

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 year ended 31 December 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 year ended 31 December 2021, the applicable estimate changes on the above assumptions resulted in lower actuarial liabilities of RM39.6 million (31 December 2020: lower actuarial liabilities of RM70.5 million), with a corresponding decrease in unallocated surplus for the participating business of RM7.8 million (31 December 2020: increase in unallocated surplus of RM95.0 million) and increase in net profit before tax of RM47.4 million (31 December 2020: decrease in net profit before tax of RM24.5 million).

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

7. Debt and equity securities

There were no other issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current quarter ended 31 December 2021.

8. Dividends

The Board has recommended a First and Final dividend of 7.0 sen per share for the financial year ended 31 December 2021, subject to the approval of the shareholder at the forthcoming Annual General Meeting. The Board has also determined the dividend reinvestment plan ("DRP"), which provides the shareholders of the Company with the option to elect to reinvest their dividend in new ordinary shares in the Company, would apply to this First and Final dividend.

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

There is no material event subsequent to the end of the financial year under review.

10. Changes in composition of the Group

There were no significant changes in the composition of the Group for the current financial year ended 31 December 2021.

11. Contingent liabilities

There are no contingent liabilities as at the date of this report since the date of the last annual statement of financial position.

Notes to the Interim Financial Statements (Continued)

12. Future financial year prospects

Bank Negara Malaysia (BNM) had, at its first Monetary Policy Committee (MPC) for 2022 on 20 January, decided to keep the Overnight Policy Rate (OPR) unchanged at 1.75%. While the global economy continues to recover supported by manufacturing, trade activity and improving labour market conditions, outlook remains less than sanguine with the reintroduction of measures to curb Covid-19 resurgence in some countries, the possibility of new virus variants, risk of prolonged supply-chain disruptions and heightened financial market volatility. In Malaysia's case, while 2021 growth is forecast to come in between 3% - 4%, growth trajectory for 2022 is expected to be driven by expansion in global demand and higher private sector expenditure. Notwithstanding this, risk remains tilted to the downside in view of the uncertainties over the resolution of supply-chain constraints and the abatement of the pandemic.

Life Insurance Business

Life insurance business is on an increase demand with the reopening of the economy and heightened consumer awareness on the importance of health and life insurance. Furthermore, as we settle into the new normal, acceleration of digital and technology has become a necessity. The industry is ensuring that life insurance becomes more digital friendly to cater to the new need. We at Manulife echo the change and are doing the revamp needed to boost our business via:

- Scaling up via organic and inorganic initiatives – Scale Up
- Continue accelerating in our digital arena
- Focusing on value creation for shareholders by efficient expense management and optimizing resource utilization
- Improving free cash flow and in-force management via active persistency and medical business management
- Establishing a strong customer value proposition and improving customer experience – insurer of choice
- Enhancing high performing team and culture

Underlying all of the above, we continually foster a strong risk culture with effective governance in place; and also place importance on Environmental, Social and Governance (ESG) aspect in all our initiatives.

Asset Management Business

While 2021 has been a stellar year for developed market equities, performance was mixed in emerging markets, including Malaysia, dragged by poor performance of glove counters, political uncertainties during middle of the year and uncertainties brought upon by new tax regulations on businesses. There is a good chance that the local market would improve in 2022, catalysed by anticipation of earnings recovery from the Covid pandemic (especially for mid and small cap stocks), economic reopening trades and the relatively attractive dividend yield relative to regional peers. That said, we remain cautious on the possibility of new Covid variants derailing economic growth, elevated inflationary pressure and global supply chain bottlenecks.

Notes to the Interim Financial Statements (Continued)

13. Profit forecast

The Group did not issue any profit forecast during the financial year ended 31 December 2021.

14. Group borrowings

The Group did not have any borrowings as at 31 December 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 year ended 31 December 2021.

17. Significant event

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

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial year ended 31 December 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 over which the Company have significant control)
Life insurance : Underwriting of Participating life and Non-participating life insurance and unit-linked products
Asset management services : Asset management, unit trust and private retirement scheme funds

	Cumulative 12 months ended 31 December							
	Investment holding		Life insurance business		Asset management services		Total	
	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	-	-	1,071,038	1,014,017	-	-	1,071,038	1,014,017
Premiums ceded to reinsurers	-	-	(67,896)	(93,209)	-	-	(67,896)	(93,209)
Net premiums	-	-	1,003,142	920,808	-	-	1,003,142	920,808
(b) Investment income	21,574	22,474	191,219	169,125	446	369	213,239	191,968
(c) Net realised gains/(losses)	956	3,103	138,123	51,805	94	(64)	139,173	54,844
(d) Net fair value (losses)/gains	(3,535)	(956)	1,819	99,383	-	-	(1,716)	98,427
(e) Fee income	-	-	-	-	150,274	109,520	150,274	109,520
(f) Other operating income	1	2	3,575	2,924	356	1,886	3,932	4,812
Total external revenue	18,996	24,623	1,337,878	1,244,045	151,170	111,711	1,508,044	1,380,379
<u>Inter-segment revenue</u>								
(a) Rental income	1,938	1,938	786	786	-	-	2,724	2,724
(b) Fee income	1,552	1,262	3,884	3,773	13,429	12,260	18,865	17,295
(c) Dividend income from unit trust funds	-	-	19,573	15,339	-	-	19,573	15,339
(d) Net realised (losses)/gains	-	-	(620)	2,879	-	-	(620)	2,879
Total inter-segment revenue	3,490	3,200	23,623	22,777	13,429	12,260	40,542	38,237
Total revenue by segment	22,486	27,823	1,361,501	1,266,822	164,599	123,971	1,548,586	1,418,616
Profit before taxation	9,104	15,775	78,243	21,000	18,163	9,001	105,510	45,776
Segment assets	1,263,069	1,107,806	6,288,673	6,125,867	153,568	144,939	7,705,310	7,378,612
Segment liabilities	19,624	23,516	5,607,867	5,495,323	79,012	86,273	5,706,503	5,605,112

Notes to the Interim Financial Statements (Continued)

18. Operating segments (continued)

Reconciliation of reportable segments

	Cumulative 12 months ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
<u>Total revenue</u>		
Total revenue for reportable segments	1,548,586	1,418,616
Elimination of inter-segment revenue	(40,542)	(38,237)
Total revenue as per statement of profit or loss	1,508,044	1,380,379
	As at	As at
	31.12.2021	31.12.2020
	RM'000	RM'000
<u>Segment assets</u>		
Total assets for reportable segments	7,705,310	7,378,612
Elimination of inter-segment assets	(1,056,247)	(874,816)
Total assets as per statement of financial position	6,649,063	6,503,796
<u>Segment liabilities</u>		
Total liabilities for reportable segments	5,706,503	5,605,112
Elimination of inter-segment liabilities	(11,006)	(8,671)
Total liabilities as per statement of financial position	5,695,497	5,596,441

19. Review of performance

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

Business Segment	3 months ended			Cumulative 12 months ended		
	31.12.2021	31.12.2020	Increase/ (Decrease)	31.12.2021	31.12.2020	(Decrease)/ Increase
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Operating Revenue</u>						
Investment holding	5,308	4,969	339	21,574	22,474	(900)
Life insurance business	341,262	313,982	27,280	1,262,257	1,183,142	79,115
Asset management services	38,411	28,878	9,533	150,720	109,889	40,831
Total	384,981	347,829	37,152	1,434,551	1,315,505	119,046
<u>(Loss)/profit before taxation</u>						
Investment holding	(570)	2,957	(3,527)	9,104	15,775	(6,671)
Life insurance business	20,796	18,788	2,008	78,243	21,000	57,243
Asset management services	3,627	2,392	1,235	18,163	9,001	9,162
Total	23,853	24,137	(284)	105,510	45,776	59,734

Notes to the Interim Financial Statements (Continued)

19. Review of performance (continued)

Financial Year ended 31 December 2021 vs Financial Year ended 31 December 2020

The Group's operating revenue for the financial year ended 31 December 2021 increased by RM119.0 million or 9.0% compared to the financial year ended 31 December 2020 (2021: RM1,434.6 million, 2020: RM1,315.5 million). The Group's profit before tax for YTD December 2021 was RM105.5 million, an increase of RM59.7 million or 130.5% as compared to the profit before tax for YTD December 2020 of RM45.8 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue consisting mainly of interest and dividend income has remained consistent with the previous year, while profit before tax fell by RM6.7 million due to realised losses on disposal of bonds compared with realised gains in the prior year, and revaluation deficit on investment property.

Life insurance business – Operating revenue of life insurance business increased by RM79.1 million or 6.7% mainly due to higher premium income collected and higher investment income. Profit before tax rose by RM57.2 million due to favourable asset net of insurance contract liability movement as a result of increase in interest rate and higher gains from equity investments offset by change in actuarial assumptions.

Asset management services – Operating revenue and profit before tax increased by RM40.8 million and RM9.2 million respectively mainly due to higher unit trust sales and higher management fee income from higher Asset-under-Management ("AUM").

4th Quarter 2021 vs 4th Quarter 2020

The Group's operating revenue for the quarter ended 31 December 2021 increased by RM37.2 million compared to the corresponding quarter last year (2021: RM385.0 million, 2020: RM347.8 million). The Group's profit before tax for the current quarter of RM23.9 million has remained consistent with the profit before tax for the quarter ended 31 December 2020 of RM24.1 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue increased marginally by RM0.3 million due to higher interest income, while profit before tax fell by RM3.5 million due to revaluation deficit on investment property.

Life insurance business – Operating revenue of life insurance business increased by RM27.3 million mainly due to higher premium income compared to corresponding quarter in the prior year. Profit before tax increased by RM2.0 million in the current quarter mainly due to favourable asset net of insurance contract liability movement as a result of increase in interest rate.

Asset management services – Operating revenue and profit before tax increased by RM9.5 million and RM1.2 million respectively mainly due to higher unit trust sales and higher management fee income on 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		
	31.12.2021	30.09.2021	Increase/(Decrease)
	RM'000	RM'000	RM'000
<u>Operating Revenue</u>			
Investment holding	5,308	5,822	(514)
Life insurance business	341,262	317,688	23,574
Asset management services	38,411	39,745	(1,334)
Total	384,981	363,255	21,726
<u>(Loss)/profit before taxation</u>			
Investment holding	(570)	4,577	(5,147)
Life insurance business	20,796	15,374	5,422
Asset management services	3,627	5,137	(1,510)
Total	23,853	25,088	(1,235)

The Group's operating revenue for the current quarter under review ("Q4 2021") increased by RM21.7 mil compared with the preceding quarter ended 30 September 2021 ("Q3 2021"). The Group recorded a profit before tax of RM23.9 million in Q4 2021 compared with a profit before tax of RM25.1 million for Q3 2021. The slight decrease in profit before tax by RM1.2 million was contributed by the following segments:

Investment holding – Operating revenue consisting of mainly investment income decreased marginally by RM0.5 million since Q3 2021. Profit before tax fell by RM5.1 million mainly due to revaluation deficit on investment property in Q4 2021.

Life insurance business – Operating revenue of life insurance business increased by RM23.6 million in Q4 2021 compared with Q3 2021 mainly due to higher premium income. Profit before tax is higher by RM5.4 million mainly due to favourable asset net of insurance contract liability movement as a result of increase in interest rate.

Asset management services – Operating revenue and profit before tax fell by RM1.3 million and RM1.5 million respectively due to lower fee income from sales of unit trust funds in Q4 2021 compared with Q3 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 12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
First year premium	61,882	47,957	178,962	163,176
Renewal year premium	221,596	179,275	723,862	629,683
Single premium	16,982	14,786	100,318	127,949
Total	300,460	242,018	1,003,142	920,808

22. Investment income

	3 months ended		Cumulative 12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
- designated upon initial recognition				
Interest/profit sharing income	10,535	7,824	37,489	27,509
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	4,676	3,069	18,111	16,390
- quoted outside Malaysia	192	74	729	156
- real estate investment trusts				
- quoted in Malaysia	11	-	28	480
- unit trust funds	2,055	2,080	16,472	3,426
- mutual funds				
- outside Malaysia	1,612	1,892	2,145	2,533
Net amortisation of premiums	(1,485)	(522)	(4,623)	(1,550)
<u>AFS financial assets</u>				
Interest/profit sharing income	26,581	24,867	102,415	101,696
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	3,808	5,640	26,491	23,757
- quoted outside Malaysia	1,342	1,286	2,065	1,824
- unquoted in Malaysia	292	292	432	512
- real estate investment trusts				
- quoted in Malaysia	225	85	645	615
- unit trust funds	-	3,158	54	3,158
Net amortisation of premiums	(2,166)	(1,543)	(7,790)	(6,381)
<u>Loans and receivables</u>				
Interest/profit sharing income	3,909	3,300	15,097	13,706
Net accretion of discount	-	1	-	-
<u>Investment properties</u>				
Rental income	394	856	3,207	3,743
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	78	40	272	394
	52,059	52,399	213,239	191,968

Notes to the Interim Financial Statements (Continued)

23. Other operating expenses

	3 months ended		Cumulative 12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Foreign exchange				
- Realised losses/(gains)	640	(314)	488	(7,438)
- Unrealised losses/(gains)	764	9,777	(8,483)	9,806
Interest expense on agent's bond withheld	4	4	16	16
Others	2,571	1,721	9,016	7,245
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	3,993	11,867	20,358	16,574
- Deferred tax	(2,326)	6,495	(2,875)	7,060
	1,667	18,362	17,483	23,634
	<u>5,646</u>	<u>29,550</u>	<u>18,520</u>	<u>33,263</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/year.

24. Profit before taxation

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

	3 months ended		Cumulative 12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	2,108	1,845	8,414	7,977
Depreciation of property and equipment	898	860	3,510	3,336
Investment income (Note 22)	(52,059)	(52,399)	(213,239)	(191,968)
Allowance for impairment loss on insurance receivables	-	19	-	19
Allowance for/(reversal of) impairment loss on loans receivable	7	(15)	3	6
Net foreign exchange losses/(gains)	1,404	9,463	(7,995)	2,368

Notes to the Interim Financial Statements (Continued)

24. Profit before taxation (continued)

	3 months ended		Cumulative 12 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Net realised gains:				
- realised gains on disposal of property and equipment	-	(5)	-	(5)
- realised gains on disposal of AFS investments	(13,706)	(55,904)	(139,173)	(54,839)
	(13,706)	(55,909)	(139,173)	(54,844)
Net fair value losses/(gains):				
- investment property	4,394	4,619	4,394	4,619
- fair value losses/(gains) on FVTPL investments/ derivatives	8,581	(155,372)	(24,147)	(182,773)
- impairment loss on quoted equities	7,447	83	21,469	79,727
	20,422	(150,670)	1,716	(98,427)

25. Taxation

	3 months ended		Cumulative 12 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Income tax</u>				
Current financial year	(3,580)	1,433	9,200	8,888
(Over)/under provision in prior financial years	(210)	(813)	467	(1,572)
	(3,790)	620	9,667	7,316
<u>Deferred tax</u>				
(Reversal)/origination of temporary differences	8,586	122	8,883	(355)
	8,586	122	8,883	(355)
	4,796	742	18,550	6,961

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/year.

Notes to the Interim Financial Statements (Continued)

25. Taxation (continued)

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

	3 months ended		Cumulative 12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	23,853	24,137	105,510	45,776
Taxation at Malaysian statutory tax rate of 24%	5,724	5,793	25,322	10,986
Effect of different tax rate in respect of Labuan subsidiary	(1,192)	(771)	(4,110)	(771)
Section 110B tax credit set off	(393)	(1,497)	(3,336)	(2,828)
Income not subject to tax	(1,124)	(2,391)	(7,464)	(5,553)
Expenses not deductible for tax purposes	1,923	419	7,541	6,577
Changes in unrecognised deferred tax assets	68	2	130	122
	5,006	1,555	18,083	8,533
(Over)/under provision in prior financial years				
- Current tax	(210)	(813)	467	(1,572)
	4,796	742	18,550	6,961

26. Basic and diluted earnings per share

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

		3 months ended		Cumulative 12 months ended	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
Net profit attributable to owners of the Company	(RM'000)	19,057	23,407	86,960	38,811
Weighted average number of ordinary shares in issue	('000)	211,559	206,984	209,040	204,148
Basic and diluted earnings per share	(Sen)	8.98	11.31	41.60	19.01

The Company has no potential dilutive ordinary shares in issue as at the date of the statement of financial position and therefore, diluted earnings per share have not been presented.

Notes to the Interim Financial Statements (Continued)

27. Insurance contract liabilities

The insurance contract liabilities as at the date of the statement of financial position comprise the following:

	Gross		Net	
	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Actuarial liabilities	3,025,200	2,898,929	3,017,648	2,896,527
Unallocated surplus/(deficit)	26,535	(10,286)	26,535	(10,286)
Fair value reserve	123,463	277,252	123,463	277,252
Asset revaluation reserve	2,069	2,361	2,069	2,361
Investment-linked policyholders' account	1,397,354	1,369,798	1,397,354	1,369,798
	<u>4,574,621</u>	<u>4,538,054</u>	<u>4,567,069</u>	<u>4,535,652</u>

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

	Gross		Net	
	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000	As at 31.12.2021 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	88,876	64,397	86,784	63,622
New business reserve	71,128	92,181	68,311	87,587
Discount rate and other changes	(39,567)	(70,548)	(39,567)	(70,548)
Unallocated surplus	36,821	60,999	36,821	60,999
Effect of movements in exchange rate	5,834	(6,190)	5,593	(6,099)
Fair value reserve, net of tax	(153,789)	156,790	(153,789)	156,790
Asset revaluation reserve				
- Revaluation adjustment	(523)	259	(523)	259
- Reversal on revaluation	231	215	231	215
	(292)	474	(292)	474
Investment-linked policyholders' account	27,556	24,058	27,556	24,058
At 31 December	<u>4,574,621</u>	<u>4,538,054</u>	<u>4,567,069</u>	<u>4,535,652</u>

28. Current tax assets/(liabilities)

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Current tax assets	22,841	24,278
Current tax liabilities	(4,980)	(22,360)
	<u>17,861</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:

	<u>As at</u> <u>31.12.2021</u> <u>RM'000</u>	<u>As at</u> <u>31.12.2020</u> <u>RM'000</u>
Investment holding	8,354	6,365
Life insurance business:-		
Shareholder's fund	25,199	36,378
Non Investment-linked business	96,882	65,586
Investment-linked business	18,584	8,878
Asset management services	<u>88,886</u>	<u>72,285</u>
	<u>237,905</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 year between the Group and their related parties are set out as below:

	<u>31.12.2021</u> <u>RM'000</u>	<u>Cumulative</u> <u>12 months ended</u> <u>31.12.2020</u> <u>RM'000</u>
Expenses/(income):		
Intermediate holding company		
Reimbursement of personnel expenses	4,792	4,646
Reimbursement of software maintenance expenses	5,954	6,144
Provision of IT development services	126	7,204
Provision of IT infrastructure support and maintenance services		
- Paid and payable	14,105	9,369
- Waiver of prior year's expenses	<u>(3,228)</u>	<u>-</u>
Subsidiaries of ultimate holding company		
Rebate income	(13,575)	(8,371)
Fund management expenses	3,273	2,557
Provision of IT infrastructure support and maintenance services	<u>714</u>	<u>1,034</u>

Notes to the Interim Financial Statements (Continued)

31. Capital and other commitments

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Other commitments		
Exclusive bancassurance agreement - Authorised but not provided for	<u>4,500</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 year	58,042	-
Capital called during the financial year	<u>(19,246)</u>	<u>-</u>
As at 31 December	<u>38,796</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
31 December 2021					
Financial assets					
AFS financial assets	3,161,038	-	-	-	3,161,038
Financial assets at FVTPL	-	2,315,985	-	-	2,315,985
Loans and receivables	-	-	622,177	-	622,177
Insurance receivables	-	-	14,797	-	14,797
Cash and cash equivalents	-	-	237,905	-	237,905
	<u>3,161,038</u>	<u>2,315,985</u>	<u>874,879</u>	<u>-</u>	<u>6,351,902</u>
Financial liabilities					
Insurance payables	-	-	-	759,823	759,823
Other payables	-	-	-	227,346	227,346
	<u>-</u>	<u>-</u>	<u>-</u>	<u>987,169</u>	<u>987,169</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 gains/(losses) recognised as		Net carrying amount RM'000
		Financial asset RM'000	Financial liability RM'000	
31 December 2021				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	119,952	933	-	933
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:

	<u>Freehold property</u>		<u>Investment property</u>	
	<u>As at 31.12.2021</u>	<u>As at 31.12.2020</u>	<u>As at 31.12.2021</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>26,420</u>	<u>27,026</u>	<u>73,580</u>	<u>77,974</u>
Fair value as stated in valuation report*	<u>26,420</u>	<u>27,026</u>	<u>73,580</u>	<u>77,974</u>

* Based on the valuation conducted by an independent qualified valuer on 31 December 2021.

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
2021			
Freehold/ investment property	Income method	Term period's net yield	5.00% - 6.50%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.55 psf
		Average rental for reversionary period	RM4.69 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.75 psf
2020			
Freehold/ investment property	Income method	Term period's net yield	5.00% - 6.50%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.55 psf
		Average rental for reversionary period	RM4.76 psf
		Outgoings for term period	RM1.75 psf
		Outgoings for reversionary period	RM1.75 psf

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 year	(587)	(550)	-	-
Fair value (loss)/gain	(576)	1,169	(4,394)	(4,619)
At 31 December	<u>26,420</u>	<u>27,026</u>	<u>73,580</u>	<u>77,974</u>

Notes to the Interim Financial Statements (Continued)

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

b) Financial assets and financial liabilities

(i) Determination of fair values

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

- (i) The carrying amounts of financial assets and financial liabilities, such as loans and receivables, insurance receivables, cash and bank balances, insurance payables and other payables (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;
- (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.

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

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
31 December 2021				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	633,750	633,750	-	-
- Quoted outside Malaysia	131,774	131,774	-	-
Real estate investment trusts	18,773	18,773	-	-
Unit trust funds	1,206	1,206	-	-
Malaysian Government Securities	314,771	-	314,771	-
Government Investment Issues	283,634	-	283,634	-
Corporate debt securities				
- Unquoted	1,748,511	-	1,748,511	-
Accrued interest	26,103	-	26,103	-
	<u>3,158,522</u>	<u>785,503</u>	<u>2,373,019</u>	<u>-</u>
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	786,964	786,964	-	-
- Quoted outside Malaysia	67,419	67,419	-	-
Private equities				
- Unquoted outside Malaysia	19,122	-	-	19,122
Real estate investment trusts	8,478	8,478	-	-
Unit trust funds	180,784	180,784	-	-
Malaysian Government Securities	78,047	-	78,047	-
Government Investment Issues	117,396	-	117,396	-
Corporate debt securities				
- Unquoted	634,838	-	634,838	-
- Quoted outside Malaysia	193,621	-	193,621	-
Mutual funds	217,928	217,928	-	-
Forward foreign exchange contract	933	-	933	-
Accrued interest	10,455	-	10,455	-
	<u>2,315,985</u>	<u>1,261,573</u>	<u>1,035,290</u>	<u>19,122</u>
	<u>5,474,507</u>	<u>2,047,076</u>	<u>3,408,309</u>	<u>19,122</u>

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: RM2,516,340) 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	Total
	RM'000	RM'000
At 1 January 2021	-	-
Total loss recognised in profit or loss	(125)	(125)
Capital contributions	19,246	19,246
Currency movement	1	1
At 31 December 2021	<u>19,122</u>	<u>19,122</u>

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

	Fair Value	Valuation	Unobservable	Input
2021	RM'000	Methodology	Input	Values
Private equities	19,122	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 year ended 31 December 2021	Fair value as at 1 January 2021 RM'000	Change in fair value* RM'000	Fair value as at 31 December 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	(235,305)	1,420,714	Non-SPPI	FVTPL
- Quoted outside Malaysia	198,282	911	199,193	Non-SPPI	FVTPL
- Unquoted – local	2,516	-	2,516	Non-SPPI	FVTPL
Private equities	-	19,122	19,122	Non-SPPI	FVTPL
Real estate investment trusts	20,610	6,641	27,251	Non-SPPI	FVTPL
Unit trust funds	242,271	(60,281)	181,990	Non-SPPI	FVTPL
Malaysian Government Securities	434,877	(42,059)	392,818	SPPI	FVOCI
Government Investment Issues	310,536	90,494	401,030	SPPI	FVOCI
Corporate debt securities					
- Unquoted	2,127,133	256,216	2,383,349	SPPI	FVOCI
- Quoted outside Malaysia	164,344	29,277	193,621	SPPI	FVOCI
Mutual funds	304,436	(86,508)	217,928	Non-SPPI	FVTPL
Forward foreign exchange contract	1,149	(216)	933	Non-SPPI	FVTPL
Accrued interest	31,709	4,849	36,558	SPPI	FVOCI
Loans and receivables	498,605	123,572	622,177	SPPI	Amortised cost
Insurance receivables	16,877	(2,080)	14,797	SPPI	Amortised cost
Cash and cash equivalents	189,492	48,413	237,905	SPPI	Amortised cost
	<u>6,198,856</u>	<u>153,046</u>	<u>6,351,902</u>		

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

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

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

For the financial year ended 31 December 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).

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Notes to the Interim Financial Statements (Continued)

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

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

	AAA	AA	A	BBB	Non-rated	Total
As at 31 December 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Malaysian Government						
Securities	-	-	-	-	392,818	392,818
Government Investment Issues	-	-	-	-	401,030	401,030
Corporate debt securities						
- Unquoted	1,140,694	783,958	8,554	-	450,143	2,383,349
- Quoted outside Malaysia*	18,843	44,607	69,102	61,069	-	193,621
Accrued interest	14,946	8,487	577	468	12,080	36,558
Loans and receivables	321,910	84,161	-	-	216,106	622,177
Insurance receivables	-	-	-	-	14,797	14,797
Cash and cash equivalents	196,553	8,657	13,417	-	-	218,627
Cash and cash equivalents*	-	19,278	-	-	-	19,278
	<u>1,692,946</u>	<u>949,148</u>	<u>91,650</u>	<u>61,537</u>	<u>1,486,974</u>	<u>4,282,255</u>

* Rated by international rating agencies

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

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

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
25 February 2022

Chin Mun Yee
Joint Secretary