

## **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 2018, 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 2018.

### **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 2018, except for the adoption of the following amendments/interpretation to MFRS:

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

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 2018.

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

### **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.

### **5. Unusual items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 31 March 2019.

### **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 2019, the applicable assumption changes resulted in higher actuarial liabilities of RM32.5 million (31 March 2018: lower actuarial liabilities of RM5.5 million), with a corresponding decrease in unallocated surplus for the participating business of RM23.0 million (31 March 2018: increase in unallocated surplus of RM6.1 million) and decrease in net profit before tax of RM9.5 million (31 March 2018: decrease in net profit before tax RM0.6 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 2019.

### **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 2019.

### **8. Dividends**

No dividend has been declared in respect of the current financial period ended 31 March 2019.

### **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**

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.

### **13. Profit forecast**

The Group did not issue any profit forecast during the financial period ended 31 March 2019.

### **14. Group borrowings**

The Group did not have any borrowings as at 31 March 2019.

### **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.

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Interim financial statements for the financial period ended 31 March 2019

## 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	
	2019	2018	2019	2018	2019	2018	2019	2018
	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	-	-	224,012	216,685	-	-	224,012	216,685
Premiums ceded to reinsurers	-	-	(14,109)	(10,759)	-	-	(14,109)	(10,759)
Net premiums	-	-	209,903	205,926	-	-	209,903	205,926
(b) Investment income	3,631	2,784	43,731	43,701	203	40	47,565	46,525
(c) Net realised (losses)/gains	(21)	340	4,416	16,866	(94)	6	4,301	17,212
(d) Net fair value (losses)/gains	(135)	(31)	56,728	(10,493)	339	(23)	56,932	(10,547)
(e) Fee income	-	-	-	-	24,918	31,929	24,918	31,929
(f) Other operating income	1	1	632	509	194	9	827	519
<b>Total external revenue</b>	<b>3,476</b>	<b>3,094</b>	<b>315,410</b>	<b>256,509</b>	<b>25,560</b>	<b>31,961</b>	<b>344,446</b>	<b>291,564</b>
<u>Inter-segment revenue</u>								
(a) Rental income	474	378	194	194	-	-	668	572
(b) Fee income	204	493	958	1,363	2,872	2,791	4,034	4,647
(c) Dividend Income	-	-	625	881	-	-	625	881
(d) Net realised gains	-	-	27	7	-	-	27	7
<b>Total inter-segment revenue</b>	<b>678</b>	<b>871</b>	<b>1,804</b>	<b>2,445</b>	<b>2,872</b>	<b>2,791</b>	<b>5,354</b>	<b>6,107</b>
<b>Total revenue by segment</b>	<b>4,154</b>	<b>3,965</b>	<b>317,214</b>	<b>258,954</b>	<b>28,432</b>	<b>34,752</b>	<b>349,800</b>	<b>297,671</b>
<b>Profit/(loss) before taxation</b>	<b>1,281</b>	<b>(457)</b>	<b>6,686</b>	<b>10,429</b>	<b>2,152</b>	<b>445</b>	<b>10,119</b>	<b>10,417</b>
<b>Segment assets</b>	<b>688,038</b>	<b>699,694</b>	<b>5,227,135</b>	<b>5,213,127</b>	<b>183,060</b>	<b>196,692</b>	<b>6,098,233</b>	<b>6,109,513</b>
<b>Segment liabilities</b>	<b>17,520</b>	<b>8,513</b>	<b>4,731,236</b>	<b>4,645,303</b>	<b>137,005</b>	<b>156,411</b>	<b>4,885,761</b>	<b>4,810,227</b>

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

**18. Operating segments (continued)**

**Reconciliation of reportable segments**

	<b>Cumulative 3 months ended</b>	
	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Total revenue</u></b>		
Total revenue for reportable segments	349,800	297,671
Elimination of inter-segment revenue	(5,354)	(6,107)
<b>Total revenue as per statement of profit or loss</b>	<b>344,446</b>	<b>291,564</b>
	<b>As at</b>	<b>As at</b>
	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Segment assets</u></b>		
Total assets for reportable segments	6,098,233	6,109,513
Elimination of inter-segment assets	(380,672)	(494,067)
<b>Total assets as per statement of financial position</b>	<b>5,717,561</b>	<b>5,615,446</b>
<b><u>Segment liabilities</u></b>		
Total liabilities for reportable segments	4,885,761	4,810,227
Elimination of inter-segment liabilities	(5,928)	(17,338)
<b>Total liabilities as per statement of financial position</b>	<b>4,879,833</b>	<b>4,792,889</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>31.03.2019</b>	<b>31.03.2018</b>	<b>Increase/ (Decrease)</b>	<b>31.03.2019</b>	<b>31.03.2018</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	3,631	2,784	847	3,631	2,784	847
Life insurance business	267,743	260,386	7,357	267,743	260,386	7,357
Asset management services	25,121	31,969	(6,848)	25,121	31,969	(6,848)
<b>Total</b>	<b>296,495</b>	<b>295,139</b>	<b>1,356</b>	<b>296,495</b>	<b>295,139</b>	<b>1,356</b>
<b><u>Profit/(loss) before taxation</u></b>						
Investment holding	1,281	(457)	1,738	1,281	(457)	1,738
Life insurance business	6,686	10,429	(3,743)	6,686	10,429	(3,743)
Asset management services	2,152	445	1,707	2,152	445	1,707
<b>Total</b>	<b>10,119</b>	<b>10,417</b>	<b>(298)</b>	<b>10,119</b>	<b>10,417</b>	<b>(298)</b>

## MANULIFE HOLDINGS BERHAD (24851-H)

Interim financial statements for the financial period ended 31 March 2019

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

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

##### 1st Quarter 2019 vs 1st Quarter 2018

The Group's operating revenue for the quarter ended 31 March 2019 increased by RM1.4 million or 0.5% compared to the corresponding quarter ended 31 March 2018 (2019: RM296.5 million, 2018: RM295.1 million). The Group's profit before tax was RM10.1 million for the current quarter, decreased by RM0.3 million or 2.9% as compared to the profit before tax in the corresponding quarter ended 31 March 2018 of RM10.4 million.

Performance of the respective operating business segments are as follows:

**Investment holding** – Operating revenue increased by RM0.8 million or 30.4% as compared to the preceding year's corresponding quarter due to higher investment income from fixed income securities which also has contributed to the increase in profit before taxation of RM1.3 million from a loss before taxation of RM0.4 million in prior year.

**Life insurance business** – Operating revenue of life insurance business increased by RM7.4 million mainly due to higher single premium income recorded from Labuan insurance subsidiary. However profit before taxation decreased by RM3.7 million in the current quarter mainly due to worsen claims experience.

**Asset management services** – Operating revenue decreased RM6.8 million or 21.4% compared to preceding year's corresponding quarter mainly attributable to lower gross sales of unit trust funds. However, the segment reported an improved profit before taxation of RM2.2 million, an increase of RM1.7 million due to lower management expenses.

**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>31.03.2019</b>	<b>31.12.2018</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	3,631	4,041	(410)
Life insurance business	267,743	297,173	(29,430)
Asset management services	25,121	23,200	1,921
<b>Total</b>	<b>296,495</b>	<b>324,414</b>	<b>(27,919)</b>
<b><u>Profit/(loss) before taxation</u></b>			
Investment holding	1,281	924	357
Life insurance business	6,686	6,858	(172)
Asset management services	2,152	1,155	997
<b>Total</b>	<b>10,119</b>	<b>8,937</b>	<b>1,182</b>

The Group's operating revenue for the current quarter under review ("Q1 2019") decreased by RM27.9 mil as compared to preceding quarter ended 31 December 2018 ("Q4 2018"). The Group recorded a relatively higher profit before taxation at RM10.1 million in Q1 2019 as compared to the profit before taxation at RM8.9 million in Q4 2018. The increment of profit before taxation by RM1.2 million was contributed by the following segments:

**Investment holding** – Operating revenue decreased by RM0.4 million was due to lower investment income. However, profit before tax improved by RM0.4 mil was mainly attributable to lower management expenses in Q1 2019 as compared to Q4 2018.

**Life insurance business** – Operating revenue of life insurance business decreased by RM29.4 million was mainly due to seasonal lower premium income in Q1 2019 as compared to Q4 2018. Profit before taxation remained relatively stable for both quarters.

**Asset management services** – Operating revenue increased by RM1.9 million attributable to higher initial service fee from higher gross sales. The segment recorded profit before taxation of RM2.1 million as compared to profit before taxation of RM1.2 million in preceding quarter mainly due to lower management expenses in Q1 2019 as compared to Q4 2018.

**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	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
First year premium	26,771	24,648	26,771	24,648
Renewal year premium	142,160	138,168	142,160	138,168
Single premium	40,972	43,110	40,972	43,110
<b>Total</b>	<b>209,903</b>	<b>205,926</b>	<b>209,903</b>	<b>205,926</b>

**22. Investment income**

	3 months ended		Cumulative 3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
- designated upon initial recognition				
Interest/profit sharing income	5,008	3,637	5,008	3,637
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	3,951	4,263	3,951	4,263
- quoted outside Malaysia	52	5	52	5
- real estate investment trusts				
- quoted in Malaysia	120	93	120	93
- unit trust funds	478	280	478	280
- mutual funds				
- outside Malaysia	960	1,265	960	1,265
Net amortisation of premiums	(157)	(80)	(157)	(80)
<u>AFS financial assets</u>				
Interest/profit sharing income	25,278	24,354	25,278	24,354
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	6,406	6,675	6,406	6,675
- quoted outside Malaysia	266	164	266	164
- real estate investment trusts				
- quoted in Malaysia	160	92	160	92
Net amortisation of premiums	(749)	(566)	(749)	(566)
<u>Loans and receivables</u>				
Interest/profit sharing income	4,209	4,438	4,209	4,438
<u>Investment properties</u>				
Rental income	1,354	1,683	1,354	1,683
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	229	222	229	222
	<u>47,565</u>	<u>46,525</u>	<u>47,565</u>	<u>46,525</u>



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

**23. Other operating expenses**

	3 months ended		Cumulative 3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Foreign exchange				
- Realised (gains)/losses	(1,087)	2,351	(1,087)	2,351
- Unrealised losses	9,528	25,183	9,528	25,183
Interest expense on agent's bond withheld	4	4	4	4
Others	2,096	707	2,096	707
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	3,610	5,401	3,610	5,401
- Deferred tax	4,436	(4,312)	4,436	(4,312)
	8,046	1,089	8,046	1,089
	<u>18,587</u>	<u>29,334</u>	<u>18,587</u>	<u>29,334</u>

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% (2018: 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	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,922	1,763	1,922	1,763
Depreciation of property and equipment	836	888	836	888
Investment income (Note 22)	(47,565)	(46,525)	(47,565)	(46,525)
Allowance for impairment loss on insurance receivables	186	-	186	-
Allowance for/(reversal of) impairment loss on loans receivable	107	(106)	107	(106)
Net foreign exchange losses	8,441	27,534	8,441	27,534
Net realised gains				
- realised gains on disposal of property and equipment	(5)	-	(5)	-
- realised gains on disposal of AFS investments	(4,296)	(17,212)	(4,296)	(17,212)
	(4,301)	(17,212)	(4,301)	(17,212)

**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>31.03.2019</b>	<b>31.03.2018</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net fair value (gains)/losses:				
- fair value (gains)/losses on FVTPL investments/derivatives	(61,343)	5,760	(61,343)	5,760
- impairment loss on quoted equities	4,411	4,787	4,411	4,787
	(56,932)	10,547	(56,932)	10,547

**25. Taxation**

	<b>3 months ended</b>		<b>Cumulative 3 months ended</b>	
	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Income tax</u>				
Current financial period	2,761	3,210	2,761	3,210
Over provision in prior financial years	(360)	-	(360)	-
	<u>2,401</u>	<u>3,210</u>	<u>2,401</u>	<u>3,210</u>
<u>Deferred tax</u>				
Origination/(reversal) of temporary differences	230	(17)	230	(17)
	<u>230</u>	<u>(17)</u>	<u>230</u>	<u>(17)</u>
	<u>2,631</u>	<u>3,193</u>	<u>2,631</u>	<u>3,193</u>

The income tax for the Group is calculated based on the tax rate of 24% (2018: 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>31.03.2019</b>	<b>31.03.2018</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	10,119	10,417	10,119	10,417
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	2,428	2,500	2,428	2,500
Section 110B tax credit set off	(795)	(445)	(795)	(445)
Income not subject to tax	(116)	(1,053)	(116)	(1,053)
Expenses not deductible for tax purposes	2,229	2,283	2,229	2,283
Changes in unrecognised deferred tax assets	(755)	(92)	(755)	(92)
	2,991	3,193	2,991	3,193
Over provision in prior financial years				
- Current tax	(360)	-	(360)	-
	2,631	3,193	2,631	3,193

**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>31.03.2019</b>	<b>31.03.2018</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
Net profit attributable to owners of the Company	(RM'000)	7,483	7,224	7,483	7,224
Weighted average number of ordinary shares in issue	('000)	202,370	202,370	202,370	202,370
Basic and diluted earnings per share	(Sen)	3.70	3.57	3.70	3.57

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 31.03.2019 RM'000	As at 31.12.2018 RM'000	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
Actuarial liabilities	2,570,611	2,503,329	2,567,273	2,500,479
Unallocated surplus	4,371	35,699	4,371	35,699
Fair value reserve	76,738	30,889	76,738	30,889
Asset revaluation reserve	1,649	1,649	1,649	1,649
Investment-linked policyholders' account	1,345,018	1,301,629	1,345,018	1,301,629
	<u>3,998,387</u>	<u>3,873,195</u>	<u>3,995,049</u>	<u>3,870,345</u>

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

	Gross		Net	
	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
At 1 January	3,873,195	3,948,122	3,870,345	3,946,850
Inforce reserve movement	21,850	98,292	21,505	97,831
New business reserve	13,084	35,136	12,933	34,019
Discount rate and other changes	32,462	(33,001)	32,462	(33,001)
Unallocated surplus	(31,328)	(4,904)	(31,328)	(4,904)
Effect of movements in exchange rate	(114)	16	(106)	16
Fair value reserve, net of tax	45,849	(77,975)	45,849	(77,975)
Asset revaluation reserve				
- Revaluation adjustment	-	(38)	-	(38)
- Reversal on revaluation	-	207	-	207
	-	169	-	169
Investment-linked policyholders' account	43,389	(92,660)	43,389	(92,660)
At 31 March/31 December	<u>3,998,387</u>	<u>3,873,195</u>	<u>3,995,049</u>	<u>3,870,345</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 31.03.2019 RM'000	As at 31.12.2018 RM'000
Investment holding	4,756	2,319
Life insurance business:-		
Shareholder's fund	13,292	22,496
Non Investment-linked business	48,002	42,046
Investment-linked business	7,278	10,255
Asset management services	108,674	53,777
	<u>182,002</u>	<u>130,893</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>31.03.2019</b>	<b>Cumulative 3 months ended 31.03.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expenses/(income):</b>		
<b>Intermediate holding company</b>		
Reimbursement of personnel expenses	1,242	2,625
Reimbursement of software maintenance expenses	1,223	803
	<u>          </u>	<u>          </u>
<b>Subsidiaries of ultimate holding company</b>		
Rebate income	(2,467)	(2,056)
Fund management expenses	371	360
	<u>          </u>	<u>          </u>

**30. Capital and other commitments**

	<b>As at 31.03.2019</b>	<b>As at 31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Other commitments</b>		
Exclusive bancassurance agreement		
- Authorised but not provided for	12,750	13,500
	<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”).

Group	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
<b>31 March 2019</b>					
<b>Financial assets</b>					
AFS financial assets	3,175,323	-	-	-	3,175,323
Financial assets at FVTPL	-	1,664,924	-	-	1,664,924
Loans and receivables	-	-	427,187	-	427,187
Insurance receivables	-	-	12,066	-	12,066
Cash and cash equivalents	-	-	182,002	-	182,002
	<u>3,175,323</u>	<u>1,664,924</u>	<u>621,255</u>	<u>-</u>	<u>5,461,502</u>
<b>Financial liabilities</b>					
Financial liabilities at FVTPL	-	371	-	-	371
Insurance payables	-	-	-	560,818	560,818
Other payables	-	-	-	236,391	236,391
	<u>-</u>	<u>371</u>	<u>-</u>	<u>797,209</u>	<u>797,580</u>
<b>31 December 2018</b>					
<b>Financial assets</b>					
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
	<u>3,089,541</u>	<u>1,561,729</u>	<u>629,605</u>	<u>-</u>	<u>5,280,875</u>
<b>Financial liabilities</b>					
Financial liabilities at FVTPL	-	116	-	-	116
Insurance payables	-	-	-	559,159	559,159
Other payables	-	-	-	208,519	208,519
	<u>-</u>	<u>116</u>	<u>-</u>	<u>767,678</u>	<u>767,694</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 2019</b>				
<b>Hedging derivative:</b>				
Forward foreign exchange contract				
- Less than 1 year	375,471	-	(371)	(371)
<b>31 December 2018</b>				
<b>Hedging derivative:</b>				
Forward foreign exchange contract				
- Less than 1 year	362,429	3,958	-	3,958
- Less than 1 year	9,193	-	(116)	(116)

There is no change in risks and policies associated with the derivatives and its related accounting policies since the financial year ended 31 December 2018.

**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 31.03.2019</b>	<b>As at 31.12.2018</b>	<b>As at 31.03.2019</b>	<b>As at 31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Carrying amount	26,160	26,291	82,709	82,709
Fair value as stated in valuation report*	26,291	26,291	82,709	82,709

\* Based on the valuation conducted by an independent qualified valuer on 31 December 2018.



**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>2018</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 - RM5.11 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>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	26,291	26,400	82,709	82,600
Depreciation charge for the period/year	(131)	(528)	-	-
Fair value gain	-	419	-	109
At 31 March/31 December	<u>26,160</u>	<u>26,291</u>	<u>82,709</u>	<u>82,709</u>

## **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 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 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 2019</b>			
<b>AFS financial assets</b>			
Equity securities			
- Quoted in Malaysia	750,238	750,238	-
- Quoted outside Malaysia	120,982	120,982	-
Real estate investment trusts	17,939	17,939	-
Unit trust funds	71,683	71,683	-
Malaysian Government Securities	346,618	-	346,618
Government Investment Issues	148,963	-	148,963
Corporate debt securities			
- Unquoted	1,690,057	-	1,690,057
Accrued interest	26,327	-	26,327
	<u>3,172,807</u>	<u>960,842</u>	<u>2,211,965</u>
<b>Financial assets at FVTPL</b>			
Equity securities			
- Quoted in Malaysia	516,428	516,428	-
- Quoted outside Malaysia	8,824	8,824	-
Real estate investment trusts	10,035	10,035	-
Unit trust funds	138,822	146,787	-
Malaysian Government Securities	41,641	-	41,641
Government Investment Issues	29,886	-	29,886
Corporate debt securities			
- Unquoted	391,502	-	383,537
- Quoted outside Malaysia	12,665	-	12,665
Mutual funds	509,343	-	509,343
Accrued interest	5,778	-	5,778
	<u>1,664,924</u>	<u>682,074</u>	<u>982,850</u>
	<u>4,837,731</u>	<u>1,642,916</u>	<u>3,194,815</u>
<b>Financial liabilities at FVTPL</b>			
Forward foreign exchange contract	371	-	371

**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 2018</b>			
<b>AFS financial assets</b>			
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
	<u>3,087,025</u>	<u>934,911</u>	<u>2,152,114</u>
<b>Financial assets at FVTPL</b>			
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
	<u>1,561,729</u>	<u>629,636</u>	<u>932,093</u>
	<u>4,648,754</u>	<u>1,564,547</u>	<u>3,084,207</u>
<b>Financial liabilities at FVTPL</b>			
Forward foreign exchange contract	116	-	116

Unquoted equity securities of RM 2,516,566 (31 December 2018: 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. Effects on adoption of 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).

#### Transitional provision

The Group adopted MFRS 16 with effect from 1 January 2019 using the modified retrospective approach, and measured the right-of-use asset retrospectively using discount rate at date of transition, under which no restatement of comparative numbers is required.

The Group has applied MFRS 16 to contracts that were previously identified as leases in accordance with MFRS 117 and IFRIC 4. The Group does not apply MFRS 16 to contracts previously identified as not containing leases in accordance with MFRS 117 and IFRIC 4.

The Group elected 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.

#### Impact of adoption of MFRS 16

The following table set out the financial impact arising from the adoption the MFRS 16:

	<b>Loans and receivables RM'000</b>	<b>Other Payable RM'000</b>	<b>Deferred tax liabilities RM'000</b>	<b>Retained earnings RM'000</b>
<b>Closing balance 31 December 2018</b>	479,200	(208,519)	(16,802)	(704,924)
<u>Effect on adoption of MFRS 16:</u>				
- Recognition of right-of-use assets	1,424	-	-	(1,424)
- Recognition of lease liabilities	-	(1,444)	-	1,444
- Deferred tax	-	-	2	(2)
	<u>1,424</u>	<u>(1,444)</u>	<u>2</u>	<u>18</u>
<b>Opening balance 1 January 2019</b>	<u>480,624</u>	<u>(209,963)</u>	<u>(16,800)</u>	<u>(704,906)</u>

#### Additional disclosure on adoption of MFRS 16

	<b>RM'000</b>
Operating lease commitment at 31 December 2018 as per previous financial statements prepared under MFRS 117	<u>2,144</u>
Present value of operating lease commitment (discounted using borrowing rate)	2,115
Recognition exemption under short term lease assets	<u>(671)</u>
<b>Lease liabilities recognised on 1 January 2019</b>	<u><u>1,444</u></u>

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

Interim financial statements for the financial period ended 31 March 2019

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

**35. 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"):

For the financial period ended 31 March 2019	Fair value as at 1 January 2019 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2019 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
<b>Financial assets</b>					
Equity securities					
- Quoted in Malaysia	1,239,825	26,841	1,266,666	Non-SPPI	FVTPL
- Quoted outside Malaysia	114,225	15,581	129,806	Non-SPPI	FVTPL
- Unquoted	2,516	-	2,516	Non-SPPI	FVTPL
Real estate investment trusts	14,377	13,597	27,974	Non-SPPI	FVTPL
Unit trust funds	196,120	14,385	210,505	Non-SPPI	FVTPL
Malaysian Government Securities	362,441	25,818	388,259	SPPI	FVOCI
Government Investment Issues	160,624	18,225	178,849	SPPI	FVOCI
Corporate debt securities					
- Unquoted	2,026,939	54,620	2,081,559	SPPI	FVOCI
- Quoted outside Malaysia	5,076	7,589	12,665	SPPI	FVOCI
Mutual funds	496,354	12,989	509,343	Non-SPPI	FVTPL
Forward foreign exchange contract	3,958	(3,958)	-	Non-SPPI	FVTPL
Accrued interest	28,815	3,290	32,105	SPPI	FVOCI
Loans and receivables	474,368	(47,181)	427,187	SPPI	Amortised cost
Insurance receivables	24,344	(12,278)	12,066	SPPI	Amortised cost
Cash and cash equivalents	130,893	51,109	182,002	SPPI	Amortised cost
	5,280,875	180,627	5,461,502		

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

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

**35. Additional disclosures under Amendments to MFRS 4 Insurance Contract Liabilities (continued)**

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

<b>As at 31 March 2019</b>	<b>AAA RM'000</b>	<b>AA RM'000</b>	<b>A RM'000</b>	<b>BBB RM'000</b>	<b>Non-rated RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>						
Malaysian Government Securities	-	-	-	-	388,259	388,259
Government Investment Issues	-	-	-	-	178,849	178,849
Corporate debt securities						
- Unquoted	1,009,863	577,482	9,187	-	485,027	2,081,559
- Quoted outside Malaysia*	-	-	5,589	6,063	1,013	12,665
Accrued interest	10,316	8,742	182	41	12,824	32,105
Loans and receivables	174,131	31,452	-	-	221,604	427,187
Cash and cash equivalents	153,042	13,528	15,387	-	45	182,002
	<u>1,347,352</u>	<u>631,204</u>	<u>30,345</u>	<u>6,104</u>	<u>1,287,621</u>	<u>3,302,626</u>

\* Rated by international rating agencies

**BY ORDER OF THE BOARD**

Chua Siew Chuan  
**Joint Secretary**  
24 May 2019

Chin Mun Yee  
**Joint Secretary**