

## Notes to the Interim Financial Statements

### 1. Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting, International Accounting Standard (“IAS”) 34: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2017, which were prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”).

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

### 2. Significant accounting policies

The accounting policies adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following amendments/interpretation to MFRS:

<u>Description</u>	<u>Effective Date</u>
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
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

As at the date of authorisation of these interim financial statements, the Group has concluded that it meets the predominance criteria under Amendments to MFRS 4 Insurance Contracts. Hence, the Group will defer the adoption of MFRS 9 Financial Instruments until 1 January 2021, which is in line with the adoption of MFRS 17 Insurance Contracts. The additional disclosures are as set out in Note 34.

Other than as discussed above, the adoption of the above amendments/interpretation to standards issued by Malaysian Accounting Standards Board (“MASB”) in the current financial year do not have any material impact to the financial statements of the Group.

### 3. Status of audit qualification

There was no audit qualification in the annual financial statements for the preceding financial year ended 31 December 2017.

### 4. Seasonal/cyclical factors

The business operations of the Group are subject to the sales cycle of the life insurance business and asset management services.

## **Notes to the Interim Financial Statements (Continued)**

### **5. Unusual items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 31 March 2018.

### **6. Change in estimates**

The Group's insurance subsidiary, Manulife Insurance Berhad values its policy liabilities using a prospective actuarial valuation. The expected future liabilities are determined using best estimate assumptions with the appropriate allowance for provision of risk charge for adverse deviation from expected experience. Valuation assumptions used includes mortality, morbidity, lapse, expense, Participating life fund expected long term yield and Malaysian Government Securities (MGS) risk-free interest rate.

For the current period ended 31 March 2018, the applicable assumption changes resulted in lower actuarial liabilities of RM5.5 million (31 March 2017: higher actuarial liabilities of RM12.7 million), with a corresponding increase in unallocated surplus for the participating business of RM6.1 million (31 March 2017: decrease in unallocated surplus of RM8.6 million) and decrease in net profit before tax of RM0.6 million (31 March 2017: decrease in net profit before tax RM4.1 million).

Other than as disclosed above, there were no changes in the basis used for accounting estimates for the current financial period ended 31 March 2018.

### **7. Debt and equity securities**

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period ended 31 March 2018.

### **8. Dividends**

The Board of Directors recommended the payment of First and Final dividend of 8.0 sen per share, amounting to RM16,189,600 for the financial year ended 31 December 2017, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

No dividend has been declared in respect of the current financial period ended 31 March 2018.

### **9. Material events subsequent to the end of the financial period**

There is no material event subsequent to the end of the financial period under review that has not been reported in the interim financial statements for the current financial period to date.

### **10. Changes in composition of the Group**

There were no significant changes in the composition of the Group for the current financial period to date.

## **Notes to the Interim Financial Statements (Continued)**

### **11. Contingent liabilities**

There are no contingent liabilities as at the date of this report since the date of the last annual statement of financial position.

### **12. Current financial year prospects**

Given the outcome of the recent election, management is closely monitoring policy direction to provide insights into the medium to longer-term implications for our insurance and asset management businesses. That said, the Group remains cautiously optimistic on the back of strong economic growth, a buoyant stock market, and growing need for Malaysians to consume protection and wealth management solutions.

Within our life insurance segment we are aiming to return to growth in our top line, primarily facilitated by a recovery in our bancassurance segment and commencing sales within our newly established Labuan subsidiary. However, we expect to continue to face headwinds with respect to our medical claims. Turning to our wealth and asset management business, the Group expects to see continued growth in gross flows and assets under management, targeting to achieve first-year profitability in 2018. Nonetheless, changing market conditions may result in outcomes that deviate from current expectations.

Taking a mid-term view, we continue to believe there is a growth trend in Malaysia supported by the underpenetration of life insurance coupled with the growing affluent population, which creates a need for protection and wealth management solutions. Although this is expected to result in overall industry growth, we aim to out-grow the market, by continuing to execute against the following five strategic themes:

- Creating an unsurpassed customer experience;
- Providing holistic solutions to our customers, including new solutions through our Labuan subsidiary;
- Building our premium advisor base;
- Growing our penetration rates within the bank segment by leveraging our exclusive partnership with Alliance Bank; and
- Build-out digital customer engagement capabilities.

### **13. Profit forecast**

The Group did not issue any profit forecast during the financial period ended 31 March 2018.

### **14. Group borrowings**

The Group did not have any borrowings as at 31 March 2018.

### **15. Material litigation**

There is no material litigation as at the date of this report and since the date of the last annual statement of financial position.

### **16. Status of corporate proposal**

As at the date of this report, there are no corporate proposals that have been announced but not completed.

### **17. Significant event**

There is no significant event during the financial period to date.

**MANULIFE HOLDINGS BERHAD (24851-H)**

Interim financial statements for the financial period ended 31 March 2018

**Notes to the Interim Financial Statements (Continued)**

**18. Operating segments**

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 and private retirement scheme funds

	Cumulative 3 months ended 31 March							
	Investment holding		Life insurance business		Asset management services		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>External revenue</u>								
(a) Premium Income								
Gross premiums	-	-	216,685	190,518	-	-	216,685	190,518
Premiums ceded to reinsurers	-	-	(10,759)	(8,269)	-	-	(10,759)	(8,269)
Net premiums	-	-	205,926	182,249	-	-	205,926	182,249
(b) Investment income	2,784	3,081	43,701	42,495	40	151	46,525	45,727
(c) Net realised gains/(losses)	340	232	16,866	7,141	6	(1)	17,212	7,372
(d) Net fair value (losses)/gains	(31)	(13)	(10,493)	67,481	(23)	(2)	(10,547)	67,466
(e) Fee income	-	-	-	-	31,929	19,346	31,929	19,346
(f) Other operating income	1	-	509	877	9	15	519	892
<b>Total external revenue</b>	<b>3,094</b>	<b>3,300</b>	<b>256,509</b>	<b>300,243</b>	<b>31,961</b>	<b>19,509</b>	<b>291,564</b>	<b>323,052</b>
<u>Inter-segment revenue</u>								
(a) Rental income	378	402	194	194	-	-	572	596
(b) Fee income	493	113	1,363	984	2,791	2,504	4,647	3,601
(c) Dividend Income	-	-	881	966	-	-	881	966
(d) Net realised gains	-	-	7	25	-	-	7	25
<b>Total inter-segment revenue</b>	<b>871</b>	<b>515</b>	<b>2,445</b>	<b>2,169</b>	<b>2,791</b>	<b>2,504</b>	<b>6,107</b>	<b>5,188</b>
<b>Total revenue by segment</b>	<b>3,965</b>	<b>3,815</b>	<b>258,954</b>	<b>302,412</b>	<b>34,752</b>	<b>22,013</b>	<b>297,671</b>	<b>328,240</b>
<b>(Loss)/profit before taxation</b>	<b>(457)</b>	<b>(401)</b>	<b>10,429</b>	<b>8,582</b>	<b>445</b>	<b>(798)</b>	<b>10,417</b>	<b>7,383</b>
<b>Segment assets</b>	<b>699,694</b>	<b>698,035</b>	<b>5,213,127</b>	<b>4,875,506</b>	<b>196,692</b>	<b>117,852</b>	<b>6,109,513</b>	<b>5,691,393</b>
<b>Segment liabilities</b>	<b>8,513</b>	<b>9,801</b>	<b>4,645,303</b>	<b>4,363,417</b>	<b>156,411</b>	<b>76,237</b>	<b>4,810,227</b>	<b>4,449,455</b>

**Notes to the Interim Financial Statements (Continued)**

**18. Operating segments (continued)**

**Reconciliation of reportable segments**

	<b>Cumulative 3 months ended</b>	
	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Total revenue</u></b>		
Total revenue for reportable segments	297,671	328,240
Elimination of inter-segment revenue	(6,107)	(5,188)
<b>Total revenue as per statement of profit or loss</b>	<b>291,564</b>	<b>323,052</b>
	<b>As at</b>	<b>As at</b>
	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Segment assets</u></b>		
Total assets for reportable segments	6,109,513	5,691,393
Elimination of inter-segment assets	(494,067)	(432,010)
<b>Total assets as per statement of financial position</b>	<b>5,615,446</b>	<b>5,259,383</b>
<b><u>Segment liabilities</u></b>		
Total liabilities for reportable segments	4,810,227	4,449,455
Elimination of inter-segment liabilities	(17,338)	(1,514)
<b>Total liabilities as per statement of financial position</b>	<b>4,792,889</b>	<b>4,447,941</b>

**19. Review of performance**

The management uses **operating revenue** as a measure of performance for each operating segment. Operating revenue for each reportable segment consists of gross premiums, investment income and fee income.

<b>Business Segment</b>	<b>3 months ended</b>			<b>Cumulative 3 months ended</b>		
	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>Increase/ (Decrease)</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>Increase/ (Decrease)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Operating Revenue</u></b>						
Investment holding	2,784	3,081	(297)	2,784	3,081	(297)
Life insurance business	260,386	233,013	27,373	260,386	233,013	27,373
Asset management services	31,969	19,497	12,472	31,969	19,497	12,472
<b>Total</b>	<b>295,139</b>	<b>255,591</b>	<b>39,548</b>	<b>295,139</b>	<b>255,591</b>	<b>39,548</b>
<b><u>Profit/(loss) before taxation</u></b>						
Investment holding	(457)	(401)	(56)	(457)	(401)	(56)
Life insurance business	10,429	8,582	1,847	10,429	8,582	1,847
Asset management services	445	(798)	1,243	445	(798)	1,243
<b>Total</b>	<b>10,417</b>	<b>7,383</b>	<b>3,034</b>	<b>10,417</b>	<b>7,383</b>	<b>3,034</b>

## **Notes to the Interim Financial Statements (Continued)**

### **19. Review of performance (continued)**

#### **1st Quarter 2018 vs 1st Quarter 2017**

The Group's operating revenue for the quarter ended 31 March 2018 increased by RM39.5 million or 15.5% compared to the corresponding quarter ended 31 March 2017 (2018: RM295.1 million, 2017: RM255.6 million). The Group's profit before tax was RM10.4 million for the current quarter, increased by RM3.0 million or 40.5% as compared to the profit before tax in the corresponding quarter ended 31 March 2017 of RM7.4 million.

Performance of the respective operating business segments are as follows:

**Investment holding** – Operating revenue decreased by RM0.3 million or 9.6% as compared to the preceding year's corresponding quarter due to lower investment income from fixed income securities while loss before taxation were relatively stable at RM0.5 million and RM0.4 million at both quarter.

**Life insurance business** – Operating revenue of life insurance business increased by RM27.4 million mainly due to higher single premium income recorded from investment-linked fund. Profit before taxation increased by RM1.8 million in the current quarter due to lower reserving of actuarial liabilities as a result of higher Malaysian Government Securities ("MGS") yield and improved claims experience.

**Asset management services** – Operating revenue increased RM12.5 million or 64.0% compared to preceding year's corresponding quarter mainly attributable to higher initial service fee from higher gross sales and higher management fee earned from higher Asset Under Management ("AUM"). The segment reported a profit before taxation of RM0.4 million compared to a loss before tax of RM0.8 million in the corresponding quarter ended 31 March 2017 mainly due to higher net management fee income from higher AUM.

**Notes to the Interim Financial Statements (Continued)**

**20. Commentary on the quarterly results compared to the results of preceding quarter**

<b>Business Segment</b>	<b>3 months ended</b>		
	<b>31.03.2018</b>	<b>31.12.2017</b>	<b>Increase/(Decrease)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Operating Revenue</u></b>			
Investment holding	2,784	2,620	164
Life insurance business	260,386	322,506	(62,120)
Asset management services	31,969	26,444	5,525
<b>Total</b>	<b>295,139</b>	<b>351,570</b>	<b>(56,431)</b>
<b><u>Profit/(loss) before taxation</u></b>			
Investment holding	(457)	(3,104)	2,647
Life insurance business	10,429	15,631	(5,202)
Asset management services	445	(1,567)	2,012
<b>Total</b>	<b>10,417</b>	<b>10,960</b>	<b>(543)</b>

The Group's operating revenue for the current quarter under review ("Q1 2018") decreased by RM56.4 mil as compared to preceding quarter ended 31 December 2017 ("Q4 2017"). The Group recorded a relatively lower profit before taxation at RM10.4 million in Q1 2018 as compared to the profit before taxation at RM10.9 million in Q4 2017. The decrement of profit before taxation by RM0.5 million was contributed by the following segments:

**Investment holding** – Operating revenue remains relatively stable for both quarters. However, loss before tax improved by RM2.7 mil mainly attributable to lower management expenses in Q1 2018 as compared to Q4 2017.

**Life insurance business** – Operating revenue of life insurance business decreased by RM62.1 million mainly due to seasonally lower premium income in Q1 2018 as compared to Q4 2017. Profit before taxation decreased by RM5.2 million or 33.3% as compared to preceding quarter. This was mainly due to lower new business gain and unfavourable impact on actuarial liabilities as a result of lower MGS yield in current quarter.

**Asset management services** – Operating revenue increased by RM5.5 million attributable to higher initial service fee from higher gross sale and higher management fee earned from higher AUM. The segment recorded profit before taxation of RM0.4 million as compared to loss before taxation of RM1.6 million in preceding quarter mainly due to higher net management fee income from higher AUM in Q1 2018 and allowance of impairment on intangible asset in Q4 2017.

**Notes to the Interim Financial Statements (Continued)**

**21. Net premiums**

Net premiums which are stated net of reinsurance expenses comprise the following:-

	3 months ended		Cumulative 3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
First year premium	24,648	26,152	24,648	26,152
Renewal year premium	138,168	125,743	138,168	125,743
Single premium	43,110	30,354	43,110	30,354
<b>Total</b>	<b>205,926</b>	<b>182,249</b>	<b>205,926</b>	<b>182,249</b>

**22. Investment income**

	3 months ended		Cumulative 3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
- <u>designated upon initial recognition</u>				
Interest/profit income	3,637	3,596	3,637	3,596
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	4,543	3,705	4,543	3,705
- quoted outside Malaysia	5	6	5	6
- real estate investment trusts	93	58	93	58
- mutual funds				
- outside Malaysia	1,265	1,739	1,265	1,739
Net (amortisation of premiums)/ accretion of discounts	(80)	506	(80)	506
<u>AFS financial assets</u>				
Interest/profit income	24,354	22,654	24,354	22,654
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	6,675	7,047	6,675	7,047
- quoted outside Malaysia	164	-	164	-
- real estate investment trusts	92	41	92	41
Net amortisation of premiums	(566)	(131)	(566)	(131)
<u>Loans and receivables</u>				
Interest/profit income	4,438	4,599	4,438	4,599
<u>Investment property</u>				
Rental income	1,683	1,732	1,683	1,732
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	222	175	222	175
	<b>46,525</b>	<b>45,727</b>	<b>46,525</b>	<b>45,727</b>



**Notes to the Interim Financial Statements (Continued)**

**23. Other operating expenses**

	3 months ended		Cumulative 3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange losses	27,534	4,227	27,534	4,227
Interest expense on agent's bond withheld	4	4	4	4
Others	707	512	707	512
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	5,401	3,929	5,401	3,929
- Deferred tax	(4,312)	4,706	(4,312)	4,706
	1,089	8,635	1,089	8,635
	29,334	13,378	29,334	13,378

The income tax for the Life fund and Investment-linked funds of the Group's insurance subsidiary is calculated based on the tax rate of 8% (2017: 8%) of the assessable investment income, net of allowable deductions for the financial period.

**24. Profit before taxation**

Profit before taxation is arrived at after charging/(crediting):

	3 months ended		Cumulative 3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,763	2,402	1,763	2,402
Depreciation of property and equipment	888	925	888	925
Investment income (Note 22)	(46,525)	(45,727)	(46,525)	(45,727)
Reversal of impairment loss on insurance receivables	-	(1)	-	(1)
Reversal of impairment loss on loans receivable	(106)	-	(106)	-
Net foreign exchange losses	27,534	4,227	27,534	4,227
Net realised gains				
- realised losses on disposal of property and equipment	-	1	-	1
- realised gains on disposal of AFS investments	(17,212)	(7,373)	(17,212)	(7,373)
	(17,212)	(7,372)	(17,212)	(7,372)

**Notes to the Interim Financial Statements (Continued)**

**24. Profit before taxation (continued)**

Profit before taxation is arrived at after charging/(crediting) (continued):

	<b>3 months ended</b>		<b>Cumulative 3 months ended</b>	
	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net fair value losses/(gains):				
- fair value losses/(gains) on FVTPL investments/derivatives	5,760	(68,707)	5,760	(68,707)
- impairment loss on quoted equities	4,787	1,241	4,787	1,241
	10,547	(67,466)	10,547	(67,466)

**25. Taxation**

	<b>3 months ended</b>		<b>Cumulative 3 months ended</b>	
	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Income tax</u>				
Current financial period	3,210	2,732	3,210	2,732
	3,210	2,732	3,210	2,732
<u>Deferred tax</u>				
(Reversal)/origination of temporary differences	(17)	23	(17)	23
	(17)	23	(17)	23
	3,193	2,755	3,193	2,755

The income tax for the Group is calculated based on the tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial period.

**Notes to the Interim Financial Statements (Continued)**

**25. Taxation** (continued)

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

	<b>3 months ended</b>		<b>Cumulative 3 months ended</b>	
	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	10,417	7,383	10,417	7,383
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	2,500	1,772	2,500	1,772
Section 110B tax credit set off	(445)	(430)	(445)	(430)
Income not subject to tax	(1,053)	(602)	(1,053)	(602)
Expenses not deductible for tax purposes	2,283	1,986	2,283	1,986
Changes in unrecognised deferred tax assets	(92)	29	(92)	29
	<u>3,193</u>	<u>2,755</u>	<u>3,193</u>	<u>2,755</u>

**26. Basic and diluted earnings per share**

Basic earnings per share of the Group are calculated by dividing the net profit attributable to owners of the Company for the financial period by the weighted average number of ordinary shares in issue.

		<b>3 months ended</b>		<b>Cumulative 3 months ended</b>	
		<b>31.03.2018</b>	<b>31.03.2017</b>	<b>31.03.2018</b>	<b>31.03.2017</b>
Net profit attributable to owners of the Company	(RM'000)	7,224	4,618	7,224	4,618
Weighted average number of ordinary shares in issue	('000)	202,370	202,370	202,370	202,370
Basic and diluted earnings per share	(Sen)	<u>3.57</u>	<u>2.28</u>	<u>3.57</u>	<u>2.28</u>

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 have not been presented.

## Notes to the Interim Financial Statements (Continued)

### 27. Insurance contract liabilities

The insurance contract liabilities as at the date of the statement of financial position comprise the following:

	Gross		Net	
	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Actuarial liabilities	2,417,403	2,402,886	2,415,900	2,401,614
Unallocated surplus	51,281	40,603	51,281	40,603
Fair value reserve	106,113	108,864	106,113	108,864
Asset revaluation reserve	1,480	1,480	1,480	1,480
Investment-linked policyholders' account	1,367,222	1,394,289	1,367,222	1,394,289
	<u>3,943,499</u>	<u>3,948,122</u>	<u>3,941,996</u>	<u>3,946,850</u>

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

	Gross		Net	
	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
At 1 January	3,948,122	3,591,411	3,946,850	3,586,926
Inforce reserve movement	14,113	73,841	13,897	73,090
New business reserve	5,871	15,689	5,856	15,485
Discount rate and other changes	(5,467)	30,798	(5,467)	34,966
Unallocated surplus	10,678	(22,799)	10,678	(22,799)
Fair value reserve, net of tax	(2,751)	62,024	(2,751)	62,024
Asset revaluation reserve				
- Revaluation adjustment	-	30	-	30
- Reversal on revaluation	-	334	-	334
	-	364	-	364
Investment-linked policyholders' account	(27,067)	196,794	(27,064)	196,794
At 31 March/31 December	<u>3,943,499</u>	<u>3,948,122</u>	<u>3,941,996</u>	<u>3,946,850</u>

### 28. Cash and cash equivalents

Cash and cash equivalents as at the date of statement of financial position are held in the following business segments:

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Investment holding	9,081	9,047
Life insurance business:-		
Shareholder's fund	17,296	22,283
Non Investment-linked business	54,858	72,644
Investment-linked business	3,929	2,896
Asset management services	85,195	42,103
	<u>170,359</u>	<u>148,973</u>

**Notes to the Interim Financial Statements (Continued)**

**29. 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 period between the Group and their related parties are set out as below:

	<b>31.03.2018</b>	<b>Cumulative 12 months ended 31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expenses/(income):</b>		
<b>Intermediate holding company</b>		
Reimbursement of personnel expenses	2,625	1,885
Reimbursement of software maintenance expenses	803	363
	<u>          </u>	<u>          </u>
<b>Subsidiaries of ultimate holding company</b>		
Outsourced information technology service expenses	-	216
Software development expenses	-	61
Rebate income	(2,056)	(308)
Fund management expenses	360	150
	<u>          </u>	<u>          </u>

**30. Capital and other commitments**

	<b>As at 31.03.2018</b>	<b>As at 31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Other commitments</b>		
Exclusive bancassurance agreement		
- Authorised but not provided for	15,750	16,500
	<u>          </u>	<u>          </u>

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

**Notes to the Interim Financial Statements (Continued)**

**31. Financial instruments**

**Categories of financial instruments**

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

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

<b>Group</b>	<b>AFS</b> <b>RM'000</b>	<b>FVTPL</b> <b>RM'000</b>	<b>LAR</b> <b>RM'000</b>	<b>OL</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>31 March 2018</b>					
<b>Financial assets</b>					
AFS financial assets	3,078,605	-	-	-	3,078,605
Financial assets at FVTPL	-	1,540,315	-	-	1,540,315
Loans and receivables	-	-	564,664	-	564,664
Insurance receivables	-	-	15,922	-	15,922
Cash and cash equivalents	-	-	170,359	-	170,359
	<u>3,078,605</u>	<u>1,540,315</u>	<u>750,945</u>	<u>-</u>	<u>5,369,865</u>
<b>Financial liabilities</b>					
Financial liabilities at FVTPL	-	91	-	-	91
Insurance payables	-	-	-	527,090	527,090
Other payables	-	-	-	229,376	229,376
	<u>-</u>	<u>91</u>	<u>-</u>	<u>756,466</u>	<u>756,557</u>
<b>31 December 2017</b>					
<b>Financial assets</b>					
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
	<u>3,090,586</u>	<u>1,536,831</u>	<u>758,419</u>	<u>-</u>	<u>5,385,836</u>
<b>Financial liabilities</b>					
Insurance payables	-	-	-	526,936	526,936
Other payables	-	-	-	248,117	248,117
	<u>-</u>	<u>-</u>	<u>-</u>	<u>775,053</u>	<u>775,053</u>

**Notes to the Interim Financial Statements (Continued)**

**32. Financial asset/(liability) at fair value through profit or loss**

Derivatives

The table below shows the fair value of derivative financial instruments, recorded as asset or liability, together with their notional amounts. The notional amount, recorded at 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 held by the Group are forward foreign exchange contract to hedge its currency risk, any fair value gains/losses on this financial instrument are recognised as financial asset/liability.

	Notional amount RM'000	Fair value gain/(loss) recognised as		Net carrying amount RM'000
		Financial asset RM'000	Financial liability RM'000	
<b>31 March 2018</b>				
<b>Hedging derivative:</b>				
Forward foreign exchange contract				
- Less than 1 year	438,066	6,995	(91)	6,904
<b>31 December 2017</b>				
<b>Hedging derivative:</b>				
Forward foreign exchange contract				
- Less than 1 year	454,603	4,284	-	4,284

There is no change in risks and policies associated with the derivatives and its related accounting policies since the financial year ended 31 December 2017.

**Notes to the Interim Financial Statements (Continued)**

**33. Determination of fair values and fair value hierarchy**

**a) Freehold property and investment property**

The fair value of the Group's freehold property and investment property is determined based on the income method conducted by an independent qualified valuer.

Under the income method, the market value of the properties 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 freehold property and investment property is classified within Level 3 of the fair value hierarchy. The fair value of the property is as follows:

	<b>Freehold property</b>		<b>Investment property</b>	
	<b>As at 31.03.2018</b>	<b>As at 31.12.2017</b>	<b>As at 31.03.2018</b>	<b>As at 31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Carrying amount	26,268	26,400	82,600	82,600
Fair value as stated in valuation report*	26,400	26,400	82,600	82,600

\* Based on the valuation conducted by an independent qualified valuer on 29 December 2017.



**Notes to the Interim Financial Statements (Continued)**

**33. Determination of fair values and fair value hierarchy (continued)**

**a) Freehold property and investment property (continued)**

Description of valuation techniques used and significant unobservable inputs to valuation of freehold property and investment property:

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range</b>
<b>2017</b>			
Freehold/ investment property	Income method	Term period's net yield Reversionary period's net yield Void factor Average rental for term period Average rental for reversionary period Outgoings for term period Outgoings for reversionary period	6.00% 6.25% 5.00% RM4.40 - RM5.03 psf RM4.50 psf RM1.60 psf RM1.60 psf

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 properties.

The reconciliation from beginning to ending balances for the freehold property and investment property are as follows:

	<b>Freehold property</b>		<b>Investment property</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	26,400	20,929	82,600	88,071
Depreciation charge for the period/year	(132)	(677)	-	-
Transfer of investment property to freehold property	-	5,314	-	(5,314)
Fair value gain/(loss)	-	834	-	(157)
At 31 March/31 December	<b>26,268</b>	<b>26,400</b>	<b>82,600</b>	<b>82,600</b>

## **Notes to the Interim Financial Statements (Continued)**

### **33. Determination of fair values and fair value hierarchy (continued)**

#### **b) Financial assets and financial liabilities**

##### **(i) Determination of fair values**

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

- (i) The carrying amounts of financial assets and financial liabilities, such as loans and receivables, insurance receivables, cash and bank balances, insurance payables and other payables, are reasonable approximations of their fair values due to the relatively short term maturity of these balances;
- (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 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 foreign exchange forward contracts are based on valuations provided by the financial institutions making reference to quoted market prices.

##### **(ii) Fair value hierarchy**

The Group categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Group'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 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 uses observable market data, when available, and minimises the use of unobservable inputs to the extent possible when determining fair value.

**Notes to the Interim Financial Statements (Continued)**

**33. Determination of fair values and fair value hierarchy (continued)**

**b) Financial assets and financial liabilities (continued)**

**(ii) Fair value hierarchy (continued)**

The following table presents the Group's financial assets and financial liabilities that are carried at fair value as at reporting date.

	<b>Carrying amount RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>
<b>31 March 2018</b>			
<b>AFS financial assets</b>			
Equity securities			
- Quoted in Malaysia	837,654	837,654	-
- Quoted outside Malaysia	79,021	79,021	-
Real estate investment trusts	5,430	5,430	-
Unit trust funds	67,791	67,791	-
Malaysian Government Securities	466,242	-	466,242
Government Investment Issues	187,560	-	187,560
Corporate debt securities			
- Unquoted	1,406,777	-	1,406,777
Accrued interest	25,614	-	25,614
	<u>3,076,089</u>	<u>989,896</u>	<u>2,086,193</u>
<b>Financial assets at FVTPL</b>			
Equity securities			
- Quoted in Malaysia	532,990	532,990	-
- Quoted outside Malaysia	11,497	11,497	-
Real estate investment trusts	5,428	5,428	-
Unit trust funds	99,001	99,001	-
Malaysian Government Securities	32,312	-	32,312
Government Investment Issues	24,384	-	24,384
Corporate debt securities			
- Unquoted	239,413	-	239,413
Mutual funds	584,561	584,561	-
Forward foreign exchange contract	6,995	-	6,995
Accrued interest	3,734	-	3,734
	<u>1,540,315</u>	<u>1,233,477</u>	<u>306,838</u>
	<u>4,616,404</u>	<u>2,223,373</u>	<u>2,393,031</u>
<b>Financial liabilities at FVTPL</b>			
Forward foreign exchange contract	91	-	91

**Notes to the Interim Financial Statements (Continued)**

**33. Determination of fair values and fair value hierarchy (continued)**

**b) Financial assets and financial liabilities (continued)**

**(ii) Fair value hierarchy (continued)**

The following table presents the Group's financial assets and financial liabilities that are carried at fair value as at reporting date. (continued)

	<b>Carrying amount RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>
<b>31 December 2017</b>			
<b>AFS financial assets</b>			
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
	<u>3,088,070</u>	<u>962,128</u>	<u>2,125,942</u>
<b>Financial assets at FVTPL</b>			
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
	<u>1,536,831</u>	<u>1,221,705</u>	<u>315,126</u>
	<u>4,624,901</u>	<u>2,183,833</u>	<u>2,441,068</u>

Unquoted equity securities of RM 2,516,566 (31 December 2017: RM2,516,566) 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 periods.

**Notes to the Interim Financial Statements (Continued)**

**34. Additional disclosures under Amendments to MFRS 4 Insurance Contract Liabilities**

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"):

<b>For the three months period ended 31 March 2018</b>	<b>Fair value as at 1 January 2018 RM'000</b>	<b>Change in fair value* RM'000</b>	<b>Fair value as at 31 March 2018 RM'000</b>	<b>Result of the cash flows characteristics test</b>
<b>Financial assets</b>				
:Equity securities				
- Quoted in Malaysia	1,370,239	405	1,370,644	Non-SPPI
- Quoted outside Malaysia	52,353	38,165	90,518	Non-SPPI
Real estate investment trusts	14,093	(3,235)	10,858	Non-SPPI
Unit trust funds	129,101	37,691	166,792	Non-SPPI
Malaysian Government				
Securities	565,143	(66,589)	498,554	SPPI
Government Investment				
Issues	210,798	1,146	211,944	SPPI
Corporate debt securities				
- Unquoted	1,635,403	10,787	1,646,190	SPPI
Mutual funds	618,047	(33,486)	584,561	Non-SPPI
Forward foreign exchange contract	4,284	2,711	6,995	Non-SPPI
Accrued interest	25,440	3,908	29,348	SPPI
Loans and receivables	585,475	(20,811)	564,664	SPPI
Cash and cash equivalents	148,973	21,386	170,359	SPPI
	<u>5,359,349</u>	<u>(7,922)</u>	<u>5,351,427</u>	

\* Includes purchases, disposals, maturities and realised/unrealised gains/(losses).

The following table shows the fair value of financial assets by credit quality:

<b>As at 31 March 2018</b>	<b>AAA RM'000</b>	<b>AA RM'000</b>	<b>A RM'000</b>	<b>Non-rated RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>					
Malaysian Government					
Securities	-	-	-	498,554	498,554
Government Investment					
Issues	-	-	-	211,944	211,944
Corporate debt securities					
- Unquoted	759,941	417,812	13,248	455,189	1,646,190
Accrued interest	8,828	5,978	131	14,411	29,348
Loans and receivables	-	-	-	564,664	564,664
Cash and cash equivalents	<u>170,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,359</u>
	<u>939,128</u>	<u>423,790</u>	<u>13,379</u>	<u>1,744,762</u>	<u>3,121,059</u>

**BY ORDER OF THE BOARD**

Chua Siew Chuan  
**Joint Secretary**  
28 May 2018

Chin Mun Yee  
**Joint Secretary**