

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 year ended 31 December 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 year ended 31 December 2020, the applicable estimate changes on the above assumptions resulted in lower actuarial liabilities of RM70.5 million (31 December 2019: higher actuarial liabilities of RM130.5 million), with a corresponding increase in unallocated surplus for the participating business of RM95.0 million (31 December 2019: decrease in unallocated surplus of RM102.7 million) and increase in net profit before tax of RM24.5 million (31 December 2019: decrease in net profit before tax of RM27.8 million).

Other than as disclosed above, there were no changes in the basis used for accounting estimates for the current financial year ended 31 December 2020.

7. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current quarter ended 31 December 2020.

8. Dividends

The Board has recommended a First and Final dividend of 7.0 sen per share for the financial year ended 31 December 2020, subject to the approval of the shareholder at the forthcoming Annual General Meeting. The Board has also determined the dividend reinvestment plan ("DRP"), which provides the shareholders of the Company with the option to elect to reinvest their dividend in new ordinary shares in the Company, would apply to this First and Final dividend.

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

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

10. Changes in composition of the Group

There were no significant changes in the composition of the Group for the current financial year 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. Future financial year prospects

Malaysia's third wave of the COVID-19 pandemic was unexpected and unprecedented with high daily reported cases. While the expectation of vaccination globally has added some glimmer of hope for the pandemic to finally abate, it remains to be seen when Malaysia would commence its vaccination drive. Elsewhere with the US Presidential election concluded, unhappiness from segments of the campaigning parties on the acceptance of the outcome had also created volatility in the financial markets. Notwithstanding the above and the continuing uncertainty in the local political scene, Malaysia's Q4 GDP growth is expected to come in at -2.8% to -3.5% in line with Bank Negara Malaysia's (BNM) forecast of between -3.5% and -5.5%. BNM has maintained the overnight policy rate (OPR) at 1.75% at its January 2021 Monetary Policy Committee meetings but cautioned that future rate decision would be data dependent and that BNM stood ready to adopt a more accommodating monetary stance if the economic trajectory requires such support. 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

In addition, the asset management business maintains a cautious stance and expects an uneven pace of recovery across sectors and businesses, which is likely to give rise to volatility in both equities and bond markets. Market sentiment in the coming months will continue to be influenced by developments related to the COVID-19 pandemic and vaccine availability.

Notes to the Interim Financial Statements (Continued)

13. Profit forecast

The Group did not issue any profit forecast during the financial year ended 31 December 2020.

14. Group borrowings

The Group did not have any borrowings as at 31 December 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 year ended 31 December 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 year ended 31 December 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 (including trust funds which the Company have significant control)
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 12 months ended 31 December							
	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	-	-	1,014,017	988,007	-	-	1,014,017	988,007
Premiums ceded to reinsurers	-	-	(93,209)	(69,439)	-	-	(93,209)	(69,439)
Net premiums	-	-	920,808	918,568	-	-	920,808	918,568
(b) Investment income	22,474	13,936	169,125	189,119	369	692	191,968	203,747
(c) Net realised gains/(losses)	3,103	7,514	51,805	42,539	(64)	356	54,844	50,409
(d) Net fair value (losses)/gains	(956)	(626)	99,383	81,422	-	10	98,427	80,806
(e) Fee income	-	-	-	-	109,520	109,663	109,520	109,663
(f) Other operating income	2	2	2,924	2,946	1,886	745	4,812	3,693
Total external revenue	24,623	20,826	1,244,045	1,234,594	111,711	111,466	1,380,379	1,366,886
<u>Inter-segment revenue</u>								
(a) Rental income	1,938	1,937	786	793	-	-	2,724	2,730
(b) Fee income	1,262	1,034	3,773	3,789	12,260	11,972	17,295	16,795
(c) Dividend income from unit trust funds	-	-	15,339	2,608	-	-	15,339	2,608
(d) Net realised gains	-	-	2,879	52	-	-	2,879	52
Total inter-segment revenue	3,200	2,971	22,777	7,242	12,260	11,972	38,237	22,185
Total revenue by segment	27,823	23,797	1,266,822	1,241,836	123,971	123,438	1,418,616	1,389,071
Profit before taxation	15,775	12,344	21,000	17,955	9,001	8,090	45,776	38,389
Segment assets	1,107,806	1,108,380	6,125,867	5,615,122	144,939	122,629	7,378,612	6,846,131
Segment liabilities	23,516	13,045	5,495,323	5,047,078	86,273	72,248	5,605,112	5,132,371

Notes to the Interim Financial Statements (Continued)

18. Operating segments (continued)

Reconciliation of reportable segments

	Cumulative 12 months ended	
	31.12.2020	31.12.2019
	RM'000	RM'000
<u>Total revenue</u>		
Total revenue for reportable segments	1,418,616	1,389,071
Elimination of inter-segment revenue	(38,237)	(22,185)
Total revenue as per statement of profit or loss	1,380,379	1,366,886
	As at	As at
	31.12.2020	31.12.2019
	RM'000	RM'000
<u>Segment assets</u>		
Total assets for reportable segments	7,378,612	6,846,131
Elimination of inter-segment assets	(874,816)	(890,993)
Total assets as per statement of financial position	6,503,796	5,955,138
<u>Segment liabilities</u>		
Total liabilities for reportable segments	5,605,112	5,132,371
Elimination of inter-segment liabilities	(8,672)	(14,856)
Total liabilities as per statement of financial position	5,596,440	5,117,515

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.

Business Segment	3 months ended			Cumulative 12 months ended		
	31.12.2020	31.12.2019	Increase/ (Decrease)	31.12.2020	31.12.2019	Increase/ (Decrease)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Operating Revenue</u>						
Investment holding	4,969	3,696	1,273	22,474	13,936	8,538
Life insurance business	313,982	372,071	(58,089)	1,183,142	1,177,126	6,016
Asset management services	28,878	28,172	706	109,889	110,355	(466)
Total	347,829	403,939	(56,110)	1,315,505	1,301,417	14,088
<u>Profit before taxation</u>						
Investment holding	2,957	5,596	(2,639)	15,775	12,344	3,431
Life insurance business	18,788	12,598	6,190	21,000	17,955	3,045
Asset management services	2,392	1,701	691	9,001	8,090	911
Total	24,137	19,895	4,242	45,776	38,389	7,387

Notes to the Interim Financial Statements (Continued)

19. Review of performance (continued)

Financial Year ended 31 December 2020 vs Financial Year ended 31 December 2019

The Group's operating revenue for the financial year ended 31 December 2020 increased by RM14.1 million or 1.1% compared to the corresponding financial year ended 31 December 2019 (2020: RM1,315.5 million, 2019: RM1,301.4 million). The Group's profit before tax for YTD December 2020 was RM45.8 million, an increase of RM7.4 million or 19.2% as compared to the profit before tax for YTD December 2019 of RM38.4 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue increased by RM8.5 million or 61.3%, and profit before taxation rose by RM3.4 million as compared to the previous year due to higher investment income from wholesale funds.

Life insurance business – Operating revenue of life insurance business increased by RM6.0 million or 0.5% mainly due to higher premium income from Manulife Insurance Berhad (MIB). Profit before taxation increased by RM3.0 million mainly due to lower claims as well as better mortality and persistency experience.

Asset management services – Operating revenue fell slightly by RM0.5 million mainly from lower Unit Trust sales, while profit before tax increased by RM0.9 million due to higher Asset-Under-Management.

4th Quarter 2020 vs 4th Quarter 2019

The Group's operating revenue for the quarter ended 31 December 2020 fell by RM56.1 million compared to the corresponding quarter ended 31 December 2019 (2020: RM347.8 million, 2019: RM403.9 million). The Group's profit before tax was RM24.1 million for the current quarter, which represents an improvement of RM4.2 million as compared to the profit before tax for the quarter ended 31 December 2019 of RM19.9 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue increased by RM1.3 million as a result of higher investment income, while profit before tax decreased by RM2.6 million due to lower realised gains on disposal of investments.

Life insurance business – Operating revenue of life insurance business fell by RM58.1 million mainly due to lower premium income from Labuan insurance business in Q4 2020 compared with Q4 2019. Profit before taxation improved by RM6.2 million in the current quarter due to higher gains from equity investment.

Asset management services – Operating revenue and profit before taxation increased slightly by RM0.7 million due to higher fee income from growth in Assets Under Management in Q4 2020 compared with Q4 2019.

Notes to the Interim Financial Statements (Continued)

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

Business Segment	3 months ended		
	31.12.2020	30.09.2020	(Decrease)/Increase
	RM'000	RM'000	RM'000
<u>Operating Revenue</u>			
Investment holding	4,969	5,599	(630)
Life insurance business	313,982	279,711	34,271
Asset management services	28,878	28,849	29
Total	347,829	314,159	33,670
<u>Profit/(loss) before taxation</u>			
Investment holding	2,957	6,203	(3,246)
Life insurance business	18,788	(2,770)	21,558
Asset management services	2,392	3,277	(885)
Total	24,137	6,710	17,427

The Group's operating revenue for the current quarter under review ("Q4 2020") increased by RM33.7 mil as compared to the preceding quarter ended 30 September 2020 ("Q3 2020"). The Group recorded a profit before tax of RM24.1 million in Q4 2020 as compared to a profit before taxation of RM6.7 million in Q3 2020. The increase in profit before taxation by RM17.4 million was contributed by the following segments:

Investment holding – Operating revenue consisting of investment income fell slightly by RM0.6 million in Q4 2020. Profit before tax decreased by RM3.2 million mainly due to lower realised gains on disposal of bonds in the current period.

Life insurance business – Operating revenue of life insurance business increased by RM34.3 million in Q4 2020 compared to Q3 2020 mainly due to higher premiums and investment income. Profit before taxation improved by RM21.6 mil as a result of higher gains from equity investments coupled with lower reserving due to higher interest rate in the fourth quarter of 2020.

Asset management services – Operating revenue remains consistent with the preceding quarter, while profit before taxation fell by RM0.9 million due to higher expenses.

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 12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
First year premium	47,957	51,534	163,176	148,292
Renewal year premium	179,275	164,243	629,683	601,455
Single premium	14,786	84,481	127,949	168,821
Total	242,018	300,258	920,808	918,568

22. Investment income

	3 months ended		Cumulative 12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
- designated upon initial recognition				
Interest/profit sharing income	7,824	6,314	27,509	22,563
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	3,118	4,384	16,488	18,057
- quoted outside Malaysia	25	25	58	108
- real estate investment trusts				
- quoted in Malaysia	-	122	480	1,542
- unit trust funds	2,080	2,703	3,426	5,371
- mutual funds				
- outside Malaysia	1,892	1,222	2,533	3,561
Net amortisation of premiums	(522)	(215)	(1,550)	(856)
<u>AFS financial assets</u>				
Interest/profit sharing income	24,867	25,830	101,696	102,677
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	5,640	4,900	23,757	25,237
- quoted outside Malaysia	1,286	1,918	1,824	2,424
- unquoted in Malaysia	292	-	512	978
- real estate investment trusts				
- quoted in Malaysia	85	217	615	953
- unit trust funds	3,158	3,570	3,158	3,570
Net amortisation of premiums	(1,543)	(1,352)	(6,381)	(3,758)
<u>Loans and receivables</u>				
Interest/profit sharing income	3,300	3,912	13,706	16,323
Net accretion of discounts	1	-	-	-
<u>Investment properties</u>				
Rental income	856	941	3,743	4,129
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	40	210	394	868
	<u>52,399</u>	<u>54,701</u>	<u>191,968</u>	<u>203,747</u>

Notes to the Interim Financial Statements (Continued)

23. Other operating expenses

	3 months ended		Cumulative 12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Foreign exchange				
- Realised gains	(314)	(2,409)	(7,438)	(4,506)
- Unrealised losses	9,761	9,029	9,790	6,587
Interest expense on agent's bond withheld	4	3	16	15
Others	1,722	1,375	7,246	8,534
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	11,867	4,118	16,574	11,917
- Deferred tax	6,510	1,986	7,075	9,298
	18,377	6,104	23,649	21,215
	<u>29,550</u>	<u>14,102</u>	<u>33,263</u>	<u>31,845</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):

	3 months ended		Cumulative 12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,845	2,067	7,977	7,952
Depreciation of property and equipment	860	829	3,336	3,330
Investment income (Note 22)	(52,399)	(54,701)	(191,968)	(203,747)
Allowance for impairment loss on insurance receivables	19	4	19	4
(Reversal of)/allowance for impairment loss on loans receivable	(15)	(13)	6	148
Net foreign exchange losses	9,447	6,620	2,352	2,081

Notes to the Interim Financial Statements (Continued)

24. Profit before taxation (continued)

	3 months ended		Cumulative 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Net realised gains:				
- realised gains on disposal of property and equipment	(5)	(13)	(5)	(45)
- realised gains on disposal of AFS investments	(55,904)	(29,742)	(54,839)	(50,364)
	(55,909)	(29,755)	(54,844)	(50,409)
Net fair value (gains)/losses:				
- investment property	4,619	116	4,619	116
- fair value gains on FVTPL investments/derivatives	(155,372)	(35,577)	(182,773)	(103,223)
- impairment loss on quoted equities	83	2,728	79,727	22,301
	(150,670)	(32,733)	(98,427)	(80,806)

25. Taxation

	3 months ended		Cumulative 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Income tax</u>				
Current financial year	1,433	6,512	8,888	12,494
Overprovision in prior financial years	(813)	(246)	(1,572)	(483)
	620	6,266	7,316	12,011
<u>Deferred tax</u>				
Origination/(reversal) of temporary differences	122	(11)	(355)	233
	122	(11)	(355)	233
	742	6,255	6,961	12,244

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 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Profit before taxation	24,137	19,895	45,776	38,389
Taxation at Malaysian statutory tax rate of 24%	5,793	4,774	10,986	9,213
Effect of different tax rate in respect of Labuan subsidiary	(771)	-	(771)	-
Section 110B tax credit set off	(1,497)	1,563	(2,828)	(971)
Income not subject to tax	(2,391)	(1,269)	(5,553)	(2,534)
Expenses not deductible for tax purposes	419	1,434	6,577	8,075
Utilisation of prior years unrecognised tax losses	-	(33)	-	(1,128)
Changes in unrecognised deferred tax assets	2	32	122	72
	1,555	6,501	8,533	12,727
Overprovision in prior financial years				
- Current tax	(813)	(246)	(1,572)	(483)
	742	6,255	6,961	12,244

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 year by the weighted average number of ordinary shares in issue.

	3 months ended		Cumulative 12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Net profit attributable to owners of the Company (RM'000)	<u>23,407</u>	<u>13,662</u>	<u>38,811</u>	<u>26,134</u>
Weighted average number of ordinary shares in issue ('000)				
- Balance b/f	206,984	202,370	202,370	202,370
- Weighted average number of shares arising from effect of Dividend Reinvestment Plan	-	-	1,778	-
- Balance c/f	<u>206,984</u>	<u>202,370</u>	<u>204,148</u>	<u>202,370</u>
Basic and diluted earnings per share (Sen)	<u>11.31</u>	<u>6.74</u>	<u>19.01</u>	<u>12.91</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	As at	As at	As at
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities	2,898,929	2,819,089	2,896,527	2,821,965
Unallocated deficit	(10,286)	(71,285)	(10,286)	(71,285)
Fair value reserve	277,252	120,462	277,252	120,462
Asset revaluation reserve	2,361	1,887	2,361	1,887
Investment-linked policyholders' account	1,369,798	1,345,740	1,369,798	1,345,740
	4,538,054	4,215,893	4,535,652	4,218,769

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

	Gross		Net	
	As at	As at	As at	As at
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	4,215,893	3,873,195	4,218,769	3,870,345
Inforce reserve movement	64,397	78,254	63,622	83,861
New business reserve	92,181	108,427	87,587	108,510
Discount rate and other changes	(70,548)	130,538	(70,548)	130,538
Unallocated surplus/(deficit)	60,999	(106,984)	60,999	(106,984)
Effect of movements in exchange rate	(6,190)	(1,459)	(6,099)	(1,423)
Fair value reserve, net of tax	156,790	89,573	156,790	89,573
Asset revaluation reserve				
- Revaluation adjustment	259	32	259	32
- Reversal on revaluation	215	206	215	206
	474	238	474	238
Investment-linked policyholders' account	24,058	44,111	24,058	44,111
At 31 December	4,538,054	4,215,893	4,535,652	4,218,769

Notes to the Interim Financial Statements (Continued)

28. Current tax assets/(liabilities)

	<u>As at</u> <u>31.12.2020</u> RM'000	<u>As at</u> <u>31.12.2019</u> RM'000
Current tax assets	24,278	8,226
Current tax liabilities	<u>(22,360)</u>	<u>(370)</u>
	<u>1,918</u>	<u>7,856</u>

Included in the current tax assets are a pending appeal case arising from two notices of additional assessment ("Forms JA") of RM22.2 million for years of assessment ("YA") 2017 and 2018, and tax paid in excess to Inland Revenue Board ("IRB").

On 30 December 2020, IRB has issued two Forms JA to the Company's subsidiary, Manulife Insurance Berhad ("MIB") of additional tax (inclusive of tax penalty of 45%) amounting to RM22,245,003. The Company disagrees with the additional assessment imposed by IRB and had submitted a notice of appeal by filing Form Q with the Special Commissioner of Income Tax ("SCIT") on 25 January 2021. Notwithstanding the appeal, MIB will make the above tax payment in FYE 2021. In line with the view from the external lawyer, the Group believes strongly that MIB has good grounds to contest the additional assessment and hence has treated the above tax payment as tax recoverable.

29. Cash and cash equivalents

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

	<u>As at</u> <u>31.12.2020</u> RM'000	<u>As at</u> <u>31.12.2019</u> RM'000
Investment holding	6,364	1,392
Life insurance business:-		
Shareholder's fund	36,377	41,339
Non Investment-linked business	65,587	95,441
Investment-linked business	8,879	5,422
Asset management services	<u>72,285</u>	<u>63,551</u>
	<u>189,492</u>	<u>207,145</u>

Notes to the Interim Financial Statements (Continued)

30. Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms with the respective parties. The significant related party transactions during the financial year between the Group and their related parties are set out as below:

	31.12.2020	Cumulative 12 months ended 31.12.2019
	RM'000	RM'000
Expenses/(income):		
Intermediate holding company		
Reimbursement of personnel expenses	4,646	6,896
Reimbursement of software maintenance expenses	5,856	4,065
Reimbursement of computer software	7,204	29
Provision of IT infrastructure support	<u>9,369</u>	<u>2,548</u>
Subsidiaries of ultimate holding company		
Rebate income	(8,371)	(9,911)
Fund management expenses	2,461	2,232
Provision of IT infrastructure support	<u>1,034</u>	<u>-</u>

31. Capital and other commitments

	As at 31.12.2020	As at 31.12.2019
	RM'000	RM'000
Other commitments		
Exclusive bancassurance agreement - Authorised but not provided for	<u>7,500</u>	<u>10,500</u>
Distribution agreement - Authorised but not provided for	<u>5,363</u>	<u>8,293</u>

Notes to the Interim Financial Statements (Continued)

32. Financial instruments

Categories of financial instruments

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

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

Group	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
31 December 2020					
Financial assets					
AFS financial assets	3,485,271	-	-	-	3,485,271
Financial assets at FVTPL	-	2,008,611	-	-	2,008,611
Loans and receivables	-	-	498,605	-	498,605
Insurance receivables	-	-	16,877	-	16,877
Cash and cash equivalents	-	-	189,492	-	189,492
	<u>3,485,271</u>	<u>2,008,611</u>	<u>704,974</u>	<u>-</u>	<u>6,198,856</u>
Financial liabilities					
Financial liability at FVTPL	-	21	-	-	21
Insurance payables	-	-	-	672,721	672,721
Other payables	-	-	-	242,879	242,879
	<u>-</u>	<u>21</u>	<u>-</u>	<u>915,600</u>	<u>915,621</u>
31 December 2019					
Financial assets					
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>
Financial liabilities					
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)

33. 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	
31 December 2020				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	196,038	1,149	-	1,149
- Less than 1 year	4,368	-	(21)	(21)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
31 December 2019				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	322,819	3,802	-	3,802
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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)

34. 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 31.12.2020</u>	<u>As at 31.12.2019</u>	<u>As at 31.12.2020</u>	<u>As at 31.12.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Carrying amount	<u>27,026</u>	<u>26,407</u>	<u>77,974</u>	<u>82,593</u>
Fair value as stated in valuation report*	<u>27,026</u>	<u>26,407</u>	<u>77,974</u>	<u>82,593</u>

* Based on the valuation conducted by an independent qualified valuer on 31 December 2020.

Notes to the Interim Financial Statements (Continued)

34. 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:

	Valuation technique	Significant unobservable inputs	Range
2020			
Freehold/ investment property	Income method	Term period's net yield	5.00% - 6.50%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.55 psf
		Average rental for reversionary period	RM4.76 psf
		Outgoings for term period	RM1.75 psf
		Outgoings for reversionary period	RM1.75 psf
2019			
Freehold/ investment property	Income method	Term period's net yield	5.75%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.50 – RM4.82 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	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:

	Freehold property		Investment property	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	26,407	26,291	82,593	82,709
Depreciation charge for the year	(550)	(526)	-	-
Fair value gain/(loss)	1,169	642	(4,619)	(116)
At 31 December	<u>27,026</u>	<u>26,407</u>	<u>77,974</u>	<u>82,593</u>

Notes to the Interim Financial Statements (Continued)

34. 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)

34. 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.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2020			
AFS financial assets			
Equity securities			
- Quoted in Malaysia	943,507	943,507	-
- Quoted outside Malaysia	169,407	169,407	-
Real estate investment trusts	14,863	14,863	-
Unit trust funds	80,379	80,379	-
Malaysian Government Securities	368,505	-	368,505
Government Investment Issues	247,705	-	247,705
Corporate debt securities			
- Unquoted	1,634,516	-	1,634,516
Accrued interest	23,873	-	23,873
	<u>3,482,755</u>	<u>1,208,156</u>	<u>2,274,599</u>
Financial assets at FVTPL			
Equity securities			
- Quoted in Malaysia	712,512	712,512	-
- Quoted outside Malaysia	28,875	28,875	-
Real estate investment trusts	5,747	5,747	-
Unit trust funds	161,892	161,892	-
Malaysian Government Securities	66,372	-	66,372
Government Investment Issues	62,831	-	62,831
Corporate debt securities			
- Unquoted	492,617	-	492,617
- Quoted outside Malaysia	164,344	-	164,344
Mutual funds	304,436	304,436	-
Forward foreign exchange contract	1,149	-	1,149
Accrued interest	7,836	-	7,836
	<u>2,008,611</u>	<u>1,213,462</u>	<u>795,149</u>
	<u>5,491,366</u>	<u>2,421,618</u>	<u>3,069,748</u>
Financial liabilities at FVTPL			
Forward foreign exchange contract	21	-	21

Notes to the Interim Financial Statements (Continued)

34. 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)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
31 December 2019			
AFS financial assets			
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>
Financial assets at FVTPL			
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.

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Notes to the Interim Financial Statements (Continued)

35. 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 year ended 31 December 2020	Fair value as at 1 January 2020 RM'000	Change in fair value* RM'000	Fair value as at 31 December 2020 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Financial assets					
Equity securities					
- Quoted in Malaysia	1,408,368	247,651	1,656,019	Non-SPPI	FVTPL
- Quoted outside Malaysia	103,793	94,489	198,282	Non-SPPI	FVTPL
- Unquoted	2,516	-	2,516	Non-SPPI	FVTPL
Real estate investment trusts	23,883	(3,273)	20,610	Non-SPPI	FVTPL
Unit trust funds	245,384	(3,113)	242,271	Non-SPPI	FVTPL
Malaysian Government Securities	423,111	11,766	434,877	SPPI	FVOCI
Government Investment Issues	276,996	33,540	310,536	SPPI	FVOCI
Corporate debt securities					
- Unquoted	2,085,462	41,671	2,127,133	SPPI	FVOCI
- Quoted outside Malaysia	40,735	123,609	164,344	SPPI	FVOCI
Mutual funds	438,118	(133,682)	304,436	Non-SPPI	FVTPL
Forward foreign exchange contract	3,802	(2,653)	1,149	Non-SPPI	FVTPL
Accrued interest	30,465	1,244	31,709	SPPI	FVOCI
Loans and receivables	358,730	139,875	498,605	SPPI	Amortised cost
Insurance receivables	25,794	(8,917)	16,877	SPPI	Amortised cost
Cash and cash equivalents	207,145	(17,653)	189,492	SPPI	Amortised cost
	<u>5,674,302</u>	<u>524,554</u>	<u>6,198,856</u>		

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

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
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Notes to the Interim Financial Statements (Continued)

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

For the financial year ended 31 December 2019	Fair value as at 1 January 2019 RM'000	Change in fair value* RM'000	Fair value as at 31 December 2019 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Financial assets					
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).

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Notes to the Interim Financial Statements (Continued)

35. 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	BBB	Non-rated	Total
As at 31 December 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Malaysian Government						
Securities	-	-	-	-	434,877	434,877
Government Investment Issues	-	-	-	-	310,536	310,536
Corporate debt securities						
- Unquoted	930,972	710,011	4,112	-	482,038	2,127,133
- Quoted outside Malaysia*	18,802	29,574	56,091	59,877	-	164,344
Accrued interest	11,301	7,591	465	406	11,946	31,709
Loans and receivables	252,160	21,029	-	-	225,416	498,605
Insurance receivables	-	-	-	-	16,877	16,877
Cash and cash equivalents	163,632	8,345	6,359	-	160	178,496
Cash and cash equivalents*	-	10,996	-	-	-	10,996
	<u>1,376,867</u>	<u>787,546</u>	<u>67,027</u>	<u>60,283</u>	<u>1,481,850</u>	<u>3,773,573</u>

* Rated by international rating agencies

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Notes to the Interim Financial Statements (Continued)

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

As at 31 December 2019	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
Financial assets						
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
Insurance receivables	-	-	-	-	25,794	25,794
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>1,412,283</u>	<u>3,448,438</u>

* Rated by international rating agencies

BY ORDER OF THE BOARD

Chua Siew Chuan
Joint Secretary
23 February 2021

Chin Mun Yee
Joint Secretary