

## 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 2020, 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 2020.

### 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 2020, except for the adoption of the following amendments/interpretation to MFRS:

<u>Description</u>	<u>Effective Date</u>
Covid-19-Related Rent Concessions (Amendment to MFRS 16 <i>Leases</i> )	1 June 2020
Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021

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 2020.

### 4. Seasonal/cyclical factors

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

### 5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 31 March 2021.

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

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

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

For the current financial period ended 31 March 2021, the applicable estimate changes on the above assumptions resulted in lower actuarial liabilities of RM71.2 million (31 March 2020: lower actuarial liabilities of RM3.5 million), with a corresponding increase in unallocated surplus for the participating business of RM29.3 million (31 March 2020: decrease in unallocated surplus of RM14.7 million) and increase in net profit before tax of RM41.9 million (31 March 2020: increase in net profit before tax of RM18.2 million).

Other than as disclosed above, there were no changes in the basis used for accounting estimates for the current financial period ended 31 March 2021.

### **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 March 2021.

### **8. Dividends**

No dividend has been declared in respect of the current financial period ended 31 March 2021.

### **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**

Malaysia's Manufacturing PMI for March 2021 registered a positive uptrend of 49.9 (February 2021: 47.7) and inflation increasing considerably to +1.7% y-o-y March 2021 (February 2021: +0.1%) which was the second consecutive month of price increases driven primarily by transportation and consumer spending especially on household equipment and maintenance. Correspondingly, Malaysia's unemployment rate dropped nominally to 4.8% in February 2021 from 4.9% in January 2021. BNM adjusted its growth forecast this year to between 6.0% - 7.5% from its previous 6.5% - 7.5%. The marginal reduction in the lower GDP growth range and BNM indicating that growth is likely to come in at the lower range is indicative of the downside risks from the pace of resolution of the pandemic. BNM has maintained the overnight policy rate (OPR) at 1.75% at its March 2021 Monetary Policy Committee meeting and is scheduled to meet next in May 2021.

#### Life Insurance Business

As the effect of Covid-19 may linger on for a while, the pandemic is foreseen to increase consumer demand for life insurance in 2021 and thereafter as customers realize the importance of health and life insurance. Also, customers' expectation on faster turnaround, automated services and accelerated processes are heightened. The Group's life insurance business will continue our focus on executing our strategies which are in line with the growing opportunities, under our 6 pillars of Manulife's NEXT initiatives by focusing on:

- Growing new business and scale via inorganic opportunities and business expansion.
- Focusing on value creation for shareholders by actively managing expenditure and optimising resource utilisation.
- Improving free cash flow and in force management via active persistency and medical business management.
- Establishing a strong customer value proposition based on customers' needs.
- Enhancing high performing team and culture.

#### Asset Management Business

We anticipate continued market volatility as a result of uncertainties pertaining to development of the pandemic and vaccination rollout. The performance of the market will be unlikely to be uniform across sectors and the road to recovery will remain a bumpy one. Nevertheless, we remain positive on the prospects of the market, thanks to anticipation of eventual global economic recovery.

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

### **13. Profit forecast**

The Group did not issue any profit forecast during the financial period ended 31 March 2021.

### **14. Group borrowings**

The Group did not have any borrowings as at 31 March 2021.

### **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 31 March 2021.

### **17. Significant event**

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

**MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))**  
**Interim financial statements for the financial period ended 31 March 2021**

**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 3 months ended 31 March							
	Investment holding		Life insurance business		Asset management services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	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	-	-	248,861	289,218	-	-	248,861	289,218
Premiums ceded to reinsurers	-	-	(24,544)	(22,130)	-	-	(24,544)	(22,130)
Net premiums	-	-	224,317	267,088	-	-	224,317	267,088
(b) Investment income	5,061	5,995	51,346	44,525	134	143	56,541	50,663
(c) Net realised gains/(losses)	45	(326)	44,306	(31,328)	9	(69)	44,360	(31,723)
(d) Net fair value losses	(134)	(683)	(7,684)	(294,022)	-	-	(7,818)	(294,705)
(e) Fee income	-	-	-	-	38,790	28,110	38,790	28,110
(f) Other operating income	-	1	855	652	87	293	942	946
<b>Total external revenue/(loss)</b>	<b>4,972</b>	<b>4,987</b>	<b>313,140</b>	<b>(13,085)</b>	<b>39,020</b>	<b>28,477</b>	<b>357,132</b>	<b>20,379</b>
<u>Inter-segment revenue</u>								
(a) Rental income	484	484	196	197	-	-	680	681
(b) Fee income	171	240	887	883	3,222	2,931	4,280	4,054
(c) Dividend income from unit trust funds	-	-	7,186	665	-	-	7,186	665
(d) Net realised (losses)/gains	-	-	(223)	87	-	-	(223)	87
<b>Total inter-segment revenue</b>	<b>655</b>	<b>724</b>	<b>8,046</b>	<b>1,832</b>	<b>3,222</b>	<b>2,931</b>	<b>11,923</b>	<b>5,487</b>
<b>Total revenue/(loss) by segment</b>	<b>5,627</b>	<b>5,711</b>	<b>321,186</b>	<b>(11,253)</b>	<b>42,242</b>	<b>31,408</b>	<b>369,055</b>	<b>25,866</b>
<b>Profit before taxation</b>	<b>2,097</b>	<b>2,648</b>	<b>24,708</b>	<b>8,697</b>	<b>5,443</b>	<b>2,156</b>	<b>32,248</b>	<b>13,501</b>
<b>Segment assets</b>	<b>1,106,289</b>	<b>1,146,466</b>	<b>6,082,424</b>	<b>5,325,297</b>	<b>137,232</b>	<b>125,783</b>	<b>7,325,945</b>	<b>6,597,546</b>
<b>Segment liabilities</b>	<b>21,515</b>	<b>12,816</b>	<b>5,442,443</b>	<b>4,757,429</b>	<b>74,042</b>	<b>73,862</b>	<b>5,538,000</b>	<b>4,844,107</b>

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

**18. Operating segments (continued)**

**Reconciliation of reportable segments**

	<b>Cumulative 3 months ended</b>	
	<b>31.03.2021</b>	<b>31.03.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Total revenue</u></b>		
Total revenue for reportable segments	369,055	25,866
Elimination of inter-segment revenue	(11,923)	(5,487)
<b>Total revenue as per statement of profit or loss</b>	<b>357,132</b>	<b>20,379</b>
	<b>As at</b>	<b>As at</b>
	<b>31.03.2021</b>	<b>31.03.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Segment assets</u></b>		
Total assets for reportable segments	7,325,945	6,597,546
Elimination of inter-segment assets	(880,433)	(933,028)
<b>Total assets as per statement of financial position</b>	<b>6,445,512</b>	<b>5,664,518</b>
<b><u>Segment liabilities</u></b>		
Total liabilities for reportable segments	5,538,000	4,844,107
Elimination of inter-segment liabilities	(3,873)	(17,674)
<b>Total liabilities as per statement of financial position</b>	<b>5,534,127</b>	<b>4,826,433</b>

**19. Review of performance**

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

<b>Business Segment</b>	<b>3 months ended</b>			<b>Cumulative 3 months ended</b>		
	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>(Decrease)/ Increase</b>	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>(Decrease)/ Increase</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	5,061	5,995	(934)	5,061	5,995	(934)
Life insurance business	300,207	333,743	(33,536)	300,207	333,743	(33,536)
Asset management services	38,924	28,253	10,671	38,924	28,253	10,671
<b>Total</b>	<b>344,192</b>	<b>367,991</b>	<b>(23,799)</b>	<b>344,192</b>	<b>367,991</b>	<b>(23,799)</b>
<b><u>Profit before taxation</u></b>						
Investment holding	2,097	2,648	(551)	2,097	2,648	(551)
Life insurance business	24,708	8,697	16,011	24,708	8,697	16,011
Asset management services	5,443	2,156	3,287	5,443	2,156	3,287
<b>Total</b>	<b>32,248</b>	<b>13,501</b>	<b>18,747</b>	<b>32,248</b>	<b>13,501</b>	<b>18,747</b>

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

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

#### **Financial Period ended 31 March 2021 vs Financial Period ended 31 March 2020**

The Group's operating revenue for the financial period ended 31 March 2021 fell by RM23.8 million or 6.5% compared to the corresponding financial period ended 31 March 2020 (2021: RM344.2 million, 2020: RM368.0 million). The Group's profit before tax for YTD March 2021 was RM32.2 million, an increase of RM18.7 million or 138.9% as compared to the profit before tax for YTD March 2020 of RM13.5 million.

Performance of the respective operating business segments are as follows:

**Investment holding** – Operating revenue fell by RM0.9 million or 15.6%, and profit before tax dropped by RM0.6 million as compared to the previous year due to lower interest income from bonds.

**Life insurance business** – Operating revenue of life insurance business fell by RM33.5 million or 10.0% mainly due to lower premium income from the Labuan insurance business. Profit before tax increased by RM16.0 million mainly due to higher equity investment gains and lower reserving of insurance contract liability from higher interest rates.

**Asset management services** – Operating revenue and profit before tax increased by RM10.7 million and RM3.3 million respectively mainly due to higher unit trust sales and higher management fee income from higher Asset-under-Management ("AUM").

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

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

<b>Business Segment</b>	<b>3 months ended</b>		
	<b>31.03.2021</b>	<b>31.12.2020</b>	<b>Increase/(Decrease)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Operating Revenue</u></b>			
Investment holding	5,061	4,969	92
Life insurance business	300,207	313,982	(13,775)
Asset management services	38,924	28,878	10,046
<b>Total</b>	<b>344,192</b>	<b>347,829</b>	<b>(3,637)</b>
<b><u>Profit before taxation</u></b>			
Investment holding	2,097	2,957	(860)
Life insurance business	24,708	18,788	5,920
Asset management services	5,443	2,392	3,051
<b>Total</b>	<b>32,248</b>	<b>24,137</b>	<b>8,111</b>

The Group's operating revenue for the current quarter under review ("Q1 2021") fell slightly by RM3.6 mil as compared to the preceding quarter ended 31 December 2020 ("Q4 2020"). The Group recorded a profit before tax of RM32.2 million in Q1 2021 as compared to a profit before tax of RM24.1 million in Q4 2020. The increase in profit before tax by RM8.1 million was contributed by the following segments:

**Investment holding** – Operating revenue consisting of investment income has remained largely consistent with a slight increase of approximately RM0.1 million in Q1 2021. Profit before tax fell by RM0.9 million mainly due to lower realised gains from equity investments.

**Life insurance business** – Operating revenue of life insurance business dropped by RM13.8 million in Q1 2021 compared to Q4 2020 mainly due to lower premiums collected in the current quarter. However, profit before tax improved by RM5.9 million mainly due to better claim experience and lower reserving of insurance contract liability from higher interest rates.

**Asset management services** – Operating revenue and profit before tax rose by RM10.0 million and RM3.1 million respectively due to higher fee income from increased sales of unit trust funds and higher AUM.



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

**21. Net premiums**

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

	3 months ended		Cumulative 3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
First year premium	39,991	39,550	39,991	39,550
Renewal year premium	165,087	144,563	165,087	144,563
Single premium	19,239	82,975	19,239	82,975
<b>Total</b>	<b>224,317</b>	<b>267,088</b>	<b>224,317</b>	<b>267,088</b>

**22. Investment income**

	3 months ended		Cumulative 3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
- designated upon initial recognition				
Interest/profit sharing income	8,099	6,192	8,099	6,192
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	9,828	4,886	9,828	4,886
- quoted outside Malaysia	25	-	25	-
- real estate investment trusts				
- quoted in Malaysia	-	226	-	226
- unit trust funds	1,141	500	1,141	500
- mutual funds				
- outside Malaysia	176	309	176	309
Net amortisation of premiums	(758)	(353)	(758)	(353)
<u>AFS financial assets</u>				
Interest/profit sharing income	24,279	25,972	24,279	25,972
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	10,531	9,348	10,531	9,348
- quoted outside Malaysia	270	155	270	155
- unquoted in Malaysia	-	80	-	80
- real estate investment trusts				
- quoted in Malaysia	131	187	131	187
- unit trust funds	54	-	54	-
Net amortisation of premiums	(1,650)	(1,714)	(1,650)	(1,714)
<u>Loans and receivables</u>				
Interest/profit sharing income	3,347	3,645	3,347	3,645
<u>Investment properties</u>				
Rental income	988	1,041	988	1,041
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	80	189	80	189
	<u>56,541</u>	<u>50,663</u>	<u>56,541</u>	<u>50,663</u>

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

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

	<b>3 months ended</b>		<b>Cumulative 3 months ended</b>	
	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.03.2021</b>	<b>31.03.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Foreign exchange				
- Realised gains	(372)	(1,564)	(372)	(1,564)
- Unrealised gains	(7,464)	(18,061)	(7,464)	(18,061)
Interest expense on agent's bond withheld	4	4	4	4
Others	2,258	2,122	2,258	2,122
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	6,356	(2,691)	6,356	(2,691)
- Deferred tax	605	(18,923)	605	(18,923)
	6,961	(21,614)	6,961	(21,614)
	<u>1,387</u>	<u>(39,113)</u>	<u>1,387</u>	<u>(39,113)</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% (2020: 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 3 months ended</b>	
	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.03.2021</b>	<b>31.03.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amortisation of intangible assets	2,262	2,291	2,262	2,291
Depreciation of property and equipment	863	812	863	812
Investment income (Note 22)	(56,541)	(50,663)	(56,541)	(50,663)
Allowance for impairment loss on loans receivable	5	19	5	19
Net foreign exchange gains	(7,836)	(19,625)	(7,836)	(19,625)

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

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

	3 months ended		Cumulative 3 months ended	
	31.03.2021 RM'000	31.03.2020 RM'000	31.03.2021 RM'000	31.03.2020 RM'000
Net realised (gains)/losses:				
- realised (gains)/losses on disposal of AFS investments	(44,360)	31,723	(44,360)	31,723
	(44,360)	31,723	(44,360)	31,723
Net fair value losses:				
- fair value (gains)/losses on FVTPL investments/ derivatives	(2,841)	228,151	(2,841)	228,151
- impairment loss on quoted equities	10,659	66,554	10,659	66,554
	7,818	294,705	7,818	294,705

**25. Taxation**

	3 months ended		Cumulative 3 months ended	
	31.03.2021 RM'000	31.03.2020 RM'000	31.03.2021 RM'000	31.03.2020 RM'000
<u>Income tax</u>				
Current financial year	5,778	4,122	5,778	4,122
	5,778	4,122	5,778	4,122
<u>Deferred tax</u>				
Origination/(reversal) of temporary differences	174	(464)	174	(464)
	174	(464)	174	(464)
	5,952	3,658	5,952	3,658

The income tax for the Group is calculated based on the tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial period.

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

**25. Taxation (continued)**

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

	3 months ended		Cumulative 3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	32,248	13,501	32,248	13,501
Taxation at Malaysian statutory tax rate of 24%	7,740	3,240	7,740	3,240
Effect of different tax rate in respect of Labuan subsidiary	(793)	-	(793)	-
Section 110B tax credit set off	(1,020)	(585)	(1,020)	(585)
Income not subject to tax	(2,496)	(1,210)	(2,496)	(1,210)
Expenses not deductible for tax purposes	2,479	2,154	2,479	2,154
Changes in unrecognised deferred tax assets	42	59	42	59
	5,952	3,658	5,952	3,658

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

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

	3 months ended		Cumulative 3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Net profit attributable to owners of the Company (RM'000)	26,296	9,835	26,296	9,835
Weighted average number of ordinary shares in issue ('000)	206,984	202,370	206,984	202,370
Basic and diluted earnings per share (Sen)	12.70	4.86	12.70	4.86

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:

	<b>Gross</b>		<b>Net</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31.03.2021</b>	<b>31.12.2020</b>	<b>31.03.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Actuarial liabilities	2,870,942	2,898,929	2,867,007	2,896,527
Unallocated surplus/(deficit)	34,065	(10,286)	34,065	(10,286)
Fair value reserve	161,237	277,252	161,237	277,252
Asset revaluation reserve	2,361	2,361	2,361	2,361
Investment-linked policyholders' account	1,384,680	1,369,798	1,384,680	1,369,798
	<u>4,453,285</u>	<u>4,538,054</u>	<u>4,449,350</u>	<u>4,535,652</u>

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

	<b>Gross</b>		<b>Net</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31.03.2021</b>	<b>31.12.2020</b>	<b>31.03.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	4,538,054	4,215,893	4,535,652	4,218,769
Inforce reserve movement	24,459	64,397	23,871	63,622
New business reserve	13,580	92,181	12,842	87,587
Discount rate and other changes	(71,187)	(70,548)	(71,187)	(70,548)
Unallocated surplus	44,351	60,999	44,351	60,999
Effect of movements in exchange rate	5,161	(6,190)	4,954	(6,099)
Fair value reserve, net of tax	(116,015)	156,790	(116,015)	156,790
Asset revaluation reserve				
- Revaluation adjustment	-	259	-	259
- Reversal on revaluation	-	215	-	215
	-	474	-	474
Investment-linked policyholders' account	14,882	24,058	14,882	24,058
At 31 March/31 December	<u>4,453,285</u>	<u>4,538,054</u>	<u>4,449,350</u>	<u>4,535,652</u>

**28. Current tax assets/(liabilities)**

	<b>As at</b>	<b>As at</b>
	<b>31.03.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax assets	23,060	24,278
Current tax liabilities	(18,634)	(22,360)
	<u>4,426</u>	<u>1,918</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 the Inland Revenue Board ("IRB").

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

**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:

	<b>As at 31.03.2021</b>	<b>As at 31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Investment holding	5,196	6,365
Life insurance business:-		
Shareholder's fund	23,956	36,378
Non Investment-linked business	102,221	65,586
Investment-linked business	12,953	8,878
Asset management services	75,304	72,285
	<u>219,630</u>	<u>189,492</u>

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

	<b>31.03.2021</b>	<b>Cumulative 3 months ended 31.03.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expenses/(income):</b>		
<b>Intermediate holding company</b>		
Reimbursement of personnel expenses	2,372	1,485
Reimbursement of software maintenance expenses	1,393	986
Provision of IT development services	166	1
Provision of IT infrastructure support and maintenance services	(1,409)	(183)
	<u>2,522</u>	<u>2,389</u>
<b>Subsidiaries of ultimate holding company</b>		
Rebate income	(2,530)	(2,150)
Fund management expenses	647	707
Provision of IT infrastructure support and maintenance services	3,999	-
	<u>2,116</u>	<u>(1,443)</u>

**31. Capital and other commitments**

	<b>As at 31.03.2021</b>	<b>As at 31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Other commitments</b>		
Exclusive bancassurance agreement		
- Authorised but not provided for	6,750	7,500
	<u>6,750</u>	<u>7,500</u>
Distribution agreement		
- Authorised but not provided for	5,363	5,363
	<u>5,363</u>	<u>5,363</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”).

<b>Group</b>	<b>AFS</b> <b>RM'000</b>	<b>FVTPL</b> <b>RM'000</b>	<b>LAR</b> <b>RM'000</b>	<b>OL</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>31 March 2021</b>					
<b>Financial assets</b>					
AFS financial assets	3,260,874	-	-	-	3,260,874
Financial assets at FVTPL	-	2,046,279	-	-	2,046,279
Loans and receivables	-	-	605,466	-	605,466
Insurance receivables	-	-	9,228	-	9,228
Cash and cash equivalents	-	-	219,630	-	219,630
	<u>3,260,874</u>	<u>2,046,279</u>	<u>834,324</u>	<u>-</u>	<u>6,141,477</u>
<b>Financial liabilities</b>					
Financial liability at FVTPL	-	1,639	-	-	1,639
Insurance payables	-	-	-	690,040	690,040
Other payables	-	-	-	257,933	257,933
	<u>-</u>	<u>1,639</u>	<u>-</u>	<u>947,973</u>	<u>949,612</u>
<b>31 December 2020</b>					
<b>Financial assets</b>					
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>
<b>Financial liabilities</b>					
Financial liability at FVTPL	-	21	-	-	21
Insurance payables	-	-	-	672,721	672,721
Other payables	-	-	-	242,880	242,880
	<u>-</u>	<u>21</u>	<u>-</u>	<u>915,601</u>	<u>915,622</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 gains/(losses) recognised as		Net carrying amount RM'000
		Financial asset RM'000	Financial liability RM'000	
<b>31 March 2021</b>				
<b>Hedging derivative:</b>				
Forward foreign exchange contract				
- Less than 1 year	174,678	-	(1,639)	(1,639)
<b>31 December 2020</b>				
<b>Hedging derivative:</b>				
Forward foreign exchange contract				
- Less than 1 year	196,038	1,149	-	1,149
- Less than 1 year	4,368	-	(21)	(21)

There is no change in risks and policies associated with the derivatives and its related accounting policies since the financial year ended 31 December 2020.



## 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 31.03.2021</u>	<u>As at 31.12.2020</u>	<u>As at 31.03.2021</u>	<u>As at 31.12.2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Carrying amount	<u>26,882</u>	<u>27,026</u>	<u>77,974</u>	<u>77,974</u>
Fair value as stated in valuation report*	<u>27,026</u>	<u>27,026</u>	<u>77,974</u>	<u>77,974</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
<b>2020</b>			
Freehold/ investment property	Income method	Term period's net yield Reversionary period's net yield Void factor Average rental for term period Average rental for reversionary period Outgoings for term period Outgoings for reversionary period	5.00% - 6.50% 6.00% 5.00% RM4.55 psf RM4.76 psf RM1.75 psf RM1.75 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 January	27,026	26,407	77,974	82,593
Depreciation charge for the year	(144)	(550)	-	-
Fair value gain/(loss)	-	1,169	-	(4,619)
At 31 March/31December	<u>26,882</u>	<u>27,026</u>	<u>77,974</u>	<u>77,974</u>

#### 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 carrying amount of amount payable under Distribution Agreement which is the remaining present value of the expected future cash flow discounted using the discount rate that reflects the current market assessment of the time value of money, are reasonable approximations of their fair values;
- (iii) The fair values of quoted equities and investments in real estate investment trusts are based on quoted market prices as at the reporting date;
- (iv) The fair values of Malaysian Government Securities, Government Investment Issues and both quoted and unquoted corporate debt securities are based on indicative market prices;

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

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

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

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

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

- (v) 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;
- (vi) 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
- (vii) 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.

	<b>Carrying amount RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>
<b>31 March 2021</b>			
<b>AFS financial assets</b>			
Equity securities			
- Quoted in Malaysia	817,432	817,432	-
- Quoted outside Malaysia	162,530	162,530	-
- Unquoted – foreign	1,046	-	1,046
Real estate investment trusts	14,556	14,556	-
Unit trust funds	80,425	80,425	-
Malaysian Government Securities	284,723	-	284,723
Government Investment Issues	223,647	-	223,647
Corporate debt securities			
- Unquoted	1,649,518	-	1,649,518
Accrued interest	24,481	-	24,481
	<u>3,258,358</u>	<u>1,074,943</u>	<u>2,183,415</u>
<b>Financial assets at FVTPL</b>			
Equity securities			
- Quoted in Malaysia	755,899	755,899	-
- Quoted outside Malaysia	49,039	49,039	-
Unit trust funds	185,478	185,478	-
Malaysian Government Securities	41,625	-	41,625
Government Investment Issues	81,276	-	81,276
Corporate debt securities			
- Unquoted	503,371	-	503,371
- Quoted outside Malaysia	158,500	-	158,500
Mutual funds	262,627	262,627	-
Accrued interest	8,464	-	8,464
	<u>2,046,279</u>	<u>1,253,043</u>	<u>793,236</u>
	<u>5,304,637</u>	<u>2,327,986</u>	<u>2,976,651</u>
<b>Financial liabilities at FVTPL</b>			
Forward foreign exchange contract	1,639	-	1,639

**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)

	<b>Carrying amount RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>
<b>31 December 2020</b>			
<b>AFS financial assets</b>			
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>
<b>Financial assets at FVTPL</b>			
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>
<b>Financial liabilities at FVTPL</b>			
Forward foreign exchange contract	<u>21</u>	<u>-</u>	<u>21</u>

Unquoted equity securities of RM2,516,566 (31 December 2020: 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))**  
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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 period ended 31 March 2021	Fair value as at 1 January 2021 RM'000	Change in fair value* RM'000	Fair value as at 31 March 2021 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
<b>Financial assets</b>					
Equity securities					
- Quoted in Malaysia	1,656,019	(82,688)	1,573,331	Non-SPPI	FVTPL
- Quoted outside Malaysia	198,282	13,287	211,569	Non-SPPI	FVTPL
- Unquoted – local	2,516	-	2,516	Non-SPPI	FVTPL
- Unquoted – foreign	-	1,046	1,046		
Real estate investment trusts	20,610	(6,054)	14,556	Non-SPPI	FVTPL
Unit trust funds	242,271	23,632	265,903	Non-SPPI	FVTPL
Malaysian Government Securities	434,877	(108,529)	326,348	SPPI	FVOCI
Government Investment Issues	310,536	(5,613)	304,923	SPPI	FVOCI
Corporate debt securities					
- Unquoted	2,127,133	25,756	2,152,889	SPPI	FVOCI
- Quoted outside Malaysia	164,344	(5,844)	158,500	SPPI	FVOCI
Mutual funds	304,436	(41,809)	262,627	Non-SPPI	FVTPL
Forward foreign exchange contract	1,149	(1,149)	-	Non-SPPI	FVTPL
Accrued interest	31,709	1,236	32,945	SPPI	FVOCI
Loans and receivables	498,605	106,861	605,466	SPPI	Amortised cost
Insurance receivables	16,877	(7,649)	9,228	SPPI	Amortised cost
Cash and cash equivalents	189,492	30,138	219,630	SPPI	Amortised cost
	<u>6,198,856</u>	<u>(57,379)</u>	<u>6,141,477</u>		

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

**MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))**  
Interim financial statements for the financial period ended 31 March 2021

**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 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
<b>Financial assets</b>					
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))**  
**Interim financial statements for the financial period ended 31 March 2021**

**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 March 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>						
Malaysian Government Securities	-	-	-	-	326,348	326,348
Government Investment Issues	-	-	-	-	304,923	304,923
Corporate debt securities						
- Unquoted	991,037	717,231	4,095	-	440,526	2,152,889
- Quoted outside Malaysia*	16,424	31,473	59,147	51,456	-	158,500
Accrued interest	10,250	9,076	522	386	12,711	32,945
Loans and receivables	289,014	44,512	-	-	271,940	605,466
Insurance receivables	-	-	-	-	9,228	9,228
Cash and cash equivalents	160,157	17,912	24,494	-	29	202,592
Cash and cash equivalents*	-	17,038	-	-	-	17,038
	<u>1,466,882</u>	<u>837,242</u>	<u>88,258</u>	<u>51,842</u>	<u>1,365,705</u>	<u>3,809,929</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)**

<b>As at 31 December 2020</b>	<b>AAA RM'000</b>	<b>AA RM'000</b>	<b>A RM'000</b>	<b>BBB RM'000</b>	<b>Non-rated RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>						
Malaysian Government						
Securities	-	-	-	-	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

**BY ORDER OF THE BOARD**

Chua Siew Chuan  
**Joint Secretary**  
28 May 2021

Chin Mun Yee  
**Joint Secretary**