

## 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 30 September 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 30 September 2020, the applicable estimate changes on the above assumptions resulted in higher actuarial liabilities of RM46.0 million (30 September 2019: higher actuarial liabilities of RM145.7 million), with a corresponding decrease in unallocated surplus for the participating business of RM30.0 million (30 September 2019: decrease in unallocated surplus of RM119.6 million) and decrease in net profit before tax of RM16.0 million (30 September 2019: decrease in net profit before tax of RM26.1 million).

Other than as disclosed above, there were no changes in the basis used for accounting estimates for the current financial period ended 30 September 2020.

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

During the current financial quarter, 4,613,965 new ordinary shares of Manulife Holdings Berhad (the Company) were issued at the conversion price of RM1.93 per ordinary share for a total of RM8,904,952 in relation to the Dividend Reinvestment Plan (DRP) exercise undertaken by the Company as per Note 8. The said shares were listed and quoted on the Main Market of Bursa Malaysia Berhad on 13 August 2020.

Besides the above, there were no other issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period ended 30 September 2020.

### **8. Dividends**

On 12 August 2020, the Company paid a final dividend of 7.0 sen per share equivalent to RM14,165,900 in respect of the financial year ended 31 December 2019. Out of the total dividend payout, a total of RM5,260,948 was paid in cash. The remaining RM8,904,952 was converted into new ordinary shares of the Company as per Note 7.

No dividend has been declared in respect of the current financial period ended 30 September 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**

Like many countries around the world, Malaysia is experiencing a third wave of COVID-19 in Q3 with record spikes in daily cases compared to the first half of the year. Combined with instances of political uncertainty in Malaysia and global market volatility in the run-up to the US presidential election towards the end of Q3, these resulted in heightened uncertainty in the financial markets. In tandem, Malaysia's Q3 GDP growth was reported at -4.6% y-o-y (Q2: -17.1%; Q1: +0.7%), with full year GDP in 2020 projected to contract by 4.5% to 5.5% on average. Bank Negara Malaysia had maintained the overnight policy rate (OPR) at 1.75% at its September 2020 and November 2020 Monetary Policy Committee meetings after four successive OPR cuts by a total of 125 bps between January 2020 and July 2020. The challenging socio-economic environment is expected to cause volatility to the Group's earnings in the short term. The Group remains optimistic on the prospects of the insurance and unit trust/asset management business over the medium and long term.

#### Life Insurance Business

Given the COVID-19 pandemic, the insurance business is expected to grow as the public starts to be aware of the importance of insurance for protection and long-term savings, 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 to focus on executing the strategies under the 6 pillars of Manulife's NEXT initiatives: -

- Agency channel transformation via Next Agency
- Optimize business opportunities of our exclusive Bancassurance partnership
- Enhance customer experience via implementing holistic solutions
- Increase our digital capabilities and improve operational efficiency
- Expand value creation for shareholders by actively managing expenditure and optimizing resource utilization
- Build a high performing team and culture

#### Asset Management Business

We remain cautious as the overall global and domestic economic outlook is still subject to downside risks arising from ongoing uncertainties surrounding the pandemic. We also expect an uneven pace of recovery across different countries and sectors. In the short term, we expect volatility in the equities and bond markets given the high degree of opacity in outlook. Market sentiment will be influenced by a myriad of geopolitical factors as well as developments related to the COVID-19 pandemic.

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

### **13. Profit forecast**

The Group did not issue any profit forecast during the financial period ended 30 September 2020.

### **14. Group borrowings**

The Group did not have any borrowings as at 30 September 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**

There are no corporate proposals announced but not completed during the financial period ended 30 September 2020.

### **17. Significant event**

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

**MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))**  
**Interim financial statements for the financial period ended 30 September 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 9 months ended 30 September |                |                         |                  |                           |                |                  |                  |
|---|--|----------------|-------------------------|------------------|---------------------------|----------------|------------------|------------------|
|   | 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                            | -                                      | -              | 747,452                 | 666,774          | -                         | -              | 747,452          | 666,774          |
| Premiums ceded to reinsurers              | -                                      | -              | (68,662)                | (48,464)         | -                         | -              | (68,662)         | (48,464)         |
| Net premiums                              | -                                      | -              | 678,790                 | 618,310          | -                         | -              | 678,790          | 618,310          |
| (b) Investment income                     | 17,505                                 | 10,240         | 121,708                 | 138,281          | 356                       | 525            | 139,569          | 149,046          |
| (c) Net realised gains/(losses)           | 2,501                                  | 3,336          | (3,498)                 | 17,331           | (68)                      | (13)           | (1,065)          | 20,654           |
| (d) Net fair value (losses)/gains         | (811)                                  | (299)          | (51,432)                | 47,510           | -                         | 862            | (52,243)         | 48,073           |
| (e) Fee income                            | -                                      | -              | -                       | -                | 80,655                    | 81,658         | 80,655           | 81,658           |
| (f) Other operating income                | 1                                      | 2              | 2,106                   | 2,107            | 1,183                     | 560            | 3,290            | 2,669            |
| <b>Total external revenue</b>             | <b>19,196</b>                          | <b>13,279</b>  | <b>747,674</b>          | <b>823,539</b>   | <b>82,126</b>             | <b>83,592</b>  | <b>848,996</b>   | <b>920,410</b>   |
| <u>Inter-segment revenue</u>              |  |                |                         |                  |                           |                |                  |                  |
| (a) Rental income                         | 1,452                                  | 1,452          | 590                     | 590              | -                         | -              | 2,042            | 2,042            |
| (b) Fee income                            | 804                                    | 749            | 2,710                   | 2,946            | 9,019                     | 8,944          | 12,533           | 12,639           |
| (c) Dividend income from unit trust funds | -                                      | -              | 9,074                   | 1,958            | -                         | -              | 9,074            | 1,958            |
| (d) Net realised gains                    | -                                      | -              | 2,713                   | 60               | -                         | -              | 2,713            | 60               |
| <b>Total inter-segment revenue</b>        | <b>2,256</b>                           | <b>2,201</b>   | <b>15,087</b>           | <b>5,554</b>     | <b>9,019</b>              | <b>8,944</b>   | <b>26,362</b>    | <b>16,699</b>    |
| <b>Total revenue by segment</b>           | <b>21,452</b>                          | <b>15,480</b>  | <b>762,761</b>          | <b>829,093</b>   | <b>91,145</b>             | <b>92,536</b>  | <b>875,358</b>   | <b>937,109</b>   |
| <b>Profit before taxation</b>             | <b>12,818</b>                          | <b>6,748</b>   | <b>2,212</b>            | <b>5,357</b>     | <b>6,609</b>              | <b>6,389</b>   | <b>21,639</b>    | <b>18,494</b>    |
| <b>Segment assets</b>                     | <b>1,109,671</b>                       | <b>675,176</b> | <b>5,854,103</b>        | <b>5,462,575</b> | <b>137,328</b>            | <b>172,277</b> | <b>7,101,102</b> | <b>6,310,028</b> |
| <b>Segment liabilities</b>                | <b>21,728</b>                          | <b>13,572</b>  | <b>5,250,075</b>        | <b>4,902,939</b> | <b>81,344</b>             | <b>122,911</b> | <b>5,353,147</b> | <b>5,039,422</b> |

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

**18. Operating segments (continued)**

**Reconciliation of reportable segments**

|   | <b>Cumulative 9 months ended</b> |                   |
|---|----------------------------------|-------------------|
|   | <b>30.09.2020</b>                | <b>30.09.2019</b> |
|   | <b>RM'000</b>                    | <b>RM'000</b>     |
| <b><u>Total revenue</u></b>                                     |                                  |                   |
| Total revenue for reportable segments                           | 875,358                          | 937,109           |
| Elimination of inter-segment revenue                            | (26,362)                         | (16,699)          |
| <b>Total revenue as per statement of profit or loss</b>         | <b>848,996</b>                   | <b>920,410</b>    |
|   | <b>As at</b>                     | <b>As at</b>      |
|   | <b>30.09.2020</b>                | <b>30.09.2019</b> |
|   | <b>RM'000</b>                    | <b>RM'000</b>     |
| <b><u>Segment assets</u></b>                                    |                                  |                   |
| Total assets for reportable segments                            | 7,101,102                        | 6,310,028         |
| Elimination of inter-segment assets                             | (880,939)                        | (436,090)         |
| <b>Total assets as per statement of financial position</b>      | <b>6,220,163</b>                 | <b>5,873,938</b>  |
| <b><u>Segment liabilities</u></b>                               |                                  |                   |
| Total liabilities for reportable segments                       | 5,353,147                        | 5,039,422         |
| Elimination of inter-segment liabilities                        | (12,695)                         | (11,872)          |
| <b>Total liabilities as per statement of financial position</b> | <b>5,340,452</b>                 | <b>5,027,550</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 9 months ended</b> |                   |                                 |
|---|-----------------------|-------------------|---------------------------------|----------------------------------|-------------------|---------------------------------|
|   | <b>30.09.2020</b>     | <b>30.09.2019</b> | <b>Increase/<br/>(Decrease)</b> | <b>30.09.2020</b>                | <b>30.09.2019</b> | <b>Increase/<br/>(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                          | 5,599                 | 3,187             | 2,412                           | 17,505                           | 10,240            | 7,265                           |
| Life insurance business                     | 279,711               | 280,801           | (1,090)                         | 869,160                          | 805,055           | 64,105                          |
| Asset management services                   | 28,849                | 29,988            | (1,139)                         | 81,011                           | 82,183            | (1,172)                         |
| <b>Total</b>                                | <b>314,159</b>        | <b>313,976</b>    | <b>183</b>                      | <b>967,676</b>                   | <b>897,478</b>    | <b>70,198</b>                   |
| <b><u>Profit/(loss) before taxation</u></b> |                       |                   |                                 |                                  |                   |                                 |
| Investment holding                          | 6,203                 | 3,847             | 2,356                           | 12,818                           | 6,748             | 6,070                           |
| Life insurance business                     | (2,770)               | (13,844)          | 11,074                          | 2,212                            | 5,357             | (3,145)                         |
| Asset management services                   | 3,277                 | 2,535             | 742                             | 6,609                            | 6,389             | 220                             |
| <b>Total</b>                                | <b>6,710</b>          | <b>(7,462)</b>    | <b>14,172</b>                   | <b>21,639</b>                    | <b>18,494</b>     | <b>3,145</b>                    |

## Notes to the Interim Financial Statements (Continued)

### 19. Review of performance (continued)

#### **Financial Period ended 30 September 2020 vs Financial Period ended 30 September 2019**

The Group's operating revenue for the financial period ended 30 September 2020 increased by RM70.2 million or 7.8% compared to the corresponding financial period ended 30 September 2019 (2020: RM967.7 million, 2019: RM897.5 million). The Group's profit before tax for YTD September 2020 was RM21.6 million, an increase of RM3.1 million or 17.0% as compared to the profit before tax in the corresponding YTD September 2019 of RM18.5 million.

Performance of the respective operating business segments are as follows:

**Investment holding** – Operating revenue increased by RM7.3 million or 70.9%, and profit before taxation rose by RM6.1 million as compared to the preceding year's corresponding period due to higher investment income.

**Life insurance business** – Operating revenue of life insurance business increased by RM64.1 million or 8.0% mainly due to higher premium income from Labuan insurance business. Profit before taxation fell by RM3.1 million mainly due to higher reserving of actuarial liabilities arising from lower interest rates, and higher expenses.

**Asset management services** – Operating revenue decreased by RM1.2 million mainly from lower Unit Trust sales while profit before tax remained fairly consistent with higher management fee income, offset by lower expenses.

#### **3rd Quarter 2020 vs 3rd Quarter 2019**

The Group's operating revenue for the quarter ended 30 September 2020 increased slightly by RM0.2 million compared to the corresponding quarter ended 30 September 2019 (2020: RM314.2 million, 2019: RM314.0 million). The Group's profit before tax was RM6.7 million for the current quarter, which represents an improvement of RM14.2 million as compared to the loss before tax in the corresponding quarter ended 30 September 2019 of RM7.5 million.

Performance of the respective operating business segments are as follows:

**Investment holding** – Operating revenue and profit before tax increased by RM2.4 million as a result of higher investment income.

**Life insurance business** – Operating revenue of life insurance business decreased slightly by RM1.1 million mainly due to lower investment income in Q3 2020 compared with Q3 2019, offset by higher premium income. Loss before taxation improved by RM11.1 million in the current quarter due to lower claims as well as better persistency and mortality experience.

**Asset management services** – Operating revenue is lower by RM1.1 million due to lower fee income due to lower Unit Trust sales, while profit before tax improved by RM0.7 million due to lower 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>30.09.2020</b>     | <b>30.06.2020</b> | <b>(Decrease)/Increase</b> |
|   | <b>RM'000</b>         | <b>RM'000</b>     | <b>RM'000</b>              |
| <b><u>Operating Revenue</u></b>             |                       |                   |                            |
| Investment holding                          | 5,599                 | 5,911             | (312)                      |
| Life insurance business                     | 279,711               | 255,706           | 24,005                     |
| Asset management services                   | 28,849                | 23,909            | 4,940                      |
| <b>Total</b>                                | <b>314,159</b>        | <b>285,526</b>    | <b>28,633</b>              |
| <b><u>Profit/(loss) before taxation</u></b> |                       |                   |                            |
| Investment holding                          | 6,203                 | 3,967             | 2,236                      |
| Life insurance business                     | (2,770)               | (3,715)           | 945                        |
| Asset management services                   | 3,277                 | 1,176             | 2,101                      |
| <b>Total</b>                                | <b>6,710</b>          | <b>1,428</b>      | <b>5,282</b>               |

The Group's operating revenue for the current quarter under review ("Q3 2020") increased by RM28.6 mil as compared to the preceding quarter ended 30 June 2020 ("Q2 2020"). The Group recorded a profit before tax of RM6.7 million in Q3 2020 as compared to a profit before taxation of RM1.4 million in Q2 2020. The increase in profit before taxation by RM5.3 million was contributed by the following segments:

**Investment holding** – Operating revenue consisting of investment income fell slightly by RM0.3 million in Q3 2020. Profit before tax rose by RM2.2 million mainly due to realised investment gains and lower expenses in the current period.

**Life insurance business** – Operating revenue of life insurance business increased by RM24.0 million in Q3 2020 compared to Q2 2020 mainly due to higher premiums. Loss before taxation improved slightly by RM0.9 mil due to lower claims.

**Asset management services** – Operating revenue and profit before taxation increased by RM4.9 million and RM2.1 million, respectively, due to higher fee income from higher Unit Trust Sales in Q3 2020 compared to Q2 2020.



**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<br>9 months ended |                |
|----------------------|----------------|----------------|------------------------------|----------------|
|                      | 30.09.2020     | 30.09.2019     | 30.09.2020                   | 30.09.2019     |
|                      | RM'000         | RM'000         | RM'000                       | RM'000         |
| First year premium   | 44,503         | 37,980         | 115,219                      | 96,758         |
| Renewal year premium | 157,337        | 146,617        | 450,408                      | 437,212        |
| Single premium       | 14,238         | 25,892         | 113,163                      | 84,340         |
| <b>Total</b>         | <b>216,078</b> | <b>210,489</b> | <b>678,790</b>               | <b>618,310</b> |

**22. Investment income**

|                                       | 3 months ended |               | Cumulative<br>9 months ended |                |
|---------------------------------------|----------------|---------------|------------------------------|----------------|
|                                       | 30.09.2020     | 30.09.2019    | 30.09.2020                   | 30.09.2019     |
|                                       | RM'000         | RM'000        | RM'000                       | RM'000         |
| <u>Financial assets at FVTPL</u>      |                |               |                              |                |
| - designated upon initial recognition |                |               |                              |                |
| Interest/profit sharing income        | 6,961          | 5,646         | 19,685                       | 16,249         |
| Dividend/distribution income          |                |               |                              |                |
| - equity securities                   |                |               |                              |                |
| - quoted in Malaysia                  | 6,086          | 6,177         | 12,682                       | 13,673         |
| - quoted outside Malaysia             | 4              | 25            | 33                           | 83             |
| - real estate investment trusts       |                |               |                              |                |
| - quoted in Malaysia                  | 148            | 899           | 1,168                        | 1,420          |
| - unit trust funds                    | 379            | 1,680         | 1,346                        | 2,668          |
| - mutual funds                        |                |               |                              |                |
| - outside Malaysia                    | 166            | 609           | 641                          | 2,339          |
| Net amortisation of premiums          | (346)          | (259)         | (1,028)                      | (641)          |
| <u>AFS financial assets</u>           |                |               |                              |                |
| Interest/profit sharing income        | 25,476         | 25,885        | 76,829                       | 76,847         |
| Dividend/distribution income          |                |               |                              |                |
| - equity securities                   |                |               |                              |                |
| - quoted in Malaysia                  | 3,606          | 7,678         | 18,117                       | 20,337         |
| - quoted outside Malaysia             | 245            | 240           | 538                          | 506            |
| - unquoted in Malaysia                | 140            | 978           | 220                          | 978            |
| - real estate investment trusts       |                |               |                              |                |
| - quoted in Malaysia                  | 179            | 302           | 530                          | 736            |
| Net amortisation of premiums          | (1,547)        | (885)         | (4,838)                      | (2,406)        |
| <u>Loans and receivables</u>          |                |               |                              |                |
| Interest/profit sharing income        | 3,103          | 3,998         | 10,406                       | 12,411         |
| Net amortisation of premiums          | -              | -             | (1)                          | -              |
| <u>Investment properties</u>          |                |               |                              |                |
| Rental income                         | 854            | 868           | 2,887                        | 3,188          |
| <u>Cash and cash equivalents</u>      |                |               |                              |                |
| Interest/profit sharing income        | 65             | 218           | 354                          | 658            |
|                                       | <u>45,519</u>  | <u>54,059</u> | <u>139,569</u>               | <u>149,046</u> |

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

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

|   | <b>3 months ended</b> |                   | <b>Cumulative<br/>9 months ended</b> |                   |
|---|-----------------------|-------------------|--------------------------------------|-------------------|
|   | <b>30.09.2020</b>     | <b>30.09.2019</b> | <b>30.09.2020</b>                    | <b>30.09.2019</b> |
|   | <b>RM'000</b>         | <b>RM'000</b>     | <b>RM'000</b>                        | <b>RM'000</b>     |
| Foreign exchange  |                       |                   |                                      |                   |
| - Realised gains  | (2,981)               | (955)             | (7,124)                              | (2,097)           |
| - Unrealised losses/(gains)                                       | 13,117                | (3,595)           | 29                                   | (2,442)           |
| Interest expense on agent's bond withheld                         | 4                     | 4                 | 12                                   | 12                |
| Others  | 1,944                 | 2,648             | 5,524                                | 7,159             |
| Tax on investment income of Life fund and Investment-linked funds |                       |                   |                                      |                   |
| - Current tax   | 6,438                 | 1,126             | 4,707                                | 7,799             |
| - Deferred tax  | 5,691                 | (1,175)           | 565                                  | 7,312             |
|   | 12,129                | (49)              | 5,272                                | 15,111            |
|   | <u>24,213</u>         | <u>(1,947)</u>    | <u>3,713</u>                         | <u>17,743</u>     |

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.

**24. Profit before taxation**

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

|   | <b>3 months ended</b> |                   | <b>Cumulative<br/>9 months ended</b> |                   |
|---|-----------------------|-------------------|--------------------------------------|-------------------|
|   | <b>30.09.2020</b>     | <b>30.09.2019</b> | <b>30.09.2020</b>                    | <b>30.09.2019</b> |
|   | <b>RM'000</b>         | <b>RM'000</b>     | <b>RM'000</b>                        | <b>RM'000</b>     |
| Amortisation of intangible assets                               | 2,398                 | 2,394             | 6,132                                | 5,885             |
| Depreciation of property and equipment                          | 843                   | 842               | 2,476                                | 2,501             |
| Investment income (Note 22)                                     | (45,519)              | (54,059)          | (139,569)                            | (149,046)         |
| Allowance for/(reversal of) impairment loss on loans receivable | 12                    | (10)              | 21                                   | 161               |
| Net foreign exchange losses/(gains)                             | 10,136                | (4,550)           | (7,095)                              | (4,539)           |

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

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

|   | 3 months ended |            | Cumulative<br>9 months ended |            |
|---|----------------|------------|------------------------------|------------|
|   | 30.09.2020     | 30.09.2019 | 30.09.2020                   | 30.09.2019 |
|   | RM'000         | RM'000     | RM'000                       | RM'000     |
| Net realised (gains)/losses:                                  |                |            |                              |            |
| - realised gains on disposal of property and equipment        | -              | -          | -                            | (32)       |
| - realised (gains)/losses on disposal of AFS investments      | (35,874)       | (128)      | 1,065                        | (20,622)   |
|   | (35,874)       | (128)      | 1,065                        | (20,654)   |
| Net fair value (gains)/losses:                                |                |            |                              |            |
| - fair value (gains)/losses on FVTPL investments/ derivatives | (90,946)       | 26,588     | (27,401)                     | (67,646)   |
| - impairment loss on quoted equities                          | 11,628         | 12,019     | 79,644                       | 19,573     |
|   | (79,318)       | 38,607     | 52,243                       | (48,073)   |

**25. Taxation**

|   | 3 months ended |            | Cumulative<br>9 months ended |            |
|---|----------------|------------|------------------------------|------------|
|   | 30.09.2020     | 30.09.2019 | 30.09.2020                   | 30.09.2019 |
|   | RM'000         | RM'000     | RM'000                       | RM'000     |
| <u>Income tax</u>                               |                |            |                              |            |
| Current financial period                        | 762            | 262        | 7,455                        | 5,982      |
| (Over)/underprovision in prior financial years  | (759)          | 123        | (759)                        | (237)      |
|   | 3              | 385        | 6,696                        | 5,745      |
| <u>Deferred tax</u>                             |                |            |                              |            |
| Origination/(reversal) of temporary differences | 30             | 12         | (477)                        | 244        |
|   | 30             | 12         | (477)                        | 244        |
|   | 33             | 397        | 6,219                        | 5,989      |

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<br>9 months ended |                      |
|---|----------------------|----------------------|------------------------------|----------------------|
|   | 30.09.2020<br>RM'000 | 30.09.2019<br>RM'000 | 30.09.2020<br>RM'000         | 30.09.2019<br>RM'000 |
| Profit/(loss) before taxation                                     | 6,710                | (7,462)              | 21,639                       | 18,494               |
| Taxation at Malaysian<br>statutory tax rate of 24%<br>(2019: 24%) | 1,610                | (1,790)              | 5,193                        | 4,439                |
| Section 110B tax credit set off                                   | (846)                | (440)                | (1,331)                      | (2,534)              |
| Income not subject to tax   | (769)                | (816)                | (3,162)                      | (1,265)              |
| Expenses not deductible for<br>tax purposes                       | 772                  | 3,206                | 6,158                        | 6,641                |
| Utilisation of prior years<br>unrecognised tax losses             | -                    | -                    | -                            | (1,095)              |
| Changes in unrecognised<br>deferred tax assets                    | 25                   | 114                  | 120                          | 40                   |
|   | 792                  | 274                  | 6,978                        | 6,226                |
| (Over)/underprovision in prior<br>financial years                 |                      |                      |                              |                      |
| - Current tax   | (759)                | 123                  | (759)                        | (237)                |
|   | 33                   | 397                  | 6,219                        | 5,989                |

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

**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<br/>9 months ended</b> |                   |
|---|-----------------------|-------------------|--------------------------------------|-------------------|
|   | <b>30.09.2020</b>     | <b>30.09.2019</b> | <b>30.09.2020</b>                    | <b>30.09.2019</b> |
| Net profit/(loss) attributable to owners of the Company (RM'000)                      | <u>6,672</u>          | <u>(7,877)</u>    | <u>15,404</u>                        | <u>12,472</u>     |
| Weighted average number of ordinary shares in issue ('000)                            |                       |                   |                                      |                   |
| - Balance b/f   | 202,370               | 202,370           | 202,370                              | 202,370           |
| - Weighted average number of shares arising from effect of Dividend Reinvestment Plan | 2,508                 | -                 | 842                                  | -                 |
| - Balance c/f   | <u>204,878</u>        | <u>202,370</u>    | <u>203,212</u>                       | <u>202,370</u>    |
| Basic and diluted earnings/(loss) per share (Sen)                                     | <u>3.27</u>           | <u>(3.90)</u>     | <u>7.58</u>                          | <u>6.16</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<br>30.09.2020<br>RM'000 | As at<br>31.12.2019<br>RM'000 | As at<br>30.09.2020<br>RM'000 | As at<br>31.12.2019<br>RM'000 |
| Actuarial liabilities                       | 3,020,808                     | 2,819,089                     | 3,007,539                     | 2,821,965                     |
| Unallocated deficit                         | (170,960)                     | (71,285)                      | (170,960)                     | (71,285)                      |
| Fair value reserve                          | 240,777                       | 120,462                       | 240,777                       | 120,462                       |
| Asset revaluation reserve                   | 1,887                         | 1,887                         | 1,887                         | 1,887                         |
| Investment-linked<br>policyholders' account | 1,253,386                     | 1,345,740                     | 1,253,386                     | 1,345,740                     |
|   | <u>4,345,898</u>              | <u>4,215,893</u>              | <u>4,332,629</u>              | <u>4,218,769</u>              |

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

|   | Gross                         |                               | Net                           |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | As at<br>30.09.2020<br>RM'000 | As at<br>31.12.2019<br>RM'000 | As at<br>30.09.2020<br>RM'000 | As at<br>31.12.2019<br>RM'000 |
| At 1 January                                | 4,215,893                     | 3,873,195                     | 4,218,769                     | 3,870,345                     |
| Inforce reserve movement                    | 69,603                        | 78,254                        | 59,699                        | 83,861                        |
| New business reserve                        | 86,550                        | 108,427                       | 80,427                        | 108,510                       |
| Discount rate and other changes             | 45,968                        | 130,538                       | 45,968                        | 130,538                       |
| Unallocated deficit                         | (99,675)                      | (106,984)                     | (99,675)                      | (106,984)                     |
| Effect of movements in exchange<br>rate     | (402)                         | (1,459)                       | (520)                         | (1,423)                       |
| Fair value reserve, net of tax              | 120,315                       | 89,573                        | 120,315                       | 89,573                        |
| Asset revaluation reserve                   |                               |                               |                               |                               |
| - Revaluation adjustment                    | -                             | 32                            | -                             | 32                            |
| - Reversal on revaluation                   | -                             | 206                           | -                             | 206                           |
|   | -                             | 238                           | -                             | 238                           |
| Investment-linked<br>policyholders' account | (92,354)                      | 44,111                        | (92,354)                      | 44,111                        |
| At 30 September/31 December                 | <u>4,345,898</u>              | <u>4,215,893</u>              | <u>4,332,629</u>              | <u>4,218,769</u>              |

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

**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:

|                                | <b>As at<br/>30.09.2020</b> | <b>As at<br/>31.12.2019</b> |
|--------------------------------|-----------------------------|-----------------------------|
|                                | <b>RM'000</b>               | <b>RM'000</b>               |
| Investment holding             | 2,516                       | 1,392                       |
| Life insurance business:-      |                             |                             |
| Shareholder's fund             | 24,542                      | 41,339                      |
| Non Investment-linked business | 70,240                      | 95,441                      |
| Investment-linked business     | 11,019                      | 5,422                       |
| Asset management services      | 75,701                      | 63,551                      |
|                                | <u>184,018</u>              | <u>207,145</u>              |

**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>30.09.2020</b> | <b>Cumulative<br/>9 months ended<br/>30.09.2019</b> |
|---|-------------------|---|
|   | <b>RM'000</b>     | <b>RM'000</b>                                       |
| <b>Expenses/(income):</b>                       |                   |   |
| <b>Intermediate holding company</b>             |                   |   |
| Reimbursement of personnel expenses             | 3,251             | 4,598   |
| Reimbursement of software maintenance expenses  | 3,688             | 3,179   |
| Reimbursement of computer software              | 2,720             | 26  |
| Provision of IT infrastructure support          | 4,614             | 1,073   |
|   | <u>14,273</u>     | <u>9,876</u>  |
| <b>Subsidiaries of ultimate holding company</b> |                   |   |
| Rebate income                                   | (6,137)           | (7,589)   |
| Fund management expenses                        | 2,007             | 1,518   |
|   | <u>(4,130)</u>    | <u>(6,071)</u>                                      |

**30. Capital and other commitments**

|                                   | <b>As at<br/>30.09.2020</b> | <b>As at<br/>31.12.2019</b> |
|-----------------------------------|-----------------------------|-----------------------------|
|                                   | <b>RM'000</b>               | <b>RM'000</b>               |
| <b>Other commitments</b>          |                             |                             |
| Exclusive bancassurance agreement |                             |                             |
| - Authorised but not provided for | 8,250                       | 10,500                      |
|                                   | <u>8,250</u>                | <u>10,500</u>               |
| Distribution agreement            |                             |                             |
| - Authorised but not provided for | 5,363                       | 8,293                       |
|                                   | <u>5,363</u>                | <u>8,293</u>                |

**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><br><b>RM'000</b> | <b>FVTPL</b><br><b>RM'000</b> | <b>LAR</b><br><b>RM'000</b> | <b>OL</b><br><b>RM'000</b> | <b>Total</b><br><b>RM'000</b> |
|------------------------------|-----------------------------|-------------------------------|-----------------------------|----------------------------|-------------------------------|
| <b>30 September 2020</b>     |                             |                               |                             |                            |                               |
| <b>Financial assets</b>      |                             |                               |                             |                            |                               |
| AFS financial assets         | 3,374,643                   | -                             | -                           | -                          | 3,374,643                     |
| Financial assets at FVTPL    | -                           | 1,840,705                     | -                           | -                          | 1,840,705                     |
| Loans and receivables        | -                           | -                             | 504,646                     | -                          | 504,646                       |
| Insurance receivables        | -                           | -                             | 10,458                      | -                          | 10,458                        |
| Cash and cash equivalents    | -                           | -                             | 184,018                     | -                          | 184,018                       |
|                              | <u>3,374,643</u>            | <u>1,840,705</u>              | <u>699,122</u>              | <u>-</u>                   | <u>5,914,470</u>              |
| <b>Financial liabilities</b> |                             |                               |                             |                            |                               |
| Financial liability at FVTPL | -                           | 2,461                         | -                           | -                          | 2,461                         |
| Insurance payables           | -                           | -                             | -                           | 640,049                    | 640,049                       |
| Other payables               | -                           | -                             | -                           | 234,285                    | 234,285                       |
|                              | <u>-</u>                    | <u>2,461</u>                  | <u>-</u>                    | <u>874,334</u>             | <u>876,795</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<br>amount<br>RM'000 | Fair value gain<br>recognised as |                                  | Net carrying<br>amount<br>RM'000 |
|-----------------------------------|------------------------------|----------------------------------|----------------------------------|----------------------------------|
|                                   |                              | Financial<br>asset<br>RM'000     | Financial<br>liability<br>RM'000 |                                  |
| <b>30 September 2020</b>          |                              |                                  |                                  |                                  |
| <b>Hedging derivative:</b>        |                              |                                  |                                  |                                  |
| Forward foreign exchange contract |                              |                                  |                                  |                                  |
| - Less than 1 year                | 228,783                      | -                                | (2,461)                          | (2,461)                          |
| <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<br/>30.09.2020</u> | <u>As at<br/>31.12.2019</u> | <u>As at<br/>30.09.2020</u> | <u>As at<br/>31.12.2019</u> |
|   | <u>RM'000</u>               | <u>RM'000</u>               | <u>RM'000</u>               | <u>RM'000</u>               |
| Carrying amount                           | <u>25,995</u>               | <u>26,407</u>               | <u>82,593</u>               | <u>82,593</u>               |
| Fair value as stated in valuation report* | <u>26,407</u>               | <u>26,407</u>               | <u>82,593</u>               | <u>82,593</u>               |

\* 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<br>Reversionary period's net yield<br>Void factor<br>Average rental for term period<br>Average rental for reversionary period<br>Outgoings for term period<br>Outgoings for reversionary period | 5.75%<br>6.00%<br>5.00%<br>RM4.50 – RM4.82 psf<br>RM4.50 psf<br>RM1.70 psf<br>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 | (412)                    | (526)         | -                          | -             |
| Fair value gain/(loss)                  | -                        | 642           | -                          | (116)         |
| At 30 September/31 December             | <u>25,995</u>            | <u>26,407</u> | <u>82,593</u>              | <u>82,593</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<br/>amount<br/>RM'000</b> | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>RM'000</b> |
|---------------------------------------|---------------------------------------|---------------------------|---------------------------|
| <b>30 September 2020</b>              |                                       |                           |                           |
| <b>AFS financial assets</b>           |                                       |                           |                           |
| Equity securities                     |                                       |                           |                           |
| - Quoted in Malaysia                  | 822,455                               | 822,455                   | -                         |
| - Quoted outside Malaysia             | 153,262                               | 153,262                   | -                         |
| Real estate investment trusts         | 10,259                                | 10,259                    | -                         |
| Unit trust funds                      | 79,951                                | 79,951                    | -                         |
| Malaysian Government Securities       | 392,393                               | -                         | 392,393                   |
| Government Investment Issues          | 240,787                               | -                         | 240,787                   |
| Corporate debt securities             |                                       |                           |                           |
| - Unquoted                            | 1,648,812                             | -                         | 1,648,812                 |
| Accrued interest                      | 24,208                                | -                         | 24,208                    |
|                                       | <u>3,372,127</u>                      | <u>1,065,927</u>          | <u>2,306,200</u>          |
| <b>Financial assets at FVTPL</b>      |                                       |                           |                           |
| Equity securities                     |                                       |                           |                           |
| - Quoted in Malaysia                  | 613,703                               | 613,703                   | -                         |
| - Quoted outside Malaysia             | 15,516                                | 15,516                    | -                         |
| Real estate investment trusts         | 5,747                                 | 5,747                     | -                         |
| Unit trust funds                      | 153,483                               | 153,483                   | -                         |
| Malaysian Government Securities       | 62,508                                | -                         | 62,508                    |
| Government Investment Issues          | 41,740                                | -                         | 41,740                    |
| Corporate debt securities             |                                       |                           |                           |
| - Unquoted                            | 461,266                               | -                         | 461,266                   |
| - Quoted outside Malaysia             | 164,799                               | -                         | 164,799                   |
| Mutual funds                          | 314,327                               | -                         | 314,327                   |
| Accrued interest                      | 7,616                                 | -                         | 7,616                     |
|                                       | <u>1,840,705</u>                      | <u>788,449</u>            | <u>1,052,256</u>          |
|                                       | <u>5,212,832</u>                      | <u>1,854,376</u>          | <u>3,358,456</u>          |
| <b>Financial liabilities at FVTPL</b> |                                       |                           |                           |
| Forward foreign exchange contract     | 2,461                                 | -                         | 2,461                     |

**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<br/>amount<br/>RM'000</b> | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>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 2,516,566 (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 30 September 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<br>30 September 2020 | Fair value<br>as at<br>1 January 2020<br>RM'000 | Change in<br>fair value*<br>RM'000 | Fair value<br>as at<br>30 September<br>2020<br>RM'000 | Result of the<br>cash flows<br>characteristics<br>test | Classification and<br>measurement under<br>MFRS 9 |
|---|---|------------------------------------|---|--|---|
| <b>Financial assets</b>                             |   |                                    |   |  |   |
| Equity securities                                   |   |                                    |   |  |   |
| - Quoted in Malaysia                                | 1,408,368                                       | 27,790                             | 1,436,158   | Non-SPPI   | FVTPL   |
| - Quoted outside Malaysia                           | 103,793   | 64,985                             | 168,778   | Non-SPPI   | FVTPL   |
| - Unquoted  | 2,516   | -                                  | 2,516   | Non-SPPI   | FVTPL   |
| Real estate investment trusts                       | 23,883  | (7,877)                            | 16,006  | Non-SPPI   | FVTPL   |
| Unit trust funds                                    | 245,384   | (11,950)                           | 233,434   | Non-SPPI   | FVTPL   |
| Malaysian Government Securities                     | 423,111   | 31,790                             | 454,901   | SPPI   | FVOCI   |
| Government Investment Issues                        | 276,996   | 5,531                              | 282,527   | SPPI   | FVOCI   |
| Corporate debt securities                           |   |                                    |   |  |   |
| - Unquoted  | 2,085,462                                       | 24,616                             | 2,110,078   | SPPI   | FVOCI   |
| - Quoted outside Malaysia                           | 40,735  | 124,064                            | 164,799   | SPPI   | FVOCI   |
| Mutual funds  | 438,118   | (123,791)                          | 314,327   | Non-SPPI   | FVTPL   |
| Forward foreign exchange contract                   | 3,802   | (3,802)                            | -   | Non-SPPI   | FVTPL   |
| Accrued interest                                    | 30,465  | 1,359                              | 31,824  | SPPI   | FVOCI   |
| Loans and receivables                               | 358,730   | 145,916                            | 504,646   | SPPI   | Amortised cost                                    |
| Insurance receivables                               | 25,794  | (15,336)                           | 10,458  | SPPI   | Amortised cost                                    |
| Cash and cash equivalents                           | 207,145   | (23,127)                           | 184,018   | SPPI   | Amortised cost                                    |
|   | <u>5,674,302</u>                                | <u>240,168</u>                     | <u>5,914,470</u>                                      |  |   |

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

**MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))**

Interim financial statements for the financial period ended 30 September 2020

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

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

| For the financial year ended<br>31 December 2019 | Fair value<br>as at<br>1 January 2019<br>RM'000 | Change in<br>fair value*<br>RM'000 | Fair value<br>as at<br>31 December<br>2019<br>RM'000 | Result of the<br>cash flows<br>characteristics<br>test | Classification and<br>measurement under<br>MFRS 9 |
|--|---|------------------------------------|--|--|---|
| <b>Financial assets</b>                          |   |                                    |  |  |   |
| Equity securities                                |   |                                    |  |  |   |
| - Quoted in Malaysia                             | 1,239,825                                       | 168,543                            | 1,408,368  | Non-SPPI   | FVTPL   |
| - Quoted outside Malaysia                        | 114,225   | (10,432)                           | 103,793  | Non-SPPI   | FVTPL   |
| - Unquoted                                       | 2,516   | -                                  | 2,516  | Non-SPPI   | FVTPL   |
| Real estate investment trusts                    | 14,377  | 9,506                              | 23,883   | Non-SPPI   | FVTPL   |
| Unit trust funds                                 | 196,120   | 49,264                             | 245,384  | Non-SPPI   | FVTPL   |
| Malaysian Government Securities                  | 362,441   | 60,670                             | 423,111  | SPPI   | FVOCI   |
| Government Investment Issues                     | 160,624   | 116,372                            | 276,996  | SPPI   | FVOCI   |
| Corporate debt securities                        |   |                                    |  |  |   |
| - Unquoted                                       | 2,026,939                                       | 58,523                             | 2,085,462  | SPPI   | FVOCI   |
| - Quoted outside Malaysia                        | 5,076   | 35,659                             | 40,735   | SPPI   | FVOCI   |
| Mutual funds                                     | 496,354   | (58,236)                           | 438,118  | Non-SPPI   | FVTPL   |
| Forward foreign exchange contract                | 3,958   | (156)                              | 3,802  | Non-SPPI   | FVTPL   |
| Accrued interest                                 | 28,815  | 1,650                              | 30,465   | SPPI   | FVOCI   |
| Loans and receivables                            | 474,368   | (115,638)                          | 358,730  | SPPI   | Amortised cost                                    |
| Insurance receivables                            | 24,344  | 1,450                              | 25,794   | SPPI   | Amortised cost                                    |
| Cash and cash equivalents                        | 130,893   | 76,252                             | 207,145  | SPPI   | Amortised cost                                    |
|  | <u>5,280,875</u>                                | <u>393,427</u>                     | <u>5,674,302</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:

|                                 | AAA              | AA             | A             | BB           | BBB           | Non-rated        | Total            |
|---------------------------------|------------------|----------------|---------------|--------------|---------------|------------------|------------------|
| As at 30 September 2020         | RM'000           | RM'000         | RM'000        | RM'000       | RM'000        | RM'000           | RM'000           |
| <b>Financial assets</b>         |                  |                |               |              |               |                  |                  |
| Malaysian Government Securities | -                | -              | -             | -            | -             | 454,901          | 454,901          |
| Government Investment Issues    | -                | -              | -             | -            | -             | 282,527          | 282,527          |
| Corporate debt securities       |                  |                |               |              |               |                  |                  |
| - Unquoted                      | 1,097,442        | 501,519        | 8,656         | -            | -             | 502,461          | 2,110,078        |
| - Quoted outside Malaysia*      | 17,418           | 32,098         | 55,279        | 1,836        | 58,168        | -                | 164,799          |
| Accrued interest                | 10,671           | 7,149          | 541           | 5            | 475           | 12,983           | 31,824           |
| Loans and receivables           | 249,606          | 19,100         | 18,022        | -            | -             | 217,918          | 504,646          |
| Cash and cash equivalents       | 153,023          | 11,130         | 9,258         | -            | -             | 178              | 173,589          |
| Cash and cash equivalents*      | -                | 10,429         | -             | -            | -             | -                | 10,429           |
|                                 | <u>1,528,160</u> | <u>581,425</u> | <u>91,756</u> | <u>1,841</u> | <u>58,643</u> | <u>1,470,968</u> | <u>3,732,793</u> |

\* Rated by international rating agencies

**MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))**  
Interim financial statements for the financial period ended 30 September 2020

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

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

| <b>As at 31 December 2019</b>   | <b>AAA<br/>RM'000</b> | <b>AA<br/>RM'000</b> | <b>A<br/>RM'000</b> | <b>BBB<br/>RM'000</b> | <b>Non-rated<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---------------------------------|-----------------------|----------------------|---------------------|-----------------------|-----------------------------|-------------------------|
| <b>Financial assets</b>         |                       |                      |                     |                       |                             |                         |
| Malaysian Government Securities | -                     | -                    | -                   | -                     | 423,111                     | 423,111                 |
| Government Investment Issues    | -                     | -                    | -                   | -                     | 276,996                     | 276,996                 |
| Corporate debt securities       |                       |                      |                     |                       |                             |                         |
| - Unquoted                      | 1,045,572             | 554,206              | 9,721               | -                     | 475,963                     | 2,085,462               |
| - Quoted outside Malaysia*      | 16,564                | -                    | 6,913               | 16,195                | 1,063                       | 40,735                  |
| Accrued interest                | 12,986                | 5,174                | 118                 | 194                   | 11,993                      | 30,465                  |
| Loans and receivables           | 143,736               | 2,946                | 14,738              | -                     | 197,310                     | 358,730                 |
| Cash and cash equivalents       | 168,463               | 7,828                | 3,800               | -                     | 53                          | 180,144                 |
| Cash and cash equivalents*      | -                     | 27,001               | -                   | -                     | -                           | 27,001                  |
|                                 | <u>1,387,321</u>      | <u>597,155</u>       | <u>35,290</u>       | <u>16,389</u>         | <u>1,386,489</u>            | <u>3,422,644</u>        |

\* Rated by international rating agencies

**BY ORDER OF THE BOARD**

Chua Siew Chuan  
**Joint Secretary**  
25 November 2020

Chin Mun Yee  
**Joint Secretary**