MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 31 March 2023

Part A: 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 2022, which were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"), except as disclosed in note 2 to the interim financial statements.

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 2022.

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 2022, except for the adoption of the following MFRS and amendments to MFRS:

Description	Effective Date
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts*	1 January 2023
Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendments to MFRS 17 *Insurance Contracts*)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101)	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)	1 January 2023

The adoption of the above standard and amendments to standards issued by Malaysian Accounting Standards Board ("MASB") in the current financial period do not have any material impact to the financial statements of the Group, except as discussed below.

2. Significant accounting policies (continued)

(a) Changes in accounting and reporting policy

(i) MFRS17 *Insurance Contracts*

MFRS 17 *Insurance Contracts* was issued in May 2017, replacing MFRS 4 *Insurance Contracts*. This standard resulted in significant changes to the accounting for insurance and reinsurance contracts. The Group adopted MFRS 17 *Insurance Contracts*, including any consequential amendments to other standards and subsequent amendments to MFRS 17, beginning the first quarter of 2023, with corresponding comparative financial information provided for 2022.

MFRS 17 establishes principles for recognition, measurement, presentation and disclosures of insurance and reinsurance contracts. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, a risk adjustment for non-financial risk and a contractual service margin ("CSM").

Under MFRS 17, for insurance contracts measured under the general measurement model ("GMM") and variable fee approach ("VFA"), new business gains are recorded on the Consolidated Statements of Financial Position (as part of the CSM component of the insurance contract liability) and amortised into profit or loss as services are provided. New business losses are recorded into profit or loss immediately. For reinsurance contracts held, both reinsurance gain/losses at inception are amortised into profit or loss as services are provided. Also, investment components are no longer included in insurance revenue and insurance service expenses. Any financial changes and financial risk changes related to insurance and reinsurance contracts are recorded separately from insurance and reinsurance service result and are disaggregated between investment result in profit or loss and Other Comprehensive Income ("OCI"). Under the premium allocation approach ("PAA") measurement model, which is applied to contracts that are short term in nature (mostly one year or less), the measurement of insurance and reinsurance contracts are simplified and is similar to the Group's previous accounting treatment of insurance and reinsurance contracts.

During the implementation period of MFRS 17, the Group has determined the following:

- Its insurance contracts are substantially measured using the General Measurement Model ("GMM");

- Policies which have contract boundaries (ie. coverage periods of less than 1 year) are measured under Premium Allocation Approach ("PAA");

- For policies with direct participation features wherein payments on investment returns to policyholders are based on contractual terms which substantially vary with the underlying items are measured using Variable Fee Approach ("VFA") model.

The Group will be applying the GMM model for all reinsurance contracts held.

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(a) Changes in accounting and reporting policy (continued)

(ii) MFRS 9 *Financial Instruments*

MFRS 9 *Financial Instruments* was issued in 2014, replacing MFRS 139 *Financial Instruments: Recognition and Measurement*. MFRS 9 was effective for annual periods beginning on or after January 1, 2018 except for entities whose liabilities are primarily insurance contract liabilities. The Group adopted MFRS 9, with related amendments to IFRS 7 *Financial Instruments: Disclosures* as of January 1, 2023.

MFRS 9 does not require restatement of comparative periods except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives as long as hindsight is not applied.

Upon the adoption of MFRS 9, the Group adopted the classification overlay approach as allowed under the Amendments to MFRS 17. Under this approach, the Group reclassified and redesignated the financial assets held as of 31 December 2021, as if they have been adopting MFRS 9 as of 31 December 2021, however, no recomputation of Expected Credit Loss is performed. The Group is allowed to use the Impairment Losses recognised under MFRS 139, if any, as the Expected Credit Loss under MFRS 9. In the case of assets classified as FVTPL under MFRS 139, and reclassified as FVOCI under MFRS 9, no impairment was calculated for these financial instruments for financial year ended 31 December 2022.

The adoption of MFRS 9 as of 1 January 2022 resulted in differences in the assets classification when compared to their classification under MFRS 139. Classification changes included reclassifying debt securities supporting insurance contract liabilities from FVTPL under MFRS 139 to FVOCI under MFRS 9 and reclassifying Available-for-sale (“AFS”) equities under MFRS 139 to FVTPL under MFRS 9. These classification changes led the Group to present certain investment results previously reported in profit or loss or OCI under MFRS 139, within OCI or profit or loss under MFRS 9, respectively.

The Group’s accounting policies for classification and measurement of financial instruments and impairment of financial assets in accordance with MFRS 9 are as follows:-

<u>Classification and measurement</u>

The Group classify financial assets into three primary measurement categories: Fair Value Through Profit or Loss (“FVTPL”), Fair Value Through Other Comprehensive Income (“FVOCI”) and Amortised Cost,.

The classification of financial assets depends on the Group’s business model of managing the financial assets in order to generate cashflows (“business model test”) and the contractual cashflow characteristics of the financial instruments (“SPPI test”). The business model test determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The SPPI test determines whether the contractual cash flows are solely for payments of principal and interest.

A financial asset is measured at amortised cost if its business model is to hold the asset in order to collect contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(a) Changes in accounting and reporting policy (continued)

(ii) MFRS 9 *Financial Instruments*(continued)

A financial asset is measured at fair value through other comprehensive income (“FVOCI”) if its business model is both to hold the asset to collect contractual cash flows and to sell the financial asset. In addition, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

All other financial assets are classified and measured at FVTPL.

Impairment

MFRS 9 impairment requirements are based on an Expected Credit Loss (“ECL”) model that replaces the Incurred Loss model under the MFRS 139.

The Group’s policy on recognition and measurement of ECL with effect from Transition Date as of 1 January 2023 is similar with the policy as set out in Note (2)(i)(iii) of the audited financial statements for financial year ended 31 December 2022.

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9

Presentation and disclosure differences

There are significant changes to presentation and disclosure of the financial statements upon the adoption of MFRS17. The following outlines some of the key presentation and disclosure changes:

- Statements of Financial Position:

  (i) Under MFRS 17, the Group presents portfolios of insurance separately from portfolios of reinsurance contracts held, and portfolios of asset position are further presented separately from portfolios of liability position. Policy loans (which were previously reported within Loans and receivables), insurance receivables and payables, provision for outstanding claims (which were reported as separate line items), will be assessed on net portfolio position and reported within Insurance Contract Liabilities or Assets as these are insurance contract related balances. Reinsurance receivables and payables, reinsurance assets and liabilities will be assessed on a net portfolio position and reported within Reinsurance Contract Liabilities or Assets as these are reinsurance contract related. Under MFRS 4, contracts were not split and presented by asset and liability position.

  (ii) Under MFRS17, Unallocated Surplus of Participating Funds, which represents the surplus which have yet to be declared to Shareholders will be recognised as part of Non-distributable Retained Earnings of the Group. Under MFRS4, these Unallocated Surplus were recognised as part of the Insurance Contract Liabilities.

  (iii) Under MFRS17, the Group will no longer consolidate and report the Statement of Financial Position of Investment-linked funds together with the Total Assets and Total Liabilities of the Group on a line-by-line basis; instead, the Investment-linked funds will be reported as two separate lines on the Group’s Statements of Financial Position as “Segregated Funds Net Assets” and “Segregated Funds Insurance Net Liabilities”.

- Statements of Comprehensive Income:

  (i) The presentation of the statements of comprehensive income will change significantly upon the adoption of MFRS 17, with clear delineation of underwriting and investment results. There will no longer be items such as gross, net or earned premiums or net claims incurred shown on the statement of profit or loss. Under MFRS 17, the Group separately presents insurance revenue, insurance service expense, insurance finance income or expenses, and income or expenses from reinsurance contracts held. Under MFRS 4, the Group reported premium income, gross claims and benefits, changes in insurance contract liabilities, benefits and expenses ceded to reinsurers and changes in reinsurance assets.

  (ii) Under MFRS17, the Group will no longer consolidate and report the Statement of Profit or Loss of Investment-linked funds together with the income and expense of the Group on a line-by-line basis; instead, the Investment-linked funds will be reported as two separate lines on the Group’s Statements of Profit or Loss as “Investment income related to segregated fund net assets” and “Financial changes related to segregated fund net liabilities”.

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

Financial impact from adoption of MFRS 17

The effects as a result of adoption of MFRS 17 were recognised as adjustments to retained earnings and accumulated other comprehensive income as at 1 January 2022. The adoption resulted in an increase to total equity as of 1 January 2022 by RM178 million (net of tax) as set out below:

Measurement and classification differences	Description
Transition CSM	Contractual Service Margin (CSM) is a new liability that represents future unearned profits on insurance contracts written. For this measurement step, the amount recognised as at the transition date, 1 January 2022 was RM241 million, with a corresponding impact to reduce Total Non-distributable Equity by RM188 million (net of tax).
Contract Measurement	Under MFRS 17, other components of insurance contract liabilities, aside from the CSM, are also remeasured. This measurement step includes the following changes: Higher Risk Adjustments provisions held within the Group's insurance liabilities for non-economic risk on application of the MFRS 17 standard of RM232 million, with a corresponding impact to reduce Total Non-distributable Equity by RM176 million (net of tax); Lower Best Estimate Liability of RM562 million from the removal of sterling reserve requirements for products with negative reserves under MFRS 17 and the Group elected change in reserving methodology for products previously measured on the unearned premium reserve method under MFRS 4 but on a gross premium valuation method under MFRS 17. This has corresponding impact to increase Total Non-distributable Equity by RM425 million (net of tax).
Classification differences	Under MFRS 4, Unallocated Surplus, Asset Revaluation Reserves and Fair Value Reserves of Participating Policyholders' Funds of RM152 million were reported within Insurance Contract Liabilities. Under MFRS 17, these balances are reported as part of the Non-Distributable Equity of the Group. The reclassification has contributed to lower Insurance Contract Liabilities of RM152 million, with a corresponding increase in Non-Distributable Equity of RM117 million (net of tax).

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

Classification differences

The classification of financial assets and the impact as of 1 January 2022 are set out as follows:

- Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.
- The equity shares in non-listed companies that are intended to be held for the foreseeable future will be classified as FVTPL. No impairment losses were recognised in profit or loss during prior periods for these investments.
- All debt securities which include Malaysian Government Securities, Government Investment Issues and corporate debt securities will be measured at FVOCI, as the Group expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis, except for those debt securities held by unit trust subsidiaries which will be measured at FVTPL. Accordingly, debts securities currently held as FVTPL assets will be reclassified to FVOCI assets.

  The Group reassessed and redesignated one of the subsidiary's debts securities which were previously classified as FVTPL under MFRS9 (on its standalone financial statements) to FVOCI as allowed under Amendment MFRS 17.

  No impairment losses were recognised in profit or loss during prior periods for these investments. Accordingly, no ECL recognised for these investments.
- Loans and receivables which include fixed and call deposits and other receivables are held to collect contractual cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria to be carried at amortised cost under MFRS 9. Therefore, reclassification for these instruments is not required.

The reclassification of financial assets from FVTPL to FVOCI, and from FVOCI to FVTPL resulted in a corresponding reclassification from fair value reserve to Shareholders' retained earnings of RM8 million and Participating policyholders' non-distributable retained earnings of RM92 mil at 1 January 2022.

Measurement differences

The Group also remeasured the unquoted equity securities which were previously measured at cost under MFRS 139 to fair value based on its share of the net asset value of the investee at 1 January 2022, resulted in an increase in total retained earnings of RM 18 mil (net of tax).

ECL impact

As the Group adopted the classification overlay approach for comparative balances, no ECL were recorded for the comparative results for financial year ended 31 December 2022. Instead, the effects from the implementation of impairment requirements based on an ECL methodology of RM5 million (net of tax) was recognised on 1 January 2023.

Changes made in relation to adoption of MFRS 9 were presented under "Effect of adopting MFRS 9" at 1 January 2022 and "Effect of adopting MFRS 9 classification overlay" at 1 January 2023 in the Condensed Consolidated Statement of Changes in Equity.

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's financial assets as at 1 January 2022.

	Original classification under MFRS 139		New Classification and measurement under MFRS 9		
	AFS RM'000	FVTPL RM'000	FVOCI RM'000	FVTPL RM'000	Segregated Funds Net Asset* RM'000
Equity securities					
- Quoted in Malaysia	633,750	786,964	-	633,750	786,964
- Quoted outside Malaysia	131,774	67,419	-	179,704	19,489
- Unquoted	2,516	-	-	21,733	-
Real estate investment trusts	18,773	8,478	-	18,773	8,478
Unit trust funds	1,206	180,784	-	1,206	180,784
Private equity funds					
- Quoted outside Malaysia	-	19,122	-	19,122	-
Malaysian Government Securities	314,771	78,047	351,137	39,511	2,170
Government Investment Issues	283,634	117,396	344,788	35,640	20,602
Corporate debt securities					
- Unquoted	1,748,511	634,838	1,948,860	350,130	84,359
- Quoted	-	193,621	193,621	-	-
Mutual funds					
- Quoted outside Malaysia	-	217,928	-	-	217,928
Forward foreign exchange contract	-	933	-	-	933
Accrued interest	26,103	10,455	30,528	4,560	1,470
	3,161,038	2,315,985	2,868,934	1,304,129	1,323,177

* Included as part of Segregated Funds Net Assets.

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

The adoption of MFRS 9 and MFRS 17 resulted in the following effects to the condensed consolidated statement of financial position of the Group at 31 December 2022.

Statement of Financial Position

	31.12.2022 As previously stated RM'000	Classification and measurement RM'000	31.12.2022 As restated RM'000	Expected credit losses RM'000	1.1.2023 As restated RM'000
ASSETS					
Property and equipment	36,085	-	36,085	-	36,085
Investment property	78,902	-	78,902	-	78,902
Intangible assets	126,244	-	126,244	-	126,244
Available-for-sale financial assets	3,126,332	(3,126,332)	-	-	-
Financial assets at fair value through other comprehensive income	-	3,073,251	3,073,251	-	3,073,251
Financial assets at fair value through profit or loss	2,380,807	(1,143,855)	1,236,952	-	1,236,952
Loans and receivables	643,217	(643,217)	-	-	-
Financial assets at amortised cost	-	401,786	401,786	-	401,786
Reinsurance contract assets	10,735	(10,420)	315	-	315
Insurance receivables	11,019	(11,019)	-	-	-
Right-of-use assets	3,478	-	3,478	-	3,478
Deferred tax assets	345	(345)	-	-	-
Current tax assets	26,595	1,492	28,087	-	28,087
Other assets	-	11,657	11,657	-	11,657
Cash and cash equivalents	258,793	(13,918)	244,875	-	244,875
Segregated funds net asset	-	1,324,405	1,324,405	-	1,324,405
TOTAL ASSETS	6,702,552	(136,515)	6,566,037	-	6,566,037

Part A: Notes to the Interim Financial Statements (Continued)

2. **Significant accounting policies (continued)**

(b) **Effects of adoption MFRS 17 and MFRS 9** (continued)

The adoption of MFRS 9 and MFRS 17 resulted in the following effects to the condensed consolidated statement of financial position of the Group at 31 December 2022. (continued)

Statement of Financial Position (continued)

	31.12.2022 As previously stated RM'000	**Classification and measurement RM'000**	**31.12.2022 As restated RM'000**	**Expected credit losses RM'000**	**1.1.2023 As restated RM'000**
LIABILITIES					
Insurance contract liabilities	4,561,710	(1,010,186)	3,551,524	-	3,551,524
Segregated funds insurance net liabilities	-	1,324,405	1,324,405	-	1,324,405
Insurance claims liabilities	88,224	(88,224)	-	-	-
Reinsurance contract liabilities	-	54,980	54,980	-	54,980
Financial liability at fair value through profit or loss	12	(12)	-	-	-
Deferred tax liabilities	35,187	75,369	110,556	-	110,556
Insurance payables	814,306	(814,306)	-	-	-
Lease liabilities	3,506	-	3,506	-	3,506
Other liabilities	244,357	106,461	350,818	-	350,818
TOTAL LIABILITIES	5,747,302	(351,513)	5,395,789	-	5,395,789
EQUITY					
Share capital	131,041	-	131,041	-	131,041
Retained earnings	817,999	216,177	1,034,176	(1,868)	1,032,308
Other reserves	6,210	14,530	20,740	1,868	22,608
Total shareholders' equity	955,250	230,707	1,185,957	-	1,185,957
Participating policyholder's equity	-	(15,709)	(15,709)	-	(15,709)
TOTAL EQUITY	955,250	214,998	1,170,248	-	1,170,248
TOTAL LIABILITIES AND EQUITY	6,702,552	(136,515)	6,566,037	-	6,566,037

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

The adoption of MFRS 9 and MFRS 17 resulted in the following effects to the statement of total comprehensive income of the Group at 31 March 2022

Statement of Total Comprehensive Income

	31.03.2022 As previously stated RM'000	Classification and measurement RM'000	31.03.2022 As restated RM'000
Net profit for the financial period	1,092	(1,698)	(606)
Other comprehensive loss, net of tax			
Net gain on foreign currency translation	102	233	335
Fair value change of AFS/FVOCI financial assets, net of tax	(7,110)	(50,958)	(58,068)
Insurance finance income, net of deferred tax	-	52,555	52,555
Insurance finance expense, net of deferred tax	-	(912)	(912)
Other comprehensive loss for the financial period	(7,008)	918	(6,090)
Total comprehensive loss for the financial period	(5,916)	(780)	(6,696)

Part A: Notes to the Interim Financial Statements (Continued)

3. Seasonal/cyclical factors

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

4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 31 March 2023.

5. 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 risk adjustment to reflect the uncertainty of adverse deviation from expected experience. Valuation assumptions used includes mortality, morbidity, lapse, expense, risk-free interest rate plus illiquidity premium, and participating life funds' yield derived based on asset liability method. For calculating the contractual service margin ("CSM"), the fair value approach is used for all in-force policies sold before 2021, and the full retrospective approach is used for all policies sold in 2021 onwards.

There were no material changes in the basis used for accounting estimates for the current financial period ended 31 March 2023.

6. Debt and equity securities

There were no other issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current quarter ended 31 March 2023.

7. Dividend Paid

No dividend has been paid in the current financial period ended 31 March 2023.

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

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.

9. Changes in composition of the Group

There were no significant changes in the composition of the Group for the current financial period ended 31 March 2023.

10. 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.

Part A: Notes to the Interim Financial Statements (Continued)

11. Current tax assets

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Current tax assets	22,746	28,087
	22,746	28,087

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 15th June 2023.

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 Group strongly believes that there are good grounds to contest the additional assessment and hence has treated the above tax payment as tax recoverable.

12. Cash and cash equivalents

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Investment holding	5,362	6,925
Life insurance business:-		
Shareholder's fund	15,495	23,617
Life insurance business	99,980	102,934
Asset management services	68,205	111,399
	189,042	244,875

Part A: Notes to the Interim Financial Statements (Continued)

13. Insurance and segregated funds contract liabilities

	Liabilities for remaining coverage			
	Exclude loss component RM'000	Loss component RM'000	Liability for incurred claims RM'000	Total RM'000
At 1 January 2023				
Insurance contract liabilities	3,317,013	68,415	166,096	3,551,524
Segregated fund insurance net liabilities	1,324,405	-	-	1,324,405
	4,641,418	68,415	166,096	4,875,929
Insurance revenue				
Expected incurred claims and other insurance service result	(52,207)	-	-	(52,207)
Change in risk adjustment for non-financial risk expired	(8,703)	-	-	(8,703)
CSM recognised for service provided	(10,981)	-	-	(10,981)
Recovery of insurance acquisition cashflows	(8,176)	-	-	(8,176)
Contracts under PAA	(897)	-	-	(897)
	(80,964)	-	-	(80,964)
Insurance service expense				
Incurred claims and other insurance service expenses	-	(487)	52,298	51,811
Losses and reversal of losses on onerous contracts (future service)	-	6,227	-	6,227
Amortisation of insurance acquisition cashflow	8,272	-	-	8,272
	8,272	5,740	52,298	66,310
Investment components and premium refunds	(74,972)	-	74,972	-
Insurance service result	(147,665)	5,741	127,270	(14,654)
Insurance finance expense	77,959	88	2,207	80,254
Effects of movements in exchange rates	576	-	70	646
Total changes in statement of profit or loss and other comprehensive income	(69,130)	5,829	129,547	66,246
Cash flows				
Premiums and premium tax received	219,742	-	-	219,742
Claims and other insurance service expenses paid, including investment components	-	-	(125,981)	(125,981)
Insurance acquisition cash flows	(57,507)	-	-	(57,507)
Total cash flows	162,235	-	(125,981)	36,254
Movements related to segregated fund insurance net liabilities	10,678	-	-	10,678
At 31 March 2023				
Insurance contract liability	3,410,118	74,244	169,662	3,654,024
Segregated fund insurance net liabilities	1,335,083	-	-	1,335,083
	4,745,201	74,244	169,662	4,989,107

Part A: Notes to the Interim Financial Statements (Continued)

13. Insurance and segregated funds contract liabilities (continued)

	Liabilities for remaining coverage			
	Exclude loss component RM'000	Loss component RM'000	Liability for incurred claims RM'000	Total RM'000
At 1 January 2022				
Insurance contract asset	(3,075)	139	-	(2,936)
Insurance contract liabilities	3,287,143	-	132,123	3,419,266
Segregated fund insurance net liabilities	1,397,354	-	-	1,397,354
	4,681,422	139	132,123	4,813,684
Insurance revenue				
Expected incurred claims and other insurance service result	(243,052)	-	(271)	(243,323)
Change in risk adjustment for non-financial risk expired	(34,121)	-	-	(34,121)
CSM recognised for service provided	(34,601)	-	-	(34,601)
Recovery of insurance acquisition cashflows	(22,004)	-	-	(22,004)
Contracts under PAA	(2,800)	-	-	(2,800)
	(336,578)	-	(271)	(336,849)
Insurance service expense				
Incurred claims and other insurance service expenses	-	19,773	189,966	209,739
Losses and reversal of losses on onerous contracts (future service)	-	48,395	-	48,395
Changes to liabilities for incurred claims (past service)	-	-	1,715	1,715
Amortisation of insurance acquisition cashflow	22,207	-	-	22,207
	22,207	68,168	191,681	282,056
Investment components and premium refunds	(302,475)	-	302,475	-
Insurance service result	(616,846)	68,168	493,885	(54,793)
Insurance finance expense	20,840	108	(12,334)	8,614
Effects of movements in exchange rates	15,665	-	1,975	17,640
Total changes in statement of profit or loss and OCI	(580,341)	68,276	483,526	(28,539)
Cash flows				
Premiums and premium tax received	852,000	-	-	852,000
Claims and other insurance service expenses paid, including investment components	-	-	(449,553)	(449,553)
Insurance acquisition cash flows	(238,714)	-	-	(238,714)
Total cash flows	613,286	-	(449,553)	163,733
Movements related to segregated fund insurance net liabilities	(72,949)	-	-	(72,949)
At 31 December 2022				
Insurance contract asset	-	-	-	-
Insurance contract liability	3,317,013	68,415	166,096	3,551,524
Segregated fund insurance net liabilities	1,324,405	-	-	1,324,405
	4,641,418	68,415	166,096	4,875,929

Part A: Notes to the Interim Financial Statements (Continued)

14. Derivatives

The table below shows the fair value of derivative financial instruments, recorded as financial asset at fair value through profit or loss or financial liability at fair value through profit or loss, 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.

		Fair value gains recognised as		
	Notional amount	**Financial asset**	**Financial liability**	**Net carrying amount**
	RM'000	**RM'000**	**RM'000**	**RM'000**
31 March 2023				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	39,069	1,708	-	1,708
31 December 2022				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	31,802	1,865	-	1,865

There is no change in risks and policies associated with the derivatives and its related accounting policies since the financial year ended 31 December 2022.

Part A: Notes to the Interim Financial Statements (Continued)

15. Investment income

	3 months ended		Cumulative 3 months ended	
	31.03.2023	**31.03.2022**	**31.03.2023**	**31.03.2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Investment income:				
Financial assets at FVTPL				
Interest/profit sharing income:				
Debt securities	4,294	3,982	4,294	3,982
Structured product	90	-	90	-
Dividend/distribution income:				
Equity securities				
- quoted in Malaysia	8,362	8,489	8,362	8,489
- unquoted in Malaysia	6	-	6	-
- quoted outside Malaysia	71	212	71	212
Real estate investment trusts				
- quoted in Malaysia	178	246	178	246
Private equity funds	32	-	32	-
Financial assets at FVOCI				
Interest/profit sharing income:				
Debt securities	35,930	31,249	35,930	31,249
Private debt securities	11	-	11	-
Net amortisation of premiums	(2,018)	(2,593)	(2,018)	(2,593)
Financial assets at amortised cost				
Interest/profit sharing income	2,585	1,709	2,585	1,709
Investment properties				
Rental income	679	703	679	703
Other income	208	62	208	62
	50,428	44,059	50,428	44,059
Realised and unrealised losses on assets supporting insurance:				
Net realised gains/(losses)				
Equity securities	8,048	15,895	8,048	15,895
Debt securities	651	(1,003)	651	(1,003)
Derivatives	(32)	-	(32)	-
	8,667	14,892	8,667	14,892
Net fair value gains/(losses)				
Equity securities	(14,117)	(26,015)	(14,117)	(26,015)
Debt securities	477	1,676	477	1,676
Structured product	(56)	-	(56)	-
Derivatives	(157)	-	(157)	-
Foreign exchange gains	163	880	163	880
	(13,690)	(23,459)	(13,690)	(23,459)

Part A: Notes to the Interim Financial Statements (Continued)

15. Investment income (continued)

	3 months ended		Cumulative 3 months ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Expected credit loss				
Financial assets at FVOCI				
Debt securities	(1,766)	-	(1,766)	-
	(6,789)	(8,567)	(6,789)	(8,567)
Investment expenses	(2,221)	(1,622)	(2,221)	(1,622)
Net investment income	41,418	33,870	41,418	33,870

16. Profit before taxation

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

	3 months ended		Cumulative 3 months ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	494	1,724	494	1,724
Depreciation of property and equipment	802	899	802	899
Net investment income (Note 15)	(41,418)	(33,870)	(41,418)	(33,870)

Part A: Notes to the Interim Financial Statements (Continued)

17. Taxation

	3 months ended		Cumulative 3 months ended	
	31.03.2023	**31.03.2022**	**31.03.2023**	**31.03.2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax				
Current financial period	11,392	7,052	11,392	7,052
	11,392	7,052	11,392	7,052
Deferred tax				
Origination of temporary differences	(7,992)	(2,879)	(7,992)	(2,879)
	(7,992)	(2,879)	(7,992)	(2,879)
	3,400	4,173	3,400	4,173

The income tax for the Group is calculated based on the tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial period.

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

	3 months ended		Cumulative 3 months ended	
	31.03.2023	**31.03.2022**	**31.03.2023**	**31.03.2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation	21,083	3,567	21,083	3,567
Taxation at Malaysian statutory tax rate of 24%	5,060	856	5,060	856
Section 110B tax credit set off	(807)	(625)	(807)	(625)
Income not subject to tax	(2,565)	(1,762)	(2,565)	(1,762)
Expenses not deductible for tax purposes	1,776	5,574	1,776	5,574
Changes in unrecognised deferred tax assets	(64)	130	(64)	130
	3,400	4,173	3,400	4,173

Part A: Notes to the Interim Financial Statements (Continued)

18. Basic and diluted earnings per share

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

		3 months ended		Cumulative 3 months ended	
		31.03.2023	**31.03.2022**	**31.03.2023**	**31.03.2022**
Net profit attributable to owners of the Company	(RM'000)	13,554	110	13,554	110
Weighted average number of ordinary shares in issue	('000)	216,262	211,559	216,262	211,559
Basic and diluted earnings per share	(Sen)	6.27	0.05	6.27	0.05

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.

Part A: Notes to the Interim Financial Statements (Continued)

19. 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 3 months ended	
	31.03.2023	**31.03.2022**
	RM'000	**RM'000**
Expenses/(income):		
Penultimate holding company		
Information technology outsourcing expenses	229	186
Intermediate holding company		
Reimbursement of personnel expenses	581	1,334
Reimbursement of software maintenance expenses	2,061	905
Regional office overhead expense	203	-
Provision of IT development services	1,937	-
Provision of IT infrastructure support and maintenance services	2,061	3,600
Provision of finance support	220	48
Provision of HR support	174	166
Provision of staff claims system	8	8
Provision of compliance support	27	13
Subsidiaries of ultimate holding company		
Rebate income	(2,394)	(3,562)
Outsourcing fee income	(851)	(858)
Outsourcing fee expense	62	52
Management fee expense	1,668	1,429
Investment consulting services	208	79
Information technology outsourcing expenses	114	440
Provision of IT infrastructure support and maintenance services	706	747

Part A: Notes to the Interim Financial Statements (Continued)

20. Financial instruments

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Fair value through profit or loss ("FVTPL");
(ii) Fair value through other comprehensive income ("FVOCI");
(iii) Amortised cost ("AC")

Group	FVTPL RM'000	FVOCI RM'000	AC RM'000	Total RM'000
31 March 2023				
Financial assets				
Financial assets at FVOCI	-	3,315,175	-	3,315,175
Financial assets at FVTPL	1,230,998	-	-	1,230,998
Financial assets at amortised cost	-	-	329,196	329,196
Cash and cash equivalents	-	-	189,042	189,042
	1,230,998	3,315,175	518,238	5,064,411
Financial liabilities				
Lease liabilities	-	-	3,272	3,272
Other liabilities	-	-	346,351	346,351
	-	-	349,623	349,623
31 December 2022				
Financial assets				
Financial assets at FVOCI	-	3,073,251	-	3,073,251
Financial assets at FVTPL	1,236,952	-	-	1,236,952
Financial assets at amortised cost	-	-	401,786	401,786
Cash and cash equivalents	-	-	244,875	244,875
	1,236,952	3,073,251	646,661	4,956,864
Financial liabilities				
Lease liabilities	-	-	3,506	3,506
Other liabilities	-	-	350,818	350,818
	-	-	354,324	354,324

Part A: Notes to the Interim Financial Statements (Continued)

21. Determination of fair values and fair value hierarchy

(a) Freehold property and investment property

The fair value of the Group's freehold property and investment property is determined based on the income method conducted by an independent qualified valuer.

Under the income method, the market value of the properties is determined based on the net annual income which is derived by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of the investment.

Fair value hierarchy

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:-

Level 1 – Fair value is derived from unadjusted quoted price in active markets for identical properties that the entity can access at the measurement date.

Level 2 – Fair value is estimated using inputs that are observable for the properties, either directly or indirectly.

Level 3 – Fair value is estimated using unobservable inputs for the properties.

The fair value of freehold property and investment property is classified within Level 3 of the fair value hierarchy. The fair value of the property is as follows:

	Freehold property		**Investment property**	
	As at 31.03.2023	**As at 31.12.2022**	**As at 31.03.2023**	**As at 31.12.2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Carrying amount	20,954	21,098	78,902	78,902
Fair value as stated in valuation report*	21,098	21,098	78,902	78,902

* Based on the valuation conducted by an independent qualified valuer on 31 December 2022.

Part A: Notes to the Interim Financial Statements (Continued)

21. 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
2022			
Freehold/ investment property	Income method	Term period's net yield	5.00% - 6.50%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.64 psf
		Average rental for reversionary period	RM4.69 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.75 psf

Significant increase or decrease in each of the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value of the properties.

The reconciliation from beginning to ending balances for the freehold property and investment property are as follows:

	Freehold property		Investment property	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	21,098	26,420	79,902	73,580
Transfer to investment property	-	(4,830)	-	4,830
Depreciation charge for the period/year	(144)	(574)	-	-
Fair value gain	-	82	-	492
At 31 March/31 December	20,954	21,098	78,902	78,902

Part A: Notes to the Interim Financial Statements (Continued)

21. 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 unquoted equities are based on net asset value of the investee;

(v) 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 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;

(vi) The fair values of foreign exchange forward contracts are based on valuations provided by the financial institutions making reference to quoted market prices; and

(vii) 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.

(viii) The fair value of structure product is based on the mark-to-market value of the principal amount and fixed coupon which is calculated by discounting these amounts at the prevailing funding rate of the counterparty bank. The funding rate of the counterparty bank is typically a market observable input such as the swap rate or KLIBOR or its equivalent.

(ix) The fair value of private debt securities is based on market observable inputs such as the prevailing yield/price for comparable tenure and rating of the security.

Part A: Notes to the Interim Financial Statements (Continued)

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

(b) Financial assets and financial liabilities

(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.

Part A: Notes to the Interim Financial Statements (Continued)

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

(b) Financial assets and financial liabilities

(ii) Fair value hierarchy

The following table presents the Group's financial assets and financial liabilities that are carried at fair value as at reporting date.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 March 2023				
Financial assets at FVOCI				
Malaysian Government Securities	514,042	-	514,042	-
Government Investment Issues	461,589	-	461,589	-
Corporate debt securities				
- Unquoted	2,045,892	-	2,045,892	-
- Quoted outside Malaysia	250,446	-	250,446	-
Private debt securities				
- Unquoted outside Malaysia	4,515	-	4,515	-
Accrued interest	38,691	-	38,691	-
	3,315,175	-	3,315,175	-
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	562,648	562,648	-	-
- Quoted outside Malaysia	113,490	113,490	-	-
- Unquoted in Malaysia	21,733	-	-	21,733
Private equity funds				
- Unquoted outside Malaysia	37,798	-	-	37,798
Structured product	39,944	-	39,944	-
Real estate investment trusts	12,546	12,546	-	-
Unit trust funds	1,550	1,550	-	-
Forward foreign exchange contract	1,708	-	1,708	-
Malaysian Government Securities	55,256	-	55,256	-
Government Investment Issues	43,193	-	43,193	-
Corporate debt securities				
- Unquoted	335,839	-	335,839	-
Accrued interest	5,293	-	5,293	-
	1,230,998	690,234	481,233	59,531
	4,546,173	690,234	3,796,408	59,531

Part A: Notes to the Interim Financial Statements (Continued)

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

(b) Financial assets and financial liabilities

(ii) Fair value hierarchy

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 2022				
Financial assets at FVOCI				
Malaysian Government Securities	463,414	-	463,414	-
Government Investment Issues	367,626	-	367,626	-
Corporate debt securities				
- Unquoted	1,976,698	-	1,976,698	-
- Quoted outside Malaysia	233,589	-	233,589	-
Accrued interest	31,924	-	31,924	-
	3,073,251	-	3,073,251	-
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	579,762	579,762	-	-
- Quoted outside Malaysia	146,456	146,456	-	-
- Unquoted in Malaysia	21,733	-	-	21,733
Private equity funds				
- Unquoted outside Malaysia	35,639	-	-	35,639
Real estate investment trusts	11,859	11,859	-	-
Unit trust funds	1,198	1,198	-	-
Forward foreign exchange contract	1,865	-	1,865	-
Malaysian Government Securities	53,358	-	53,358	-
Government Investment Issues	47,443	-	47,443	-
Corporate debt securities				
- Unquoted	333,159	-	333,159	-
Accrued interest	4,480	-	4,480	-
	1,236,952	739,275	440,305	57,372
	4,310,203	739,275	3,513,556	57,372

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the current and previous financial periods.

Part A: Notes to the Interim Financial Statements (Continued)

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

(b) Financial assets and financial liabilities

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

The reconciliation from beginning to ending balance for the investments classified in Level 3 fair value hierarchy:

	2023	**2022**
Private Equity Funds	**RM'000**	**RM'000**
At 1 January	35,639	19,122
Capital contributions	1,703	11,211
Capital returns	(18)	(15)
Fair value gain recognised in profit or loss	378	4,086
Currency movement	96	1,235
At 31 March/31 December	37,798	35,639
Equity securities – Unquoted in Malaysia		
At 31 March/31 December	21,733	21,733

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

	Fair Value	**Valuation Methodology**	**Unobservable Input**	**Input Values**
2023	**RM'000**			
Private equity funds	37,798	Net asset value ("NAV")	NAV	NAV
Equity securities - Unquoted in Malaysia	21,733	Net asset value ("NAV")	NAV	NAV
2022				
Private equity funds	35,639	Net asset value ("NAV")	NAV	NAV
Equity securities - Unquoted in Malaysia	21,733	Net asset value ("NAV")	NAV	NAV

Part A: Notes to the Interim Financial Statements (Continued)

22. Capital and other commitments

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Other commitments		
Exclusive bancassurance agreement		
- Authorised but not provided for	750	1,500
Distribution agreement		
- Authorised but not provided for	2,764	2,764
Investment in Private Equity Funds		
As at 1 January	30,349	38,796
Capital committed	-	-
Capital called	(1,703)	(11,211)
Capital return	18	15
Expenses incurred	(40)	(122)
Currency movement	5,453	2,871
At 31 March/31 December	34,077	30,349

Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia

B1. Current financial year prospects

Following the 8.7% GDP growth in 2022 which was the highest annual growth in 22 years (2000: 8.9%) GDP growth in 2023 is expected to moderate to between 4% - 5% and will be driven by domestic demand amidst the less robust global outlook. Household spending will be supported by improved labour and income conditions. With the open borders, tourist arrivals are expected to steadily increase whereas domestic infrastructure projects are expected to support upside risk to growth. February's 2023 exports and imports growth accelerated to +9.8% YoY (Jan 2023: +1.4% YoY) and +12.4% YoY (Jan 2023: +2.2% YoY) while trade surplus widened to +RM 19.6 billion (Jan 2023: +RM 18.1 billion). Nevertheless, The S&P Global Malaysia Manufacturing PMI was up to 48.8 in March 2023 from 48.4 in February. The latest reading was the 7th straight month of contraction in the manufacturing sector but the softest fall since last September 2022. The PMI was last above 50.0 in August 2022.

Headline and core inflation are expected to average above long-term averages at 2.8%-3.8% this year (2022: headline 3.3%, core 3.0%) after taking into account moderating global commodity prices, easing of supply constraints, and existing price controls and subsidy rationalisation. Unemployment rate in February dipped to 3.5% (Dec-2022: 3.6%) with the labour market foreseen to continue its steady growth momentum in the following months. There were 591,900 unemployed persons in February 2023.

After a strong economic recovery in 2022, growth is projected to moderate in 2023 due to external headwinds, and inflation to remain elevated. Nonetheless, the rising concerns about health and mortality risks, especially during the Covid-19 pandemic, has led to a widespread feeling of being underinsured. Thus, we believe that there is a great prospect for insurance industry's growth. We at Manulife remains committed to deliver our Scale Up agenda to achieve our ambition:

- Strengthen growth via strong growth in productive and professional agency force; expansion in bancassurance and alternative partnerships, and focus on new customer acquisition
- Customer centricity by establishing strong value proposition/offerings to suit different segment needs that evolve over time and continue to improve customer experience
- Accelerate digitisation with continuous investment to build a digitally enabled salesforce as well as simple, easy, convenient customer journey
- Level-up talents by building a future-proof high performing teams, and culture with focus on Diversity, Equity and Inclusion (DEI)
- Enhance value creation for shareholders by efficient expense management, inforce management and optimising resource utilisation

<u>Asset Management Business</u>

Q1 2023 has been a dynamic and challenging period for the global economy, marked by a series of risk events that lead to substantial volatility in the market. The spate of bank failures in the US sent shockwaves across the banking sector and while swift actions from the Fed have contained the risks, the banking turmoil had rattled market confidence globally. In Malaysia, Budget 2023 was re-tabled in February. While there were no major changes, fiscal deficit targets were tightened by rebalancing personal tax rates, broadening indirect taxes, reducing spending, and aiming for higher growth.

Looking ahead, both equity and fixed income markets are expected to experience high volatility in the short term, given the uncertainty due to evolving economic and geopolitical conditions. Concerns such as contagion risks from the recent bank turmoil, Russia-Ukraine conflict, and the US-China tensions may pose further headwinds to both markets. Therefore, we remain cautious and will be closely monitoring global developments.

Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia (continued)

B2. 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 3 months ended 31 March							
	Investment holding		Life insurance business		Asset management services		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue								
(a) Insurance revenue	-	-	80,964	73,397	-	-	80,964	73,397
(b) Investment income	6,330	5,554	43,820	38,434	278	71	50,428	44,059
(c) Fee income	-	-	-	-	30,170	33,733	30,170	33,733
Total external revenue	**6,330**	**5,554**	**124,784**	**111,831**	**30,448**	**33,804**	**161,562**	**151,189**
Inter-segment revenue								
(a) Rental income	426	484	190	196	-	-	616	680
(b) Fee income	484	288	1,159	881	3,377	3,363	5,020	4,532
(c) Dividend income from unit trust funds	-	-	5,216	5,305	-	-	5,216	5,305
Total inter-segment revenue	**910**	**772**	**6,565**	**6,382**	**3,377**	**3,363**	**10,852**	**10,517**
Total revenue by segment	**7,240**	**6,326**	**131,349**	**118,213**	**33,825**	**37,167**	**172,414**	**161,706**
Profit/(loss) before taxation	**10,655**	**(3,261)**	**8,470**	**1,377**	**1,958**	**5,451**	**21,083**	**3,567**
Segment assets	**1,181,087**	**1,181,469**	**6,300,240**	**6,061,926**	**175,748**	**194,205**	**7,657,075**	**7,437,600**
Segment liabilities	**21,349**	**20,534**	**5,377,127**	**5,194,337**	**84,448**	**114,767**	**5,482,924**	**5,329,638**

Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia (Continued)

B2. Operating segments (continued)

Reconciliation of reportable segments

	Cumulative 3 months ended	
	31.03.2023	**31.03.2022**
	RM'000	**RM'000**
Total revenue		
Total revenue for reportable segments	172,414	161,706
Elimination of inter-segment revenue	(10,852)	(10,517)
Total revenue as per statement of profit or loss	**161,562**	**151,189**

	As at 31.03.2023	**As at 31.03.2022**
	RM'000	**RM'000**
Segment assets		
Total assets for reportable segments	7,657,075	7,437,600
Elimination of inter-segment assets	(975,291)	(972,012)
Total assets as per statement of financial position	**6,681,784**	**6,465,588**
Segment liabilities		
Total liabilities for reportable segments	5,482,924	5,329,638
Elimination of inter-segment liabilities	(2,792)	(7,257)
Total liabilities as per statement of financial position	**5,480,132**	**5,322,381**

B3. 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.

	3 months ended			Cumulative 3 months ended		
Business Segment	**31.03.2023**	**31.03.2022**	**Increase/ (decrease)**	**31.03.2023**	**31.03.2022**	**Increase/ (decrease)**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Operating Revenue						
Investment holding	6,330	5,554	776	6,330	5,554	776
Life insurance business	124,784	111,831	12,953	124,784	111,831	12,953
Asset management services	30,448	33,804	(3,356)	30,448	33,804	(3,356)
Total	161,562	151,189	10,373	161,562	151,189	10,373
Profit/(loss) before taxation						
Investment holding	10,655	(3,261)	13,916	10,655	(3,261)	13,916
Life insurance business	8,470	1,377	7,093	8,470	1,377	7,093
Asset management services	1,958	5,451	(3,493)	1,958	5,451	(3,493)
Total	21,083	3,567	17,516	21,083	3,567	17,516

Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia (Continued)

B3. Review of performance (continued)

<u>Financial Period ended 31 March 2023 vs Financial Period ended 31 March 2022</u>

The Group's operating revenue for the financial period ended 31 March 2023 increased by RM10.4 million or 6.9% compared to the financial period ended 31 March 2022 (2023: RM161.6 million, 2022: RM151.2 million). The Group's profit before tax for first quarter 2023 was RM21.1 million, an increase of RM17.5 million as compared to the profit before tax for YTD March 2022 of RM3.6 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue improved slightly by RM0.8 million, while profit before tax increased RM13.9 million mainly due to higher unrealised gains from FVTPL investments.

Life insurance business – Operating revenue of life insurance business increased by RM13.0 million or 11.6% mainly due to higher contractual service margin ("CSM") amortisation and risk adjustment release as a result of higher inforced business. Profit before tax increased by RM7.1 million mainly due to improve in investment results arising from higher fair value gains from equity investments.

Asset management services – Operating revenue and profit before tax fell by RM3.4 million and RM3.5 million respectively mainly due to lower unit trust sales and lower fee income earned on asset under management.

Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia (Continued)

B4. Commentary on the quarterly results compared to the results of preceding quarter

			3 months ended
Business Segment	**31.03.2023**	**31.12.2022**	**(Decrease)/increase**
	RM'000	**RM'000**	**RM'000**
Operating Revenue			
Investment holding	6,330	7,007	(677)
Life insurance business	124,784	134,794	(10,010)
Asset management services	30,448	28,559	1,889
Total	161,562	170,360	(8,798)
Profit/(loss) before taxation			
Investment holding	10,655	13,553	(2,898)
Life insurance business	8,470	13,568	(5,098)
Asset management services	1,958	4,016	(2,058)
Total	21,083	31,137	(10,054)

The Group's operating revenue for the current quarter under review ("Q1 2023") decreased by RM8.8 mil compared with the preceding quarter ended 31 December 2022 ("Q4 2022"). The Group recorded a profit before tax of RM21.1 million in Q1 2023 compared with a profit before tax of RM31.1 million for Q4 2022. The significant decrease in profit before tax by RM10.0 million was contributed by the following segments:

Investment holding – Profit before tax is lower by RM2.9 million in Q1 2023 due to a lower fair value gains from investments.

Life insurance business – Operating revenue of life insurance business and profit before tax decreased by RM10.0 million and RM5.1 million respectively mainly due to lower investment gains in the current quarter.

Asset management services – Operating revenue increased by RM1.9 million in Q1 2023 due to higher upfront fees from sales of unit trust funds and higher fee income on asset under management. However, profit before tax reduced by RM2.0 million mainly due to management expenses incurred in the current period.

Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia (Continued)

B5. Profit forecast

The Group did not issue any profit forecast during the financial period ended 31 March 2023.

B6. Status of corporate proposal

There are no corporate proposals announced but not completed during the financial period ended 31 March 2023.

B7. Group borrowings

The Group did not have any borrowings as at 31 March 2023.

B8. 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.

B9. Dividends

No dividend has been declared in respect of the current financial period ended 31 March 2023.

B10. Status of audit qualification

There was no audit qualification in the annual financial statements for the preceding financial year ended 31 December 2022.

BY ORDER OF THE BOARD

Chua Siew Chuan	Chin Mun Yee
Joint Secretary	**Joint Secretary**
26 May 2023	