

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

<u>Description</u>	<u>Effective Date</u>
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendments to MFRS 17 <i>Insurance Contracts</i>)	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.

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

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.

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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:-

Classification and measurement

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".

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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	<p>Contractual Service Margin (CSM) is a new liability that represents future unearned profits on insurance contracts written.</p> <p>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).</p>
Contract Measurement	<p>Under MFRS 17, other components of insurance contract liabilities, aside from the CSM, are also remeasured. This measurement step includes the following changes:</p> <p>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);</p> <p>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).</p>
Classification differences	<p>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.</p> <p>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).</p>

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.

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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
	<u>3,161,038</u>	<u>2,315,985</u>	<u>2,868,934</u>	<u>1,304,129</u>	<u>1,323,177</u>

* Included as part of Segregated Funds Net Assets.

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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	Classification	31.12.2022	Expected	1.1.2023
	As	and	As	credit	As
	previously	measurement	restated	losses	restated
	stated	RM'000	RM'000	RM'000	RM'000
	RM'000		RM'000		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

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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		31.12.2022		1.1.2023
	As	Classification	As	and	As
	previously	measurement	restated	Expected	restated
	stated	RM'000	RM'000	credit	RM'000
	RM'000		RM'000	losses	
				RM'000	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

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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 30 June 2022.

Statement of Total Comprehensive Income

	30.06.2022 As previously stated RM'000	Classification and measurement RM'000	30.06.2022 As restated RM'000
Net profit for the financial period	1,585	(3,497)	(1,912)
Other comprehensive loss, net of tax			
Net (loss)/gain on foreign currency translation	(79)	1,368	1,289
Fair value change of AFS/FVOCI financial assets, net of tax	(26,908)	(111,463)	(138,371)
Insurance finance income, net of deferred tax	-	120,942	120,942
Insurance finance expense, net of deferred tax	-	(2,681)	(2,681)
Other comprehensive loss for the financial period	(26,987)	8,166	(18,821)
Total comprehensive loss for the financial period	(25,402)	4,669	(20,733)

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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 30 June 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 30 June 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 30 June 2023.

7. Dividend Paid

No dividend has been paid in the current financial period ended 30 June 2023.

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

On 28 July 2023, Manulife Insurance Berhad extended its exclusive bancassurance partnership with Alliance Bank Malaysia Berhad for a further 15 years.

Other than as disclosed above, 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 30 June 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.

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

11. Current tax assets

	As at 30.06.2023	As at 31.12.2022
	RM'000	RM'000
Current tax assets	31,354	28,087
	<u>31,354</u>	<u>28,087</u>

Included in the current tax assets are tax paid in relation to two notices of additional assessment ("Forms JA") of RM22.2 million for Year of Assessment 2017 and 2018 in relation to the Company's subsidiary, Manulife Insurance Berhad ("MIB"). MIB had on 24 January 2022 made an application to the Special Commissioner of Income Tax ("SCIT") on the said two additional assessments. Subsequently, a settlement agreement dated 26 July 2023 was recorded between MIB and the Inland Revenue Board pursuant to Section 101 of the Income Tax Act 1967, confirming there was no additional chargeable tax for Years of Assessment 2017 and 2018. MIB is presently awaiting issue of the Notice of Reduced Assessment (Forms JR) by the Inland Revenue Board.

12. Cash and cash equivalents

	As at 30.06.2023	As at 31.12.2022
	RM'000	RM'000
Investment holding	6,123	6,925
Life insurance business:-		
Shareholder's fund	17,690	23,617
Life insurance business	88,575	102,934
Asset management services	94,728	111,399
	<u>207,116</u>	<u>244,875</u>

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

13. Insurance and segregated funds contract liabilities

	Liabilities for remaining coverage		Liability for incurred claims	Total
	Exclude loss component RM'000	Loss component RM'000	RM'000	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
	<u>4,641,418</u>	<u>68,415</u>	<u>166,096</u>	<u>4,875,929</u>
Insurance revenue				
Expected incurred claims and other insurance service result	(104,288)	-	-	(104,288)
Change in risk adjustment for non-financial risk expired	(17,630)	-	-	(17,630)
CSM recognised for service provided	(21,949)	-	-	(21,949)
Recovery of insurance acquisition cashflows	(17,580)	-	-	(17,580)
Contracts under PAA	(2,190)	-	-	(2,190)
	<u>(163,637)</u>	<u>-</u>	<u>-</u>	<u>(163,637)</u>
Insurance service expense				
Incurred claims and other insurance service expenses	-	(940)	110,133	109,193
Losses and reversal of losses on onerous contracts (future service)	-	5,298	-	5,298
Amortisation of insurance acquisition cashflow	17,893	-	-	17,893
	<u>17,893</u>	<u>4,358</u>	<u>110,133</u>	<u>132,384</u>
Investment components and premium refunds	(157,151)	-	157,151	-
Insurance service result	(302,895)	4,358	267,284	(31,253)
Insurance finance expense	124,925	211	2,364	127,500
Effects of movements in exchange rates	17,507	-	2,637	20,144
Total changes in statement of profit or loss and other comprehensive income	<u>(160,463)</u>	<u>4,569</u>	<u>272,285</u>	<u>116,391</u>
Cash flows				
Premiums and premium tax received	424,876	-	-	424,876
Claims and other insurance service expenses paid, including investment components	-	-	(249,527)	(249,527)
Insurance acquisition cash flows	(114,731)	-	-	(114,731)
Total cash flows	<u>310,145</u>	<u>-</u>	<u>(249,527)</u>	<u>60,618</u>
Movements related to segregated fund insurance net liabilities	(6,106)	-	-	(6,106)
At 30 June 2023				
Insurance contract liability	3,466,695	72,984	188,854	3,728,533
Segregated fund insurance net liabilities	1,318,299	-	-	1,318,299
	<u>4,784,994</u>	<u>72,984</u>	<u>188,854</u>	<u>5,046,832</u>

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

13. Insurance and segregated funds contract liabilities (continued)

	Liabilities for remaining coverage		Liability for incurred claims	Total
	Exclude loss component RM'000	Loss component RM'000	RM'000	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
	<u>4,681,422</u>	<u>139</u>	<u>132,123</u>	<u>4,813,684</u>
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)
	<u>(336,578)</u>	<u>-</u>	<u>(271)</u>	<u>(336,849)</u>
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
	<u>22,207</u>	<u>68,168</u>	<u>191,681</u>	<u>282,056</u>
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	<u>(580,341)</u>	<u>68,276</u>	<u>483,526</u>	<u>(28,539)</u>
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	<u>613,286</u>	<u>-</u>	<u>(449,553)</u>	<u>163,733</u>
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
	<u>4,641,418</u>	<u>68,415</u>	<u>166,096</u>	<u>4,875,929</u>

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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.

	Notional amount RM'000	Fair value gain/(loss) recognised as		Net carrying amount RM'000
		Financial asset RM'000	Financial liability RM'000	
30 June 2023				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	36,963	-	(2,333)	(2,333)
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.

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

15. Investment income

	<u>3 months ended</u>		<u>Cumulative 6 months ended</u>	
	<u>30.06.2023</u>	<u>30.06.2022</u>	<u>30.06.2023</u>	<u>30.06.2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Investment income:				
<u>Financial assets at FVTPL</u>				
Interest/profit sharing income:				
Debt securities	4,270	4,048	8,564	8,030
Structured product	250	-	340	-
Dividend/distribution income:				
Equity securities				
- quoted in Malaysia	4,141	2,630	12,503	11,119
- quoted outside Malaysia	264	428	335	640
- unquoted in Malaysia	-	-	6	-
Real estate investment trusts				
- quoted in Malaysia	116	108	294	354
Private equity funds	3	22	35	22
<u>Financial assets at FVOCI</u>				
Interest/profit sharing income:				
Debt securities	37,141	33,230	73,071	64,479
Private debt securities	63	-	74	-
Net amortisation of premiums	(1,439)	(2,528)	(3,457)	(5,121)
<u>Financial assets at amortised cost</u>				
Interest/profit sharing income	2,553	1,791	5,138	3,500
<u>Investment properties</u>				
Rental income	1,113	606	1,792	1,309
Other income	(94)	78	114	140
	<u>48,381</u>	<u>40,413</u>	<u>98,809</u>	<u>84,472</u>
Realised and unrealised losses on assets supporting insurance:				
Net realised gains/(losses)				
Equity securities	4,168	4,999	12,216	20,894
Debt securities	667	(4,022)	1,318	(5,025)
Derivatives	1,789	-	1,757	-
	<u>6,624</u>	<u>977</u>	<u>15,291</u>	<u>15,869</u>
Net fair value gains/(losses)				
Equity securities	(9,425)	(72,098)	(23,542)	(98,113)
Debt securities	(1,187)	61	(710)	1,737
Structured product	4,148	-	4,092	-
Derivatives	(4,041)	-	(4,198)	-
Foreign exchange gains	5,350	2,495	5,513	3,375
	<u>(5,155)</u>	<u>(69,542)</u>	<u>(18,845)</u>	<u>(93,001)</u>

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

15. Investment income (continued)

	3 months ended		Cumulative 6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Expected credit (loss)/reversal				
<u>Financial assets at FVOCI</u>				
Debt securities	2,147	-	381	-
	<u>3,616</u>	<u>(68,565)</u>	<u>(3,173)</u>	<u>(77,132)</u>
Investment expenses	(2,203)	(789)	(4,424)	(2,411)
Net investment income/(loss)	<u>49,794</u>	<u>(28,941)</u>	<u>91,212</u>	<u>4,929</u>

16. Profit before taxation

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

	3 months ended		Cumulative 6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	520	800	1,014	2,524
Depreciation of property and equipment	774	894	1,576	1,793
Net investment (income)/loss (Note 15)	(49,794)	28,941	(91,212)	(4,929)

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

17. Taxation

	3 months ended		Cumulative 6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
<u>Income tax</u>				
Current financial period	(2,382)	3,653	9,010	10,705
	(2,382)	3,653	9,010	10,705
<u>Deferred tax</u>				
Origination of temporary differences	7,431	(3,940)	(561)	(6,819)
	7,431	(3,940)	(561)	(6,819)
	5,049	(287)	8,449	3,886

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 6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	20,986	(1,593)	42,069	1,974
Taxation at Malaysian statutory tax rate of 24%	5,037	(382)	10,096	474
Effect of different in tax rate	(1,809)	1,855	306	3,197
Section 110B tax credit set off	(257)	(361)	(1,064)	(986)
Income not subject to tax	(519)	(798)	(3,084)	(2,560)
Expenses not deductible for tax purposes	2,571	(533)	2,233	3,699
Changes in unrecognised deferred tax assets	26	(68)	(38)	62
	5,049	(287)	8,449	3,886

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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 6 months ended	
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
Net profit/(loss) attributable to owners of the Company	(RM'000)	<u>15,530</u>	<u>(10,335)</u>	<u>29,084</u>	<u>(10,225)</u>
Weighted average number of ordinary shares in issue	('000)	<u>216,262</u>	<u>211,559</u>	<u>216,262</u>	<u>211,559</u>
Basic and diluted earnings per share	(Sen)	<u>7.18</u>	<u>(4.89)</u>	<u>13.45</u>	<u>(4.83)</u>

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

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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 6 months ended	
	30.06.2023	30.06.2022
	RM'000	RM'000
Expenses/(income):		
Penultimate holding company		
Information technology outsourcing expenses	465	358
Intermediate holding company		
Reimbursement of personnel expenses	1,602	2,376
Reimbursement of director fees	37	37
Reimbursement of software maintenance expenses	3,643	2,478
Reimbursement of consultation fee	16	88
Reimbursement of overhead expense	(699)	(447)
Reimbursement of education and training expenses	-	5
Reimbursement of travelling expense	-	14
Regional office overhead expense	413	-
Provision of IT development services	1,700	-
Provision of IT infrastructure support and maintenance services	5,413	10,178
Provision of finance support	447	98
Provision of HR support	354	340
Provision of staff claims system	17	16
Provision of compliance support	27	38
Subsidiaries of ultimate holding company		
Rebate income	(4,638)	(5,027)
Outsourcing fee income	(1,709)	(1,717)
Outsourcing fee expense	120	204
Management fee expense	3,783	2,771
Investment consulting services	671	207
Information technology outsourcing expenses	231	144
Provision of IT infrastructure support and maintenance services	1,495	1,739

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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
30 June 2023				
Financial assets				
Financial assets at FVOCI	-	3,362,605	-	3,362,605
Financial assets at FVTPL	1,177,427	-	-	1,177,427
Financial assets at amortised cost	-	-	428,136	428,136
Cash and cash equivalents	-	-	207,116	207,116
	<u>1,177,427</u>	<u>3,362,605</u>	<u>635,252</u>	<u>5,175,284</u>
Financial liabilities				
Financial liabilities at FVTPL	2,333	-	-	2,333
Lease liabilities	-	-	3,117	3,117
Other liabilities	-	-	386,384	386,384
	<u>2,333</u>	<u>-</u>	<u>389,501</u>	<u>391,834</u>
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
	<u>1,236,952</u>	<u>3,073,251</u>	<u>646,661</u>	<u>4,956,864</u>
Financial liabilities				
Lease liabilities	-	-	3,506	3,506
Other liabilities	-	-	350,818	350,818
	<u>-</u>	<u>-</u>	<u>354,324</u>	<u>354,324</u>

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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:

	<u>Freehold property</u>		<u>Investment property</u>	
	<u>As at 30.06.2023</u>	<u>As at 31.12.2022</u>	<u>As at 30.06.2023</u>	<u>As at 31.12.2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Carrying amount	<u>20,810</u>	<u>21,098</u>	<u>78,902</u>	<u>78,902</u>
Fair value as stated in valuation report*	<u>21,098</u>	<u>21,098</u>	<u>78,902</u>	<u>78,902</u>

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

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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	(288)	(574)	-	-
Fair value gain	-	82	-	492
At 30 June/31 December	<u>20,810</u>	<u>21,098</u>	<u>78,902</u>	<u>78,902</u>

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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;
- (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.
- (ix) 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.
- (x) 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.

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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
30 June 2023				
Financial assets at FVOCI				
Malaysian Government Securities	491,536	-	491,536	-
Government Investment Issues	449,503	-	449,503	-
Corporate debt securities				
- Unquoted	2,106,615	-	2,106,615	-
- Quoted outside Malaysia	272,881	-	272,881	-
Private debt securities				
- Unquoted outside Malaysia	4,669	-	4,669	-
Accrued interest	37,401	-	37,401	-
	<u>3,362,605</u>	<u>-</u>	<u>3,362,605</u>	<u>-</u>
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	567,684	567,684	-	-
- Quoted outside Malaysia	105,409	105,409	-	-
- Unquoted in Malaysia	21,733	-	-	21,733
Private equity funds				
- Unquoted outside Malaysia	44,361	-	-	44,361
Structured product	62,082	-	62,082	-
Real estate investment trusts	12,463	12,463	-	-
Unit trust funds	1,543	1,543	-	-
Malaysian Government Securities	24,705	-	24,705	-
Government Investment Issues	22,520	-	22,520	-
Corporate debt securities				
- Unquoted	310,300	-	310,300	-
Accrued interest	4,627	-	4,627	-
	<u>1,177,427</u>	<u>687,099</u>	<u>424,234</u>	<u>66,094</u>
	<u>4,540,032</u>	<u>687,099</u>	<u>3,786,839</u>	<u>66,094</u>
Financial liability at FVTPL				
Forward foreign exchange contract	2,333	-	2,333	-

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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	-
	<u>3,073,251</u>	<u>-</u>	<u>3,073,251</u>	<u>-</u>
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	-
	<u>1,236,952</u>	<u>739,275</u>	<u>440,305</u>	<u>57,372</u>
	<u>4,310,203</u>	<u>739,275</u>	<u>3,513,556</u>	<u>57,372</u>

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

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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
	RM'000	RM'000
Private Equity Funds		
At 1 January	35,639	19,122
Capital contributions	4,495	11,211
Capital returns	(18)	(15)
Fair value gain recognised in profit or loss	978	4,086
Currency movement	3,267	1,235
At 30 June/31 December	<u>44,361</u>	<u>35,639</u>
Equity securities – Unquoted in Malaysia		
At 30 June /31 December	<u>21,733</u>	<u>21,733</u>

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	44,361	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

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

22. Capital and other commitments

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Other commitments		
Exclusive bancassurance agreement - Authorised but not provided for	-	1,500
Distribution agreement - Authorised but not provided for	-	2,764
Investment in Private Equity Funds		
As at 1 January	30,349	38,796
Capital committed	42,008	-
Capital called	(4,495)	(11,211)
Capital return	18	15
Expenses incurred	(180)	(122)
Currency movement	743	2,871
At 30 June/31 December	<u>68,443</u>	<u>30,349</u>

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

B1. Current financial year prospects

Following Q1 2023 GDP growth of 5.6% outpacing the median forecast of 4.8% by 21 economists polled by Reuters, Q2 2023 GDP growth is expected to come in at a more subdued level due to weakening prospects of domestic consumption and external demand. Notwithstanding, the full year GDP growth estimate remains at between 4% - 5%. Against this backdrop, Malaysia's manufacturing purchasing managers' index (PMI) dipped to 47.7 in June 2023 from 47.8 in May 2023 on the back of muted demand and client confidence in domestic and international markets.

Headline inflation eased to 2.8% May-2023 from 3.3% in April 2023 but core inflation remained sticker at 3.5% in May 2023 (3.6% April 2023). With inflation trending lower on the back of full employment (unemployment rate currently at 3.5%) it is expected that BNM would remain status quo on OPR for the rest of the year.

The outlook for the insurance industry in Malaysia is expected to face a mix of opportunities and challenges. After a strong economic recovery in 2022, growth is projected to moderate in 2023 due to external headwinds, and inflation to remain elevated could impact consumer discretionary purchasing power for insurance products. Nonetheless, the rising concerns about health and mortality risks has led to a widespread feeling of being underinsured. We would navigate through these challenges and capitalise on the opportunities arising by committedly delivering our Scale Up agenda:

- Strengthen growth via strong growth in productive and professional agency force; expansion in bancassurance and alternative partnerships with a 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 be the Digital Customer Leader, build a digitally enabled salesforce and elevate automation for operating efficiency
- Level-up talents through building future-proof high performing teams, at a workplace with strong culture focused on Diversity, Equity and Inclusion (DEI)
- Enhance value creation for shareholders by driving desired product mix, efficient expense management, inforce management and optimising resource utilisation

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

Asset Management Business

As the year progresses, 2023 continues to present challenges for the global economy, with Q2 marked by a series of risk events. These occurrences have caused rapid shifts between optimism and uncertainty, resulting in significant volatility in the markets. We anticipate market volatility to continue in the near term for both equity and fixed income markets as investors pay close attention to central bank actions with regards to interest rates. Heightened uncertainties resulting from geopolitical events such as the ongoing Russia-Ukraine conflict and US-China tensions contribute to our cautious outlook.

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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 6 months ended 30 June							
	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
<u>External revenue</u>								
(a) Insurance revenue	-	-	163,637	152,036	-	-	163,637	152,036
(b) Investment income	12,629	11,127	85,587	73,193	593	152	98,809	84,472
(c) Fee income	-	-	-	-	63,249	62,891	63,249	62,891
Total external revenue	12,629	11,127	249,224	225,229	63,842	63,043	325,695	299,399
<u>Inter-segment revenue</u>								
(a) Rental income	850	919	381	389	-	-	1,231	1,308
(b) Fee income	743	788	2,597	1,926	6,930	6,740	10,270	9,454
(c) Dividend income from unit trust funds	-	-	10,491	9,722	-	-	10,491	9,722
Total inter-segment revenue	1,593	1,707	13,469	12,037	6,930	6,740	21,992	20,484
Total revenue by segment	14,222	12,834	262,693	237,266	70,772	69,783	347,687	319,883
Profit/(loss) before taxation	16,380	(10,805)	21,091	4,032	4,598	8,747	42,069	1,974
Segment assets	1,200,729	1,330,936	6,386,096	5,927,365	189,750	217,344	7,776,575	7,475,645
Segment liabilities	43,645	35,371	5,437,226	5,071,665	96,229	135,095	5,577,100	5,242,131

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

B2. Operating segments (continued)

Reconciliation of reportable segments

	Cumulative 6 months ended	
	30.06.2023	30.06.2022
	RM'000	RM'000
<u>Total revenue</u>		
Total revenue for reportable segments	347,687	319,883
Elimination of inter-segment revenue	(21,992)	(20,484)
Total revenue as per statement of profit or loss	325,695	299,399
	As at	As at
	30.06.2023	30.06.2022
<u>Segment assets</u>		
Total assets for reportable segments	7,776,575	7,475,645
Elimination of inter-segment assets	(991,193)	(1,101,174)
Total assets as per statement of financial position	6,785,382	6,374,471
<u>Segment liabilities</u>		
Total liabilities for reportable segments	5,577,100	5,242,131
Elimination of inter-segment liabilities	(4,257)	17,979
Total liabilities as per statement of financial position	5,572,843	5,260,110

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.

Business Segment	3 months ended			Cumulative 6 months ended		
	30.06.2023	30.06.2022	Increase/ (decrease)	30.06.2023	30.06.2022	Increase/ (decrease)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Operating Revenue</u>						
Investment holding	6,299	5,573	726	12,629	11,127	1,502
Life insurance business	124,440	113,398	11,042	249,224	225,229	23,995
Asset management services	33,394	29,239	4,155	63,842	63,043	799
Total	164,133	148,210	15,923	325,695	299,399	26,296
<u>Profit/(loss) before taxation</u>						
Investment holding	5,725	(7,544)	13,269	16,380	(10,805)	27,185
Life insurance business	12,621	2,655	9,966	21,091	4,032	17,059
Asset management services	2,640	3,296	(656)	4,598	8,747	(4,149)
Total	20,986	(1,593)	22,579	42,069	1,974	40,095

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

B3. Review of performance (continued)

Financial Period ended 30 June 2023 vs Financial Period ended 30 June 2022

The Group's operating revenue for the financial period ended 30 June 2023 increased by RM26.3 million or 8.8% compared to the financial period ended 30 June 2022 (2023: RM325.7 million, 2022: RM299.4 million). The Group's profit before tax for YTD June 2023 was RM42.1 million, an increase of RM40.1 million as compared to the profit before tax for YTD June 2022 of RM2.0 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue improved slightly by RM1.5 million, while profit before tax increased RM27.2 million mainly due to higher unrealised gains from FVTPL debt securities as a result of lower interest rate.

Life insurance business – Operating revenue of life insurance business increased by RM24.0 million mainly due to higher contractual service margin (“CSM”) amortisation and risk adjustment release as a result of higher inforce business. Profit before tax increased by RM17.1 million mainly due to improve in investment results arising from lower fair value loss from equity investments.

Asset management services – Operating revenue increase slightly by RM0.8 million due to higher fee income earned on asset under management, offset by lower upfront fee from sales of unit trust funds. Profit before tax fell by RM4.1 million mainly due to higher expenses incurred.

2nd Quarter 2023 vs 2nd Quarter 2022

The Group's operating revenue for the quarter ended 30 June 2023 increased by RM15.9 million compared to the corresponding quarter last year (2023: RM164.1 million, 2022: RM148.2 million). The Group's profit before tax for Q2 2023 was RM20.1 million, an increase of RM22.6 million compared to Q2 2022, RM1.6 million loss before tax.

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 RM13.3 million mainly due to higher unrealised gains from FVTPL debt securities as a result of lower interest rate.

Life insurance business – Operating revenue of life insurance business increased by RM11.0 million mainly due to higher contractual service margin (“CSM”) amortisation and risk adjustment release as a result of higher inforce business. Profit before tax increased by RM10.0 million mainly due to improve in investment results arising from lower fair value loss from equity investments.

Asset management services – Operating revenue increased by RM4.2 million while profit before tax fell slightly by RM0.7 million due to higher fee income earned on asset under management and slightly higher expenses.

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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

Business Segment	3 months ended		
	30.06.2023	31.03.2023	Increase/(decrease)
	RM'000	RM'000	RM'000
<u>Operating Revenue</u>			
Investment holding	6,299	6,330	(31)
Life insurance business	124,440	124,784	(344)
Asset management services	33,394	30,448	2,946
Total	164,133	161,562	2,571
<u>Profit before taxation</u>			
Investment holding	5,725	10,655	(4,930)
Life insurance business	12,621	8,470	4,151
Asset management services	2,640	1,958	682
Total	20,986	21,083	(97)

The Group's operating revenue for the current quarter under review ("Q2 2023") increased by RM2.6 mil compared with the preceding quarter ended 31 March 2023 ("Q1 2023"). The Group recorded a profit before tax of RM21.0 million in Q2 2023 compared with a profit before tax of RM21.1 million for Q1 2023. The slight decrease in profit before tax by RM0.1 million was contributed by the following segments:

Investment holding – Operating revenue remains consistent with Q1 2023 with a slight decrease of RM0.03 million and profit before tax is lower by RM4.9 million in Q2 2023 due to lower unrealised gains from FVTPL debt securities and higher expenses.

Life insurance business – Operating revenue of life insurance business remains consistent with Q1 2023 with a slight decrease RM0.3 million and profit before tax increase by RM4.2 million mainly due to lower fair value loss in the current quarter.

Asset management services – Operating revenue increased by RM2.9 million in Q2 2023 due to higher fee income earned on asset under management. Profit before tax increased slightly by RM0.7 million mainly due to lower expenses incurred in the current period.

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 June 2023

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 30 June 2023.

B6. Status of corporate proposal

There are no corporate proposals announced but not completed during the financial period ended 30 June 2023.

B7. Group borrowings

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

Cynthia Gloria Louis
Joint Secretary
22 August 2023

Chew Mei Ling
Joint Secretary