

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 2021, 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 2021.

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 2021, except for the adoption of the following amendments/interpretation to MFRS:

<u>Description</u>	<u>Effective Date</u>
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 <i>Leases</i>)	1 April 2021
Annual Improvements to MFRS Standards 2018 – 2020 (Amendments to MFRS 1, MFRS 9, MFRS 141)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>)	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 <i>Property, Plant and Equipment</i>)	1 January 2022
Reference to the Conceptual Framework (Amendments to MFRS 3 <i>Business Combinations</i>)	1 January 2022

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 2021.

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 2022.

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 2022, the applicable estimate changes on the above assumptions resulted in lower actuarial liabilities of RM85.1 million (30 June 2021: lower actuarial liabilities of RM42.5 million), with a corresponding increase in unallocated surplus for the participating business of RM32.5 million (30 June 2021: increase in unallocated surplus of RM18.6 million) and increase in net profit before tax of RM52.6 million (30 June 2021: increase in net profit before tax of RM23.9 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 2022.

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 30 June 2022.

8. Dividends

A First and Final dividend of 7.0 sen per share, amounting to approximately RM14,809,000 for the financial year ended 31 December 2021, was approved at the Annual General Meeting held on 10 June 2022. A Dividend Reinvestment Plan (DRP) as determined by the Board of Directors on 25 February 2022 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 2022. The take up rate of the new shares represent approximately 65.43% 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 2021 First and Final Dividend.

No dividend has been declared in respect of the current financial period ended 30 June 2022.

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 ended 30 June 2022.

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

Bank Negara Malaysia (BNM) surprised the market with a 25 bps hike in the Overnight Policy Rate (OPR) in May 2022 and again another 25 bps hike in July 2022 bringing the OPR to 2.25% currently. With the US rate hike on a steep path, the differential between the Fed Funds Rate (FFR) and the OPR cannot be very wide in order to prevent financial market imbalances. Malaysia's Manufacturing PMI registered a third straight months of growth coming in at 50.6 in July 2022 (50.4 in June 2022, 50.1 in May 2022) as production returned to positive territory for the first time in seven months. Notwithstanding, there is expectation that a global weakening will eventuate with the US already in a technical recession and that 2023 will herald a slower US and China economies and by extension global weakening.

In the meanwhile with the return to normalcy, we at Manulife remain committed to deliver our Scale Up agenda by:

- Strengthening growth through various organic and inorganic initiatives
- Be customer-centric by establishing strong value proposition/offering to suit different segment needs that evolve over time
- Continue accelerating in our digital arena to be more digital-friendly thereby improving customer experience and efficiency
- Levelling up our talents for high performing team and culture
- Enhancing value creation for shareholders by efficient in-force management and optimising resource allocation

We also aspire to build-to-last by continually fostering a strong risk culture with effective governance in place; and also place importance on Environmental, Social and Governance (ESG) aspects in all our initiatives.

Asset Management Business

Q2 2022 has been a turbulent quarter for the global economy as it continues to be weighed down by significant geopolitical uncertainties. Moving towards 2H 2022, we remain cautious on the possibility of a further global slowdown in growth under persistent inflationary pressures. Given the current challenging macro backdrop, defensive sectors are expected to outperform the rest, buffered by consistent dividend and stable earnings. Continued restoration of economic activity to pre-pandemic levels would contribute to an improvement in the outlook of the local market.

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 2022.

14. Group borrowings

The Group did not have any borrowings as at 30 June 2022.

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 2022.

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 2022

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 6 months ended 30 June							
	Investment holding		Life insurance business		Asset management services		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	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	-	-	554,670	511,167	-	-	554,670	511,167
Premiums ceded to reinsurers	-	-	(38,503)	(48,642)	-	-	(38,503)	(48,642)
Net premiums	-	-	516,167	462,525	-	-	516,167	462,525
(b) Investment income	11,127	10,444	93,983	92,140	152	222	105,262	102,806
(c) Net realised (losses)/gains	(250)	263	29,955	100,521	50	9	29,755	100,793
(d) Net fair value losses	(159)	(176)	(246,875)	(5,446)	-	-	(247,034)	(5,622)
(e) Fee income	-	-	-	-	62,891	72,342	62,891	72,342
(f) Other operating income	1	-	1,685	1,760	184	175	1,870	1,935
Total external revenue	10,719	10,531	394,915	651,500	63,277	72,748	468,911	734,779
<u>Inter-segment revenue</u>								
(a) Rental income	919	970	389	393	-	-	1,308	1,363
(b) Fee income	788	313	1,752	1,742	6,740	6,487	9,280	8,542
(c) Dividend income from unit trust funds	-	-	9,722	11,319	-	-	9,722	11,319
(d) Net realised losses	-	-	(77)	(679)	-	-	(77)	(679)
Total inter-segment revenue	1,707	1,283	11,786	12,775	6,740	6,487	20,233	20,545
Total revenue by segment	12,426	11,814	406,701	664,275	70,017	79,235	489,144	755,324
Profit/(loss) before taxation	5,254	5,097	(7,888)	42,073	8,830	9,399	6,196	56,569
Segment assets	1,329,131	1,215,614	6,092,299	6,159,066	217,344	168,076	7,638,774	7,542,756
Segment liabilities	35,371	40,130	5,435,800	5,509,000	135,095	101,774	5,606,266	5,650,904

Notes to the Interim Financial Statements (Continued)

18. Operating segments (continued)

Reconciliation of reportable segments

	Cumulative 6 months ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
<u>Total revenue</u>		
Total revenue for reportable segments	489,144	755,324
Elimination of inter-segment revenue	(20,233)	(20,545)
Total revenue as per statement of profit or loss	468,911	734,779
	As at	As at
	30.06.2022	30.06.2021
	RM'000	RM'000
<u>Segment assets</u>		
Total assets for reportable segments	7,638,774	7,542,756
Elimination of inter-segment assets	(1,101,174)	(987,758)
Total assets as per statement of financial position	6,537,600	6,554,998
<u>Segment liabilities</u>		
Total liabilities for reportable segments	5,606,266	5,650,904
Elimination of inter-segment liabilities	17,979	(7,002)
Total liabilities as per statement of financial position	5,624,245	5,643,902

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		
	30.06.2022	30.06.2021	Increase/ (Decrease)	30.06.2022	30.06.2021	Increase/ (Decrease)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Operating Revenue</u>						
Investment holding	5,573	5,383	190	11,127	10,444	683
Life insurance business	325,559	303,100	22,459	648,653	603,307	45,346
Asset management services	29,239	33,640	(4,401)	63,043	72,564	(9,521)
Total	360,371	342,123	18,248	722,823	686,315	36,508
<u>Profit/(loss) before taxation</u>						
Investment holding	2,572	3,000	(428)	5,254	5,097	157
Life insurance business	(4,670)	17,365	(22,035)	(7,888)	42,073	(49,961)
Asset management services	3,310	3,956	(646)	8,830	9,399	(569)
Total	1,212	24,321	(23,109)	6,196	56,569	(50,373)

Notes to the Interim Financial Statements (Continued)

19. Review of performance (continued)

Financial Period ended 30 June 2022 vs Financial Period ended 30 June 2021

The Group's operating revenue for the financial period ended 30 June 2022 increased by RM36.5 million or 5.3% compared to the financial period ended 30 June 2021 (2022: RM722.8 million, 2021: RM686.3 million). The Group's profit before tax for YTD June 2022 was RM6.2 million, a decrease of RM50.4 million or 89.0% as compared to the profit before tax for YTD June 2021 of RM56.6 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue and profit before tax increased slightly by RM0.7 million and RM0.2 million respectively due to higher interest income on deposits and bonds.

Life insurance business – Operating revenue of life insurance business increased by RM45.3 million or 7.5% mainly due to higher premium income collected. However, profit before tax fell by RM50.0 million mainly due to fair value losses on equities and unfavourable 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 RM9.5 million and RM0.6 million mainly due to lower unit trust sales, offset by higher management fee income from higher assets under management.

2nd Quarter 2022 vs 2nd Quarter 2021

The Group's operating revenue for the quarter ended 30 June 2022 increased by RM18.3 million compared to the corresponding quarter last year (2022: RM360.4 million, 2021: RM342.1 million). The Group's profit before tax for the current quarter of RM1.2 million is RM23.1 million lower than the profit before tax for the quarter ended 30 June 2021 of RM24.3 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue increased marginally by RM0.2 million due to higher interest income, while profit before tax fell by RM0.4 million due to lower realised gains on disposal of equities.

Life insurance business – Operating revenue of life insurance business increased by RM22.5 million mainly due to higher premium and interest income compared to corresponding quarter in the prior year. Profit before tax fell by RM22.0 million in the current quarter mainly due to fair value losses on equities and unfavourable 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 RM4.4 million and RM0.6 million respectively mainly due to lower unit trust sales.

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		
	30.06.2022	31.03.2022	Increase/(Decrease)
	RM'000	RM'000	RM'000
<u>Operating Revenue</u>			
Investment holding	5,573	5,554	19
Life insurance business	325,559	323,094	2,465
Asset management services	29,239	33,804	(4,565)
Total	360,371	362,452	(2,081)
<u>Profit/(loss) before taxation</u>			
Investment holding	2,572	2,682	(110)
Life insurance business	(4,670)	(3,218)	(1,452)
Asset management services	3,310	5,520	(2,210)
Total	1,212	4,984	(3,772)

The Group's operating revenue for the current quarter under review ("Q2 2022") fell by RM2.1 million compared with the preceding quarter ended 31 March 2022 ("Q1 2022"). The Group recorded a profit before tax of RM1.2 million in Q2 2022 compared with a profit before tax of RM5.0 million for Q1 2022. The decrease in profit before tax of RM3.8 million was contributed by the following segments:

Investment holding – Operating revenue consisting of mainly of investment income has remained consistent with the preceding quarter. Profit before tax is marginally lower by RM0.1 million in Q2 2022 due to higher impairment losses on equities.

Life insurance business – Operating revenue of life insurance business increased by RM2.5 million in Q2 2022 compared with Q1 2022 mainly due to higher premium income, while profit before tax fell by RM1.5 million mainly due to higher investment loss from equity in Q2 2022.

Asset management services – Operating revenue fell by RM4.6 million in Q2 2022 due to lower upfront fees from sales of unit trust funds and lower management fee income, while profit before tax decreased by RM2.2 million due to lower commission expenses in line with lower sales.

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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
First year premium	48,602	39,441	90,990	79,432
Renewal year premium	177,980	160,475	358,215	325,562
Single premium	36,974	38,292	66,962	57,531
Total	263,556	238,208	516,167	462,525

22. Investment income

	3 months ended		Cumulative 6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
- designated upon initial recognition				
Interest/profit sharing income	11,604	8,703	22,291	16,802
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	4,459	3,622	12,815	13,371
- quoted outside Malaysia	228	193	375	297
- unquoted outside Malaysia	22	-	22	-
- real estate investment trusts				
- quoted in Malaysia	129	-	175	-
- unit trust funds	453	821	1,226	1,962
- mutual funds				
- outside Malaysia	144	142	282	318
Net amortisation of premiums	(1,419)	(979)	(2,895)	(1,737)
<u>AFS financial assets</u>				
Interest/profit sharing income	27,674	25,278	54,241	49,557
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	2,738	5,101	11,119	15,632
- quoted outside Malaysia	204	232	416	502
- real estate investment trusts				
- quoted in Malaysia	109	105	355	236
- unit trust funds	-	-	-	54
Net amortisation of premiums	(2,155)	(1,868)	(4,331)	(3,518)
<u>Loans and receivables</u>				
Interest/profit sharing income	3,958	3,974	7,713	7,321
<u>Investment properties</u>				
Rental income	605	880	1,308	1,868
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	84	61	150	141
	<u>48,837</u>	<u>46,265</u>	<u>105,262</u>	<u>102,806</u>

Notes to the Interim Financial Statements (Continued)

23. Other operating (income)/expenses

	3 months ended		Cumulative 6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Foreign exchange				
- Realised (gains)/losses	(318)	(33)	66	(405)
- Unrealised gains	(10,518)	(282)	(13,279)	(7,746)
Interest expense on agent's bond withheld	4	4	8	8
Others	2,742	1,892	4,214	4,150
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	3,620	8,342	8,227	14,698
- Deferred tax	(10,174)	(1,814)	(15,758)	(1,209)
	(6,554)	6,528	(7,531)	13,489
	<u>(14,644)</u>	<u>8,109</u>	<u>(16,522)</u>	<u>9,496</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% (2021: 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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	800	1,817	2,524	4,079
Depreciation of property and equipment	894	875	1,793	1,738
Investment income (Note 22)	(48,837)	(46,265)	(105,262)	(102,806)
Allowance for impairment loss on loans receivable	3	3	7	8
Net foreign exchange gains	(10,836)	(321)	(13,213)	(8,157)

Notes to the Interim Financial Statements (Continued)

24. Profit before taxation (continued)

	3 months ended		Cumulative 6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Net realised gains:				
- realised gains on disposal of AFS investments	(9,661)	(56,433)	(29,755)	(100,793)
	(9,661)	(56,433)	(29,755)	(100,793)
Net fair value losses/(gains):				
- fair value losses/(gains) on FVTPL investments/ derivatives	148,338	(4,621)	233,077	(7,462)
- impairment loss on quoted equities	9,050	2,425	13,957	13,084
	157,388	(2,196)	247,034	5,622

25. Taxation

	3 months ended		Cumulative 6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
<u>Income tax</u>				
Current financial period	1,112	3,394	4,844	9,172
	1,112	3,394	4,844	9,172
<u>Deferred tax</u>				
Origination of temporary differences	(393)	36	(233)	210
	(393)	36	(233)	210
	719	3,430	4,611	9,382

The income tax for the Group is calculated based on the tax rate of 24% (2021: 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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	1,212	24,321	6,196	56,569
Taxation at Malaysian statutory tax rate of 24%	291	5,837	1,487	13,577
Effect of different tax rate in respect of Labuan subsidiary	-	(1,053)	-	(1,846)
Section 110B tax credit set off	(361)	(1,257)	(986)	(2,277)
Income not subject to tax	(1,291)	(1,626)	(3,044)	(4,122)
Expenses not deductible for tax purposes	2,148	1,509	7,092	3,988
Changes in unrecognised deferred tax assets	(68)	20	62	62
	719	3,430	4,611	9,382

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	
		30.06.2022	30.06.2021	30.06.2022	30.06.2021
Net profit attributable to owners of the Company	(RM'000)	493	20,891	1,585	47,187
Weighted average number of ordinary shares in issue	('000)	211,559	206,984	211,559	206,984
Basic and diluted earnings per share	(Sen)	0.23	10.10	0.75	22.80

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 30.06.2022 RM'000	As at 31.12.2021 RM'000	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Actuarial liabilities	3,023,339	3,025,200	3,020,395	3,017,648
Unallocated surplus	67,257	26,535	67,257	26,535
Fair value reserve	(9,424)	123,463	(9,424)	123,463
Asset revaluation reserve	2,069	2,069	2,069	2,069
Investment-linked policyholders' account	1,269,278	1,397,354	1,269,278	1,397,354
	<u>4,352,519</u>	<u>4,574,621</u>	<u>4,349,575</u>	<u>4,567,069</u>

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

	Gross		Net	
	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
At 1 January	4,574,621	4,538,054	4,567,069	4,535,652
Inforce reserve movement	32,948	88,876	32,128	86,784
New business reserve	36,505	71,128	42,273	68,311
Discount rate and other changes	(85,054)	(39,567)	(85,054)	(39,567)
Unallocated surplus	40,722	36,821	40,722	36,821
Effect of movements in exchange rate	13,740	5,834	13,400	5,593
Fair value reserve, net of tax	(132,887)	(153,789)	(132,887)	(153,789)
Asset revaluation reserve				
- Revaluation adjustment	-	(523)	-	(523)
- Reversal on revaluation	-	231	-	231
	-	(292)	-	(292)
Investment-linked policyholders' account	(128,076)	27,556	(128,076)	27,556
At 30 June/31 December	<u>4,352,519</u>	<u>4,574,621</u>	<u>4,349,575</u>	<u>4,567,069</u>

28. Current tax assets/(liabilities)

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Current tax assets	22,931	22,841
Current tax liabilities	(2,608)	(4,980)
	<u>20,323</u>	<u>17,861</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 Year of Assessment 2017 and 2018, and tax paid in excess to the Inland Revenue Board 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 mention date for MIB's application to the Special Commissioner of Income Tax on the assessments has been fixed on 6th September 2022.

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 and the letter from Ministry of Finance to Life Insurance Association of Malaysia and Malaysia Takaful Association dated 25th February 2022, the Company strongly believes that there are 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 30.06.2022	As at 31.12.2021
	RM'000	RM'000
Investment holding	5,307	8,353
Life insurance business:-		
Shareholder's fund	23,691	25,200
Non Investment-linked business	131,758	96,882
Investment-linked business	17,278	18,584
Asset management services	93,543	88,886
	<u>271,577</u>	<u>237,905</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:

	Cumulative 6 months ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
Expenses/(income):		
Intermediate holding company		
Reimbursement of personnel expenses	2,376	2,414
Reimbursement of software maintenance expenses	2,478	2,717
Provision of IT development services	-	129
Provision of IT infrastructure support and maintenance services		
- Paid and payable	10,062	5,958
- Waiver of prior year's expenses	-	(3,228)
	<u> </u>	<u> </u>
Subsidiaries of ultimate holding company		
Rebate income	(5,027)	(6,117)
Management fee expense	2,771	1,472
Investment consulting services	207	-
Provision of IT infrastructure support and maintenance services	1,739	340
	<u> </u>	<u> </u>

Notes to the Interim Financial Statements (Continued)

31. Capital and other commitments

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Other commitments		
Exclusive bancassurance agreement - Authorised but not provided for	<u>3,000</u>	<u>4,500</u>
Distribution agreement - Authorised but not provided for	<u>5,363</u>	<u>5,363</u>
Investment in Private Equity Funds As at 1 January	38,796	-
Capital committed during the financial period/year	-	58,042
Capital called during the financial period/year	(7,829)	(19,246)
Currency movement	<u>2,860</u>	<u>-</u>
As at 30 June/31 December	<u>33,827</u>	<u>38,796</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 2022					
Financial assets					
AFS financial assets	2,985,624	-	-	-	2,985,624
Financial assets at FVTPL	-	2,230,479	-	-	2,230,479
Loans and receivables	-	-	744,208	-	744,208
Insurance receivables	-	-	8,245	-	8,245
Cash and cash equivalents	-	-	271,577	-	271,577
	<u>2,985,624</u>	<u>2,230,479</u>	<u>1,024,030</u>	<u>-</u>	<u>6,240,133</u>
Financial liabilities					
Financial liability at FVTPL	-	107	-	-	107
Insurance payables	-	-	-	778,482	778,482
Other payables	-	-	-	363,545	363,545
	<u>-</u>	<u>107</u>	<u>-</u>	<u>1,142,027</u>	<u>1,142,134</u>
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>

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 2022				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	94,706	-	(107)	(107)
31 December 2021				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	119,952	933	-	933

There is no change in risks and policies associated with the derivatives and its related accounting policies since the financial year ended 31 December 2021.

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 30.06.2022</u>	<u>As at 31.12.2021</u>	<u>As at 30.06.2022</u>	<u>As at 31.12.2021</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Carrying amount	<u>26,133</u>	<u>26,420</u>	<u>73,580</u>	<u>73,580</u>
Fair value as stated in valuation report*	<u>26,420</u>	<u>26,420</u>	<u>73,580</u>	<u>73,580</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 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 RM4.69 psf RM1.70 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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At 1 January	26,420	27,026	73,580	77,974
Additions	-	557	-	-
Depreciation charge for the period/year	(287)	(587)	-	-
Fair value loss	-	(576)	-	(4,394)
At 30 June/31 December	<u>26,133</u>	<u>26,420</u>	<u>73,580</u>	<u>73,580</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 equity funds are measured based on the private equity funds' 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
30 June 2022				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	513,697	513,697	-	-
- Quoted outside Malaysia	117,222	117,222	-	-
Real estate investment trusts	11,833	11,833	-	-
Unit trust funds	1,123	1,123	-	-
Malaysian Government Securities	397,837	-	397,837	-
Government Investment Issues	306,233	-	306,233	-
Corporate debt securities				
- Unquoted	1,607,928	-	1,607,928	-
Accrued interest	27,235	-	27,235	-
	<u>2,983,108</u>	<u>643,875</u>	<u>2,339,233</u>	<u>-</u>
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	700,490	700,490	-	-
- Quoted outside Malaysia	39,211	39,211	-	-
Private equity funds				
- Unquoted outside Malaysia	28,454	-	-	28,454
Real estate investment trusts	9,838	9,838	-	-
Unit trust funds	166,232	166,232	-	-
Malaysian Government Securities	149,434	-	149,434	-
Government Investment Issues	121,932	-	121,932	-
Corporate debt securities				
- Unquoted	664,751	-	664,751	-
- Quoted outside Malaysia	164,920	-	164,920	-
Mutual funds	173,471	173,471	-	-
Accrued interest	11,746	-	11,746	-
	<u>2,230,479</u>	<u>1,089,242</u>	<u>1,112,783</u>	<u>28,454</u>
	<u>5,213,587</u>	<u>1,733,117</u>	<u>3,452,016</u>	<u>28,454</u>
Financial liabilities at FVTPL				
Forward foreign exchange contract	107	-	107	-

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	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 equity funds				
- 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>

Unquoted equity securities of RM2,516,340 (31 December 2021: 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, Level 2 and Level 3 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 Equity Funds RM'000	Total 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 2021/1 January 2022	<u>19,122</u>	<u>19,122</u>
Total gain recognised in profit or loss	144	144
Capital contributions	7,829	7,829
Currency movement	1,359	1,359
At 30 June 2022	<u><u>28,454</u></u>	<u><u>28,454</u></u>

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

	Fair Value	Valuation Methodology	Unobservable Input	Input Values
2022	RM'000			
Private equity funds	28,454	Net asset value ("NAV")	NAV	NAV
2021				
Private equity funds	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 period ended 30 June 2022	Fair value as at 1 January 2022 RM'000	Change in fair value* RM'000	Fair value as at 30 June 2022 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Financial assets					
Equity securities					
- Quoted in Malaysia	1,420,714	(206,527)	1,214,187	Non-SPPI	FVTPL
- Quoted outside Malaysia	199,193	(42,760)	156,433	Non-SPPI	FVTPL
- Unquoted – local	2,516	-	2,516	Non-SPPI	FVTPL
Private equity funds	19,122	9,332	28,454	Non-SPPI	FVTPL
Real estate investment trusts	27,251	(5,580)	21,671	Non-SPPI	FVTPL
Unit trust funds	181,990	(14,635)	167,355	Non-SPPI	FVTPL
Malaysian Government Securities	392,818	154,453	547,271	SPPI	FVOCI
Government Investment Issues	401,030	27,135	428,165	SPPI	FVOCI
Corporate debt securities					
- Unquoted	2,383,349	(110,670)	2,272,679	SPPI	FVOCI
- Quoted outside Malaysia	193,621	(28,701)	164,920	SPPI	FVOCI
Mutual funds	217,928	(44,457)	173,471	Non-SPPI	FVTPL
Forward foreign exchange contract	933	(933)	-	Non-SPPI	FVTPL
Accrued interest	36,558	2,423	38,981	SPPI	FVOCI
Loans and receivables	622,177	122,031	744,208	SPPI	Amortised cost
Insurance receivables	14,797	(6,552)	8,245	SPPI	Amortised cost
Cash and cash equivalents	237,905	33,672	271,577	SPPI	Amortised cost
	<u>6,351,902</u>	<u>(111,769)</u>	<u>6,240,133</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 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 equity funds	-	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).

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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 30 June 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Malaysian Government						
Securities	-	-	-	-	547,271	547,271
Government Investment Issues	-	-	-	-	428,165	428,165
Corporate debt securities						
- Unquoted	1,094,508	759,867	510	-	417,794	2,272,679
- Quoted outside Malaysia*	17,026	36,617	57,924	53,353	-	164,920
Accrued interest	14,956	8,804	375	457	14,389	38,981
Loans and receivables	365,975	93,198	-	-	285,035	744,208
Insurance receivables	-	-	-	-	8,245	8,245
Cash and cash equivalents	241,962	5,990	13,706	-	23	261,681
Cash and cash equivalents*	-	6,522	3,374	-	-	9,896
	<u>1,734,427</u>	<u>910,998</u>	<u>75,889</u>	<u>53,810</u>	<u>1,700,922</u>	<u>4,476,046</u>

* Rated by international rating agencies

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Notes to the Interim Financial Statements (Continued)

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

As at 31 December 2021	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total 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

BY ORDER OF THE BOARD

Chua Siew Chuan
Joint Secretary
22 August 2022

Chin Mun Yee
Joint Secretary