279)
Reversal on revaluation		(321)	–	–	–	–	(321)
At 31 December 2018		–	–	2,487	504	1,070	4,061
Net carrying amount							
At 31 December 2018		15,978	–	504	426	2,100	19,008
At 31 December 2017		16,049	561	875	144	2,746	20,375

NOTES TO THE FINANCIAL STATEMENTS
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4. PROPERTY AND EQUIPMENT (CONTINUED)

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

	2018 RM'000	2017 RM'000
Group		
Building	12,421	12,787
Company		
Building	6,198	6,408

The Group and the Company had carried out a valuation on the freehold property based on the income method conducted by an independent qualified valuer, Sr Thong Soo Fun, MRISM, MPEPS, Senior General Manager, Registered Valuer (V 561) of Rahim & Co International Sdn Bhd (1126597-X). The valuation of this property was adopted for the financial year ended 31 December 2018. The recognised revalued amount was based on the valuation exercise performed as at 31 December 2018.

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

Fair value hierarchy

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

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

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

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

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fair value as stated in valuation report	26,291	26,400	15,978	16,049

The reconciliation from beginning to ending balances for the freehold property is as disclosed on page 113 to page 114.

NOTES TO THE FINANCIAL STATEMENTS
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4. PROPERTY AND EQUIPMENT (CONTINUED)

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

	Valuation technique	Significant unobservable inputs	Range
2018			
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	RM4.40 – RM5.11 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.60 psf
		Outgoings for reversionary period	RM1.60 psf
2017			
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	RM4.40 – RM5.03 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.60 psf
		Outgoings for reversionary period	RM1.60 psf

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

5. INVESTMENT PROPERTY

	Note	2018 RM'000	2017 RM'000
Group			
At 1 January		82,600	88,071
Transfer to property and equipment	4	–	(5,314)
Fair value gain/(loss)	24	109	(157)
At 31 December		82,709	82,600
Represented by:			
Freehold property		82,709	82,600

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

5. INVESTMENT PROPERTY (CONTINUED)

	Note	2018 RM'000	2017 RM'000
Company			
At 1 January		31,114	37,158
Transfer to property and equipment	4	–	(5,314)
Fair value gain/(loss)	24	490	(730)
At 31 December		31,604	31,114
Represented by:			
Freehold property		31,604	31,114

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental income	5,197	6,892	4,509	4,724
Direct operating expenses arising from investment property that generate rental income	(2,885)	(3,346)	(1,486)	(1,808)
Direct operating expenses arising from investment property that did not generate rental income	(622)	(622)	(300)	(300)

The Group and Company had carried out a valuation on the investment property based on the income method conducted by an independent qualified valuer, Sr Thong Soo Fun, MRISM, MPEPS, Senior General Manager, Registered Valuer (V 561) of Rahim & Co International Sdn Bhd (1126597-X). The valuation of the investment property was adopted for the financial year ended 31 December 2018. The recognised revalued amount was based on the valuation exercise performed as at 31 December 2018.

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

5. INVESTMENT PROPERTY (CONTINUED)

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

	Valuation technique	Significant unobservable inputs	Range
2018			
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	RM4.40 – RM5.11 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.60 psf
		Outgoings for reversionary period	RM1.60 psf
2017			
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	RM4.40 – RM5.03 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.60 psf
		Outgoings for reversionary period	RM1.60 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 pages 116 to page 117.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

6. INTANGIBLE ASSETS

Group	Note	Management rights RM'000	Exclusive right RM'000	Computer software RM'000	Computer software in progress RM'000	Total RM'000
Cost						
At 1 January 2017		86,815	40,000	25,473	3,181	155,469
Additions		–	–	24	1,344	1,368
Transfer from/(to) property and equipment	4	–	–	286	(19)	267
Transfer to computer software		–	–	2,762	(2,762)	–
Write off		–	–	–	(65)	(65)
At 31 December 2017/1 January 2018		86,815	40,000	28,545	1,679	157,039
Additions		–	–	560	811	1,371
Transfer from property and equipment	4	–	–	3	–	3
Transfer to computer software		–	–	143	(143)	–
At 31 December 2018		86,815	40,000	29,251	2,347	158,413
Accumulated amortisation						
At 1 January 2017		–	16,453	14,982	–	31,435
Amortisation during the financial year	26	–	5,136	4,229	–	9,365
At 31 December 2017/1 January 2018		–	21,589	19,211	–	40,800
Amortisation during the financial year	26	–	3,212	3,335	–	6,547
At 31 December 2018		–	24,801	22,546	–	47,347
Accumulated impairment						
At 1 January 2017		–	–	–	–	–
Impairment during the financial year*	26	–	–	1,026	–	1,026
At 31 December 2017/1 January 2018		–	–	1,026	–	1,026
Impairment during the financial year		–	–	–	–	–
At 31 December 2018		–	–	1,026	–	1,026
Net carrying amount						
At 31 December 2018		86,815	15,199	5,679	2,347	110,040
At 31 December 2017		86,815	18,411	8,308	1,679	115,213

* Computer software with net book value of RM1,025,539 was fully impaired in 2017 due to the change of business model, rendering the said assets to be obsolete.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

6. INTANGIBLE ASSETS (CONTINUED)

Company	Note	Computer software RM'000	Computer software in progress RM'000	Total RM'000
Cost				
At 1 January 2017		396	–	396
Additions		–	74	74
Transfer to a subsidiary company		–	(74)	(74)
At 31 December 2017/1 January 2018		396	–	396
Additions		20	–	20
Transfer to a subsidiary company		(277)	–	(277)
At 31 December 2018		139	–	139
Accumulated amortisation				
At 1 January 2017		54	–	54
Amortisation during the financial year	26	77	–	77
At 31 December 2017/1 January 2018		131	–	131
Amortisation during the financial year	26	71	–	71
Transfer to a subsidiary company		(122)	–	(122)
At 31 December 2018		80	–	80
Net carrying amount				
At 31 December 2018		59	–	59
At 31 December 2017		265	–	265

(i) Management rights

The Management rights relate to the investment management agreements arising from the acquisition of a subsidiary. The Group believes that the investment management agreements have an indefinite life. In performing the impairment assessment on this intangible asset, the Group compared the recoverable amount against the carrying amount of the intangible asset as of 31 December 2018. The Group is of the opinion that the recoverable amount, based on its value-in-use is higher than the carrying amount, and accordingly there is no allowance for impairment loss to be considered on this intangible asset.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

6. INTANGIBLE ASSETS (CONTINUED)

(i) Management rights (continued)

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

Discount rate	:	7%
Sales growth rate	:	16% to 18% throughout the 10 years projection
Expense growth rate	:	7% to 10% throughout the 10 years projections
Terminal value	:	1.65% of average Assets Under Management at the 10th year (based on comparable current market transactions)

The assumptions above remained the same as compared to 2017 except for sales growth rate (2017: 16% to 17% throughout the 10 years projection).

(ii) Exclusive right

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

7. SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares at cost	355,756	351,932
Accumulated impairment losses	(6,793)	(9,636)
	348,963	342,296

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest 2018 %	Effective interest 2017 %	Principal activities
Manulife Insurance Berhad	Malaysia	100	100	Life insurance business
Manulife Asset Management Services Berhad	Malaysia	100	100	Management of unit trust funds, private retirement schemes, investment and fund management
Manulife Insurance Labuan Limited*	Malaysia	100	100	Labuan life insurance business and life insurance broking business
Britama Properties Sdn Bhd	Malaysia	100	100	Property rental and management
The e-Software House Sdn Bhd	Malaysia	100	100	Dormant
MAAKL Mutual Bhd**	Malaysia	100	100	Dormant
British American Investments Pte. Ltd.***	Singapore	100	100	Dormant

7. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

* On 20 July 2017, the Company incorporated a wholly-owned subsidiary, Manulife Insurance Labuan Limited in Federal Territory of Labuan, Malaysia under Labuan Companies Act, 1990 with a fully paid up capital of USD1.00. Subsequently, on 30 August 2017, the Company further subscribed 2,999,999 new ordinary shares at a total consideration of USD2,999,999.

On 19 June 2018, the Company was licensed as Insurance Broker under Labuan Financial Services Authority.

On 30 November 2018, the Company subscribed additional 1,000,000 ordinary shares at an issue price of USD1.00 each in Manulife Insurance Labuan Limited, a wholly-owned subsidiary of the Company for a total consideration of USD1,000,000.

** MAAKL Mutual Berhad was dissolved on 1 August 2018, with the total return on capital of approximately RM6,770,000 to the Company.

The dissolution of the subsidiary contributed to a realised gain of approximately RM1,500,000 to the financial results of the Group and a realised loss of approximately RM47,000 to the financial results of the Company (note 23).

*** The Company had on 19 September 2018 redeemed 6,000,000 preference shares in British American Investments Pte. Ltd., with total proceeds of RM18,145,000, recording a currency translation reserve of approximately RM9,248,000.

Subsequently, on 1 November 2018, the subsidiary had been placed under Members' Voluntary Winding Up. The affairs and conduct of the subsidiary is now placed under the control of the Liquidator who will manage the entire process of liquidation. The liquidation of the subsidiary did not have material impact to the financial results of the Group for the current year.

8. FINANCIAL ASSETS

(a) Available-for-sale

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018** RM'000**	**2017 RM'000**
Equity securities				
– Quoted in Malaysia	746,629	848,318	–	6,783
– Quoted outside Malaysia	109,339	39,690	–	–
– Unquoted	2,516	2,516	–	572
Real estate investment trusts	8,591	6,550	–	54
Unit trust funds*	70,352	67,570	–	4,648
Malaysian Government Securities	328,043	524,193	–	12,634
Government Investment Issues	137,236	186,496	–	2,603
Corporate debt securities				
– Unquoted	1,663,045	1,393,226	–	38,534
Accrued interest	23,790	22,027	–	529
	3,089,541	3,090,586	–	66,357
Current	1,051,577	1,085,544	–	14,507
Non-current	2,037,964	2,005,042	–	51,850
	3,089,541	3,090,586	–	66,357

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

8. FINANCIAL ASSETS (CONTINUED)

(b) Fair value through other comprehensive income

	Company 2018** RM'000	Company 2017 RM'000
Malaysian Government Securities	18,117	–
Government Investment Issues	3,614	–
Corporate debt securities		
– Unquoted	111,406	–
Accrued interest	1,433	–
	134,570	–
Current	7,255	–
Non-current	127,315	–
	134,570	–

(c) Fair value through profit or loss

	Group 2018 RM'000	Group 2017 RM'000	Company 2018** RM'000	Company 2017 RM'000
Equity securities				
– Quoted in Malaysia	493,196	521,921	13,920	–
– Quoted outside Malaysia	4,886	12,663	–	–
– Unquoted	–	–	572	–
Real estate investment trusts	5,786	7,543	160	–
Unit trust funds*	125,768	61,531	6,616	–
Malaysian Government Securities	34,398	40,950	–	–
Government Investment Issues	23,388	24,302	–	–
Corporate debt securities				
– Unquoted	363,894	242,177	–	–
– Quoted	5,076	–	–	–
Mutual funds				
– Quoted outside Malaysia	496,354	618,047	–	–
Forward foreign exchange contract (note 17)	3,958	4,284	–	–
Accrued interest	5,025	3,413	–	–
	1,561,729	1,536,831	21,268	–
Current	1,222,971	1,308,080	21,268	–
Non-current	338,758	228,751	–	–
	1,561,729	1,536,831	21,268	–

* Being investment in unit trust funds managed by a subsidiary company.
** Refer to Note 39 on details of change in accounting policies upon adoption of MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

8. FINANCIAL ASSETS (CONTINUED)

(d) Carrying value of financial assets

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

Group	Note	Available-for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2017		2,884,579	1,347,826	4,232,405
Purchases		993,683	534,702	1,528,385
Maturities		(63,950)	(8,050)	(72,000)
Disposals		(790,230)	(382,867)	(1,173,097)
Fair value gains recorded in:				
Profit or loss	24	–	107,329	107,329
Other comprehensive income		77,276	–	77,276
Allowance for impairment losses	24	(12,014)	–	(12,014)
Net (amortisation of premiums)/accretion of discounts	22	(1,421)	275	(1,146)
Unrealised exchange loss		–	(62,917)	(62,917)
Movement in accrued interest		2,663	533	3,196
At 31 December 2017/1 January 2018		3,090,586	1,536,831	4,627,417
Purchases		1,306,794	839,519	2,146,313
Maturities		(98,250)	(6,750)	(105,000)
Disposals		(1,064,723)	(673,449)	(1,738,172)
Fair value gains/loss recorded in:				
Profit or loss	24	–	(147,595)	(147,595)
Other comprehensive income		(89,388)	–	(89,388)
Allowance for impairment losses	24	(54,622)	–	(54,622)
Net amortisation of premiums	22	(2,619)	(428)	(3,047)
Unrealised exchange gain		–	11,989	11,989
Movement in accrued interest		1,763	1,612	3,375
At 31 December 2018		3,089,541	1,561,729	4,651,270

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

8. FINANCIAL ASSETS (CONTINUED)

(d) Carrying value of financial assets (continued)

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

Company	Note	Available-for-sale RM'000	Fair value through other comprehensive income RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2017		114,432	–	–	114,432
Purchases		98,173	–	–	98,173
Maturities		(1,448)	–	–	(1,448)
Disposals		(145,173)	–	–	(145,173)
Fair value gains recorded in:					
Other comprehensive income		980	–	–	980
Allowance for impairment losses	24	(152)	–	–	(152)
Net amortisation of premiums	22	(142)	–	–	(142)
Movement in accrued interest		(313)	–	–	(313)
At 31 December 2017/1 January 2018		66,357	–	–	66,357
Effect of change in accounting policy	39	(66,357)	54,300	12,057	–
Purchases		–	87,808	121,675	209,483
Maturities		–	(1,900)	–	(1,900)
Disposals		–	(7,251)	(110,991)	(118,242)
Fair value gains/loss recorded in:					
Profit or loss	24	–	–	(1,473)	(1,473)
Other comprehensive income		–	956	–	956
Expected credit loss on debt securities	24	–	(7)	–	(7)
Net amortisation of premiums	22	–	(240)	–	(240)
Movement in accrued interest		–	904	–	904
At 31 December 2018		–	134,570	21,268	155,838

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

9. LOANS AND RECEIVABLES

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Loans receivable:					
Policy loans		152,365	160,741	–	–
Mortgage loans		1,598	1,893	–	–
Other loans		781	1,493	1	1
		154,744	164,127	1	1
Allowance for impairment loss		(135)	(366)	–	–
	(i)	154,609	163,761	1	1
Fixed and call deposits with licensed banks in Malaysia		245,959	350,935	1,501	1,655
Accrued interest		460	491	–	–
	(ii)	246,419	351,426	1,501	1,655
Other receivables:					
Amount due from subsidiaries (note 33)	(iii)	–	–	9,305	2,389
Amount due from related companies (note 33)	(iii)	3,617	2,629	–	601
Accrued dividend income		1,464	2,092	12	40
Accrued rental income		484	205	14	25
Deposits		1,347	1,354	158	161
Other debtors		67,793	65,373	1,974	2,796
		74,705	71,653	11,463	6,012
Allowance for impairment loss		(1,365)	(1,365)	(1,075)	(1,075)
	(iv)	73,340	70,288	10,388	4,937
Prepayments		4,832	1,130	1	9
Total		479,200	586,605	11,891	6,602

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

9. LOANS AND RECEIVABLES (CONTINUED)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(i) Loans receivable:				
Receivable within 12 months	691	582	–	–
Receivable after 12 months	153,918	163,179	1	1
	154,609	163,761	1	1
(ii) Fixed and call deposits with licensed banks in Malaysia:				
Receivable within 12 months	246,419	351,426	1,501	1,655
Receivable after 12 months	–	–	–	–
	246,419	351,426	1,501	1,655

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(iv) Other receivables:				
Receivable within 12 months	72,950	69,898	10,388	4,937
Receivable after 12 months	390	390	–	–
	73,340	70,288	10,388	4,937

The carrying amounts of loans receivables, fixed and call deposits and other receivables approximate their fair values due to the relatively short term maturity of these balances and the immaterial impact of discounting.

10. REINSURANCE ASSETS

	Group	
	2018 RM'000	2017 RM'000
Reinsurance assets on:		
– Insurance contract liabilities	2,850	1,272
– Insurance claims liabilities	7,218	5,140
	10,068	6,412

11. INSURANCE RECEIVABLES

		Group	
		2018 RM'000	2017 RM'000
Due premiums including agents' balances		18,533	21,703
Due from reinsurers	(i)	6,874	3,333
		25,407	25,036
Allowance for impairment losses		(1,063)	(1,065)
		24,344	23,971
Receivable within 12 months		24,344	23,971

The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short term maturity.

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

Group	Gross carrying amount RM'000	Gross amount offset RM'000	Net amount reported RM'000
31 December 2018			
Commissions receivables	15,206	–	15,206
Claims recoveries	3,296	–	3,296
Premiums ceded	–	(11,628)	(11,628)
	18,502	(11,628)	6,874
31 December 2017			
Commissions receivables	7,420	–	7,420
Claims recoveries	3,728	–	3,728
Premiums ceded	–	(7,815)	(7,815)
	11,148	(7,815)	3,333

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

12. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company			
	2018		2017	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Share Capital				
Issued and fully paid up:				
Ordinary shares:				
At 1 January	202,370	103,069	202,370	101,185
Transition to no-par value regime	–	–	–	1,884
At 31 December	202,370	103,069	202,370	103,069
Share Premium				
At 1 January	–	–	–	1,884
Transition to no-par value regime	–	–	–	(1,884)
At 31 December	–	–	–	–

Pursuant to Section 618(2) of the Company Act, 2016, any amount standing to the credit of the share premium account shall become part of share capital.

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

13. RETAINED EARNINGS

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

Group	Note	2018 RM'000	2017 RM'000
Distributable	(i)	635,429	625,875
Non-distributable	(ii)	69,495	68,988
		704,924	694,863

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

(ii) Non-distributable retained earnings are surplus arising from the 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 Shareholders' fund by the Appointed Actuary.

Company

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

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14. NON-CONTROLLING INTERESTS

Group	2018 RM'000	2017 RM'000
Non-controlling interests	2,090	1,195

Non-controlling interests represents the share of minority interest in a unit trust fund managed by the asset management subsidiary which is consolidated by Group. The financial position and the results of the unit trust fund has been consolidated as the Group has the ability to direct the investment strategy of the unit trust fund in a manner that most significantly affects its return.

15. INSURANCE CONTRACT LIABILITIES

	Gross		Net	
Group	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Actuarial liabilities	2,503,329	2,402,886	2,500,479	2,401,614
Unallocated surplus	35,699	40,603	35,699	40,603
Fair value reserve	30,889	108,864	30,889	108,864
Asset revaluation reserve	1,649	1,480	1,649	1,480
Investment-linked policyholders' account	1,301,629	1,394,289	1,301,629	1,394,289
	3,873,195	3,948,122	3,870,345	3,946,850
Current	1,427,460	1,486,537	1,427,509	1,486,685
Non-current	2,445,735	2,461,585	2,442,836	2,460,165
	3,873,195	3,948,122	3,870,345	3,946,850

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

	Gross		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	3,948,122	3,591,411	3,946,850	3,586,926
Inforce reserve movement	98,292	73,841	97,831	73,090
New business reserve	35,136	15,689	34,019	15,485
Discount rate and other changes	(33,001)	30,798	(33,001)	34,966
Unallocated surplus	(4,904)	(22,799)	(4,904)	(22,799)
Effect of movements in exchange rate	16	–	16	–
Fair value reserve, net of tax	(77,975)	62,024	(77,975)	62,024
Asset revaluation reserve				
– Revaluation adjustment	(38)	30	(38)	30
– Reversal on revaluation	207	334	207	334
	169	364	169	364
Investment-linked policyholders' account	(92,660)	196,794	(92,660)	196,794
At 31 December	3,873,195	3,948,122	3,870,345	3,946,850

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15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

For the current year ended 31 December 2018, the applicable assumption changes resulted in lower actuarial liabilities of RM33.0 million (2017: higher actuarial liabilities of RM30.8 million), with a corresponding increase in unallocated surplus for the participating business of RM39.2 million (2017: decrease in unallocated surplus of RM29.1 million) and decrease in net profit before tax of RM6.2 million (2017: decrease in net profit before tax of RM1.7 million).

16. INSURANCE CLAIMS LIABILITIES

Group	Gross 2018 RM'000	Gross 2017 RM'000	Net 2018 RM'000	Net 2017 RM'000
Provision for outstanding claims	55,014	56,489	47,796	51,349
Current	55,014	56,489	47,796	51,349

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

Derivatives

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

		Fair value gain/(loss) recognised as		
Group	Notional amount RM'000	Financial asset RM'000	Financial liability RM'000	Net carrying amount RM'000
31 December 2018				
Hedging derivative:				
Forward foreign exchange contract (note 8(c))	362,429	3,958	–	3,958
Forward foreign exchange contract	9,193	–	(116)	(116)
31 December 2017				
Hedging derivative:				
Forward foreign exchange contract (note 8(c))	454,603	4,284	–	4,284

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18. DEFERRED TAX (LIABILITIES)/ASSETS

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(16,802)	(36,540)	–	(103)
Deferred tax assets	–	–	86	–
	(16,802)	(36,540)	86	(103)
Current	4,038	(15,495)	86	(103)
Non-current	(20,840)	(21,045)	–	–
	(16,802)	(36,540)	86	(103)

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

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Revaluation – investment property	–	–	(165)	(195)	(165)	(195)
Accelerated depreciation	–	–	(170)	(327)	(170)	(327)
Investments	5,365	3,594	(162)	(17,855)	5,203	(14,261)
Unallocated surplus	–	–	(21,680)	(21,786)	(21,680)	(21,786)
Others	10	29	–	–	10	29
	5,375	3,623	(22,177)	(40,163)	(16,802)	(36,540)
Offsetting	(5,375)	(3,623)	5,375	3,623	–	–
Deferred tax liabilities (after offsetting)	–	–	(16,802)	(36,540)	(16,802)	(36,540)
Company						
Accelerated depreciation	–	–	86	(103)	86	(103)
	–	–	86	(103)	86	(103)
Offsetting	–	–	–	–	–	–
Deferred tax assets/liabilities (after offsetting)	–	–	86	(103)	86	(103)

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

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

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

Group	Note	Revaluation-investment property RM'000	Accelerated depreciation RM'000	Investments RM'000	Unallocated surplus RM'000	Others RM'000	Total RM'000
At 1 January 2017		(149)	(245)	(3,798)	(21,920)	29	(26,083)
Recognised in:							
Profit or loss							
– Other operating expenses	28	(46)	(148)	(4,163)	–	–	(4,357)
– Taxation	29	–	66	30	134	–	230
Other comprehensive income							
– Fair value reserve		–	–	(6,330)	–	–	(6,330)
At 31 December 2017/1 January 2018		(195)	(327)	(14,261)	(21,786)	29	(36,540)
Recognised in:							
Profit or loss							
– Other operating expenses	28	30	(32)	12,438	–	(19)	12,417
– Taxation	29	–	189	296	106	–	591
Other comprehensive income							
– Fair value reserve		–	–	6,730	–	–	6,730
At 31 December 2018		(165)	(170)	5,203	(21,680)	10	(16,802)

Company	Note	Accelerated depreciation RM'000	Total RM'000
At 1 January 2017		(168)	(168)
Recognised in:			
Profit or loss			
– Taxation	29	65	65
At 31 December 2017/1 January 2018		(103)	(103)
Recognised in:			
Profit or loss			
– Taxation	29	189	189
At 31 December 2018		86	86

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

Unrecognised deferred tax assets

The amount of unutilised tax losses and other deductible temporary differences for which no deferred tax assets is recognised in the statement of financial position are as follows:

	Group 2018 RM'000	Group 2017 RM'000
Unutilised tax losses	5,127	7,528
Other deductible temporary differences	111	4,161
	5,238	11,689
Deferred tax assets not recognised	1,257	2,805

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

The unutilised tax losses above are available for offsetting against future taxable profits of the respective subsidiaries subject to no substantial change in the shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority up to year 2025 following the change in the Budget 2019.

19. INSURANCE PAYABLES

		Group 2018 RM'000	Group 2017 RM'000
Due to reinsurers	(i)	3,787	2,714
Due to agents		5,087	5,668
Due to insureds		550,285	518,554
		559,159	526,936
Current		559,159	526,936

The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short-term maturity.

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19. INSURANCE PAYABLES (CONTINUED)

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

Group	Gross carrying amount RM'000	Gross amount offset RM'000	Net amount reported RM'000
31 December 2018			
Premiums ceded	4,650	–	4,650
Commissions receivables	–	(117)	(117)
Claims recoveries	–	(746)	(746)
	4,650	(863)	3,787
31 December 2017			
Premiums ceded	3,113	–	3,113
Commissions receivables	–	(241)	(241)
Claims recoveries	–	(158)	(158)
	3,113	(399)	2,714

20. OTHER PAYABLES

		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other creditors		113,529	179,956	2,055	2,489
Accrued liabilities		74,880	63,398	2,832	4,340
Amount due to related companies	(i)	20,110	4,739	14,213	–
Amount due to subsidiaries	(i)	–	–	1,838	1,842
Fees payable to key management personnel of a subsidiary	(ii)				
– Directors		–	24	–	24
		208,519	248,117	20,938	8,695

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

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

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21. NET PREMIUMS

	Group	
	2018 RM'000	2017 RM'000
First year premium	110,166	132,074
Renewal year premium	600,764	566,732
Single premium	154,476	158,674
	865,406	857,480

22. INVESTMENT INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets at FVTPL				
Interest/profit sharing income	15,653	14,146	–	–
Dividend/distribution income				
– equity securities				
– quoted in Malaysia	15,633	15,013	317	–
– quoted outside Malaysia	253	188	–	–
– unquoted in Malaysia	–	–	88	–
– real estate investment trusts				
– quoted in Malaysia	271	324	3	–
– unit trust funds	3,810	–	434	–
– mutual funds – outside Malaysia	6,090	6,960	–	–
Net (amortisation of premiums)/accretion of discounts (note 8(d))	(428)	275	–	–
AFS financial assets				
Interest/profit sharing income	100,610	94,714	–	3,249
Dividend/distribution income				
– equity securities				
– quoted in Malaysia	25,271	27,275	–	348
– quoted outside Malaysia	1,902	424	–	–
– unquoted in Malaysia	282	282	–	88
– real estate investment trusts				
– quoted in Malaysia	264	314	–	4
– unit trust funds	2,708	2,098	–	342
Net amortisation of premiums (note 8(d))	(2,619)	(1,421)	–	(142)
Sub-total carried forward to the next page	169,700	160,592	842	3,889

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22. INVESTMENT INCOME (CONTINUED)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sub-total brought forward from the previous page	169,700	160,592	842	3,889
Financial assets at FVOCI				
Interest/profit sharing income	–	–	4,354	–
Net amortisation of premiums (note 8(d))	–	–	(240)	–
Loans and receivables				
Interest/profit sharing income	20,018	19,073	73	–
Investment properties				
Rental income	6,370	6,892	4,509	4,724
Subsidiaries				
Dividend income	–	–	100,000	–
Cash and cash equivalents				
Interest/profit sharing income	1,000	730	52	17
	197,088	187,287	109,590	8,630

23. NET REALISED GAINS/(LOSS)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property and equipment				
Realised gains/(loss)	117	(1)	18	–
AFS financial assets				
Realised gains:				
Equity securities – quoted in Malaysia	33,684	51,635	–	2,061
Equity securities – quoted outside Malaysia	155	–	–	–
Real estate investment trusts	108	94	–	5
Unit trust funds	–	–	–	–
Debt securities	2,271	157	–	–
Realised losses:				
Unit trust funds	–	–	–	(14)
Debt securities	(89)	(1,738)	–	(729)
Total net realised gains for AFS financial assets	36,129	50,148	–	1,323
Financial assets at FVOCI				
Realised loss on debt securities	–	–	(68)	–
Subsidiaries				
Realised gains/(loss) on liquidation (note 7)	1,500	–	(47)	–
Total net realised gains/(loss)	37,746	50,147	(97)	1,323

NOTES TO THE FINANCIAL STATEMENTS
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24. NET FAIR VALUE (LOSSES)/GAINS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Investment property				
Unrealised fair value gains /(losses) (note 5)	109	(157)	490	(730)
Financial assets at FVTPL				
Fair value gains				
– Realised	1,719	65,204	–	–
– Unrealised (note 8(d))	727	107,329	–	–
Fair value losses				
– Realised	(11,588)	(1,071)	(223)	–
– Unrealised (note 8(d))	(148,322)	–	(1,473)	–
Net fair value (losses)/gains on financial assets at FVTPL	(157,464)	171,462	(1,696)	–
AFS financial assets				
Impairment losses on quoted equities (note 8(d))	(54,622)	(12,014)	–	(152)
Financial assets at FVOCI				
Expected credit loss on debt securities (note 8(d))	–	–	(7)	–
Total net fair value (losses)/gains	(211,977)	159,291	(1,213)	(882)

25. FEE INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fund management fee income	72,419	58,484	–	–
Charges and fee income	34,315	37,621	–	–
Outsourcing fee income	–	–	1,195	637
	106,734	96,105	1,195	637

NOTES TO THE FINANCIAL STATEMENTS
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26. MANAGEMENT EXPENSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Staff costs (note 26(a))	89,602	79,417	7,153	8,147
Directors' remuneration (note 33):				
– Fees*	940	927	356	408
– Other emoluments	8,990	10,504	1,220	1,175
Auditors' remuneration:				
– Statutory audit	624	611	98	91
– Audit related services	184	151	52	52
Office rental:				
– Subsidiary company	–	–	107	112
– Others	2,449	1,893	1	1
Depreciation of property and equipment (note 4)	3,553	3,733	937	948
Property and equipment written off	–	83	–	–
Intangible asset written off	–	65	–	–
Amortisation of intangible assets (note 6)	6,547	9,365	71	77
Allowance of impairment loss on intangible assets (note 6)	–	1,026	–	–
Reversal of impairment loss on insurance receivables	(2)	(1)	–	–
Allowance for impairment loss on other receivables	–	3	–	–
(Reversal)/allowance for impairment loss on loans receivable	(231)	38	–	–
Bancassurance service fee	3,000	3,000	–	–
Credit card charges	3,282	2,911	–	–
Fund management expenses	7,322	6,103	–	–
Goods and services tax	1,893	3,889	114	693
Information technology outsourcing expenses	11,080	11,022	386	475
Marketing and advertising expenses	10,885	14,656	–	–
Printing and stationery	1,759	1,974	85	97
Postage and courier charges	1,394	1,097	2	1
Professional charges	4,901	4,697	281	986
Provision of finance support	192	–	–	–
Provision of HR support	663	–	–	–
Outsourcing fees expense	2,156	1,907	1,130	1,130
Software maintenance expenses				
– Paid and payable	7,136	5,913	250	632
– Waiver of prior years' software maintenance expenses by immediate holding company	–	(3,178)	–	–
Training expense	1,159	1,601	28	80
Travelling and entertainment expenses	2,882	2,998	163	138
Utilities and office maintenance expenses	2,892	2,778	257	234
Other expenses*	3,626	3,779	123	54
	178,878	172,962	12,814	15,531

* Included in total Group directors' fees of RM940,000 (2017: RM927,000) are Investment Committee members' fees of RM142,500 (2017: RM107,500) which are borne by the unit trust funds managed by the asset management subsidiary. The amounts recharged to the unit trust funds are included in Other expenses.

26. MANAGEMENT EXPENSES (CONTINUED)

(a) Staff costs

		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Staff costs		69,829	64,388	5,996	7,017
Retirement benefits contributions	(i)	9,055	8,416	614	617
RSU expenses	(ii)	642	872	143	137
Other staff related expenses		10,076	5,741	400	376
Total staff costs		89,602	79,417	7,153	8,147

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

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

27. SHARE-BASED COMPENSATION

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
RSU expenses	1,028	2,157	164	258
	1,028	2,157	164	258

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

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28. OTHER OPERATING (INCOME)/EXPENSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Foreign exchange				
– Realised losses/(gains)	3,908	(10,880)	(83)	(39)
– Unrealised (gains)/losses	(12,996)	63,642	94	(287)
Interest expense on agent's bond withheld	16	17	–	–
Others	5,875	6,570	–	–
Tax on investment income of Life fund and Investment-linked funds:				
– Current tax	12,919	17,583	–	–
– Deferred tax (note 18)	(12,417)	4,357	–	–
	502	21,940	–	–
	(2,695)	81,289	11	(326)

The income tax for the Life fund and Investment-linked funds is calculated based on the tax rate of 8% (2017: 8%) of the assessable investment income, net of allowable deductions for the financial year.

29. TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
In respect of the profit of the Group and Company:				
Current tax				
Current financial year	12,654	13,870	1,420	–
Over provision in prior financial year	(148)	(134)	–	(13)
	12,506	13,736	1,420	(13)
Deferred tax (note 18)				
Reversal of temporary differences	(591)	(230)	(189)	(65)
	(591)	(230)	(189)	(65)
	11,915	13,506	1,231	(78)

The current income tax for the Group and the Company is calculated based on the tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

29. TAXATION (CONTINUED)

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit/(loss) before taxation	38,227	41,559	94,579	(7,820)
Taxation at Malaysia statutory tax rate of 24% (2017: 24%)	9,174	9,974	22,699	(1,877)
Section 110B tax credit set off	(2,071)	(2,129)	–	–
Income not subject to tax	(2,306)	(3,781)	(24,113)	(2,417)
Expenses not deductible for tax purposes	8,814	10,115	2,645	4,229
Changes in unrecognised deferred tax assets	(1,548)	(539)	–	–
	12,063	13,640	1,231	(65)
Over provision in prior financial year – Current tax	(148)	(134)	–	(13)
Tax expense	11,915	13,506	1,231	(78)

30. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year over the number of ordinary shares of the Company in issue of 202,370,000 (2017: 202,370,000) shares.

	Group	
	2018 RM'000	**2017 RM'000**
Net profit attributable to owners of the Company	26,251	28,018
Basic earnings per share (sen)	12.97	13.84

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

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31. DIVIDEND PAID

Company	2018 Net dividend per share Sen	2018 Amount of dividend RM'000	2017 Net dividend per share Sen	2017 Amount of dividend RM'000
Single tier dividend for 2017				
– First and final dividend	8.0	16,190	–	–
Single tier dividend for 2016				
– First and final dividend	–	–	10.5	21,249
	8.0	16,190	10.5	21,249

The directors recommend the payment of a first and final dividend of 7.0 sen per share, amounting to RM14,165,900 for the financial year ended 31 December 2018, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

These financial statements do not reflect this final dividend which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2018 when approved by the shareholders.

32. ADJUSTMENTS FOR NON-CASH ITEMS

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income	(137,281)	(128,663)	(4,479)	(3,266)
Dividend income	(56,484)	(52,878)	(100,842)	(782)
Rental income	(6,370)	(6,892)	(4,509)	(4,724)
Net amortisation of premiums	3,047	1,146	240	142
(Gains)/loss on disposal of property and equipment	(117)	1	(18)	–
Gains on disposal of AFS financial assets	(36,129)	(50,148)	–	(1,323)
Loss on disposal of FVOCI financial assets	–	–	68	–
(Gains)/losses on revaluation of investment property	(109)	157	(490)	730
Fair value loss/(gains) on FVTPL financial assets	157,464	(171,462)	1,696	–
Impairment losses on AFS financial assets	54,622	12,014	–	152
Depreciation of property and equipment	3,553	3,733	937	948
Expected credit loss on debt securities	–	–	7	–
Property and equipment written off	–	83	–	–
Intangible asset written off	–	65	–	–
Amortisation of intangible assets	6,547	9,365	71	77
Allowance for impairment of intangible assets	–	1,026	–	–
(Gain)/loss on liquidation of subsidiaries	(1,500)	–	47	–
Reversal of impairment loss on insurance receivables	(2)	(1)	–	–
(Reversal)/allowance for impairment loss on loans receivables	(231)	38	–	–
Allowance for impairment loss on other receivables	–	3	–	–
Taxation	11,915	13,506	1,231	(78)
Tax on investment income of Life fund and Investment-linked funds	502	21,940	–	–
Realised exchange loss/(gains)	3,908	(10,880)	(83)	(39)
Unrealised exchange (gains)/losses	(12,996)	63,642	94	(287)
	(9,661)	(294,205)	(106,030)	(8,450)

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33. SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Company have related party relationships with its holding companies and subsidiaries of holding companies (as disclosed in note 7). The related parties of, and their relationship with the Company are as follows:

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

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

Related parties also include key management personnel. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel of the Group and the Company include the directors and certain members of senior management of the Group and the Company. Total compensation paid to the Company's directors are disclosed on page 147.

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

Non-executive directors:
Dato' Dr. Zaha Rina binti Zahari
Datuk Seri Panglima Mohd Annuar bin Zaini
Lim Hun Soon @ David Lim
Kenneth Joseph Rappold Jr. (appointed on 1 October 2018)
Leung Rockson Lok-Shuen (resigned on 31 October 2018)
Dr. Gopakumar Kurup (resigned on 31 March 2018)

Executive directors:
Lee Sang Hui (appointed on 1 November 2018)
Mark Steven O'Dell (resigned on 31 October 2018)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

33. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Expenses/(income):				
Penultimate holding company				
Information technology outsourcing expenses	766	868	–	–
Intermediate holding company				
Reimbursement of personnel expenses	8,149	9,978	533	1,367
Software development services	–	301	–	–
Reimbursement of software maintenance expenses				
– Paid and payable	3,558	3,701	129	263
– Waiver of prior years' software maintenance expenses	–	(3,178)	–	–
Provision of IT infrastructure support	2,299	–	83	–
Subsidiaries of ultimate holding company				
Rental income	(91)	(1,291)	–	(611)
Rebate income	(10,759)	(3,903)	–	–
Software development services	–	96	–	74
Management fee expense	1,499	1,151	–	–
Information technology outsourcing expenses	566	414	–	–
Subsidiaries of the Company				
Outsourcing fee income	–	–	(1,166)	(636)
Outsourcing fee expense	–	–	1,102	1,130
Rental income	–	–	(1,605)	(1,492)
Fund management expenses	–	–	235	177
Management fees and maintenance charges	–	–	93	93

Key management personnel

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

		Group		Company	
		2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Salaries, other short-term employee benefits and other directors' emoluments		25,856	22,924	4,444	3,730
Retirement benefits contribution	(i)	2,565	2,175	419	338
RSU expenses	(ii)	1,028	2,157	164	258
		29,449	27,256	5,027	4,326

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

33. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

Directors

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

		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive directors of the Company:					
Salaries		2,465	2,265	493	453
Bonus		–	496	–	99
Retirement benefits contributions	(i)	135	142	27	28
Benefits in kind		339	537	68	107
RSU expenses	(ii)	107	606	21	121
Tax equalisation	(iii)	2,324	2,480	465	367
Others		730	–	146	–
		6,100	6,526	1,220	1,175
Executive directors of the subsidiaries:					
Salaries		1,672	2,023	–	–
Fees		33	45	–	–
Bonus		630	750	–	–
Retirement benefits contributions	(i)	309	450	–	–
Benefits in kind		–	9	–	–
RSU expenses	(ii)	279	679	–	–
Others		–	46	–	–
		2,923	4,002	–	–
Total directors remuneration for Executive directors		9,023	10,528	1,220	1,175
Non-executive directors of the Company:					
Fees	(iv)	552	643	356	408
Non-executive directors of the subsidiaries:					
Fees	(iv)	355	239	–	–
Others		–	21	–	–
		355	260	–	–
Total directors remuneration for Non-executive directors		907	903	356	408
		9,930	11,431	1,576	1,583

33. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

Directors (Continued)

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

(iii) Tax equalisation refers to the tax incurred by the Group and the Company on behalf of the previous Executive Director who was on international assignment so as to allow him a tax neutral position for working in Malaysia. Included in current year payment with respect to prior year is RM 407,000 (2017: RM598,000).

(iv) Included in Non-executive directors' fees of RM907,000 (2017: RM882,000) are Investment Committee members' fees of RM142,500 (2017: RM107,500) which are borne by the unit trust funds managed by the asset management subsidiary.

Significant related party balances

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans and receivables (note 9)				
– Amount due from related companies	3,617	2,629	–	601
– Amount due from subsidiaries	–	–	9,305	2,389
	3,617	2,629	9,305	2,990
Other payables (note 20)				
– Amount due to related companies	20,110	4,739	14,213	–
– Amount due to subsidiaries	–	–	1,838	1,842
	20,110	4,739	16,051	1,842

34. SEGMENTAL REPORTING

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

34. SEGMENTAL REPORTING (CONTINUED)

(a) Segment reporting

		Investment holding		Life insurance business		Asset management services		Total	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
External revenue									
(a)	Premium income								
	Gross premiums	–	–	913,371	896,375	–	–	913,371	896,375
	Premiums ceded to reinsurers	–	–	(47,965)	(38,895)	–	–	(47,965)	(38,895)
	Net premiums	–	–	865,406	857,480	–	–	865,406	857,480
(b)	Investment income	14,446	11,678	181,712	174,868	930	741	197,088	187,287
(c)	Net realised gains	1,590	1,336	36,055	48,811	101	–	37,746	50,147
(d)	Net fair value (losses)/gains	(581)	(882)	(211,415)	160,165	19	8	(211,977)	159,291
(e)	Fee income	–	–	–	–	106,734	96,105	106,734	96,105
(f)	Other operating income	2	1	2,382	2,175	465	17	2,849	2,193
	Total external revenue	15,457	12,133	874,140	1,243,499	108,249	96,871	997,846	1,352,503
Inter-segment revenue									
(a)	Rental income	1,605	1,492	784	782	–	–	2,389	2,274
(b)	Fee income	1,195	637	4,412	4,767	11,686	10,751	17,293	16,155
(c)	Dividend income from equity securities	–	–	3,862	3,497	–	–	3,862	3,497
(d)	Dividend income from subsidiary	100,000	–	–	–	–	–	100,000	–
(e)	Net realised gains/(losses)	–	–	250	(141)	–	–	250	(141)
	Total inter-segment revenue	102,800	2,129	9,308	8,905	11,686	10,751	123,794	21,785
	Total revenue by segment	118,257	14,262	883,448	1,252,404	119,935	107,622	1,121,640	1,374,288
	Profit/(loss) before taxation	1,500	(4,377)	32,426	48,337	4,301	(2,401)	38,227	41,559
Segment assets		729,700	653,145	5,096,957	5,218,971	130,124	193,294	5,956,781	6,065,410
Segment liabilities		19,622	7,750	4,613,169	4,660,766	86,271	153,421	4,719,062	4,821,937

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2018

34. SEGMENTAL REPORTING (CONTINUED)

(b) Reconciliation of reportable segments

	Group 2018 RM'000	Group 2017 RM'000
Total revenue		
Total revenue for reportable segments	1,121,640	1,374,288
Elimination of inter-segment revenue	(123,794)	(21,785)
Total revenue as per statement of profit or loss	997,846	1,352,503
Segment assets		
Total assets for reportable segments	5,956,781	6,065,410
Elimination of inter-segment assets	(421,927)	(431,426)
Total assets as per statement of financial position	5,535,854	5,633,984
Segment liabilities		
Total liabilities for reportable segments	4,719,062	4,821,937
Elimination of inter-segment liabilities	(6,079)	(3,277)
Total liabilities as per statement of financial position	4,712,983	4,818,660

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

i) Available-for-sale ("AFS");
ii) Fair value through other comprehensive income ("FVOCI");
iii) Fair value through profit or loss – ("FVTPL");
iv) Loans and receivables excluding prepayments ("LAR"); and
v) Other financial liabilities measured at amortised cost ("OL").

NOTES TO THE
FINANCIAL STATEMENTS
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35. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Group	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
31 December 2018					
Financial assets					
AFS financial assets	3,089,541	–	–	–	3,089,541
Financial assets at FVTPL	–	1,561,729	–	–	1,561,729
Loans and receivables	–	–	474,368	–	474,368
Insurance receivables	–	–	24,344	–	24,344
Cash and cash equivalents	–	–	130,893	–	130,893
	3,089,541	1,561,729	629,605	–	5,280,875
Financial liabilities					
Financial liabilities at FVTPL	–	116	–	–	116
Insurance payables	–	–	–	559,159	559,159
Other payables	–	–	–	208,519	208,519
	–	116	–	767,678	767,694
31 December 2017					
Financial assets					
AFS financial assets	3,090,586	–	–	–	3,090,586
Financial assets at FVTPL	–	1,536,831	–	–	1,536,831
Loans and receivables	–	–	585,475	–	585,475
Insurance receivables	–	–	23,971	–	23,971
Cash and cash equivalents	–	–	148,973	–	148,973
	3,090,586	1,536,831	758,419	–	5,385,836
Financial liabilities					
Insurance payables	–	–	–	526,936	526,936
Other payables	–	–	–	248,117	248,117
	–	–	–	775,053	775,053

35. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Company	AFS RM'000	FVOCI RM'000	FVTPL RM'000	LAR* RM'000	OL RM'000	Total RM'000
31 December 2018						
Financial assets						
Financial assets at FVOCI	–	134,570	–	–	–	134,570
Financial assets at FVTPL	–	–	21,268	–	–	21,268
Loans and receivables	–	–	–	11,890	–	11,890
Cash and cash equivalents	–	–	–	1,328	–	1,328
	–	134,570	21,268	13,218	–	169,056
Financial liabilities						
Other payables	–	–	–	–	20,938	20,938
31 December 2017						
Financial assets						
AFS financial assets	66,357	–	–	–	–	66,357
Loans and receivables	–	–	–	6,593	–	6,593
Cash and cash equivalents	–	–	–	1,153	–	1,153
	66,357	–	–	7,746	–	74,103
Financial liabilities						
Other payables	–	–	–	–	8,695	8,695

* LAR are measured under amortised costs under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Determination of fair values

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

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

(ii) The fair values of quoted equities and investments in real estate investment trusts are based on quoted market prices as at the reporting date;

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

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

(v) The fair values of investments in mutual funds and unit trust funds are valued based on the net asset values of the underlying funds as at the reporting date; and

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

(c) Fair value hierarchy

The Group and the Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Group's and the Company's valuation techniques for determining the fair value of the financial instruments.

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

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Group and the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

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

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

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

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

The following table presents the Group's financial assets that are carried at fair value as at 31 December 2018.

Group	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2018			
AFS financial assets			
Equity securities			
– Quoted in Malaysia	746,629	746,629	–
– Quoted outside Malaysia	109,339	109,339	–
Real estate investment trusts	8,591	8,591	–
Unit trust funds	70,352	70,352	–
Malaysian Government Securities	328,043	–	328,043
Government Investment Issues	137,236	–	137,236
Corporate debt securities			
– Unquoted	1,663,045	–	1,663,045
Accrued interest	23,790	–	23,790
	3,087,025	934,911	2,152,114
Financial assets at FVTPL			
Equity securities			
– Quoted in Malaysia	493,196	493,196	–
– Quoted outside Malaysia	4,886	4,886	–
Real estate investment trusts	5,786	5,786	–
Unit trust funds	125,768	125,768	–
Malaysian Government Securities	34,398	–	34,398
Government Investment Issues	23,388	–	23,388
Corporate debt securities			
– Unquoted	363,894	–	363,894
– Quoted outside Malaysia	5,076	5,076	–
Mutual funds	496,354	–	496,354
Forward foreign exchange contract	3,958	–	3,958
Accrued interest	5,025	–	5,025
	1,561,729	634,712	927,017
	4,648,754	1,569,623	3,079,131
Financial liabilities at FVTPL			
Forward foreign exchange contract	116	–	116

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

The following table presents the Group's financial assets that are carried at fair value as at 31 December 2017.

Group	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2017			
AFS financial assets			
Equity securities			
– Quoted in Malaysia	848,318	848,318	–
– Quoted outside Malaysia	39,690	39,690	–
Real estate investment trusts	6,550	6,550	–
Unit trust funds	67,570	67,570	–
Malaysian Government Securities	524,193	–	524,193
Government Investment Issues	186,496	–	186,496
Corporate debt securities			
– Unquoted	1,393,226	–	1,393,226
Accrued interest	22,027	–	22,027
	3,088,070	962,128	2,125,942
Financial assets at FVTPL			
Equity securities			
– Quoted in Malaysia	521,921	521,921	–
– Quoted outside Malaysia	12,663	12,663	–
Real estate investment trusts	7,543	7,543	–
Unit trust funds	61,531	61,531	–
Malaysian Government Securities	40,950	–	40,950
Government Investment Issues	24,302	–	24,302
Corporate debt securities			
– Unquoted	242,177	–	242,177
Mutual funds	618,047	618,047	–
Forward foreign exchange contract	4,284	–	4,284
Accrued interest	3,413	–	3,413
	1,536,831	1,221,705	315,126
	4,624,901	2,183,833	2,441,068

Unquoted equity securities of RM2,516,566 (2017: RM2,516,566) of the Group as disclosed in note 8(a) are not disclosed in the fair value hierarchy above as they are measured at cost as fair value is not readily available.

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

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35. 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 2018 and 31 December 2017.

Company	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2018				
Financial assets at FVOCI				
Malaysian Government Securities	18,117	–	18,117	–
Government Investment Issues	3,614	–	3,614	–
Corporate debt securities	–			
– Unquoted	111,406	–	111,406	–
Accrued interest	1,433	–	1,433	–
	134,570	–	134,570	–
Financial assets at FVTPL				
Equity securities				
– Quoted in Malaysia	13,920	13,920	–	–
– Unquoted*	572	–	–	572
Real estate investment trusts				
– Quoted in Malaysia	160	160	–	–
Unit trust fund	6,616	6,616	–	–
	21,268	20,696	–	572
31 December 2017				
AFS financial assets**				
Equity securities				
– Quoted in Malaysia	6,783	6,783	–	–
Real estate investment trusts				
– Quoted in Malaysia	54	54	–	–
Unit trust fund	4,648	4,648	–	–
Malaysian Government Securities	12,634	–	12,634	–
Government Investment Issues	2,603	–	2,603	–
Corporate debt securities				
– Unquoted	38,534	–	38,534	–
Accrued interest	529	–	529	–
	65,785	11,485	54,300	–

* The Company has determined that cost is the best proxy of the fair value of the unquoted equities which are classified as financial assets at FVTPL, as there is no latest market value for these strategic investments and there has been no significant change in the economic environment in which the investee operates in. The reconciliation from beginning to ending balance for unquoted equities will be at cost, as mentioned above.

** Unquoted equity securities of RM572,122 of the Company as disclosed in note 8(a) are not disclosed in the fair value hierarchy of AFS financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS
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36. RISK MANAGEMENT

(a) Risk management framework

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

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

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

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

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

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

(b) Regulatory framework

Manulife Insurance Berhad is required to comply with the Financial Services Act 2013 (Act 758) as well as guidelines and circulars issued by Bank Negara Malaysia (“BNM”).

Manulife Insurance Labuan Limited is required to comply with Labuan Financial Services Authority Act 1996 (LFSAA 1996).

Manulife Asset Management Services Berhad is governed by the Capital Markets and Services Act, 2007 and relevant guidelines issued by the Securities Commission Malaysia.

36. RISK MANAGEMENT (CONTINUED)

(c) Capital management

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

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

Manulife Insurance Berhad'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%.

Manulife Insurance Berhad has fully complied with its internal target solvency range during the reported financial years.

The capital structure of the Manulife Insurance Berhad as at 31 December 2018 and 31 December 2017, as prescribed under the Framework are as follows:

	2018 RM'000	2017 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	150,000	150,000
Retained earnings of Manulife Insurance Berhad*	246,085	317,352
Eligible contract liabilities	587,546	634,240
	983,631	1,101,592
Eligible Tier 2 Capital		
Eligible reserves	38,672	121,114
Amounts deducted from capital	(20,273)	(22,217)
Total Capital Available	1,002,030	1,200,489

* Only the distributable retained earnings (note 12) of Manulife Insurance Berhad are included in the determination of Total Capital Available.

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36. RISK MANAGEMENT (CONTINUED)

(c) Capital management (continued)

Manulife Insurance Labuan Limited is regulated by the Labuan Financial Services Authority (LFSA) for both Licensed Life Insurer and Licensed Insurance Broker.

(i) Licensed Life Insurer

A solvency requirement is imposed by LFSA as part of its supervisory activities where solvency margin is calculated at 3% of the latest actuarial valuation of life insurance or RM7.5 million, whichever is greater.

As of the reporting date, the solvency over the required margin is as shown below:

	2018 USD'000	2017 USD'000
Required Margin of Solvency	1,813	1,853
Total assets	6,303	3,182
Total liabilities	(3,691)	(460)
Excess of assets over liabilities	2,612	2,722
Surplus over the required margin	799	869

(ii) Licensed Insurance Broker

Manulife Insurance Labuan Limited was licensed as a Licensed Insurance Broker on 19th June 2018 and has met the minimum capital requirement of RM300,000, with a net working fund of RM401,612 as at 31 December 2018 (2017: Nil).

Manulife Asset Management Services Berhad has also met the minimum capital requirement of RM20 million stipulated by the Securities Commission Malaysia with a shareholder's fund of RM43,851,819 (2017: RM39,676,977).

(d) Insurance risk

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

The insurance subsidiaries of the Group has implemented product design and pricing policies and underwriting and claims management policies to manage its insurance risks.

Manulife Insurance Berhad limits its exposure to loss within the insurance operations through participation in reinsurance arrangements. For insurance contracts issued in 2018, 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. Manulife Insurance Berhad is neither dependent on a single reinsurer at this moment nor are the operations of Manulife Insurance Berhad substantially dependent upon any reinsurance contract.

Manulife Insurance Labuan Limited also limits exposure to loss within the insurance operations through participation in reinsurance arrangements. The Company retains a 20% of Net Amount At Risk ("NAAR") up to USD 75,000, with the excess being reinsured through surplus treaties.

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36. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

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

Group	Gross 2018 RM'000	Gross 2017 RM'000	Net 2018 RM'000	Net 2017 RM'000
Whole life	931,415	910,900	930,855	910,900
Endowment	691,737	598,987	691,737	598,987
Term	61,264	49,426	58,974	48,154
Annuity	206,181	203,212	206,181	203,212
Others	612,732	640,361	612,732	640,361
	2,503,329	2,402,886	2,500,479	2,401,614

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 and 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.

Group	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 2018					
Mortality/morbidity	+10	17,502	14,014	(14,014)	(10,662)
Discount rate	–1	30,570	30,071	(30,071)	(22,888)
Expenses	+10	6,527	6,527	(6,527)	(4,962)
Lapse and surrender rates	+10	2,849	2,851	(2,851)	(2,166)
31 December 2017					
Mortality/morbidity	+10	12,712	10,174	(10,174)	(7,732)
Discount rate	–1	30,794	30,723	(30,723)	(23,349)
Expenses	+10	6,700	6,700	(6,700)	(5,092)
Lapse and surrender rates	+10	3,098	3,079	(3,079)	(2,340)

* Impact on equity is stated after considering tax effects

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36. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

Sensitivities (continued)

In the sensitivity analysis above, the impact from the changes in assumptions in the table above to the insurance subsidiaries of the Group'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 Manulife Insurance Berhad the flexibility to adjust the policyholders' bonus or dividends.

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

(e) Credit risk

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

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

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

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

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

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

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

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

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

The Investment-linked funds are the assets of the Investment-linked contracts backing the Investment-linked policyholders' account in the insurance contract liabilities of Manulife Insurance Berhad.

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36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Group	Neither past-due nor impaired		Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment-linked funds RM'000	Total RM'000
	Rating (BBB to AAA) RM'000	Not rated RM'000					
31 December 2018							
AFS financial assets							
Equity securities	–	–	858,484	–	–	–	858,484
Real estate investment trusts	–	–	8,591	–	–	–	8,591
Unit trust funds	–	–	70,352	–	–	–	70,352
Malaysian Government Securities	–	328,043	–	–	–	–	328,043
Government Investment Issues	–	137,236	–	–	–	–	137,236
Corporate debt securities	1,286,325	376,720	–	–	–	–	1,663,045
Accrued interest	14,919	8,871	–	–	–	–	23,790
Financial assets at FVTPL – designated upon initial recognition							
Equity securities	–	–	–	–	–	498,082	498,082
Real estate investment trusts	–	–	–	–	–	5,786	5,786
Unit trust funds	–	–	1,029	–	–	124,739	125,768
Malaysian Government Securities	–	34,398	–	–	–	–	34,398
Government Investment Issues	–	23,388	–	–	–	–	23,388
Corporate debt securities	215,647	75,373	–	–	–	77,950	368,970
Mutual funds	–	–	–	–	–	496,354	496,354
Forward foreign exchange contract	–	–	–	–	–	3,958	3,958
Accrued interest	2,577	1,564	–	–	–	884	5,025
Loans and receivables							
Loans receivable	–	154,463	–	59	222	–	154,744
Fixed and call deposits	164,271	–	–	–	–	82,148	246,419
Other receivables	–	61,135	–	–	1,365	12,205	74,705
Reinsurance assets	4,719	5,349	–	–	–	–	10,068
Insurance receivables	–	24,344	–	–	1,063	–	25,407
Cash and cash equivalents	120,638	–	–	–	–	10,255	130,893
Allowance for impairment losses	–	–	–	–	(2,563)	–	(2,563)
	1,809,096	1,230,884	938,456	59	87	1,312,361	5,290,943

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Group	Neither past-due nor impaired		Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment-linked funds RM'000	Total RM'000
	Rating (BBB to AAA) RM'000	Not rated RM'000					
31 December 2017							
AFS financial assets							
Equity securities	–	–	890,524	–	–	–	890,524
Real estate investment trusts	–	–	6,550	–	–	–	6,550
Unit trust funds	–	–	67,570	–	–	–	67,570
Malaysian Government Securities	–	524,193	–	–	–	–	524,193
Government Investment Issues	–	186,496	–	–	–	–	186,496
Corporate debt securities	1,017,284	375,942	–	–	–	–	1,393,226
Accrued interest	11,300	10,727	–	–	–	–	22,027
Financial assets at FVTPL – designated upon initial recognition							
Equity securities	–	–	–	–	–	534,584	534,584
Real estate investment trusts	–	–	–	–	–	7,543	7,543
Unit trust funds	–	–	4,326	–	–	57,205	61,531
Malaysian Government Securities	–	40,950	–	–	–	–	40,950
Government Investment Issues	–	24,302	–	–	–	–	24,302
Corporate debt securities	113,377	56,910	–	–	–	71,890	242,177
Mutual funds	–	–	–	–	–	618,047	618,047
Forward foreign exchange contract	–	–	–	–	–	4,284	4,284
Accrued interest	1,281	1,408	–	–	–	724	3,413
Loans and receivables							
Loans receivable	–	163,482	–	56	589	–	164,127
Fixed and call deposits	243,009	–	–	–	–	108,417	351,426
Other receivables	–	54,803	–	–	1,365	15,485	71,653
Reinsurance assets	4,070	2,342	–	–	–	–	6,412
Insurance receivables	–	23,971	–	–	1,065	–	25,036
Cash and cash equivalents	146,077	–	–	–	–	2,896	148,973
Allowance for impairment losses	–	–	–	–	(2,796)	–	(2,796)
	1,536,398	1,465,526	968,970	56	223	1,421,075	5,392,248

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Company

The following table sets out the credit quality of financial assets measured at amortised cost and FVOCI:

	2018			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loans and receivables at amortised cost:				
– Fixed and call deposits (BBB to AAA)	1,501	–	–	1,501
Financial assets at FVOCI:				
– Malaysian Government Securities (Not rated)	18,117	–	–	18,117
– Government Investment Issues (Not rated)	3,614	–	–	3,614
– Corporate debt securities (BBB to AAA)	80,708	–	–	80,708
– Corporate debt securities (Not rated)	30,707	–	–	30,707
	133,146	–	–	133,146
Loss allowance	(9)	–	–	(9)
Carrying amount	133,137	–	–	133,137

The details of the "three-staging model" are described in note 2(h)(iii). No comparative numbers are presented as MFRS 9 is adopted on 1 January 2018.

Company	**Rating (BBB to AAA) RM'000**	**Not rated RM'000**	**Not subject to credit risk RM'000**	**Total RM'000**
31 December 2018				
Financial assets at FVOCI				
Malaysian Government Securities	–	18,117	–	18,117
Government Investment Issues	–	3,614	–	3,614
Corporate debt securities	80,699	30,707	–	111,406
Accrued interest	844	589	–	1,433
Financial assets at FVTPL				
Equity securities	–	–	14,492	14,492
Real estate investment trusts	–	–	160	160
Unit trust funds	–	–	6,616	6,616
Loans and receivables				
Loans receivable	–	1	–	1
Fixed and call deposits	1,501	–	–	1,501
Other receivables	–	10,388	–	10,388
Cash and cash equivalents	1,328	–	–	1,328
	84,372	63,416	21,268	169,056

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36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Company	Neither past-due nor impaired: Rating (BBB to AAA) RM'000	Neither past-due nor impaired: Not rated RM'000	Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
31 December 2017						
AFS financial assets						
Equity securities	–	–	7,355	–	–	7,355
Real estate investment trusts	–	–	54	–	–	54
Unit trust funds	–	–	4,648	–	–	4,648
Malaysian Government Securities	–	12,634	–	–	–	12,634
Government Investment Issues	–	2,603	–	–	–	2,603
Corporate debt securities	24,062	14,472	–	–	–	38,534
Accrued interest	267	262	–	–	–	529
Loans and receivables						
Loans receivable	–	–	–	1	–	1
Fixed and call deposits	1,655	–	–	–	–	1,655
Other receivables	–	4,937	–	–	1,075	6,012
Cash and cash equivalents	1,153	–	–	–	–	1,153
Allowance for impairment losses	–	–	–	–	(1,075)	(1,075)
	27,137	34,908	12,057	1	–	74,103

Age analysis of financial assets past-due but not impaired (requirements under MFRS 139)

	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	Over 180 days RM'000	Total RM'000
Group						
31 December 2018						
Loans receivable	–	–	–	–	59	59
Other receivables	–	–	–	–	–	–
	–	–	–	–	59	59
31 December 2017						
Loans receivable	–	–	–	–	56	56
Other receivables	–	–	–	–	–	–
	–	–	–	–	56	56
Company						
31 December 2017						
Loans receivable	–	–	–	–	1	1

36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Impaired financial assets

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

Group	Loans receivable RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
At 1 January 2018	366	1,065	1,365	2,796
Reversal of impairment losses during the financial year*	(231)	(2)	–	(233)
At 31 December 2018	135	1,063	1,365	2,563
At 1 January 2017	328	1,066	1,362	2,756
Allowance for/(reversal of) impairment losses during the financial year*	38	(1)	3	40
At 31 December 2017	366	1,065	1,365	2,796

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

Company

The Company assesses at each reporting date to determine loss allowances for expected credit loss on financial assets measured at amortised cost and debt securities at FVOCI as mentioned in note 2(h)(iii).

The following table shows the reconciliations from opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent the allowance amount for credit losses and reflect measurement basis under MFRS 139.

Financial assets at FVOCI	2018				2017
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
At 1 January	2	–	–	2	–
New financial asset purchased	8	–	–	8	–
Financial assets that have been derecognised	(1)	–	–	(1)	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
At 31 December	9	–	–	9	–

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36. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

The following table shows the reconciliations from opening to the closing balance of the loss allowance by class of financial instrument and using simplified approach:

Lifetime ECL	Other receivables 2018 RM'000	Other receivables 2017 RM'000
At 1 January	1,075	1,075
Loss allowance	–	–
At 31 December	1,075	1,075

(f) Market risk

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

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

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

(i) Currency risk

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

The Group manages the risk through matching the currency of the assets with the currency of the liabilities which these assets support. The Group has foreign currency denominated related party transactions which are denominated mainly in USD and CAD. The Group does not have other direct exposure to foreign currency risk except for certain foreign currency denominated investments in participating life fund and investment linked-business, of which the foreign currency risk is borne by the policyholders.

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36. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(i) Currency risk (continued)

Exposure to foreign currency risk

The Group and the Company's exposure to the foreign currency (a currency which is other than the functional currency of the Company) risk which are more significant, based on carrying amounts as at the end of the reporting period were:

	2018 Denominated		2017 Denominated	
	USD RM'000	CAD RM'000	USD RM'000	CAD RM'000
Group				
Trade receivables	1,336	–	1,249	–
Amount due from related parties	2,998	–	5,665	–
Amount due to related parties	(5,047)	(1,869)	(2,191)	(1,604)
Cash and cash equivalents	14,171	–	27,034	–
	13,458	(1,869)	31,757	(1,604)
Company				
Amount due to related parties	(947)	–	(898)	–

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 Increase/(decrease) 2018 RM'000	2017 RM'000
Group		
Changes in foreign currency rates		
USD + 5%	673	1,588
CAD + 5%	(93)	(80)
USD – 5%	(673)	(1,588)
CAD – 5%	93	80
Company		
Changes in foreign currency rates		
USD + 5%	(47)	(45)
USD – 5%	47	45

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31 DECEMBER 2018

36. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(ii) Interest rate risk

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

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

	Impact on profit before tax Increase/(decrease)		Impact on equity* (Decrease)/increase	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group				
Change in variable:				
Interest rate				
+100 basis points	(570)	6,921	(23,596)	(16,160)
- 100 basis points	(1,319)	(10,651)	25,010	16,032
Company				
Change in variable:				
Interest rate				
+100 basis points	–	–	(6,738)	(2,945)
- 100 basis points	–	–	7,566	3,331

* Impact on equity is stated after considering tax effects

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

The impact to the Company's equity is attributable to the investments in fixed income securities which are classified as FVOCI financial assets in 2018 and AFS financial assets in 2017.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

36. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(iii) Price risk

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

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

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

	Impact on profit before tax Increase/(decrease)		Impact on equity* Increase/(decrease)	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group				
Change in variable				
Market price				
+15%	154	649	35,249	29,652
- 15%	(154)	(649)	(35,249)	(29,652)
Company				
Change in variable				
Market price				
+15%	3,104	–	3,104	1,723
- 15%	(3,104)	–	(3,104)	(1,723)

* Impact on equity is stated after considering tax effects

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

36. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(iii) Price risk (continued)

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

(g) Liquidity risk

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

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

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

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

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

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

36. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
31 December 2018								
Equity securities	1,356,566	–	–	–	–	858,484	498,082	1,356,566
Real estate investment trusts	14,377	–	–	–	–	8,591	5,786	14,377
Unit trust funds	196,120	–	–	–	–	71,381	124,739	196,120
Malaysian Government Securities	362,441	16,536	32,966	32,966	594,519	–	–	676,987
Government Investment Issues	160,624	7,578	15,156	15,156	259,917	–	–	297,807
Corporate debt securities	2,032,015	193,781	392,606	449,541	1,663,344	–	77,950	2,777,222
Mutual funds	496,354	–	–	–	–	–	496,354	496,354
Forward foreign exchange contract	3,958	–	–	–	–	–	3,958	3,958
Accrued interest:								
– AFS financial assets	23,790	23,790	–	–	–	–	–	23,790
– FVTPL financial assets	5,025	4,141	–	–	–	–	884	5,025
Loans receivable	154,609	662	655	366	695	152,231	–	154,609
Fixed and call deposits	246,419	164,271	–	–	–	–	82,148	246,419
Other receivables	73,340	60,745	–	–	390	–	12,205	73,340
Reinsurance assets	10,068	10,068	–	–	–	–	–	10,068
Insurance receivables	24,344	24,344	–	–	–	–	–	24,344
Cash and cash equivalents	130,893	120,638	–	–	–	–	10,255	130,893
Total financial and insurance assets	5,290,943	626,554	441,383	498,029	2,518,865	1,090,687	1,312,361	6,487,879
Insurance contract liabilities	3,873,195	136,317	231,436	398,773	5,100,473	–	1,301,629	7,168,628
Insurance claims liabilities	55,014	55,014	–	–	–	–	–	55,014
Forward foreign exchange contract	116	–	–	–	–	–	116	116
Insurance payables	559,159	559,159	–	–	–	–	–	559,159
Other payables	208,519	194,664	–	–	–	–	13,855	208,519
Total financial and insurance liabilities	4,696,003	945,154	231,436	398,773	5,100,473	–	1,315,600	7,991,436

36. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
31 December 2017								
Equity securities	1,425,108	–	–	–	–	890,524	534,584	1,425,108
Real estate investment trusts	14,093	–	–	–	–	6,550	7,543	14,093
Unit trust funds	129,101	–	–	–	–	71,896	57,205	129,101
Malaysian Government Securities	565,143	24,365	48,777	48,724	822,272	–	–	944,138
Government Investment Issues	210,798	9,520	19,463	24,010	304,215	–	–	357,208
Corporate debt securities	1,635,403	180,981	353,364	354,428	1,285,881	–	71,890	2,246,544
Mutual funds	618,047	–	–	–	–	–	618,047	618,047
Forward foreign exchange contract	4,284	–	–	–	–	–	4,284	4,284
Accrued interest:								
– AFS financial assets	22,027	22,027	–	–	–	–	–	22,027
– FVTPL financial assets	3,413	2,689	–	–	–	–	724	3,413
Loans receivable	163,761	760	1,177	758	692	160,374	–	163,761
Fixed and call deposits	351,426	243,009	–	–	–	–	108,417	351,426
Other receivables	70,288	54,413	–	–	390	–	15,485	70,288
Reinsurance assets	6,412	6,412	–	–	–	–	–	6,412
Insurance receivables	23,971	23,971	–	–	–	–	–	23,971
Cash and cash equivalents	148,973	146,077	–	–	–	–	2,896	148,973
Total financial and insurance assets	5,392,248	714,224	422,781	427,920	2,413,450	1,129,344	1,421,075	6,528,794
Insurance contract liabilities	3,948,122	203,275	174,111	358,059	5,381,626	–	1,394,289	7,511,360
Insurance claims liabilities	56,489	56,489	–	–	–	–	–	56,489
Insurance payables	526,936	526,936	–	–	–	–	–	526,936
Other payables	248,117	234,233	–	–	–	–	13,884	248,117
Total financial and insurance liabilities	4,779,664	1,020,933	174,111	358,059	5,381,626	–	1,408,173	8,342,902

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36. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Company	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity RM'000	Total RM'000
31 December 2018							
Equity securities	14,492	–	–	–	–	14,492	14,492
Real estate investment trusts	160	–	–	–	–	160	160
Unit trust funds	6,616	–	–	–	–	6,616	6,616
Malaysian Government Securities	18,117	803	1,606	1,606	29,606	–	33,621
Government Investment Issues	3,614	172	345	345	5,852	–	6,714
Corporate debt securities	111,406	11,238	18,978	26,522	97,435	–	154,173
Accrued interest:							
– FVOCI financial assets	1,433	1,433	–	–	–	–	1,433
Loans receivable	1	1	–	–	–	–	1
Fixed and call deposits	1,501	1,501	–	–	–	–	1,501
Other receivables	10,388	10,388	–	–	–	–	10,388
Cash and cash equivalents	1,328	1,328	–	–	–	–	1,328
Total financial assets	169,056	26,864	20,929	28,473	132,893	21,268	230,427
Other payables	20,938	20,938	–	–	–	–	20,938
Total financial liabilities	20,938	20,938	–	–	–	–	20,938
31 December 2017							
Equity securities	7,355	–	–	–	–	7,355	7,355
Real estate investment trusts	54	–	–	–	–	54	54
Unit trust funds	4,648	–	–	–	–	4,648	4,648
Malaysian Government Securities	12,634	560	1,119	1,119	20,852	–	23,650
Government Investment Issues	2,603	109	217	217	3,072	–	3,615
Corporate debt securities	38,534	3,780	8,865	6,836	34,107	–	53,588
Accrued interest:							
– AFS financial assets	529	529	–	–	–	–	529
Loans receivable	1	1	–	–	–	–	1
Fixed and call deposits	1,655	1,655	–	–	–	–	1,655
Other receivables	4,937	4,937	–	–	–	–	4,937
Cash and cash equivalents	1,153	1,153	–	–	–	–	1,153
Total financial assets	74,103	12,724	10,201	8,172	58,031	12,057	101,185
Other payables	8,695	8,695	–	–	–	–	8,695
Total financial liabilities	8,695	8,695	–	–	–	–	8,695

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36. 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 Group and the Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people are in place throughout the Group and the Company. The Group uses an established programme of comprehensive risk self-assessments in conjunction with independent internal audits to monitor and assess inherent operational risks and the effectiveness of internal controls.

37. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure commitments:				
Other commitments:-				
Exclusive bancassurance agreement				
– Authorised but not provided for	13,500	16,500	–	–

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

38. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES

As discussed in note 2(a)(i), the Group will be deferring the adoption of MFRS 9 as allowed under Amendments to MFRS 4. In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Group's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

For the financial year ended 31 December 2018	Fair value as at 1 January 2018 RM'000	Change in fair value* RM'000	Fair value as at 31 December 2018 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Financial assets					
Equity securities					
– Quoted in Malaysia	1,370,239	(130,414)	1,239,825	Non-SPPI	FVTPL
– Quoted outside Malaysia	52,353	61,872	114,225	Non-SPPI	FVTPL
– Unquoted	2,516	–	2,516	Non-SPPI	FVTPL
Real estate investment trusts	14,093	284	14,377	Non-SPPI	FVTPL
Unit trust funds	129,101	67,019	196,120	Non-SPPI	FVTPL
Malaysian Government Securities	565,143	(202,702)	362,441	SPPI	FVOCI
Government Investment Issues	210,798	(50,174)	160,624	SPPI	FVOCI
Corporate debt securities					
– Unquoted	1,635,403	391,536	2,026,939	SPPI	FVOCI
– Quoted outside Malaysia	–	5,076	5,076	SPPI	FVOCI
Mutual funds	618,047	(121,693)	496,354	Non-SPPI	FVTPL
Forward foreign exchange contract	4,284	(326)	3,958	Non-SPPI	FVTPL
Accrued interest	25,440	3,375	28,815	SPPI	FVOCI
Loans and receivables	585,475	(111,107)	474,368	SPPI	Amortised cost
Insurance receivables	23,971	373	24,344	SPPI	Amortised cost
Cash and cash equivalents	148,973	(18,080)	130,893	SPPI	Amortised cost
	5,385,836	(104,961)	5,280,875		

* Includes purchases, disposals, maturities and realised/unrealised gains/(losses).

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38. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)

The following table shows the fair value of financial assets of the Group by credit quality:

As at 31 December 2018	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
Financial assets						
Malaysian Government Securities	–	–	–	–	362,441	362,441
Government Investment Issues	–	–	–	–	160,624	160,624
Corporate debt securities						
– Unquoted	985,673	579,224	9,162	–	452,880	2,026,939
– Quoted outside Malaysia**	–	–	2,028	3,048	–	5,076
Accrued interest	12,671	5,549	106	41	10,448	28,815
Loans and receivables	192,927	53,492	–	–	227,949	474,368
Insurance receivables	–	6,797	–	–	17,547	24,344
Cash and cash equivalents	117,502	4,424	8,929	–	38	130,893
	1,308,773	649,486	20,225	3,089	1,231,927	3,213,500

** Rated by international rating agencies.

39. EFFECTS OF TRANSITION FROM MFRS 139 TO MFRS 9

(i) Classification and Measurements of Financial Instruments

On 1 January 2018 (the date of initial application of MFRS 9), the Company has performed the business model assessment and SPPI test on its financial instruments. As a result of the reassessment, the Company has concluded on the following:-

i. Debt securities which include Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities will be measured at FVOCI as the Company expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis. Accordingly, these financial assets are reclassified from AFS to FVOCI.

ii. Quoted equities, real estate investment funds and unit trusts previously held as AFS with gains and losses recorded in OCI are, instead, measured at FVTPL. Accordingly, these financial assets are reclassified from AFS to FVTPL. The AFS reserve of RM0.8 million related to those securities are reclassified to retained earnings as at 1 January 2018.

iii. The shares in non-listed companies previously classified as AFS are intended to be held for the foreseeable future and are reclassified from AFS to FVTPL. No impairment losses were recognised in profit or loss during prior periods for these investments.

iv. Loans and receivables which include fixed and call deposits and other receivables are held to collect contractual cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria to be carried at amortised cost under MFRS 9. Therefore, these instruments are classified as Financial Assets at amortised costs.

39. EFFECTS OF TRANSITION FROM MFRS 139 TO MFRS 9 (CONTINUED)

(i) Classification and Measurements of Financial Instruments (continued)

v. Based on the Company's assessment, there are no material change relating to the classification of financial liabilities as at 1 January 2018.

vi. The Company has assessed its impairment on financial assets using both the simplified approach on loans and receivables as well as the three-stage approach on debt securities at FVOCI. ECL recognised on debts securities at FVOCI were recognised with corresponding impact to FV reserves. No other significant ECL was recognised upon adoption of MFRS 9.

vii. The Company does not apply hedge accounting and hence, there is no impact to the Company arising from the change in hedge accounting requirements.

(ii) Transitional provision

The Company has adopted the following transitional provision as allowed under MFRS 9:-

i. The Company has not restated comparative periods and any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in opening retained earnings as at 1 January 2018. The information presented for 2017 is not comparable to 2018 as it does not reflect the requirements of MFRS 9.

ii. The determination of the business model within which the financial assets are held was made based on facts and circumstances that existed on 1 January 2018.

iii. If a debt instrument has low credit risk at the date of initial application of IFRS 9, the Company has assumed that credit risk on the asset has not increased significantly since its initial recognition.

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39. EFFECTS OF TRANSITION FROM MFRS 139 TO MFRS 9 (CONTINUED)

(iii) Impact of adoption of MFRS 9

The following tables set out the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for some of the Company's financial assets as at 1 January 2018, as well as the corresponding impact on the opening fair value reserves and retained earnings as at 1 January 2018 applying the transitional provision as set out in note 39(ii).

Financial assets – 1 January 2018	AFS RM'000	FVOCI RM'000	FVTPL RM'000
Closing balance 31 December 2017 – MFRS 139	66,357	–	–
i. Reclassification from AFS to FVOCI:			
– Malaysian Government Securities	(12,634)	12,634	–
– Government Investment Issues	(2,603)	2,603	–
– Corporate debt securities – Unquoted	(38,534)	38,534	–
– Accrued Interest	(529)	529	–
	(54,300)	54,300	–
ii. Reclassification from AFS to FVTPL:			
– Equity securities – Quoted in Malaysia	(6,783)	–	6,783
– Equity securities – Unquoted	(572)	–	572
– Real estate investment trusts	(54)	–	54
– Unit trust funds	(4,648)	–	4,648
	(12,057)	–	12,057
Opening balance 1 January 2018 – MFRS 9	–	54,300	12,057

Impact of the adoption on MFRS 9 on the Company's equity

	Effect on AFS reserve RM'000	Effect on FVOCI reserve RM'000	Effect on Retained earnings RM'000
Closing balance 31 December 2017 – MFRS 139	583	–	350,850
Reclassify financial assets from AFS to FVOCI	234	(234)	–
Reclassify financial assets from AFS to FVTPL	(817)	–	817
Recognition of ECL on FVOCI financial assets	–	2	(2)
Opening balance 1 January 2018 – MFRS 9	–	(232)	351,665

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40. LIFE INSURANCE BUSINESS

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

Statement of Financial Position by Funds

31 December 2018	Shareholder's fund RM'000	Insurance funds Life fund RM'000	Insurance funds Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Assets					
Property and equipment	–	17,113	–	–	17,113
Investment properties	–	51,105	–	–	51,105
Intangible assets	15,197	4,626	–	–	19,823
Loans and receivables	127,783	171,791	94,353	(121,907)	272,020
Available-for-sale financial assets	346,506	2,713,810	–	–	3,060,316
Financial assets at fair value through profit or loss	–	347,813	1,207,753	–	1,555,566
Reinsurance assets	–	9,508	–	–	9,508
Insurance receivables	–	24,344	–	–	24,344
Current tax assets	2,057	3,323	(122)	–	5,258
Cash and cash equivalents	6,993	36,989	10,255	–	54,237
Total assets	498,536	3,380,422	1,312,239	(121,907)	5,069,290
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	–	–	–	150,000
Retained earnings	314,737	–	–	–	314,737
Fair value reserve	6,183	–	–	–	6,183
Total equity	470,920	–	–	–	470,920
Insurance contract liabilities	–	2,563,076	1,301,629	–	3,864,705
Insurance claims liabilities	–	55,014	–	–	55,014
Financial liabilities at fair value through profit or loss	–	–	116	–	116
Deferred tax liabilities	21,718	(1,478)	(3,361)	–	16,879
Insurance payables	–	557,957	–	–	557,957
Other payables	5,898	205,853	13,855	(121,907)	103,699
Total equity, policyholders' funds and liabilities	498,536	3,380,422	1,312,239	(121,907)	5,069,290

NOTES TO THE FINANCIAL STATEMENTS
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40. LIFE INSURANCE BUSINESS (CONTINUED)

Statement of Financial Position by Funds (continued)

31 December 2017	Shareholder's fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Assets					
Property and equipment	–	17,544	–	–	17,544
Investment properties	–	51,486	–	–	51,486
Intangible assets	18,410	4,751	–	–	23,161
Loans and receivables	131,563	182,491	123,902	(129,465)	308,491
Available-for-sale financial assets	409,524	2,745,042	–	–	3,154,566
Financial assets at fair value through profit or loss	–	238,228	1,296,442	–	1,534,670
Reinsurance assets	–	6,412	–	–	6,412
Insurance receivables	–	23,971	–	–	23,971
Cash and cash equivalents	10,288	72,644	2,896	–	85,828
Total assets	569,785	3,342,569	1,423,240	(129,465)	5,206,129
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	–	–	–	150,000
Retained earnings	386,340	–	–	–	386,340
Fair value reserve	10,850	–	–	–	10,850
Total equity	547,190	–	–	–	547,190
Insurance contract liabilities	–	2,553,753	1,394,287	–	3,948,040
Insurance claims liabilities	–	56,489	–	–	56,489
Deferred tax liabilities	22,275	6,495	7,656	–	36,426
Insurance payables	–	526,936	–	–	526,936
Current tax liabilities	(2,942)	(2,062)	7,413	–	2,409
Other payables	3,262	200,958	13,884	(129,465)	88,639
Total equity, policyholders' funds and liabilities	569,785	3,342,569	1,423,240	(129,465)	5,206,129

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40. LIFE INSURANCE BUSINESS (CONTINUED)

Statement of Profit or Loss by Funds

2018	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	–	576,156	327,630	(1,343)	902,443
Premiums ceded to reinsurers	–	(47,927)	–	–	(47,927)
Net premiums	–	528,229	327,630	(1,343)	854,516
Investment income	16,998	136,331	32,812	–	186,141
Net realised gains	326	35,979	–	–	36,305
Net fair value losses	(2,434)	(50,373)	(158,609)	–	(211,416)
Fee income	–	19,423	–	(15,011)	4,412
Other operating income	–	132	2,249	–	2,381
Total revenue	14,890	669,721	204,082	(16,354)	872,339
Gross benefits and claims paid and payable	–	(373,796)	(297,245)	–	(671,041)
Claims ceded to reinsurers	–	13,790	–	–	13,790
Gross change in contract liabilities	–	(87,098)	92,658	–	5,560
Change in insurance contract liabilities ceded to reinsurers	–	1,018	–	–	1,018
Net claims	–	(446,086)	(204,587)	–	(650,673)
Fee and commission expenses	–	(58,825)	–	–	(58,825)
Investment expenses	(851)	(8,632)	–	–	(9,483)
Management expenses	(12,397)	(101,460)	(19,205)	16,417	(116,645)
Other operating (expenses)/income	(4,714)	(12,702)	19,710	(63)	2,231
Other expenses	(17,962)	(181,619)	505	16,354	(182,722)
(Loss)/profit from operations	(3,072)	42,016	–	–	38,944
Transfer from/(to) revenue account	42,016	(42,016)	–	–	–
Profit before taxation	38,944	–	–	–	38,944
Taxation	(10,547)	–	–	–	(10,547)
Net profit for the financial year	28,397	–	–	–	28,397

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40. LIFE INSURANCE BUSINESS (CONTINUED)

Statement of Profit or Loss by Funds (continued)

2017	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	–	553,841	344,037	(1,503)	896,375
Premiums ceded to reinsurers	–	(38,895)	–	–	(38,895)
Net premiums	–	514,946	344,037	(1,503)	857,480
Investment income	17,058	132,690	29,399	–	179,147
Net realised gains	2,150	46,520	–	–	48,670
Net fair value (losses)/gains	(482)	(10,582)	171,229	–	160,165
Fee income	–	18,388	–	(13,621)	4,767
Other operating income	–	137	2,038	–	2,175
Total revenue	18,726	702,099	546,703	(15,124)	1,252,404
Gross benefits and claims paid and payable	–	(376,617)	(270,787)	–	(647,404)
Claims ceded to reinsurers	–	13,252	–	–	13,252
Gross change in insurance contract liabilities	–	(97,529)	(196,792)	–	(294,321)
Change in insurance contract liabilities ceded to reinsurers	–	(3,213)	–	–	(3,213)
Net claims	–	(464,107)	(467,579)	–	(931,686)
Fee and commission expenses	–	(64,241)	–	–	(64,241)
Investment expenses	(887)	(8,710)	–	–	(9,597)
Management expenses	(12,118)	(98,890)	(17,057)	15,108	(112,957)
Other operating expenses	(5,826)	(13,191)	(62,067)	16	(81,068)
Other expenses	(18,831)	(185,032)	(79,124)	15,124	(267,863)
Profit from operations	(105)	52,960	–	–	52,855
Transfer from/(to) revenue account	52,960	(52,960)	–	–	–
Profit before taxation	52,855	–	–	–	52,855
Taxation	(13,428)	–	–	–	(13,428)
Net profit for the financial year	39,427	–	–	–	39,427

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40. LIFE INSURANCE BUSINESS (CONTINUED)

Information on cash flows by Funds

		Insurance funds		
	Shareholder's fund RM'000	Life fund RM'000	Investment-linked funds RM'000	Total RM'000
2018				
Cash flows from:				
Operating activities	96,705	(34,634)	7,359	69,430
Investing activities	–	(1,021)	–	(1,021)
Financing activities	(100,000)	–	–	(100,000)
Net (decrease)/increase in cash and cash equivalents	(3,295)	(35,655)	7,359	(31,591)
At beginning of financial year	10,288	72,644	2,896	85,828
At end of financial year	6,993	36,989	10,255	54,237
2017				
Cash flows from:				
Operating activities	1,267	(3,089)	(1,775)	(3,597)
Investing activities	–	(1,656)	–	(1,656)
Net increase/(decrease) in cash and cash equivalents	1,267	(4,745)	(1,775)	(5,253)
At beginning of financial year	9,021	77,389	4,671	91,081
At end of financial year	10,288	72,644	2,896	85,828

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

41. LABUAN LIFE INSURANCE AND LIFE INSURANCE BROKING BUSINESS

The core businesses of the Company are that of Life insurance business and life insurance broking business. The Company's insurance business segment is managed by funds and segregated into Life fund and Shareholder's fund.

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 Business Segment

	Life Insurance				
	Shareholder's fund RM'000	**Life fund RM'000**	**Insurance broker RM'000**	**Elimination RM'000**	**Total RM'000**
31 December 2018					
Assets					
Property and equipment	128	–	19	–	147
Intangible assets	1,084	194	–	–	1,278
Financial assets at fair value through profit or loss	–	5,134	–	–	5,134
Reinsurance assets	–	560	–	–	560
Loans and receivables	1,086	1,823	–	(2,906)	3
Cash and cash equivalents	14,360	5,057	1,143	–	20,560
Total assets	16,658	12,768	1,162	(2,906)	27,682
Equity and Liabilities					
Share capital	15,887	–	1,111	–	16,998
Accumulated losses	(2,836)	–	(733)	–	(3,569)
Other reserve	(596)	–	24	–	(572)
Total equity	12,455	–	402	–	12,857
Insurance contract liabilities	–	8,433	–	–	8,433
Insurance payables	–	1,201	–	–	1,201
Other payables	4,203	3,134	760	(2,906)	5,191
Total equity and liabilities	16,658	12,768	1,162	(2,906)	27,682

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

41. LABUAN LIFE INSURANCE AND LIFE INSURANCE BROKING BUSINESS (CONTINUED)

Statement of Financial Position by Business Segment (continued)

	Life Insurance				
	Shareholder's fund RM'000	Life fund RM'000	Insurance broker RM'000	Elimination RM'000	Total RM'000
31 December 2017					
Assets					
Property and equipment	–	–	–	–	–
Intangible assets	884	–	–	–	884
Financial assets at fair value through profit or loss	–	–	–	–	–
Reinsurance assets	–	–	–	–	–
Loans and receivables	–	–	–	–	–
Cash and cash equivalents	11,994	–	–	–	11,994
Total assets	12,878	–	–	–	12,878
Equity and Liabilities					
Share capital	12,814	–	–	–	12,814
Accumulated losses	(1,162)	–	–	–	(1,162)
Other reserve	(636)	–	–	–	(636)
Total equity	11,016	–	–	–	11,016
Insurance contract liabilities	–	–	–	–	–
Insurance payables	–	–	–	–	–
Other payables	1,862	–	–	–	1,862
Total equity and liabilities	12,878	–	–	–	12,878

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

41. LABUAN LIFE INSURANCE BUSINESS AND LIFE INSURANCE BROKING BUSINESS (CONTINUED)

Statement of Profit or Loss by Business Segment

	Life Insurance				
	Shareholder's fund RM'000	Life fund RM'000	Insurance broker RM'000	Elimination RM'000	Total RM'000
31 December 2018					
Premium income					
Gross premiums	–	10,928	–	–	10,928
Premiums ceded to reinsurers	–	(38)	–	–	(38)
Net premiums	–	10,890	–	–	10,890
Investment income	157	55	6	–	218
Net fair value gain	–	38	–	–	38
Total revenue	157	10,983	6	–	11,146
Gross change in insurance contract liabilities	–	(8,423)	–	–	(8,423)
Change in insurance contract liabilities ceded to reinsurers	–	560	–	–	560
Net claims	–	(7,863)	–	–	(7,863)
Fee and commission expenses	–	(1,843)	–	–	(1,843)
Investment expenses	–	(3)	–	–	(3)
Management expenses	(3,559)	(438)	(740)	–	(4,737)
Other operating income/(expenses)	897	(5)	1	–	893
Other expenses	(2,662)	(2,289)	(739)	–	(5,690)
(Loss)/profit from operations	(2,505)	831	(733)	–	(2,407)
Transfer from/(to) revenue account	831	(831)	–	–	–
Loss before taxation	(1,674)	–	(733)	–	(2,407)
Taxation	–	–	–	–	–
Net loss for the financial year	(1,674)	–	(733)	–	(2,407)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

41. LABUAN LIFE INSURANCE BUSINESS AND LIFE INSURANCE BROKING BUSINESS (CONTINUED)

Statement of Profit or Loss by Business Segment (continued)

	Life Insurance				
	Shareholder's fund RM'000	Life fund RM'000	Insurance broker RM'000	Elimination RM'000	Total RM'000
31 December 2017					
Premium income					
Gross premiums	–	–	–	–	–
Premiums ceded to reinsurers	–	–	–	–	–
Net premiums	–	–	–	–	–
Investment income	–	–	–	–	–
Net fair value gain	–	–	–	–	–
Total revenue	–	–	–	–	–
Gross change in insurance contract liabilities	–	–	–	–	–
Change in insurance contract liabilities ceded to reinsurers	–	–	–	–	–
Net claims	–	–	–	–	–
Fee and commission expenses	–	–	–	–	–
Investment expenses	–	–	–	–	–
Management expenses	(1,102)	–	–	–	(1,102)
Other operating expenses	(60)	–	–	–	(60)
Other expenses	(1,162)	–	–	–	(1,162)
Loss from operations	(1,162)	–	–	–	(1,162)
Transfer from/(to) revenue account	–	–	–	–	–
Loss before taxation	(1,162)	–	–	–	(1,162)
Taxation	–	–	–	–	–
Net loss for the financial year	(1,162)	–	–	–	(1,162)

HEAD OFFICE MANAGEMENT

LIST OF OFFICERS

MANULIFE HOLDINGS BERHAD

Group Chief Executive Officer/ Executive Director
LEE SANG HUI
MBA, B.A

Chief Counsel & Corporate Services Officer
JASBENDER KAUR
LLB (Hons), CLP

MANULIFE INSURANCE BERHAD

Chief Financial Officer
JUSTIN DAVID HELFERICH
B.Sc (Accounting), CPA

Chief Agency Officer
ALEX TAN CHENG LEONG
B.Com, FLMI, FIMM

Chief Partnership Officer
JOHN CHOW ZEYANG
M.Eng (Aeronautical Engineering)

Chief Marketing Officer
JASON LIM YEONG TAH
B.A (Computer Science), FLMI

Appointed Actuary
TAN CHUE CHAU
B.Sc (Mathematics), FSA, FASM

Chief Operations & Transformation Officer
BIANCA ILIBASIC
B.BA

Chief Compliance Officer
IDARIAH IDRIS
MSc Management Consultancy

Chief Risk Officer
SYAHRIL NIZAM BIN ABU HASAN
B.A (Accounting)

Head of Information Services
TAN YONG NIEN
MSc (Information Systems and Technology)

MANULIFE ASSET MANAGEMENT SERVICES BERHAD

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

Head of Product Development
CHERYL LAW CHOR KUN
B.Sc, CFA

Head of Operations
TAN SOO SIONG
Diploma in International Advertising

Head of Retail Wealth Distribution
NG CHZE HOW
B.A

Head of Legal & Compliance
YOOI FOONG HING
LLB (Hons)

Head of Total Solutions & Equity Investments
TOCK CHIN HUI
Bachelor of Business (Accounting), CFA

Head of Fixed Income
ANDY LUK CHEE VUI
ACIS, CFP

MANULIFE INSURANCE LABUAN LIMITED

Principal Officer
JASBENDER KAUR
LLB (Hons), CLP

Chief Partnership Officer
JOHN CHOW ZEYANG
M.Eng (Aeronautical Engineering)

LIST OF PROPERTIES
AS AT 31 DECEMBER 2018

Location	Land Area (sq.ft)	Built Up Area (sq.ft)	Net Lettable Area (sq.ft)	Tenure	Approx Age of Building (Years)	Net Book Value (RM'000)	Last Revaluation (Year)
Menara Manulife 6, Jalan Gelenggang Damansara Heights 50490 Kuala Lumpur Malaysia (18 storey building)	46,995	236,173	169,500	Freehold	16	109,000	Dec 2018

The above property is for office and commercial use.

ANALYSIS OF SHAREHOLDINGS

AS AT 2 APRIL 2019

Issued Share Capital	:	202,370,000 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per Ordinary Share on poll
No. of shareholders	:	2,115

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
1-99	260	12.29	6,082	0.00
100 to 1,000	572	27.04	413,667	0.20
1,001 to 10,000	985	46.57	3,909,711	1.93
10,001 to 100,000	244	11.54	7,574,269	3.74
100,001 to less than 5% of issued shares	53	2.51	70,155,482	34.67
5% of issued shares and above	1	0.05	120,310,789	59.45
Total	**2,115**	**100.00**	**202,370,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct	%	Indirect	%
Manulife Century Holdings (Netherlands) B.V.	120,310,789	59.45	–	–
Manulife Financial Corporation	–	–	*120,310,789	59.45
The Manufacturers Life Insurance Company	–	–	*120,310,789	59.45
Manulife Financial Asia Limited	–	–	*120,310,789	59.45
Manulife Holdings (Bermuda) Limited	–	–	*120,310,789	59.45
Standard Life Aberdeen Plc	–	–	**12,181,300	6.02
Aberdeen Asset Management Plc	–	–	**12,181,300	6.02

Note:

* Deemed interested by virtue of Section 8(4) of the Companies Act 2016.

** Acquisition of ordinary shares by BNP Paribas Securities Services, who is a custodian appointed by one or more funds managed by one or more subsidiaries of Standard Life Aberdeen Plc

DIRECTORS' SHAREHOLDINGS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

None of the Directors have any direct and deemed interests in the Company.

ANALYSIS OF SHAREHOLDINGS
AS AT 2 APRIL 2019

30 LARGEST SECURITIES ACCOUNT HOLDERS

	Name	No. of Shareholding	% of Issued Capital
1	HSBC NOMINEES (ASING) SDN. BHD. HSBC (M) TRUSTEE BHD FOR MANULIFE CENTURY HOLDINGS (NETHERLANDS) B.V.	120,310,789	59.45
2	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND	9,260,733	4.58
3	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	9,167,500	4.53
4	AMANAHRAYA TRUSTEES BERHAD PUBLIC SAVINGS FUND	5,018,000	2.48
5	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	4,338,700	2.14
6	HSBC NOMINEES (ASING) SDN. BHD. BPPS LDN FOR ABERDEEN STANDARD ASIA FOCUS PLC	4,200,000	2.08
7	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	3,891,000	1.92
8	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND	3,465,266	1.71
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC DIVIDEND SELECT FUND	2,984,200	1.47
10	AMANAHRAYA TRUSTEES BERHAD PUBLIC GROWTH FUND	2,839,200	1.40
11	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC BALANCED FUND	2,555,000	1.26
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC EQUITY FUND	2,523,500	1.25
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC ENHANCED BOND FUND	2,268,300	1.12
14	AMANAHRAYA TRUSTEES BERHAD PUBLIC SOUTH-EAST ASIA SELECT FUND	2,065,100	1.02

ANALYSIS OF SHAREHOLDINGS
AS AT 2 APRIL 2019

30 LARGEST SECURITIES ACCOUNT HOLDERS (CONTINUED)

	Name	No. of Shareholding	% of Issued Capital
15	HSBC NOMINEES (ASING) SDN. BHD. BPSS LUX FOR ABERDEEN GLOBAL - ASIAN SMALLER COMPANIES FUND	1,900,000	0.94
16	YEOH PHEK LENG	1,260,000	0.62
17	CHENG, CHIEN-MING	1,063,600	0.53
18	FU, CHEN SHU-CHEN	1,002,000	0.50
19	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ABERDEEN ASSET MANAGEMENT SDN. BHD. FOR MALAYSIAN TIMBER COUNCIL (OPERATING FUND)	934,500	0.46
20	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ABERDEEN ASSET MANAGEMENT SDN. BHD. FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)	744,800	0.37
21	CHAI BENG HWA	721,000	0.36
22	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR ARSHAD BIN AYUB	600,875	0.30
23	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	515,300	0.25
24	HSBC NOMINEES (ASING) SDN. BHD. BPSS SIN FOR ABERDEEN STANDARD MALAYSIAN EQUITY FUND	511,000	0.25
25	CHAN SHIEK CHIN @ CHAN SHICK CHIN	431,000	0.21
26	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HSU, CHUN-TSANG	400,000	0.20
27	YEO KHEE HUAT	370,000	0.18
28	HUNG, WEN-CHIH	322,000	0.16
29	CHOO SIEW LIAN	302,134	0.15
30	HSU, CHUN-TSANG	300,000	0.15

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PROXY FORM

Manulife

MANULIFE HOLDINGS BERHAD
(24851-H)

I/We ____
(FULL NAME IN BLOCK LETTERS)

NRIC/Passport/Company No. ____

of ____
(ADDRESS)

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

______________________ NRIC No. (New) ______________________ (Old) ______________________

or failing him/her, ______________________ NRIC No. (New) ______________________ (Old) ______________________

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf, at the Forty-Third Annual General Meeting of the Company to be held at Banquet Hall, 1st Floor, TPC Kuala Lumpur, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Friday, 31 May 2019 at 2.30 p.m. and at any adjournment thereof. My/Our proxy is to vote on the business before the meetings as indicated below (if no indication is given my/our proxy will vote or abstain from voting at his/her discretion):-

Resolution No.	Resolutions	For	Against
1.	Declaration of a First and Final Single-Tier Dividend		
2.	Re-election of Datuk Seri Panglima Mohd Annuar bin Zaini		
3.	Re-election of Mr. Kenneth Joseph Rappold Jr.		
4.	Re-election of Mr. Lee Sang Hui		
5.	Re-election of Mrs. Vijayam Nadarajah		
6.	Directors' fees in respect of financial year ended 31 December 2018		
7.	Directors' benefits from 1 June 2019 until the next Annual General Meeting held in 2020		
8.	Re-appointment of Auditors		
9.	Special Business – Ordinary Resolution 1		
10.	Special Business – Ordinary Resolution 2		
11.	Special Business – Ordinary Resolution 3		
12.	Special Business – Special Resolution		

Dated this __________ day of ________________ 2019

Number of Shares Held	CDS Account No.

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:		
	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		100%

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

Notes:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2019 shall be eligible to attend the Meeting.
2. Pursuant to Article 64 of the Company's Articles of Association, a member entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote in his stead [subject always to a maximum of two (2) proxies at each Meeting]. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy in pursuance of Article 64 of the Company's Articles of Association.
3. A proxy may but does not need to be a member of the Company. A member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
4. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of a person duly authorised.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

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AFFIX
STAMP

THE COMPANY SECRETARIES
MANULIFE HOLDINGS BERHAD **(24851-H)**

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

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MANULIFE HOLDINGS BERHAD (24851-H)

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

T : 603 - 2719 9228 F : 603 - 2095 3804

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