

## 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 2019, 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 2019.

### 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 2019, except for the adoption of the following amendments/interpretation to MFRS:

<u>Description</u>	<u>Effective Date</u>
Amendments to MFRS 3 <i>Business Combinations – Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest rate benchmark reform</i>	1 January 2020

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 2019.

### 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 2020.

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

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

The Group's insurance subsidiaries, Manulife Insurance Berhad and Manulife Insurance Labuan Limited value 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, Malaysian Government Securities (MGS) risk-free interest rate and USD treasury yields.

For the current financial period ended 31 March 2020, the applicable estimate changes on the above assumptions resulted in lower actuarial liabilities of RM3.5 million (31 March 2019: higher actuarial liabilities of RM32.5 million), with a corresponding decrease in unallocated surplus for the participating business of RM14.7 million (31 March 2019: decrease in unallocated surplus of RM23.0 million) and increase in net profit before tax of RM18.2 million (31 March 2019: decrease in net profit before tax of RM9.5 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 2020.

### **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 2020.

### **8. Dividends**

A First and Final dividend of 7.0 sen per share, amounting to RM14,165,900 for the financial year ended 31 December 2019, which is subject to the approval of the shareholder at the forthcoming Annual General Meeting. A dividend reinvestment plan was proposed on 23 March 2020 which provide shareholders an option to elect to reinvest cash dividend in new ordinary shares in Manulife Holdings Berhad.

No dividend has been declared in respect of the current financial period ended 31 March 2020.

### **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.

### **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.

## Notes to the Interim Financial Statements (Continued)

### 12. Current financial year prospects

The COVID-19 pandemic has impacted global economy negatively, Malaysia is no exception. Bank Negara forecast the 2020 gross domestic product growth would be between -2% to 0.5%, compared to 4.3% in 2019. Interest rate remains volatile. On 5 May 2020, Bank Negara cut the Overnight Policy Rate by 50bps to 2.0%, lowest since the 2008/09 global financial crisis. Despite the challenging socio-economic environment, the Group remains optimistic on the outlook of the insurance and unit trust/asset management business in the medium to long-term prospect.

#### Life Insurance Business

Given the COVID-19 pandemic, insurance business is expected to grow as public start realizing the importance of insurance for protection and long-term saving, to be better prepared for future uncertainties. Moreover, digital transformation has become more pressing in the face of the COVID-19 pandemic for all businesses. These are in line with the Group's insurance business strategy to promote protection and saving plans, and the ambition to be a digital, customer-centric market leader. The Group's life insurance business will continue focusing on executing the strategies under the 6 pillars Manulife's NEXT initiatives: -

- To commence Agency channel transformation via Next Agency
- To optimize business opportunities of our exclusive Bancassurance partnership
- To enhance customer experience via implementing holistic solutions
- To increase our digital capabilities and improve operational efficiency
- To expand value creation for shareholders by actively managing expenditure and optimizing resource utilization
- To build a high performing team and culture

#### Asset Management Business

The escalation of the global crisis brought upon by the rapid spread of COVID-19 has stalled economic as well as social activities across the world. Notwithstanding mitigating steps taken by governments and central banks, the risk of a global recession is high. In the short-term, market weakness and volatility will prevail given the high degree of uncertainty and fluidity of unfolding events. Nevertheless, we are hopeful that investor sentiment will improve once the uncertainty subsides and markets stabilise.

The current market weakness opens up opportunities for investments in fundamentally-strong and oversold stocks and bonds. Recently announced government stimulus packages, easing bias from central banks and strong domestic liquidity are also expected to help drive economic recovery.

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

### **13. Profit forecast**

The Group did not issue any profit forecast during the financial period ended 31 March 2020.

### **14. Group borrowings**

The Group did not have any borrowings as at 31 March 2020.

### **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**

On 23 March 2020, the Board of Directors of Manulife Holdings Berhad (“MHB”) approved a proposed dividend reinvestment plan (“Proposed DRP”) which will provide shareholders of MHB an option to elect to reinvest their cash dividend in new ordinary shares of MHB. Board of Directors of MHB has determined that the Proposed DRP will be applicable to the first and final dividend of 7.0 sen per share for the financial year ended 31 December 2019 (“2019 Final Dividend”). The 2019 Final Dividend is subject to the approval of the shareholder at the forthcoming Annual General Meeting.

### **17. Significant event**

The Covid-19 pandemic has significantly disrupted many business operations around the world. The impact of the pandemic has given rise to a low interest environment globally and in Malaysia as well. The 10 years US Treasury yield sees a new record low of 0.38% March 2020 while recently in May 2020, Bank Negara Malaysia also trimmed the Overnight Policy Rate (OPR) by 50bps to 2.0%, lowest in over a decade. These low interest rate environments put significant pressure on the insurance contract liabilities, hence impacting the earnings. Valuation of investment, particularly in equity, where the KLCI decline 15% in Q1 2020, has given rise to additional impairment allowance on equity. Nonetheless, the equity market has shown some resilience in the subsequent months, as reflected in the improvement in the KLCI which rebounded around 4.2% in the month of April 2020.

As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on business and the economy.

**MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))**  
Interim financial statements for the financial period ended 31 March 2020

**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	
	2020	2019	2020	2019	2020	2019	2020	2019
	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	-	-	289,218	224,012	-	-	289,218	224,012
Premiums ceded to reinsurers	-	-	(22,130)	(14,109)	-	-	(22,130)	(14,109)
Net premiums	-	-	267,088	209,903	-	-	267,088	209,903
(b) Investment income	5,995	3,631	44,525	43,731	143	203	50,663	47,565
(c) Net realised (losses)/gains	(326)	(21)	(31,328)	4,416	(69)	(94)	(31,723)	4,301
(d) Net fair value (losses)/gains	(683)	(135)	(294,022)	56,728	-	339	(294,705)	56,932
(e) Fee income	-	-	-	-	28,110	24,918	28,110	24,918
(f) Other operating income	1	1	652	632	293	194	946	827
<b>Total external revenue/(loss)</b>	<b>4,987</b>	<b>3,476</b>	<b>(13,085)</b>	<b>315,410</b>	<b>28,477</b>	<b>25,560</b>	<b>20,379</b>	<b>344,446</b>
<u>Inter-segment revenue</u>								
(a) Rental income	484	474	197	194	-	-	681	668
(b) Fee income	240	204	883	958	2,931	2,872	4,054	4,034
(c) Dividend income from equity securities	-	-	665	625	-	-	665	625
(d) Net realised gains	-	-	87	27	-	-	87	27
<b>Total inter-segment revenue</b>	<b>724</b>	<b>678</b>	<b>1,832</b>	<b>1,804</b>	<b>2,931</b>	<b>2,872</b>	<b>5,487</b>	<b>5,354</b>
<b>Total revenue/(loss) by segment</b>	<b>5,711</b>	<b>4,154</b>	<b>(11,253)</b>	<b>317,214</b>	<b>31,408</b>	<b>28,432</b>	<b>25,866</b>	<b>349,800</b>
<b>Profit before taxation</b>	<b>2,648</b>	<b>1,281</b>	<b>8,697</b>	<b>6,686</b>	<b>2,156</b>	<b>2,152</b>	<b>13,501</b>	<b>10,119</b>
<b>Segment assets</b>	<b>1,146,466</b>	<b>688,038</b>	<b>5,325,297</b>	<b>5,227,135</b>	<b>125,783</b>	<b>183,060</b>	<b>6,597,546</b>	<b>6,098,233</b>
<b>Segment liabilities</b>	<b>12,816</b>	<b>17,520</b>	<b>4,757,429</b>	<b>4,731,236</b>	<b>73,862</b>	<b>137,005</b>	<b>4,844,107</b>	<b>4,885,761</b>

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

**18. Operating segments (continued)**

**Reconciliation of reportable segments**

	<b>Cumulative 3 months ended</b>	
	<b>31.03.2020</b>	<b>31.03.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Total revenue</u></b>		
Total revenue for reportable segments	25,866	349,800
Elimination of inter-segment revenue	(5,487)	(5,354)
<b>Total revenue as per statement of profit or loss</b>	<b>20,379</b>	<b>344,446</b>
	<b>As at</b>	<b>As at</b>
	<b>31.03.2020</b>	<b>31.03.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Segment assets</u></b>		
Total assets for reportable segments	6,597,546	6,098,233
Elimination of inter-segment assets	(933,028)	(380,672)
<b>Total assets as per statement of financial position</b>	<b>5,664,518</b>	<b>5,717,561</b>
<b><u>Segment liabilities</u></b>		
Total liabilities for reportable segments	4,844,107	4,885,761
Elimination of inter-segment liabilities	(17,674)	(5,928)
<b>Total liabilities as per statement of financial position</b>	<b>4,826,433</b>	<b>4,879,833</b>

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

**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>31.03.2020</b>	<b>31.03.2019</b>	<b>Increase/ (Decrease)</b>	<b>31.03.2020</b>	<b>31.03.2019</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	5,995	3,631	2,364	5,995	3,631	2,364
Life insurance business	333,743	267,743	66,000	333,743	267,743	66,000
Asset management services	28,253	25,121	3,132	28,253	25,121	3,132
<b>Total</b>	<b>367,991</b>	<b>296,495</b>	<b>71,496</b>	<b>367,991</b>	<b>296,495</b>	<b>71,496</b>
<b><u>Profit before taxation</u></b>						
Investment holding	2,648	1,281	1,367	2,648	1,281	1,367
Life insurance business	8,697	6,686	2,011	8,697	6,686	2,011
Asset management services	2,156	2,152	4	2,156	2,152	4
<b>Total</b>	<b>13,501</b>	<b>10,119</b>	<b>3,382</b>	<b>13,501</b>	<b>10,119</b>	<b>3,382</b>

**Financial Period ended 31 March 2020 vs Financial Period ended 31 March 2019**

The Group's operating revenue for the financial period ended 31 March 2020 increased by RM71.5 million or 24.1% compared to the corresponding financial period ended 31 March 2019 (2020: RM368.0 million, 2019: RM296.5 million). The Group's profit before tax for YTD March 2020 was RM13.5 million, an increase of RM3.4 million or 33.4% as compared to the profit before tax in the corresponding YTD March 2019 of RM10.1 million.

Performance of the respective operating business segments are as follows:

**Investment holding** – Operating revenue increased by RM2.4 million or 65.1% as compared to the preceding year's corresponding period due to higher interest income from bonds. Profit before taxation rose by RM1.4 million as a result of the higher operating revenue.

**Life insurance business** – Operating revenue of life insurance business increased by RM66.0 million mainly due to higher premium income from Labuan insurance business. Profit before taxation increased by RM2.0 million due to release of insurance contract liabilities as a result of favourable mortality and lapse experiences, reinsurance experience refunds and favourable claims experience, offset by higher investment loss from equity investments.

**Asset management services** – Operating revenue increased by RM3.1 million or 12.5% compared to the preceding year's corresponding YTD March 2019 mainly due to higher net management fee income contributed by a growth in average assets under management during the current period. However, profit before taxation remained consistent as a result of higher 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>31.03.2020</b>	<b>31.12.2019</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	5,995	3,696	2,299
Life insurance business	333,743	372,071	(38,328)
Asset management services	28,253	28,172	81
<b>Total</b>	<b>367,991</b>	<b>403,939</b>	<b>(35,948)</b>
<b><u>Profit before taxation</u></b>			
Investment holding	2,648	5,596	(2,948)
Life insurance business	8,697	12,598	(3,901)
Asset management services	2,156	1,701	455
<b>Total</b>	<b>13,501</b>	<b>19,895</b>	<b>(6,394)</b>

The Group's operating revenue for the current quarter under review ("Q1 2020") decreased by RM35.9 mil as compared to the preceding quarter ended 31 December 2019 ("Q4 2019"). The Group recorded a profit before tax of RM13.5 million in Q1 2020 as compared to a profit before taxation at RM19.9 million in Q4 2019. The decrease in profit before taxation by RM6.4 million was contributed by the following segments:

**Investment holding** – Operating revenue increased by RM2.3 million mainly due to higher interest income on fixed income securities. However, profit before tax fell by RM2.9 million mainly due to higher impairment on quoted securities in the current period.

**Life insurance business** – Operating revenue of life insurance business decreased by RM38.3 million mainly due to lower premium income recorded in Q1 2020. Profit before taxation fell by RM3.9 mil mainly due to higher investment loss from equity in Q1 2020 and one-off investment gain in Q4 2019, offset by release of insurance contract liabilities as a result of favourable mortality and lapse experiences, reinsurance experience refunds and favourable claims experience.

**Asset management services** – Operating revenue has remained consistent with Q4 2019. The segment recorded a RM0.5 mil higher profit before taxation in Q1 2020 compared with Q4 2019 due to lower management expenses in the current quarter.



**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	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
First year premium	39,550	26,771	39,550	26,771
Renewal year premium	144,563	142,160	144,563	142,160
Single premium	82,975	40,972	82,975	40,972
<b>Total</b>	<b>267,088</b>	<b>209,903</b>	<b>267,088</b>	<b>209,903</b>

**22. Investment income**

	3 months ended		Cumulative 3 months ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
<u>- designated upon initial recognition</u>				
Interest/profit sharing income	6,192	5,008	6,192	5,008
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	4,886	3,951	4,886	3,951
- quoted outside Malaysia	-	52	-	52
- real estate investment trusts				
- quoted in Malaysia	226	120	226	120
- unit trust funds	500	478	500	478
- mutual funds				
- outside Malaysia	309	960	309	960
Net amortisation of premiums	(353)	(157)	(353)	(157)
<u>AFS financial assets</u>				
Interest/profit sharing income	25,972	25,278	25,972	25,278
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	9,348	6,406	9,348	6,406
- quoted outside Malaysia	155	266	155	266
- unquoted in Malaysia	80	-	80	-
- real estate investment trusts				
- quoted in Malaysia	187	160	187	160
Net amortisation of premiums	(1,714)	(749)	(1,714)	(749)
<u>Loans and receivables</u>				
Interest/profit sharing income	3,645	4,209	3,645	4,209
<u>Investment properties</u>				
Rental income	1,041	1,354	1,041	1,354
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	189	229	189	229
	<b>50,663</b>	<b>47,565</b>	<b>50,663</b>	<b>47,565</b>

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

**23. Other operating (income)/expenses**

	<b>3 months ended</b>		<b>Cumulative 3 months ended</b>	
	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.03.2020</b>	<b>31.03.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Foreign exchange				
- Realised gains	(1,564)	(202)	(1,564)	(202)
- Unrealised (gains)/losses	(18,061)	8,643	(18,061)	8,643
Interest expense on agent's bond withheld	4	4	4	4
Others	2,122	2,096	2,122	2,096
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	(2,691)	3,610	(2,691)	3,610
- Deferred tax	(18,923)	4,436	(18,923)	4,436
	(21,614)	8,046	(21,614)	8,046
	<b>(39,113)</b>	<b>18,587</b>	<b>(39,113)</b>	<b>18,587</b>

The income tax for the Life fund and Investment-linked funds of Manulife Insurance Berhad is calculated based on the tax rate of 8% (2019: 8%) of the assessable investment income, net of allowable deductions for the financial period.

The income tax for the Life Fund of Manulife Insurance Labuan Limited is based on 3% on accounting profits.

**24. Profit before taxation**

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

	<b>3 months ended</b>		<b>Cumulative 3 months ended</b>	
	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.03.2020</b>	<b>31.03.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amortisation of intangible assets	2,291	1,922	2,291	1,922
Depreciation of property and equipment	812	836	812	836
Investment income (Note 22)	(50,663)	(47,565)	(50,663)	(47,565)
Allowance for impairment loss on insurance receivables	-	4	-	4
Allowance for impairment loss on loan receivable	19	107	19	107
Net foreign exchange (gains)/losses	(19,625)	8,441	(19,625)	8,441

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

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

	3 months ended		Cumulative 3 months ended	
	31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Net realised losses/(gains):				
- realised gains on disposal of property and equipment	-	(5)	-	(5)
- realised losses/(gains) on disposal of AFS investments	31,723	(4,296)	31,723	(4,296)
	31,723	(4,301)	31,723	(4,301)
Net fair value losses/(gains):				
- fair value losses/(gains) on FVTPL investments/derivatives	228,151	(61,343)	228,151	(61,343)
- impairment loss on quoted equities	66,554	4,411	66,554	4,411
	294,705	(56,932)	294,705	(56,932)

**25. Taxation**

	3 months ended		Cumulative 3 months ended	
	31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
<u>Income tax</u>				
Current financial period	4,122	2,761	4,122	2,761
Overprovision in prior financial years	-	(360)	-	(360)
	4,122	2,401	4,122	2,401
<u>Deferred tax</u>				
(Reversal)/origination of temporary differences	(464)	230	(464)	230
	(464)	230	(464)	230
	3,658	2,631	3,658	2,631

The income tax for the Group is calculated based on the tax rate of 24% (2019: 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.

	3 months ended		Cumulative 3 months ended	
	31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Profit before taxation	13,501	10,119	13,501	10,119
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	3,240	2,428	3,240	2,428
Section 110B tax credit set off	(585)	(795)	(585)	(795)
Income not subject to tax	(1,210)	(116)	(1,210)	(116)
Expenses not deductible for tax purposes	2,154	2,229	2,154	2,229
Utilisation of prior years unrecognised tax losses	-	(658)	-	(658)
Changes in unrecognised deferred tax assets	59	(74)	59	(74)
	3,658	3,014	3,658	3,014
Overprovision in prior financial years				
- Current tax	-	(360)	-	(360)
	3,658	2,654	3,658	2,654

### 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.

	3 months ended		Cumulative 3 months ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Net profit attributable to owners of the Company (RM'000)	9,835	7,483	9,835	7,483
Weighted average number of ordinary shares in issue ('000)	202,370	202,370	202,370	202,370
Basic and diluted earnings per share (Sen)	4.86	3.70	4.86	3.70

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 31.03.2020 RM'000	As at 31.12.2019 RM'000	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
Actuarial liabilities	2,920,750	2,819,089	2,920,958	2,821,965
Unallocated deficit	(166,712)	(71,285)	(166,712)	(71,285)
Fair value reserve	57,082	120,462	57,082	120,462
Asset revaluation reserve	1,887	1,887	1,887	1,887
Investment-linked policyholders' account	1,097,861	1,345,740	1,097,861	1,345,740
	<u>3,910,868</u>	<u>4,215,893</u>	<u>3,911,076</u>	<u>4,218,769</u>

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

	Gross		Net	
	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
At 1 January	4,215,893	3,873,195	4,218,769	3,870,345
Inforce reserve movement	30,448	78,254	31,001	83,861
New business reserve	67,090	108,427	64,126	108,510
Discount rate and other changes	(3,521)	130,538	(3,521)	130,538
Unallocated deficit	(95,427)	(106,984)	(95,427)	(106,984)
Effect of movements in exchange rate	7,644	(1,459)	7,387	(1,423)
Fair value reserve, net of tax	(63,380)	89,573	(63,380)	89,573
Asset revaluation reserve				
- Revaluation adjustment	-	32	-	32
- Reversal on revaluation	-	206	-	206
	-	238	-	238
Investment-linked policyholders' account	(247,879)	44,111	(247,879)	44,111
At 31 March	<u>3,910,868</u>	<u>4,215,893</u>	<u>3,911,076</u>	<u>4,218,769</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 31.03.2020 RM'000	As at 31.12.2019 RM'000
Investment holding	5,075	1,392
Life insurance business:-		
Shareholder's fund	48,926	41,339
Non Investment-linked business	137,588	95,441
Investment-linked business	4,725	5,422
Asset management services	47,401	63,551
	<u>243,715</u>	<u>207,145</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>31.03.2020</b>	<b>Cumulative 3 months ended 31.03.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expenses/(income):</b>		
<b>Intermediate holding company</b>		
Reimbursement of personnel expenses	1,485	1,242
Reimbursement of software maintenance expenses	986	1,223
<b>Subsidiaries of ultimate holding company</b>		
Rebate income	(2,150)	(2,467)
Fund management expenses	707	371

**30. Capital and other commitments**

	<b>As at 31.03.2020</b>	<b>As at 31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Other commitments</b>		
Exclusive bancassurance agreement - Authorised but not provided for	9,750	10,500
Distribution agreement - Authorised but not provided for	8,293	8,293

**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 2020</b>					
<b>Financial assets</b>					
AFS financial assets	3,125,964	-	-	-	3,125,964
Financial assets at FVTPL	-	1,500,008	-	-	1,500,008
Loans and receivables	-	-	475,877	-	475,877
Insurance receivables	-	-	14,472	-	14,472
Cash and cash equivalents	-	-	243,715	-	243,715
	<u>3,125,964</u>	<u>1,500,008</u>	<u>734,064</u>	<u>-</u>	<u>5,360,036</u>
<b>Financial liabilities</b>					
Insurance payables	-	-	-	613,232	613,232
Other payables	-	-	-	210,272	210,272
	<u>-</u>	<u>-</u>	<u>-</u>	<u>823,504</u>	<u>823,504</u>
<b>31 December 2019</b>					
<b>Financial assets</b>					
AFS financial assets	3,340,632	-	-	-	3,340,632
Financial assets at FVTPL	-	1,742,001	-	-	1,742,001
Loans and receivables	-	-	358,730	-	358,730
Insurance receivables	-	-	25,794	-	25,794
Cash and cash equivalents	-	-	207,145	-	207,145
	<u>3,340,632</u>	<u>1,742,001</u>	<u>591,669</u>	<u>-</u>	<u>5,674,302</u>
<b>Financial liabilities</b>					
Insurance payables	-	-	-	602,018	602,018
Other payables	-	-	-	203,357	203,357
	<u>-</u>	<u>-</u>	<u>-</u>	<u>805,375</u>	<u>805,375</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 recognised as		Net carrying amount RM'000
		Financial asset RM'000	Financial liability RM'000	
<b>31 March 2020</b>				
<b>Hedging derivative:</b>				
Forward foreign exchange contract				
- Less than 1 year	239,940	4,142	-	4,142
<b>31 December 2019</b>				
<b>Hedging derivative:</b>				
Forward foreign exchange contract				
- Less than 1 year	322,819	3,802	-	3,802

There is no change in risks and policies associated with the derivatives and its related accounting policies since the financial year ended 31 December 2019.



## 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:

	<u>Freehold property</u>		<u>Investment property</u>	
	<u>As at 31.03.2020 RM'000</u>	<u>As at 31.12.2019 RM'000</u>	<u>As at 31.03.2020 RM'000</u>	<u>As at 31.12.2019 RM'000</u>
Carrying amount	26,269	26,407	82,593	82,593
Fair value as stated in valuation report*	26,407	26,407	82,593	82,593

\* Based on the valuation conducted by an independent qualified valuer on 31 December 2019.

**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>2019</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	5.75% 6.00% 5.00% RM4.50 – RM4.82 psf RM4.50 psf RM1.70 psf RM1.70 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>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	26,407	26,291	82,593	82,709
Depreciation charge for the period/year	(138)	(526)	-	-
Fair value gain	-	642	-	(116)
At 31 March/31 December	<b>26,269</b>	<b>26,407</b>	<b>82,593</b>	<b>82,593</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 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 2020</b>			
<b>AFS financial assets</b>			
Equity securities			
- Quoted in Malaysia	630,860	630,860	-
- Quoted outside Malaysia	83,130	83,130	-
Real estate investment trusts	22,406	22,406	-
Unit trust funds	76,586	76,586	-
Malaysian Government Securities	376,748	-	376,748
Government Investment Issues	246,901	-	246,901
Corporate debt securities			
- Unquoted	1,660,239	-	1,660,239
Accrued interest	26,578	-	26,578
	<u>3,123,448</u>	<u>812,982</u>	<u>2,310,466</u>
<b>Financial assets at FVTPL</b>			
Equity securities			
- Quoted in Malaysia	417,487	417,487	-
- Quoted outside Malaysia	6,532	6,532	-
Real estate investment trusts	29,422	29,422	-
Unit trust funds	124,800	124,800	-
Malaysian Government Securities	48,803	-	48,803
Government Investment Issues	20,670	-	20,670
Corporate debt securities			
- Unquoted	417,371	-	417,371
- Quoted outside Malaysia	83,242	-	83,242
Mutual funds	341,365	341,365	-
Forward foreign exchange contract	4,142	-	4,142
Accrued interest	6,174	-	6,174
	<u>1,500,008</u>	<u>919,606</u>	<u>580,402</u>
	<u>4,623,456</u>	<u>1,732,588</u>	<u>2,890,868</u>

## 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 2019</b>			
<b>AFS financial assets</b>			
Equity securities			
- Quoted in Malaysia	827,752	827,752	-
- Quoted outside Malaysia	96,806	96,806	-
Real estate investment trusts	15,569	15,569	-
Unit trust funds	76,546	76,546	-
Malaysian Government Securities	374,797	-	374,797
Government Investment Issues	251,698	-	251,698
Corporate debt securities			
- Unquoted	1,670,365	-	1,670,365
Accrued interest	24,583	-	24,583
	<u>3,338,116</u>	<u>1,016,673</u>	<u>2,321,443</u>
<b>Financial assets at FVTPL</b>			
Equity securities			
- Quoted in Malaysia	580,616	580,616	-
- Quoted outside Malaysia	6,987	6,987	-
Real estate investment trusts	8,314	8,314	-
Unit trust funds	168,838	168,838	-
Malaysian Government Securities	48,314	-	48,314
Government Investment Issues	25,298	-	25,298
Corporate debt securities			
- Unquoted	415,097	-	415,097
- Quoted outside Malaysia	40,735	-	40,735
Mutual funds	438,118	438,118	-
Forward foreign exchange contract	3,802	-	3,802
Accrued interest	5,882	-	5,882
	<u>1,742,001</u>	<u>1,202,873</u>	<u>539,128</u>
	<u>5,080,117</u>	<u>2,219,546</u>	<u>2,860,571</u>

Unquoted equity securities of RM 2,516,340 (31 December 2019: 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.

**MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))**  
Interim financial statements for the financial period ended 31 March 2020

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

**34. Additional disclosures under Amendments to MFRS 4 *Insurance Contracts***

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 2020	Fair value as at 1 January 2020 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2020 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
<b>Financial assets</b>					
Equity securities					
- Quoted in Malaysia	1,408,368	(360,021)	1,048,347	Non-SPPI	FVTPL
- Quoted outside Malaysia	103,793	(14,131)	89,662	Non-SPPI	FVTPL
- Unquoted	2,516	-	2,516	Non-SPPI	FVTPL
Real estate investment trusts	23,883	27,945	51,828	Non-SPPI	FVTPL
Unit trust funds	245,384	(43,998)	201,386	Non-SPPI	FVTPL
Malaysian Government Securities	423,111	2,440	425,551	SPPI	FVOCI
Government Investment Issues	276,996	(9,425)	267,571	SPPI	FVOCI
Corporate debt securities					
- Unquoted	2,085,462	(7,852)	2,077,610	SPPI	FVOCI
- Quoted outside Malaysia	40,735	42,507	83,242	SPPI	FVOCI
Mutual funds	438,118	(96,753)	341,365	Non-SPPI	FVTPL
Forward foreign exchange contract	3,802	340	4,142	Non-SPPI	FVTPL
Accrued interest	30,465	2,287	32,752	SPPI	FVOCI
Loans and receivables	358,730	117,147	475,877	SPPI	Amortised cost
Insurance receivables	25,794	(11,322)	14,472	SPPI	Amortised cost
Cash and cash equivalents	207,145	36,570	243,715	SPPI	Amortised cost
	<u>5,674,302</u>	<u>(314,266)</u>	<u>5,360,036</u>		

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

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

**34. Additional disclosures under Amendments to MFRS 4 Insurance Contracts (continued)**

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

<b>As at 31 March 2020</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	-	-	-	-	425,551	425,551
Government Investment Issues	-	-	-	-	267,571	267,571
Corporate debt securities						
- Unquoted	1,040,504	562,825	9,692	-	464,589	2,077,610
- Quoted outside Malaysia*	4,500	20,360	27,149	31,233	-	83,242
Accrued interest	10,618	8,781	265	138	12,950	32,752
Loans and receivables	181,409	17,995	18,042	-	258,431	475,877
Cash and cash equivalents	200,855	10,283	6,940	-	45	218,123
Cash and cash equivalents*	-	25,592	-	-	-	25,592
	<u>1,437,886</u>	<u>645,836</u>	<u>62,088</u>	<u>31,371</u>	<u>1,429,137</u>	<u>3,606,318</u>

\* Rated by international rating agencies

**BY ORDER OF THE BOARD**

Chua Siew Chuan  
**Joint Secretary**  
21 May 2020

Chin Mun Yee  
**Joint Secretary**