

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 30 June 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 30 June 2021, the applicable estimate changes on the above assumptions resulted in lower actuarial liabilities of RM42.5 million (30 June 2020: lower actuarial liabilities of RM14.7 million), with a corresponding increase in unallocated surplus for the participating business of RM18.6 million (30 June 2020: increase in unallocated surplus of RM23.0 million) and increase in net profit before tax of RM23.9 million (30 June 2020: decrease in net profit before tax of RM8.3 million).

Other than as disclosed above, there were no changes in the basis used for accounting estimates for the current financial period ended 30 June 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 30 June 2021.

8. Dividends

A First and Final dividend of 7.0 sen per share, amounting to RM14,488,878 for the financial year ended 31 December 2020, was approved at the Annual General Meeting held on 4 June 2021. A Dividend Reinvestment Plan (DRP) as determined by the Board of Directors on 23 February 2021 has been carried out, which will give shareholders an option to elect to reinvest cash dividend in new ordinary shares of Manulife Holdings Berhad.

The payment date for the cash dividend and issuing of new ordinary shares under the DRP was completed on 21 July 2021. The take up rate of the new shares represent approximately 64.74% of the maximum number of shares that would have been issued pursuant to the DRP had all the entitled shareholders of Manulife elected to reinvest the electable portion of their 2020 Final Dividend.

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

The economic & political outlook remains challenging for Malaysia as evidenced by the sharp plunge in manufacturing PMI in June-21 to 39.9 from May-21's 51.3. Unemployment appears to have plateaued at mid-4% range and still way off from pre-pandemic levels of 3% - 3.3%. While BNM has maintained the OPR at 1.75%, there is a downward bias to the OPR as the year progresses given the effects of the pandemic and lockdowns on the economy. Q1'21 GDP came in at -0.5% (Q4 2020: -3.4%) (full year 2020: -5.6%) and MOF had indicated in early July-21 that official projections may be revised closer to 4%.

Malaysia is currently in multiple phases of the National Recovery Program (NRP) and Klang valley is still in Phase 1 (strictest phase) as number of cases are still high at 19,991 new cases as of 10th August, with 201 reported deaths. As at end of 10th August, total population vaccinated is at 28.3%, with the government still targeting to fully vaccinate the population by October and aims to achieve herd immunity against COVID 19 by December 2021.

Life Insurance Business

The pandemic is foreseen to increase consumer demand for life insurance once the economy starts to recover, as customers realize the importance of health and life insurance. Also, digitization and the ability to perform non face to face transactions will be customers' expectation as we live through this pandemic. The Group's life insurance business will continue our focus on executing our strategies and Covid proofing our business, 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

The continued high daily Covid-19 case count and mobility restrictions has derailed the country's economic recovery timeline and we see downside risks to growth as long as Covid-19 infections are not brought under control. Nevertheless, with vaccination picking up pace, there will be buying opportunities for stocks benefiting from reopening of the economy if we look beyond the current Covid situation. Over the longer term, 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 30 June 2021.

14. Group borrowings

The Group did not have any borrowings as at 30 June 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 30 June 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 30 June 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 6 months ended 30 June							
	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	-	-	511,167	507,583	-	-	511,167	507,583
Premiums ceded to reinsurers	-	-	(48,642)	(44,871)	-	-	(48,642)	(44,871)
Net premiums	-	-	462,525	462,712	-	-	462,525	462,712
(b) Investment income	10,444	11,906	92,140	81,866	222	278	102,806	94,050
(c) Net realised gains/(losses)	263	(323)	100,521	(36,548)	9	(68)	100,793	(36,939)
(d) Net fair value losses	(176)	(728)	(5,446)	(130,833)	-	-	(5,622)	(131,561)
(e) Fee income	-	-	-	-	72,342	51,884	72,342	51,884
(f) Other operating income	-	1	1,760	1,327	175	699	1,935	2,027
Total external revenue	10,531	10,856	651,500	378,524	72,748	52,793	734,779	442,173
<u>Inter-segment revenue</u>								
(a) Rental income	970	969	393	393	-	-	1,363	1,362
(b) Fee income	313	466	1,742	1,551	6,487	5,863	8,542	7,880
(c) Dividend income from unit trust funds	-	-	11,319	5,375	-	-	11,319	5,375
(d) Net realised (losses)/gains	-	-	(679)	311	-	-	(679)	311
Total inter-segment revenue	1,283	1,435	12,775	7,630	6,487	5,863	20,545	14,928
Total revenue by segment	11,814	12,291	664,275	386,154	79,235	58,656	755,324	457,101
Profit before taxation	5,097	6,615	42,073	4,982	9,399	3,332	56,569	14,929
Segment assets	1,215,614	1,162,146	6,159,066	5,686,619	168,076	159,198	7,542,756	7,007,963
Segment liabilities	40,130	33,068	5,509,000	5,094,930	101,774	106,469	5,650,904	5,234,467

Notes to the Interim Financial Statements (Continued)

18. Operating segments (continued)

Reconciliation of reportable segments

	Cumulative 6 months ended	
	30.06.2021	30.06.2020
	RM'000	RM'000
<u>Total revenue</u>		
Total revenue for reportable segments	755,324	457,101
Elimination of inter-segment revenue	(20,545)	(14,928)
Total revenue as per statement of profit or loss	734,779	442,173
	As at	As at
	30.06.2021	30.06.2020
	RM'000	RM'000
<u>Segment assets</u>		
Total assets for reportable segments	7,542,756	7,007,963
Elimination of inter-segment assets	(987,758)	(938,204)
Total assets as per statement of financial position	6,554,998	6,069,759
<u>Segment liabilities</u>		
Total liabilities for reportable segments	5,650,904	5,234,467
Elimination of inter-segment liabilities	(7,002)	(17,899)
Total liabilities as per statement of financial position	5,643,902	5,216,568

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 6 months ended		
	30.06.2021	30.06.2020	(Decrease)/ Increase	30.06.2021	30.06.2020	(Decrease)/ Increase
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Operating Revenue</u>						
Investment holding	5,383	5,911	(528)	10,444	11,906	(1,462)
Life insurance business	303,100	255,706	47,394	603,307	589,449	13,858
Asset management services	33,640	23,909	9,731	72,564	52,162	20,402
Total	342,123	285,526	56,597	686,315	653,517	32,798
<u>Profit/(loss) before taxation</u>						
Investment holding	3,000	3,967	(967)	5,097	6,615	(1,518)
Life insurance business	17,365	(3,715)	21,080	42,073	4,982	37,091
Asset management services	3,956	1,176	2,780	9,399	3,332	6,067
Total	24,321	1,428	22,893	56,569	14,929	41,640

Notes to the Interim Financial Statements (Continued)

19. Review of performance (continued)

Financial Period ended 30 June 2021 vs Financial Period ended 30 June 2020

The Group's operating revenue for the financial period ended 30 June 2021 increased by RM32.8 million or 5.0% compared to the corresponding financial period ended 30 June 2020 (2021: RM686.3 million, 2020: RM653.5 million). The Group's profit before tax for YTD June 2021 was RM56.6 million, an increase of RM41.7 million or 279.8% as compared to the profit before tax for YTD June 2020 of RM14.9 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue and profit before tax fell by RM1.5 million compared to the previous year mainly due to lower interest income from bonds.

Life insurance business – Operating revenue of life insurance business increased by RM13.9 million or 2.4% mainly due to higher premium income collected and higher dividend income. Profit before tax rose by RM37.1 million mainly due to lower reserving of insurance contract liabilities as a result of increase in interest rate and higher gains from equity investments.

Asset management services – Operating revenue and profit before tax increased by RM20.4 million and RM6.1 million respectively mainly due to higher unit trust sales and higher management fee income from higher Asset-under-Management ("AUM").

2nd Quarter 2021 vs 2nd Quarter 2020

The Group's operating revenue for the quarter ended 30 June 2021 rose by RM56.6 million compared to the corresponding quarter last year (2021: RM342.1 million, 2020: RM285.5 million). The Group's profit before tax was RM24.3 million for the current quarter, which represents an increase of RM22.9 million compared to the profit before tax for the quarter ended 30 June 2020 of RM1.4 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue fell slightly by RM0.5 million due to lower interest income, while profit before tax decreased by RM1.0 million due to realised gains on disposal of investments in Q2 2021.

Life insurance business – Operating revenue of life insurance business increased by RM47.4 million mainly due to higher premium income compared to corresponding quarter in the prior year. Profit before tax rose by RM21.1 million in the current quarter due to lower reserving of insurance contract liabilities from higher interest rates.

Asset management services – Operating revenue and profit before tax increased by RM9.7 million and RM2.8 million respectively mainly due to higher unit trust sales and higher management fee income from higher AUM.

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		
	30.06.2021	31.03.2021	Increase/(Decrease)
	RM'000	RM'000	RM'000
<u>Operating Revenue</u>			
Investment holding	5,383	5,061	322
Life insurance business	303,100	300,207	2,893
Asset management services	33,640	38,924	(5,284)
Total	342,123	344,192	(2,069)
<u>Profit before taxation</u>			
Investment holding	3,000	2,097	903
Life insurance business	17,365	24,708	(7,343)
Asset management services	3,956	5,443	(1,487)
Total	24,321	32,248	(7,927)

The Group's operating revenue for the current quarter under review ("Q2 2021") fell by RM2.1 mil as compared to the preceding quarter ended 31 March 2021 ("Q1 2021"). The Group recorded a profit before tax of RM24.3 million in Q2 2021 as compared to a profit before tax of RM32.2 million in Q1 2021. The fall in profit before tax by RM7.9 million was contributed by the following segments:

Investment holding – Operating revenue arising mainly from investment income increased marginally by RM0.3 million since Q1 2021. Profit before tax increased by RM0.9 million mainly due to higher realised gains on disposal of investments.

Life insurance business – Operating revenue of life insurance business increased by RM2.9 million in Q2 2021 compared with Q1 2021 mainly due to higher premium income from Labuan insurance business. However, profit before tax fell by RM7.3 million mainly due to worsened claim experience and lower investment gains.

Asset management services – Operating revenue and profit before tax fell by RM5.3 million and RM1.5 million respectively due to lower fee income from sales of unit trust funds in Q2 2021 compared with Q1 2021.

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 6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
First year premium	39,441	31,166	79,432	70,716
Renewal year premium	160,475	148,508	325,562	293,071
Single premium	38,292	15,950	57,531	98,925
Total	238,208	195,624	462,525	462,712

22. Investment income

	3 months ended		Cumulative 6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
- designated upon initial recognition				
Interest/profit sharing income	8,703	6,532	16,802	12,724
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	3,747	1,710	13,575	6,596
- quoted outside Malaysia	68	29	93	29
- real estate investment trusts				
- quoted in Malaysia	-	794	-	1,020
- unit trust funds	821	467	1,962	967
- mutual funds				
- outside Malaysia	142	166	318	475
Net amortisation of premiums	(979)	(329)	(1,737)	(682)
<u>AFS financial assets</u>				
Interest/profit sharing income	25,278	25,381	49,557	51,353
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	5,101	5,163	15,632	14,511
- quoted outside Malaysia	232	138	502	293
- unquoted in Malaysia	-	-	-	80
- real estate investment trusts				
- quoted in Malaysia	105	164	236	351
- unit trust funds	-	-	54	-
Net amortisation of premiums	(1,868)	(1,577)	(3,518)	(3,291)
<u>Loans and receivables</u>				
Interest/profit sharing income	3,974	3,658	7,321	7,303
Net amortisation of premiums	-	(1)	-	(1)
<u>Investment properties</u>				
Rental income	880	992	1,868	2,033
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	61	100	141	289
	<u>46,265</u>	<u>43,387</u>	<u>102,806</u>	<u>94,050</u>

Notes to the Interim Financial Statements (Continued)

23. Other operating expenses/(income)

	3 months ended		Cumulative 6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Foreign exchange				
- Realised gains	(33)	(2,579)	(405)	(4,143)
- Unrealised (gains)/losses	(282)	4,973	(7,746)	(13,088)
Interest expense on agent's bond withheld	4	4	8	8
Others	1,892	1,458	4,150	3,580
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	8,342	960	14,698	(1,731)
- Deferred tax	(1,814)	13,797	(1,209)	(5,126)
	6,528	14,757	13,489	(6,857)
	8,109	18,613	9,496	(20,500)

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):

	3 months ended		Cumulative 6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,817	1,443	4,079	3,734
Depreciation of property and equipment	875	821	1,738	1,633
Investment income (Note 22)	(46,265)	(43,387)	(102,806)	(94,050)
Allowance for/(reversal of) impairment loss on loans receivable	3	(10)	8	9
Net foreign exchange (gains)/losses	(321)	2,394	(8,157)	(17,231)

Notes to the Interim Financial Statements (Continued)

24. Profit before taxation (continued)

	3 months ended		Cumulative 6 months ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Net realised (gains)/losses:				
- realised (gains)/losses on disposal of AFS investments	(56,433)	5,216	(100,793)	36,939
	(56,433)	5,216	(100,793)	36,939
Net fair value (gains)/losses:				
- fair value (gains)/losses on FVTPL investments/ derivatives	(4,621)	(164,606)	(7,462)	63,545
- impairment loss on quoted equities	2,425	1,462	13,084	68,016
	(2,196)	(163,144)	5,622	131,561

25. Taxation

	3 months ended		Cumulative 6 months ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
<u>Income tax</u>				
Current financial year	3,394	2,571	9,172	6,693
	3,394	2,571	9,172	6,693
<u>Deferred tax</u>				
Origination/(reversal) of temporary differences	36	(43)	210	(507)
	36	(43)	210	(507)
	3,430	2,528	9,382	6,186

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 6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	24,321	1,428	56,569	14,929
Taxation at Malaysian statutory tax rate of 24%	5,837	343	13,577	3,583
Effect of different tax rate in respect of Labuan subsidiary	(1,053)	2,160	(1,846)	2,160
Section 110B tax credit set off	(1,257)	100	(2,277)	(485)
Income not subject to tax	(1,626)	(1,183)	(4,122)	(2,393)
Expenses not deductible for tax purposes	1,509	1,072	3,988	3,226
Changes in unrecognised deferred tax assets	20	36	62	95
	<u>3,430</u>	<u>2,528</u>	<u>9,382</u>	<u>6,186</u>

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 6 months ended	
		30.06.2021	30.06.2020	30.06.2021	30.06.2020
Net profit/(loss) attributable to owners of the Company	(RM'000)	<u>20,891</u>	<u>(1,103)</u>	<u>47,187</u>	<u>8,732</u>
Weighted average number of ordinary shares in issue	('000)	<u>206,984</u>	<u>202,370</u>	<u>206,984</u>	<u>202,370</u>
Basic and diluted earnings/(loss) per share	(Sen)	<u>10.10</u>	<u>(0.55)</u>	<u>22.80</u>	<u>4.31</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 30.06.2021 RM'000	As at 31.12.2020 RM'000	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Actuarial liabilities	2,955,805	2,898,929	2,950,207	2,896,527
Unallocated surplus/(deficit)	43,376	(10,286)	43,376	(10,286)
Fair value reserve	139,795	277,252	139,795	277,252
Asset revaluation reserve	2,361	2,361	2,361	2,361
Investment-linked policyholders' account	1,368,975	1,369,798	1,368,975	1,369,798
	<u>4,510,312</u>	<u>4,538,054</u>	<u>4,504,714</u>	<u>4,535,652</u>

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

	Gross		Net	
	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
At 1 January	4,538,054	4,215,893	4,535,652	4,218,769
Inforce reserve movement	55,628	64,397	54,933	63,622
New business reserve	37,620	92,181	35,370	87,587
Discount rate and other changes	(42,503)	(70,548)	(42,503)	(70,548)
Unallocated surplus	53,662	60,999	53,662	60,999
Effect of movements in exchange rate	6,131	(6,190)	5,880	(6,099)
Fair value reserve, net of tax	(137,457)	156,790	(137,457)	156,790
Asset revaluation reserve				
- Revaluation adjustment	-	259	-	259
- Reversal on revaluation	-	215	-	215
	-	474	-	474
Investment-linked policyholders' account	(823)	24,058	(823)	24,058
At 30 June/31 December	<u>4,510,312</u>	<u>4,538,054</u>	<u>4,504,714</u>	<u>4,535,652</u>

28. Current tax assets/(liabilities)

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Current tax assets	23,141	24,278
Current tax liabilities	(23,303)	(22,360)
	<u>(162)</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") in relation to the Company's subsidiary, Manulife Insurance Berhad ("MIB"). The High Court rejected MIB's application for leave to apply for judicial review in a decision delivered on 14th July 2021. MIB will not be appealing against the decision of the High Court. A hearing date for MIB's application to the Special Commissioner of Income Tax ("SCIT") on the assessments has yet to be fixed.

Notes to the Interim Financial Statements (Continued)

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

MIB has made the above tax payment in 2021. In line with the opinion by the external advisor, 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:

	As at 30.06.2021	As at 31.12.2020
	RM'000	RM'000
Investment holding	11,015	6,365
Life insurance business:-		
Shareholder's fund	21,034	36,378
Non Investment-linked business	76,904	65,586
Investment-linked business	18,921	8,878
Asset management services	92,403	72,285
	<u>220,277</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:

	30.06.2021	Cumulative 6 months ended 30.06.2020
	RM'000	RM'000
Expenses/(income):		
Intermediate holding company		
Reimbursement of personnel expenses	2,414	2,381
Reimbursement of software maintenance expenses	2,717	2,138
Provision of IT development services	129	4,543
Provision of IT infrastructure support and maintenance services		
- Paid and payable	5,958	209
- Waiver of prior year's expenses	(3,228)	-
	<u> </u>	<u> </u>
Subsidiaries of ultimate holding company		
Rebate income	(6,117)	(3,847)
Fund management expenses	1,472	1,335
Provision of IT infrastructure support and maintenance services	340	-
	<u> </u>	<u> </u>

Notes to the Interim Financial Statements (Continued)

31. Capital and other commitments

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Other commitments		
Exclusive bancassurance agreement - Authorised but not provided for	<u>6,000</u>	<u>7,500</u>
Distribution agreement - Authorised but not provided for	<u>5,363</u>	<u>5,363</u>
Investment in Private Equities As at 1 January	-	-
Capital committed during the financial period	29,046	-
Capital called during the financial period	<u>(17,563)</u>	<u>-</u>
As at 30 June	<u>11,483</u>	<u>-</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
30 June 2021					
Financial assets					
AFS financial assets	3,213,401	-	-	-	3,213,401
Financial assets at FVTPL	-	2,140,592	-	-	2,140,592
Loans and receivables	-	-	663,117	-	663,117
Insurance receivables	-	-	9,228	-	9,228
Cash and cash equivalents	-	-	220,277	-	220,277
	<u>3,213,401</u>	<u>2,140,592</u>	<u>892,622</u>	<u>-</u>	<u>6,246,615</u>
Financial liabilities					
Financial liability at FVTPL	-	372	-	-	372
Insurance payables	-	-	-	712,245	712,245
Other payables	-	-	-	276,356	276,356
	<u>-</u>	<u>372</u>	<u>-</u>	<u>988,601</u>	<u>988,973</u>
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	-	-	-	242,880	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 (losses)/gains recognised as		Net carrying amount RM'000
		Financial asset RM'000	Financial liability RM'000	
30 June 2021				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	149,167	-	(372)	(372)
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)

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:

	Freehold property		Investment property	
	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Carrying amount	<u>27,290</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
2020			
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
Additions	557	-	-	-
Depreciation charge for the period/year	(293)	(550)	-	-
Fair value gain/(loss)	-	1,169	-	(4,619)
At 30 June/31 December	27,290	27,026	77,974	77,974

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 (other than the amount payable under Distribution Agreement), are reasonable approximations of their fair values due to the relatively short term maturity of these balances and the immaterial impact of discounting;
- (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;
- (vii) The fair values of foreign exchange forward contracts are based on valuations provided by the financial institutions making reference to quoted market prices; and
- (viii) The fair values of private equities are measured based on private equities' net asset value or fair values reported in investees' financial statements as a measure of fair value.

(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	Level 3 RM'000
30 June 2021				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	709,504	709,504	-	-
- Quoted outside Malaysia	151,026	151,026	-	-
Real estate investment trusts	13,714	13,714	-	-
Unit trust funds	1,852	1,852	-	-
Malaysian Government Securities	298,975	-	298,975	-
Government Investment Issues	249,889	-	249,889	-
Corporate debt securities				
- Unquoted	1,760,717	-	1,760,717	-
Accrued interest	25,208	-	25,208	-
	<u>3,210,885</u>	<u>876,096</u>	<u>2,334,789</u>	<u>-</u>
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	701,062	701,062	-	-
- Quoted outside Malaysia	56,809	56,809	-	-
Private equities				
- Unquoted outside Malaysia	17,563	-	-	17,563
Unit trust funds	186,292	186,292	-	-
Malaysian Government Securities	53,364	-	53,364	-
Government Investment Issues	100,560	-	100,560	-
Corporate debt securities				
- Unquoted	584,355	-	584,355	-
- Quoted outside Malaysia	187,963	-	187,963	-
Mutual funds	243,423	243,423	-	-
Accrued interest	9,201	-	9,201	-
	<u>2,140,592</u>	<u>1,187,586</u>	<u>935,443</u>	<u>17,563</u>
	<u>5,351,477</u>	<u>2,063,682</u>	<u>3,270,232</u>	<u>17,563</u>
Financial liabilities at FVTPL				
Forward foreign exchange contract	372	-	372	-

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 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	<u>21</u>	<u>-</u>	<u>21</u>

Unquoted equity securities of RM2,516,340 (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.

Notes to the Interim Financial Statements (Continued)

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

b) Financial assets and financial liabilities (continued)

(iii) Financial assets which are measured at fair value using significant unobservable inputs (Level 3)

The reconciliation from beginning to ending balance for the investment in private equities:

	Private Equities RM'000	Total RM'000
At 1 January 2021	-	-
Total loss recognised in profit or loss	(97)	(97)
Capital contributions	17,639	17,639
Currency movement	21	21
At 30 June 2021	<u>17,563</u>	<u>17,563</u>

Description of valuation methodology and significant unobservable inputs to valuation of private equities:

	Fair Value	Valuation Methodology	Unobservable Input	Input Values
2021	RM'000			
Private equities	17,563	Net asset value ("NAV")	NAV	NAV

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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 30 June 2021	Fair value as at 1 January 2021 RM'000	Change in fair value* RM'000	Fair value as at 30 June 2021 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Financial assets					
Equity securities					
- Quoted in Malaysia	1,656,019	(245,453)	1,410,566	Non-SPPI	FVTPL
- Quoted outside Malaysia	198,282	9,553	207,835	Non-SPPI	FVTPL
- Unquoted – local	2,516	-	2,516	Non-SPPI	FVTPL
Private equities	-	17,563	17,563	Non-SPPI	FVTPL
Real estate investment trusts	20,610	(6,896)	13,714	Non-SPPI	FVTPL
Unit trust funds	242,271	(54,127)	188,144	Non-SPPI	FVTPL
Malaysian Government Securities	434,877	(82,538)	352,339	SPPI	FVOCI
Government Investment Issues	310,536	39,913	350,449	SPPI	FVOCI
Corporate debt securities					
- Unquoted	2,127,133	217,939	2,345,072	SPPI	FVOCI
- Quoted outside Malaysia	164,344	23,619	187,963	SPPI	FVOCI
Mutual funds	304,436	(61,013)	243,423	Non-SPPI	FVTPL
Forward foreign exchange contract	1,149	(1,149)	-	Non-SPPI	FVTPL
Accrued interest	31,709	2,700	34,409	SPPI	FVOCI
Loans and receivables	498,605	164,512	663,117	SPPI	Amortised cost
Insurance receivables	16,877	(7,649)	9,228	SPPI	Amortised cost
Cash and cash equivalents	189,492	30,785	220,277	SPPI	Amortised cost
	<u>6,198,856</u>	<u>47,759</u>	<u>6,246,615</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)

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).

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 30 June 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Malaysian Government Securities	-	-	-	-	352,339	352,339
Government Investment Issues	-	-	-	-	350,449	350,449
Corporate debt securities						
- Unquoted	1,099,948	784,912	8,637	-	451,575	2,345,072
- Quoted outside Malaysia*	21,860	35,698	64,248	66,157	-	187,963
Accrued interest	14,051	8,328	554	459	11,017	34,409
Loans and receivables	357,874	69,203	-	-	236,040	663,117
Insurance receivables	-	-	-	-	9,228	9,228
Cash and cash equivalents	185,027	20,698	4,452	-	17	210,194
Cash and cash equivalents*	-	10,083	-	-	-	10,083
	<u>1,678,760</u>	<u>928,922</u>	<u>77,891</u>	<u>66,616</u>	<u>1,410,665</u>	<u>4,162,854</u>

* Rated by international rating agencies

Notes to the Interim Financial Statements (Continued)

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

As at 31 December 2020	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total 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

BY ORDER OF THE BOARD

Chua Siew Chuan
Joint Secretary
23 August 2021

Chin Mun Yee
Joint Secretary