

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 September 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 September 2022, the applicable estimate changes on the above assumptions resulted in lower actuarial liabilities of RM124.7 million (30 September 2021: lower actuarial liabilities of RM39.5 million), with a corresponding increase in unallocated surplus for the participating business of RM45.5 million (30 September 2021: increase in unallocated surplus of RM0.3 million) and increase in net profit before tax of RM79.2 million (30 September 2021: increase in net profit before tax of RM39.2 million).

Other than as disclosed above, there were no changes in the basis used for accounting estimates for the current financial period ended 30 September 2022.

7. Debt and equity securities

During the current financial quarter, 4,702,646 new ordinary shares of Manulife Holdings Berhad ("the Company") were issued at the conversion price of RM2.06 per ordinary share for a total of RM9,687,451 in relation to the Dividend Reinvestment Plan exercise undertaken by the Company as per Note 8. The said shares were listed and quoted on the Main Market of Bursa Malaysia Berhad on 28 July 2022.

Besides the above, there were no other issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current quarter ended 30 September 2022.

8. Dividends

On 27 July 2022, the Company paid a final dividend of 7.0 sen per share equivalent to RM14,809,146 in respect of the financial year ended 31 December 2021. Out of the total dividend payout, a total of RM5,121,695 was paid in cash. The remaining RM9,687,451 was converted into new ordinary shares of the Company as per Note 7.

No dividend has been declared in respect of the current financial period ended 30 September 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 to date.

11. Contingent liabilities

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

Notes to the Interim Financial Statements (Continued)

12. Current financial year prospects

Malaysia's economy grew 8.9% y-o-y in Q2 2022 with official estimate for full year GDP growth to be in the region of 6.5% - 7%. The World Bank and IMF project Malaysia's 2022 GDP growth to be 6.4% and 5.4% respectively with 2023 growth expected to moderate to between 4% - 5%. The Overnight Policy Rate (OPR) is currently at 2.5% with BNM's MPC sitting for the final time this year in November 2022. It is expected that the OPR will see another 25bps hike at this last sitting. Malaysia's Manufacturing PMI came in at 49.1 in September 2022, the lowest in a year indicating a loss of momentum in the manufacturing sector owing to slowing demand. Nevertheless, unemployment held steady at 3.7% in August 2022 as it was in July 2022 driven by increased hiring in service, manufacturing and construction. The external environment remains challenging with ramped up geopolitical tension and volatile financial markets driven primarily by the Fed's steep rate hike trajectory and dollar strength.

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/offers 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

The global economy's challenging momentum continued further in Q3 2022 on the back of prevailing inflation and recessionary fears, monetary policy jitters and geopolitical shocks. In Malaysia, strong domestic demand stemming from the reopening of the economy and international borders contributed towards an upbeat H1 2022. However, in Q3 2022, market sentiment was dragged down by accelerating domestic inflation and global sell-off in the equity space. Moving towards the last quarter of 2022, conditions in the market are expected to remain volatile and challenging.

Notes to the Interim Financial Statements (Continued)

13. Profit forecast

The Group did not issue any profit forecast during the financial period ended 30 September 2022.

14. Group borrowings

The Group did not have any borrowings as at 30 September 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 September 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 September 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 9 months ended 30 September							
	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	-	-	856,364	776,437	-	-	856,364	776,437
Premiums ceded to reinsurers	-	-	(61,108)	(73,755)	-	-	(61,108)	(73,755)
Net premiums	-	-	795,256	702,682	-	-	795,256	702,682
(b) Investment income	17,404	16,266	153,863	144,558	309	356	171,576	161,180
(c) Net realised (losses)/gains	(658)	639	34,801	124,820	104	8	34,247	125,467
(d) Net fair value (losses)/gains	(159)	(189)	(311,338)	18,895	-	-	(311,497)	18,706
(e) Fee income	-	-	-	-	90,719	111,953	90,719	111,953
(f) Other operating income	1	-	2,508	2,686	280	263	2,789	2,949
Total external revenue	16,588	16,716	675,090	993,641	91,412	112,580	783,090	1,122,937
<u>Inter-segment revenue</u>								
(a) Rental income	1,330	1,452	579	590	-	-	1,909	2,042
(b) Fee income	1,015	719	2,975	2,633	10,159	9,990	14,149	13,342
(c) Dividend income from unit trust funds	-	-	13,379	15,780	-	-	13,379	15,780
(d) Net realised losses	-	-	(186)	(624)	-	-	(186)	(624)
Total inter-segment revenue	2,345	2,171	16,747	18,379	10,159	9,990	29,251	30,540
Total revenue by segment	18,933	18,887	691,837	1,012,020	101,571	122,570	812,341	1,153,477
Profit before taxation	8,111	9,674	15,380	57,447	13,920	14,536	37,411	81,657
Segment assets	1,193,514	1,199,625	6,129,291	6,231,489	205,747	166,653	7,528,552	7,597,767
Segment liabilities	12,013	16,837	5,454,350	5,566,876	119,579	95,987	5,585,942	5,679,700

Notes to the Interim Financial Statements (Continued)

18. Operating segments (continued)

Reconciliation of reportable segments

	Cumulative 9 months ended	
	30.09.2022	30.09.2021
	RM'000	RM'000
<u>Total revenue</u>		
Total revenue for reportable segments	812,341	1,153,477
Elimination of inter-segment revenue	(29,251)	(30,540)
Total revenue as per statement of profit or loss	783,090	1,122,937
	As at	As at
	30.09.2022	30.09.2021
	RM'000	RM'000
<u>Segment assets</u>		
Total assets for reportable segments	7,528,552	7,597,767
Elimination of inter-segment assets	(1,003,142)	(983,027)
Total assets as per statement of financial position	6,525,410	6,614,740
<u>Segment liabilities</u>		
Total liabilities for reportable segments	5,585,942	5,679,700
Elimination of inter-segment liabilities	(3,862)	(4,188)
Total liabilities as per statement of financial position	5,582,080	5,675,512

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 9 months ended		
	30.09.2022	30.09.2021	Increase/ (Decrease)	30.09.2022	30.09.2021	Increase/ (Decrease)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Operating revenue</u>						
Investment holding	6,277	5,822	455	17,404	16,266	1,138
Life insurance business	361,574	317,688	43,886	1,010,227	920,995	89,232
Asset management services	27,985	39,745	(11,760)	91,028	112,309	(21,281)
Total	395,836	363,255	32,581	1,118,659	1,049,570	69,089
<u>Profit before taxation</u>						
Investment holding	2,857	4,577	(1,720)	8,111	9,674	(1,563)
Life insurance business	23,268	15,374	7,894	15,380	57,447	(42,067)
Asset management services	5,090	5,137	(47)	13,920	14,536	(616)
Total	31,215	25,088	6,127	37,411	81,657	(44,246)

Notes to the Interim Financial Statements (Continued)

19. Review of performance (continued)

Financial Period ended 30 September 2022 vs Financial Period ended 30 September 2021

The Group's operating revenue for the financial period ended 30 September 2022 increased by RM69.1 million or 6.6% compared to the financial period ended 30 September 2021 (2022: RM1,118.7 million, 2021: RM1,049.6 million). The Group's profit before tax for YTD September 2022 was RM37.4 million, a decrease of RM44.2 million or 54.2% as compared to the profit before tax for YTD September 2021 of RM81.6 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue increased slightly by RM1.1 million due to higher interest income on deposits and bonds. However, profit before tax fell by RM1.6 million due to realised losses on equities.

Life insurance business – Operating revenue of life insurance business increased by RM89.2 million or 9.7% mainly due to higher premium income collected. However, profit before tax fell by RM42.1 million mainly due to higher unrealised fair value losses on equities quoted outside Malaysia, lower realised gains from equity securities compared to prior year financial period and unfavourable asset value 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 RM21.3 million and RM0.6 million mainly due to lower unit trust sales, offset by higher management fee income from higher assets under management.

3rd Quarter 2022 vs 3rd Quarter 2021

The Group's operating revenue for the quarter ended 30 September 2022 increased by RM32.6 million compared to the corresponding quarter last year (2022: RM395.8 million, 2021: RM363.2 million). The Group's profit before tax for Q3 2022 was RM31.2 million, an increase of RM6.1 million compared to Q3 2021, RM25.1 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue increased marginally by RM0.4 million due to higher interest income, while profit before tax fell by RM1.7 million due to realised losses on disposal of equities.

Life insurance business – Operating revenue of life insurance business increased by RM43.9 million mainly due to higher premium and investment income. Profit before tax increased by RM7.9 million mainly due to higher new business gain offset by unfavourable asset net of insurance contract liability movement as a result of increase in interest rate.

Asset management services – Operating revenue fell by RM11.8 million while profit before tax remains consistent with Q3 2021 due to lower unit trust sales and management fee income, offset by lower expenses.

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		
	30.09.2022	30.06.2022	Increase/(Decrease)
	RM'000	RM'000	RM'000
<u>Operating Revenue</u>			
Investment holding	6,277	5,573	704
Life insurance business	361,574	325,559	36,015
Asset management services	27,985	29,239	(1,254)
Total	395,836	360,371	35,465
<u>Profit/(loss) before taxation</u>			
Investment holding	2,857	2,572	285
Life insurance business	23,268	(4,670)	27,938
Asset management services	5,090	3,310	1,780
Total	31,215	1,212	30,003

The Group's operating revenue for the current quarter under review ("Q3 2022") increased by RM35.5 million compared with the preceding quarter ended 30 June 2022 ("Q2 2022"). The Group recorded a profit before tax of RM31.2 million in Q3 2022 compared with a profit before tax of RM1.2 million for Q2 2022. The increase in profit before tax of RM30.0 million was contributed by the following segments:

Investment holding – Operating revenue and profit before tax increased marginally by RM0.7 million and RM0.3 million due to higher interest income from bonds.

Life insurance business – Operating revenue of life insurance business increased by RM36.0 million mainly due to higher premium income and dividend income. Profit before tax was RM27.9 mil higher than Q2 2022 mainly contributed by higher new business gains and release in reserve due to update in actuarial valuation assumptions.

Asset management services – Operating revenue fell by RM1.2 million in Q3 2022 due to lower upfront fees from sales of unit trust funds and lower management fee income, while profit before tax increased by RM1.8 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 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
First year premium	42,900	37,648	133,890	117,080
Renewal year premium	188,398	176,704	546,613	502,266
Single premium	47,791	25,805	114,753	83,336
Total	279,089	240,157	795,256	702,682

22. Investment income

	3 months ended		Cumulative 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
- designated upon initial recognition				
Interest/profit sharing income	13,408	10,152	35,699	26,954
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	8,409	10,614	21,224	23,985
- quoted outside Malaysia	185	240	560	537
- unquoted outside Malaysia	10	-	32	-
- real estate investment trusts				
- quoted in Malaysia	130	17	305	17
- unit trust funds	6,027	1,905	7,253	3,867
- mutual funds				
- outside Malaysia	210	215	492	533
Net amortisation of premiums	(1,320)	(1,401)	(4,215)	(3,138)
<u>AFS financial assets</u>				
Interest/profit sharing income	27,450	26,277	81,691	75,834
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	8,268	7,051	19,387	22,683
- quoted outside Malaysia	-	221	416	723
- unquoted in Malaysia	70	140	70	140
- real estate investment trusts				
- quoted in Malaysia	193	184	548	420
- unit trust funds	-	-	-	54
Net amortisation of premiums	(1,999)	(2,106)	(6,330)	(5,624)
<u>Loans and receivables</u>				
Interest/profit sharing income	4,045	3,867	11,758	11,188
<u>Investment properties</u>				
Rental income	1,045	945	2,353	2,813
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	183	53	333	194
	<u>66,314</u>	<u>58,374</u>	<u>171,576</u>	<u>161,180</u>

Notes to the Interim Financial Statements (Continued)

23. Other operating (income)/expenses

	3 months ended		Cumulative 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Foreign exchange				
- Realised (gains)/losses	(1,879)	253	(1,813)	(152)
- Unrealised gains	(10,487)	(1,501)	(23,766)	(9,247)
Interest expense on agent's bond withheld	3	4	11	12
Others	2,190	2,295	6,404	6,445
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	4,458	1,667	12,685	16,365
- Deferred tax	(3,019)	660	(18,777)	(549)
	1,439	2,327	(6,092)	15,816
	<u>(8,734)</u>	<u>3,378</u>	<u>(25,256)</u>	<u>12,874</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 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	603	2,227	3,127	6,306
Depreciation of property and equipment	896	874	2,689	2,612
Investment income (Note 22)	(66,314)	(58,374)	(171,576)	(161,180)
Allowance for/(reversal of) impairment loss on loans receivable	3	(12)	10	(4)
Allowance for impairment loss on insurance receivable	5	-	5	-
Net foreign exchange gains	(12,366)	(1,248)	(25,579)	(9,399)

Notes to the Interim Financial Statements (Continued)

24. Profit before taxation (continued)

	3 months ended		Cumulative 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Net realised gains:				
- realised gains on disposal of AFS investments	(4,492)	(24,674)	(34,247)	(125,467)
	(4,492)	(24,674)	(34,247)	(125,467)
Net fair value losses/(gains):				
- fair value losses/(gains) on FVTPL investments/ derivatives	54,772	(25,266)	287,849	(32,728)
- impairment loss on quoted equities	9,691	938	23,648	14,022
	64,463	(24,328)	311,497	(18,706)

25. Taxation

	3 months ended		Cumulative 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
<u>Income tax</u>				
Current financial period	7,007	3,608	11,851	12,780
Underprovision in prior financial years	242	677	242	677
	7,249	4,285	12,093	13,457
<u>Deferred tax</u>				
Origination of/(reversal of) temporary differences	140	87	(93)	297
	140	87	(93)	297
	7,389	4,372	12,000	13,754

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 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	31,215	25,088	37,411	81,657
Taxation at Malaysian statutory tax rate of 24%	7,492	6,021	8,979	19,598
Effect of different tax rate in respect of Labuan subsidiary	-	(1,072)	-	(2,918)
Section 110B tax credit set off	(1,064)	(666)	(2,050)	(2,943)
Income not subject to tax	(1,418)	(2,218)	(4,462)	(6,340)
Expenses not deductible for tax purposes	2,117	1,630	9,209	5,618
Changes in unrecognised deferred tax assets	20	-	82	62
	7,147	3,695	11,758	13,077
Underprovision in prior financial years				
- Current tax	242	677	242	677
	7,389	4,372	12,000	13,754

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 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Net profit attributable to owners of the Company (RM'000)	23,826	20,716	25,411	67,903
Weighted average number of ordinary shares in issue ('000)	214,933	210,515	212,696	208,174
Basic and diluted earnings per share (Sen)	11.20	9.82	11.95	32.62

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 30.09.2022 RM'000	As at 31.12.2021 RM'000	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
Actuarial liabilities	3,042,309	3,025,200	3,038,401	3,017,648
Unallocated surplus	68,692	26,535	68,692	26,535
Fair value reserve	(18,935)	123,463	(18,935)	123,463
Asset revaluation reserve	2,069	2,069	2,069	2,069
Investment-linked policyholders' account	1,254,969	1,397,354	1,254,969	1,397,354
	<u>4,349,104</u>	<u>4,574,621</u>	<u>4,345,196</u>	<u>4,567,069</u>

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

	Gross		Net	
	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000	As at 30.09.2022 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	53,291	88,876	51,642	86,784
New business reserve	62,631	71,128	68,441	68,311
Discount rate and other changes	(124,727)	(39,567)	(124,727)	(39,567)
Unallocated surplus	42,157	36,821	42,157	36,821
Effect of movements in exchange rate	25,914	5,834	25,397	5,593
Fair value reserve, net of tax	(142,398)	(153,789)	(142,398)	(153,789)
Asset revaluation reserve				
- Revaluation adjustment	-	(523)	-	(523)
- Reversal on revaluation	-	231	-	231
	-	(292)	-	(292)
Investment-linked policyholders' account	(142,385)	27,556	(142,385)	27,556
At 30 September/31 December	<u>4,349,104</u>	<u>4,574,621</u>	<u>4,345,196</u>	<u>4,567,069</u>

28. Current tax assets/(liabilities)

	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
Current tax assets	22,926	22,841
Current tax liabilities	(7,086)	(4,980)
	<u>15,840</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. The next mention date for MIB's application to the Special Commissioner of Income Tax on the assessments has been fixed on 16th January 2023.

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 30.09.2022	As at 31.12.2021
	RM'000	RM'000
Investment holding	4,568	8,353
Life insurance business:-		
Shareholder's fund	33,533	25,200
Non Investment-linked business	126,386	96,882
Investment-linked business	19,288	18,584
Asset management services	97,598	88,886
	<u>281,373</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:

	30.09.2022	Cumulative 9 months ended 30.09.2021
	RM'000	RM'000
Expenses/(income):		
Intermediate holding company		
Reimbursement of personnel expenses	2,200	3,036
Reimbursement of software maintenance expenses	3,728	2,648
Provision of IT development services	-	129
Provision of IT infrastructure support and maintenance services		
- Paid and payable	12,847	11,401
- Waiver of prior year's expenses	-	(3,228)
	<u> </u>	<u> </u>
Subsidiaries of ultimate holding company		
Rebate income	(9,955)	(9,933)
Management fee expense	4,128	2,118
Investment consulting services	379	151
Provision of IT infrastructure support and maintenance services	2,782	384
	<u> </u>	<u> </u>

Notes to the Interim Financial Statements (Continued)

31. Capital and other commitments

	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
<i>Other commitments</i>		
Exclusive bancassurance agreement - Authorised but not provided for	<u>2,250</u>	<u>4,500</u>
Distribution agreement - Authorised but not provided for	<u>2,764</u>	<u>5,363</u>
Investment in Private Equity Funds		
As at 1 January	38,796	-
Capital committed	-	58,042
Capital contributions	(9,443)	(19,246)
Capital return	15	-
Expenses incurred	(67)	-
Currency movement	<u>4,565</u>	<u>-</u>
As at 30 September/31 December	<u>33,866</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	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>LAR</u> RM'000	<u>OL</u> RM'000	<u>Total</u> RM'000
30 September 2022					
Financial assets					
AFS financial assets	2,988,764	-	-	-	2,988,764
Financial assets at FVTPL	-	2,342,265	-	-	2,342,265
Loans and receivables	-	-	599,645	-	599,645
Insurance receivables	-	-	7,428	-	7,428
Cash and cash equivalents	-	-	281,373	-	281,373
	<u>2,988,764</u>	<u>2,342,265</u>	<u>888,446</u>	<u>-</u>	<u>6,219,475</u>
Financial liabilities					
Financial liability at FVTPL	-	2,592	-	-	2,592
Insurance payables	-	-	-	799,159	799,159
Other payables	-	-	-	296,300	296,300
	<u>-</u>	<u>2,592</u>	<u>-</u>	<u>1,095,459</u>	<u>1,098,051</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 gains/(losses) recognised as		Net carrying amount RM'000
		Financial asset RM'000	Financial liability RM'000	
30 September 2022				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	113,357	-	(2,592)	(2,592)
- Less than 1 year	<u>6,163</u>	<u>38</u>	<u>-</u>	<u>38</u>
31 December 2021				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	<u>119,952</u>	<u>933</u>	<u>-</u>	<u>933</u>

There is no change in risks and policies associated with the derivatives and its related accounting policies since the financial year ended 31 December 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 30.09.2022</u>	<u>As at 31.12.2021</u>	<u>As at 30.09.2022</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>25,989</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	(431)	(587)	-	-
Fair value loss	-	(576)	-	(4,394)
At 30 September/31 December	<u>25,989</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 September 2022				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	530,951	530,951	-	-
- Quoted outside Malaysia	109,713	109,713	-	-
Real estate investment trusts	12,219	12,219	-	-
Unit trust funds	1,189	1,189	-	-
Malaysian Government Securities	387,765	-	387,765	-
Government Investment Issues	318,911	-	318,911	-
Corporate debt securities				
- Unquoted	1,598,510	-	1,598,510	-
Accrued interest	26,990	-	26,990	-
	<u>2,986,248</u>	<u>654,072</u>	<u>2,332,176</u>	<u>-</u>
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	707,966	707,966	-	-
- Quoted outside Malaysia	38,037	38,037	-	-
Private equity funds				
- Unquoted outside Malaysia	35,608	-	-	35,608
Real estate investment trusts	12,128	12,128	-	-
Unit trust funds	162,708	162,708	-	-
Malaysian Government Securities	175,462	-	175,462	-
Government Investment Issues	127,706	-	127,706	-
Corporate debt securities				
- Unquoted	713,672	-	713,672	-
- Quoted outside Malaysia	195,668	-	195,668	-
Mutual funds	158,374	158,374	-	-
Forward foreign exchange contract	38	-	38	-
Accrued interest	14,898	-	14,898	-
	<u>2,342,265</u>	<u>1,079,213</u>	<u>1,227,444</u>	<u>35,608</u>
	<u>5,328,513</u>	<u>1,733,285</u>	<u>3,559,620</u>	<u>35,608</u>
Financial liabilities at FVTPL				
Forward foreign exchange contract	2,592	-	2,592	-

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	-	-
Capital contributions	19,246	19,246
Fair value loss recognised in profit or loss	(125)	(125)
Currency movement	1	1
At 31 December 2021/1 January 2022	<u>19,122</u>	<u>19,122</u>
Capital contributions	9,443	9,443
Capital returns	(15)	(15)
Fair value gain recognised in profit or loss	4,040	4,040
Currency movement	3,018	3,018
At 30 September 2022	<u><u>35,608</u></u>	<u><u>35,608</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	35,608	Net asset value ("NAV")	NAV	NAV
2021				
Private equity funds	19,122	Net asset value ("NAV")	NAV	NAV

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))

Interim financial statements for the financial period ended 30 September 2022

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 September 2022	Fair value as at 1 January 2022 RM'000	Change in fair value* RM'000	Fair value as at 30 September 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	(181,797)	1,238,917	Non-SPPI	FVTPL
- Quoted outside Malaysia	199,193	(51,443)	147,750	Non-SPPI	FVTPL
- Unquoted – local	2,516	-	2,516	Non-SPPI	FVTPL
Private equity funds	19,122	16,486	35,608	Non-SPPI	FVTPL
Real estate investment trusts	27,251	(2,904)	24,347	Non-SPPI	FVTPL
Unit trust funds	181,990	(18,093)	163,897	Non-SPPI	FVTPL
Malaysian Government Securities	392,818	170,409	563,227	SPPI	FVOCI
Government Investment Issues	401,030	45,587	446,617	SPPI	FVOCI
Corporate debt securities					
- Unquoted	2,383,349	(71,167)	2,312,182	SPPI	FVOCI
- Quoted outside Malaysia	193,621	2,047	195,668	SPPI	FVOCI
Mutual funds	217,928	(59,554)	158,374	Non-SPPI	FVTPL
Forward foreign exchange contract	933	(895)	38	Non-SPPI	FVTPL
Accrued interest	36,558	5,330	41,888	SPPI	FVOCI
Loans and receivables	622,177	(22,532)	599,645	SPPI	Amortised cost
Insurance receivables	14,797	(7,369)	7,428	SPPI	Amortised cost
Cash and cash equivalents	237,905	43,468	281,373	SPPI	Amortised cost
	<u>6,351,902</u>	<u>(132,427)</u>	<u>6,219,475</u>		

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

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))

Interim financial statements for the financial period ended 30 September 2022

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).

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 September 2022

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 September 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Malaysian Government						
Securities	-	-	-	-	563,227	563,227
Government Investment Issues	-	-	-	-	446,617	446,617
Corporate debt securities						
- Unquoted	1,114,417	792,830	509	-	404,426	2,312,182
- Quoted outside Malaysia*	16,672	56,917	67,604	54,475	-	195,668
Accrued interest	11,927	10,821	641	668	17,831	41,888
Loans and receivables	262,632	60,146	-	-	276,867	599,645
Insurance receivables	-	-	-	-	7,428	7,428
Cash and cash equivalents	204,140	14,304	22,056	-	96	240,596
Cash and cash equivalents*	-	36,359	4,418	-	-	40,777
	<u>1,609,788</u>	<u>971,377</u>	<u>95,228</u>	<u>55,143</u>	<u>1,716,492</u>	<u>4,448,028</u>

* Rated by international rating agencies

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 September 2022

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
 23 November 2022

Chin Mun Yee
Joint Secretary