MANULIFE INSURANCE BERHAD
200801013654 (814942-M)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2022

Company No.

200801013654 (814942-M)

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(Incorporated in Malaysia)

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITY

The Company is principally engaged in the underwriting of life insurance business. There has been no significant change in the principal activity of the Company during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	26,685

DIVIDENDS

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

Material transfers to or from reserves and provisions during the financial year are as disclosed in the financial statements.

SHARE CAPITAL

There were no changes in the issued and paid-up capital of the Company during the financial year.

PROVISION OF INSURANCE LIABILITIES

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers as required by Bank Negara Malaysia ("BNM").

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts, and satisfied themselves that there were no known bad debts to be written off and that adequate allowance for impairment losses had been made.

At the date of this report, the directors are not aware of any circumstances that would render it necessary to write off any bad debts or the amount of allowance for impairment losses in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that any current assets, which were unlikely to realise their values as shown in the accounting records of the Company in the ordinary course of business, have been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

There were no significant events which have occurred during the financial year.

DIRECTORS

The directors who have held office during the financial year to the date of this report are:

Arthur Jay Belfer
Vibha Hamsi Coburn
Vijayam A/P Nadarajah
Mary Bernadette James A/P N James
Renzo Christopher Viegas

In accordance with Clause 20.6 of the Constitution of the Company, Mr Arthur Jay Belfer shall retire at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Profile of Directors

The following are the profile of the directors of the Company:

Arthur Jay Belfer
Chairman/Independent Non-Executive Director

Mr. Arthur Jay Belfer (“Mr. Belfer”), aged 66, an American, was appointed to the Board on 3 February 2020. Mr. Belfer has professional qualifications as both an Actuary (FSA) and an Accountant (CPA) from the USA. He is also a Fellow in the Life Management Institute (“FLMI”). He holds a Bachelor of Business Administration (B.B.A.) from the University of Michigan, School of Business Administration with Honors as a University of Michigan Regents Alumni Scholar.

Mr. Belfer has held senior executive positions with Asian branches of global insurance companies and has significant board experience. Mr. Belfer was the Regional Senior Actuary for John Hancock in Asia for 5 years to assist with the establishment of its business presence in the region.

He was a founder for American International Group’s (“AIG”) Asia Pacific Life Operations Life Insurance Region. Mr. Belfer established and grew the Region for over 15 years, of which 11 years were as the Regional Senior Executive. He also established and led the AIG Enterprise Risk Management for two years in Asia, bringing it out of the New York Headquarters and into the businesses within the Asian Region.

Mr. Belfer was the Chief Executive Officer for Prudential Life Assurance Thailand, and Managing Director for Prudential Corporation Asia from year 2015 to year 2017. Prior to that, he served as Country President (CEO) & Chairman of the Board for the Ace Group’s Life Insurance Company in Thailand from year 2010 to year 2013.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Profile of Directors (Continued)

Vibha Hamsi Coburn
Chief Executive Officer/Executive Director

Ms. Vibha Hamsi Coburn ("Ms. Vibha Coburn"), aged 58, an Australian, was appointed as Chief Executive Officer/Executive Director of Manulife Insurance Berhad on 1 October 2020. Ms. Vibha Coburn holds a Master of Business Administration from the University of Western Australia, post graduate diploma from the Securities Institute of Australia (CFA equivalent) and a Bachelor of Commerce (Hons) from Delhi University. She is also a Graduate member of Australia Institute of Company Directors ("GAICD").

Ms. Vibha Coburn was formerly the Chief Distribution Officer at Manulife Asia, responsible for developing and executing strategy for Manulife distribution across Asia, including championing the adoption of digital channels. Under her leadership, Manulife's agency force grew significantly and became the world's third best amongst international insurers in terms of Million Dollar Round Table ("MDRT") membership. At the same time, she has helped to vastly strengthen Manulife's bancassurance capabilities, delivering strong growth to its regional partnership and renewing or establishing new partnerships in Vietnam, Indonesia and Myanmar. She has also championed the development and adoption of digital tools throughout all channels in distribution.

Prior to joining Manulife, Ms. Vibha Coburn had a wide range of senior roles over thirty (30) years in banking, insurance and management consulting across Asia, Europe and Australia. These included roles in e-business, sales, customer acquisition, finance, wealth management, liabilities, mortgages and credit cards.

Ms. Vibha Coburn also sits on the Boards of Manulife Holdings Berhad, Manulife Investment Management (M) Berhad, Life Insurance Association of Malaysia ("LIAM") Holding Sdn Bhd and LIAM Property Sdn Bhd.

DIRECTORS (CONTINUED)

Profile of Directors (Continued)

Vijayam A/P Nadarajah
Independent Non-Executive Director

Mrs. Vijayam A/P Nadarajah (“Mrs. Vijayam Nadarajah”), aged 60, a Malaysian, was appointed to the Board on 19 April 2019. She holds a Masters in Business Administration as well as a Bachelor’s in Economics (with a major in accounting) from Monash University in Melbourne, Australia. She has also acquired a Bachelor of Laws from London University, United Kingdom. She is a Fellow Member of CPA Australia, a Chartered Accountant under the Malaysian Institute of Accountants, and a Fellow Member of the Institute of Internal Auditors Malaysia (“IIAM”).

Mrs. Vijayam Nadarajah was the president of IIAM from year 1996 to year 1997, and was then reappointed as a governor to the Board of Governors of IIAM in year 2016 to year 2018. She co-chaired the taskforce on Guidance for Effective Internal Audit Function.

Mrs. Vijayam Nadarajah was the Independent Non-Executive Director of The Bank of Nova Scotia Berhad and MPI Generali Insurans Berhad. Prior to her appointment to the Board of The Bank of Nova Scotia Berhad, she was a consultant for China Construction Bank Malaysia Berhad on matters related to licensing of the bank and operational readiness audit.

From year 2013 to year 2016, Mrs. Vijayam Nadarajah served as a Specialist for the Research and Development/Corporate Program of the Financial Accreditation Agency, which is an initiative supported by Bank Negara Malaysia and the Securities Commission Malaysia. She also served as Financial Controller at CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad, Assistant General Manager of Finance at Oriental Capital Assurance Berhad, as well as senior roles in RHB Bank Berhad and Sime Bank Berhad/UMBC Bank Berhad.

Mrs. Vijayam Nadarajah presently sits on the Boards of BNP Paribas Malaysia Berhad and Monash University Malaysia Sdn Bhd. She is a consultant and trainer in topics such as risk management, compliance, internal audit and board governance.

Mrs. Vijayam Nadarajah is the Chairman of the Risk Management Committee and is a member of the Audit Committee and Nominating/Remuneration Committee of the Company. She is also a Director and Chairman of the Group Risk Management Committee and is a member of the Group Audit Committee and Group Nominating/Remuneration Committee of Manulife Holdings Berhad.

DIRECTORS (CONTINUED)

Profile of Directors (Continued)

Mary Bernadette James A/P N James
Independent Non-Executive Director

Ms. Mary Bernadette James A/P N James ("Ms. James"), aged 63, a Malaysian, was appointed to the Board on 15 October 2020. Ms. Mary James graduated with a Bachelor's degree in Finance & International Business from the University of Texas-Austin in 1988.

Ms. James was the Chief Information Officer ("CIO") & Head of Transformation Office for Bank Danamon Indonesia from 2016 to February 2020. In this role, she led digital transformation to meet the digital challenges of a mobile-first world, built digital partnerships with the business, and created new business opportunities, as well as built a consistent experience for customers across different lines of business. She built and implemented bank-wide Big Data Strategy within two years and garnered two global Big Data awards.

Prior to joining Danamon, Ms. James was the Group CIO and Head of Infrastructure for Alliance Bank Berhad, Malaysia from October 2010 to February 2016, and was part of the management team to create new values and culture for the organization and designed and implemented a talent management framework. Ms. James also created a division to take on major Business Process Re-engineering projects, and delivered multiple infrastructure projects, legacy modernization of applications and virtualization.

From year 2009 to year 2010, Ms. James was the Chief Information Officer at NIB Bank, Pakistan on a short-term assignment of two years to bring under control multiple failing projects and manage the cost overrun on these projects. Her major accomplishments were the rollout of Core Banking solutions nationwide across 250 branches within five months and management of IBM and Core Banking vendors to achieve savings of 30%.

Ms. James was also with Bank Danamon Indonesia from year 2004 to year 2009 as Program Manager and subsequently Head of Technology, where she was responsible for transactional systems and technology infrastructure. As program manager, she was responsible for the bank's critical and major IT projects, and also implemented the department organizational strategy, which involved organization realignment and optimization of IT resources.

Ms. James held multiple senior roles in Citigroup from year 1997 to year 2004, such as Senior Project Manager, Equities Technology Group, London, Head of Systems and Expert Group, System Owner, Sales and Marketing and Head of ELC Operations and Technology, Malaysia. She replaced the global middle office system and integrated the Helsinki Exchange across both the equities and derivatives business.

Ms. James presently sits on the Board of Midas Digital Solutions Sdn Bhd.

Ms. James is the Chairperson of the Nominating/Remuneration Committee and a member of the Audit Committee and Risk Management Committee of the Company.

DIRECTORS (CONTINUED)

Profile of Directors (Continued)

Renzo Christopher Viegas
Independent Non-Executive Director

Mr. Renzo Christopher Viegas ("Mr. Renzo Viegas"), aged 61, an Indian, was appointed to the Board on 1 November 2020. Mr. Renzo Viegas holds a Bachelor of Commerce from the University of Bombay, India. He is a Chartered Accountant and Fellow Member of the Institute of Chartered Accountants of India.

Mr. Renzo Viegas started his working career with Citibank in year 1985, where he progressively held senior positions in various Asia Pacific countries including regional responsibilities until year 2008. His last held position was Chief Operating Officer and Chief Financial Officer of Citibank Malaysia.

In year 2008, Mr. Renzo Viegas joined RHB Bank Berhad as Director, Retail Banking where he managed the consumer, insurance, hire purchase, and SME businesses. In 2011, he was appointed as the Principal Officer overseeing the overall operations of RHB Bank Berhad. His last held position was Deputy Chief Executive Officer ("CEO") of the bank with direct covers of the Consumer and International businesses.

Mr. Renzo Viegas was the Deputy CEO and Executive Director of CIMB Bank from year 2012 to year 2015 with direct oversight of the Consumer and Commercial businesses and CEO of Group Consumer Banking from year 2015 to year 2016. He was responsible for the development of overall business strategies of consumer banking for the smooth implementation of the strategies, and transformed the consumer bank of the Group to become its growth engine. He provided support to the Group Chief Executive and other senior management, leveraging on the regional platform to better reap synergies and accelerate business delivery. He also served as Adviser to the Group CEO of CIMB Bank, where he was responsible for the development of overall Group business strategies until March 2019 with direct oversight of the overall Group business strategies. He was also a Non-Independent Director for CIMB Bank (Vietnam) Ltd from August 2018 to July 2019, and Non-Independent Director for CIMB Bank PLC in Cambodia from November 2017 to July 2019.

He served as Non-Executive Director of Sun Life Malaysia Assurance Berhad and Sun Life Malaysia Takaful Berhad from May 2013 to July 2017.

Mr. Renzo Viegas presently is an Independent Non-Executive Director of Astro Malaysia Holdings Bhd. He also sits on the Board of Ujjivan Financial Services Limited, a company listed on the National Stock Exchange of India and the holding company of Ujjivan Small Finance Bank.

Mr. Renzo Viegas is the Chairman of the Audit Committee and a member of the Risk Management Committee and Nominating/Remuneration Committee of the Company. He is also a Director and Chairman of the Group Audit Committee and a member of the Group Risk Management Committee and Group Nominating/Remuneration Committee of Manulife Holdings Berhad.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Directors' Training

The Directors have participated in conferences, seminars and training programmes to keep abreast with the development in the business environment, financial sector issues and challenges as well as the new regulatory and statutory requirements. Several members of the Board have participated in the Financial Institutions Directors' Education ("FIDE") programme developed by Bank Negara Malaysia in collaboration with Perbadanan Insurans Deposit Malaysia and the International Centre for Leadership in Finance. The programme is aimed at promoting high impact boards in the financial institutions.

The training programmes and seminars attended by the directors during the financial year ended 31 December 2022 are, inter-alia, on areas relating to corporate governance, risk management, role of an effective Board, insurance, banking and finance. The conferences, seminars and training programmes attended by the directors during the financial year ended 31 December 2022 are as follows:

- BNM-FIDE FORUM MyFintech Week Masterclasses
- BNM-FIDE FORUM Dialogue: Licensing Framework for Digital Insurers and Takaful Operators
- BNM-FIDE FORUM Dialogue: Climate Risk Management and Scenario Analysis
- MetaFinance: The Next Frontier of the Global Economy
- Engagement session with Board Members of General Insurers and Takaful Operators on Motor Claims Reforms
- FIDE FORUM – CGM Conversations with Chairmen: A Standing Item in Board Agendas
- PIDM Industry Forum 2022 co-organised by FIDE FORUM
- Board Effectiveness Evaluation – Post-launch Workshop (Session 2)
- FIDE FORUM-ICA Can We Win the War Against Financial Crime
- Open Enrolment Programme: Governance in Groups

The Board will continue to undergo other relevant training programmes and seminars to ensure that they remain well-equipped with the relevant knowledge as well as emergent strategic directions and ideas to discharge their duties effectively.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits disclosed as directors' remuneration and benefits in note 26 and note 32 to the financial statements) by reason of a contract made by the Company or a related company with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the Executive Stock Option Plan of the ultimate holding company.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, particulars of interests of directors who held office at the end of the financial year in shares and options on shares in the ultimate holding company are as follows:

	Number of ordinary shares			
	As at 1.1.2022	Acquired/ reinvested dividends	Disposed	As at 31.12.2022
Manulife Financial Corporation				
- Direct interest				
Vibha Hamsi Coburn	3,400	3,312	-	6,712
Renzo Christopher Viegas	5,800	-	-	5,800

	Number of options on ordinary shares			
	As at 1.1.2022	Granted	Lapsed	As at 31.12.2022
Manulife Financial Corporation				
- Direct interest				
Vibha Hamsi Coburn	45,254	-	-	45,254

Stock options are granted to selected individuals under Manulife Financial Corporation's ("MFC") Executive Stock Option Plan ("ESOP"). These options provide the holder with the right to purchase common shares of MFC at an exercise price equal to the higher of the prior day or prior five day average closing market price of common shares on the Toronto Stock Exchange on the date the options were granted and are valid for 10 years from the grant date.

	Number of deferred/restricted/performance share units			
	As at 1.1.2022	Granted/ reinvested dividends	Vested	As at 31.12.2022
Manulife Financial Corporation				
- Direct interest				
Vibha Hamsi Coburn	29,558	11,809	(10,395)	30,972

Deferred, restricted and performance share units granted to certain employees under Manulife Financial Corporation's ESOP entitle the holder to receive cash payment equal to the value of the same number of common shares plus credited dividends upon retirement or termination of employment or as they are vested, subject to any performance conditions.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

Other than as disclosed above, no other directors in office at the end of the financial year held any interest in the shares in the Company or its related corporations during the financial year.

By virtue of the above directors’ interests in the shares of the ultimate holding company, the said directors are deemed to have an interest in the shares of the Company to the extent that the immediate holding company and the ultimate holding company have interest.

CORPORATE GOVERNANCE

Board Meeting

There were six (6) Board Meetings held during the year. The details of attendance of the Directors are as follows:-

Name of Board of Directors	Designation
Arthur Jay Belfer	Chairman/Independent Non-Executive Director
Vibha Hamsi Coburn	Chief Executive Officer/Executive Director
Vijayam A/P Nadarajah	Independent Non-Executive Director
Mary Bernadette James A/P N James	Independent Non-Executive Director
Renzo Christopher Viegas	Independent Non-Executive Director

Name of Board of Directors	Attendance
Arthur Jay Belfer	6 out of 6 meetings
Vibha Hamsi Coburn	6 out of 6 meetings
Vijayam A/P Nadarajah	6 out of 6 meetings
Mary Bernadette James A/P N James	6 out of 6 meetings
Renzo Christopher Viegas	6 out of 6 meetings

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board responsibility and oversight

The Board of Directors ("the Board") has generally complied with BNM's Policy Document on Corporate Governance (BNM/RH/PD/029-9). As at the date of this report, the Board comprises four (4) independent non-executive directors and one (1) executive director to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

The Board has overall responsibility for putting in place a framework of good corporate governance within the Company, including the processes for financial reporting, risk management and compliance. Board members bring their independent judgement, diverse knowledge and experience in deliberations on issues pertaining to strategy, performance, resources and business conduct. The overall principal responsibilities of the Board are as follows:-

1. Providing clear objectives and policies within which the Senior Management of the Company is to operate.
2. Ensuring that there are adequate controls and systems in place to facilitate the implementation of the Company's policies.
3. Monitoring Management's success in implementing the approved strategies, plans and budget within the approved risk appetites.
4. Understanding the principal risks of all aspects of the businesses in which the Company is engaged in, setting of risk appetites, and ensuring that systems are in place to effectively monitor and manage these risks with a view to the long-term viability and success of the Company.
5. Monitoring and assessing development which may affect the Company's strategic plans.
6. Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
7. Avoiding conflicts of interest and ensuring appropriate disclosure of possible conflicts of interest.
8. Upholding and observing banking and relevant laws, rules and regulations.
9. The Board has adopted a schedule of matters specifically reserved for its approval which include, among others, reviewing and approving the following:-

   (i) Strategic/business plans and annual budget.
   (ii) New investments, divestments, mergers and acquisitions, corporate restructuring, including the establishment of subsidiaries, joint ventures or strategic alliances both locally and abroad.
   (iii) Acquisition and disposal of significant assets of the Company.
   (iv) Annual and interim financial statements before publishing to the Company's website and submission to BNM.
   (v) Appointment of new Directors, CEO and other senior management positions based on recommendations of the Nominating/Remuneration Committee.
   (vi) Related party transactions and capital financing.

CORPORATE GOVERNANCE (CONTINUED)

Board Committees

Nominating/Remuneration Committee

The members of the Nominating/Remuneration Committee as at 31 December 2022 are as follows:

Name	Designation
Mary Bernadette James A/P N James (redesignated as Chairman on 28 July 2021)	Chairman/Independent Non-Executive Director
Vijayam A/P Nadarajah	Member/Independent Non-Executive Director
Renzo Christopher Viegas	Member/Independent Non-Executive Director

A total of seven (7) Nominating/Remuneration Committee Meetings were held, on 17 January 2022, 18 February 2022, 28 March 2022, 22 August 2022, 27 October 2022, 22 November 2022 and 23 November 2022, for the financial year ended 31 December 2022. The attendance of the Nominating/Remuneration Committee members are as follows:-

Name of Members	Attendance
Mary Bernadette James A/P N James	7 out of 7 meetings
Vijayam A/P Nadarajah	7 out of 7 meetings
Renzo Christopher Viegas	7 out of 7 meetings

For the financial year ended 31 December 2022, the Nominating/Remuneration Committee has undertaken the following activities:

(i) Reviewed the contribution and performance of each individual director, the Board as a whole and Board Committees;
(ii) Reviewed and recommended the re-election of directors to the Board for recommendation to the shareholders for approval;
(iii) Reviewed the Board nomination process;
(iv) Reviewed the succession plan for senior management; and
(v) Reviewed the training programmes to be attended by the Board.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (Continued)

Risk Management Committee

The members of the Risk Management Committee as at 31 December 2022 are as follows:-

Name	Designation
Vijayam A/P Nadarajah	Chairman/Independent Non-Executive Director
Mary Bernadette James A/P N James	Member/Independent Non-Executive Director
Renzo Christopher Viegas	Member/Independent Non-Executive Director

A total of four (4) Risk Management Committee Meetings were held on 22 February 2022, 10 May 2022, 15 August 2022, and 18 November 2022, for the financial year ended 31 December 2022. The attendance of the Risk Management Committee members are set out as follows:-

Name of Members	Attendance
Vijayam A/P Nadarajah	4 out of 4 meetings
Mary Bernadette James A/P N James	4 out of 4 meetings
Renzo Christopher Viegas	4 out of 4 meetings

The Risk Management Committee is responsible for:

1. Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;
2. Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
3. Ensuring adequate infrastructure, resources and systems are in place for effective risk management, i.e. ensuring that staff are responsible for implementing risk management systems and perform these duties independently of the Company's risk taking activities; and
4. Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Through the Risk Management Committee, the Board oversees the Enterprise Risk Management Framework of the Company. The Risk Management Committee advises the Audit Committee and the Board on areas of high risk faced by the Company and the adequacy of compliance and control throughout the organisation. The Risk Management Committee reviews the risk management policies formulated by management and makes relevant recommendations to the Board for approval.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (Continued)

Audit Committee

The members of the Audit Committee of the Company as at 31 December 2022 are as follows:-

Name	Designation
Renzo Christopher Viegas	Chairman/Independent Non-Executive Director
Vijayam A/P Nadarajah	Member/Independent Non-Executive Director
Mary Bernadette James A/P N James	Member/Independent Non-Executive Director

A total of five (5) Audit Committee Meetings were held on 22 February 2022, 21 March 2022, 12 May 2022, 15 August 2022 and 18 November 2022, for the financial year ended 31 December 2022. The attendance of the Audit Committee members are set out as follows:-

Name of Members	Attendance
Renzo Christopher Viegas	5 out of 5 meetings
Vijayam A/P Nadarajah	5 out of 5 meetings
Mary Bernadette James A/P N James	5 out of 5 meetings

The main duties and responsibilities of the Audit Committee are to review audit issues concerning internal control and risk management identified by the internal auditors, external auditors and regulatory examiners. The Audit Committee annually reviews and approves the audit plan and budget to ensure that the Internal Audit function operates effectively. The Audit Committee reviews and verifies the related party transactions and conflicts of interest entered into by the Company and recommends the same to the Board for approval and consideration.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Key Internal Control and Risk Management Process

Enterprise Risk Management Framework

The Company has a strong risk management culture which supports its risk management practices. Overall, the Company's Board of Directors is accountable for the oversight of risk management, and delegates this through a governance framework which is centered on the Three Lines of Defence Model and that includes risk oversight committees, risk managers and risk policies and practices.

The Board provides stewardship and Management oversight to ensure that the Management is qualified and competent. Organisational and procedural controls, and policies and procedures for major activities are reviewed, approved and monitored on a periodic basis.

Senior management directs and oversees the effective management of the Company's institutional operations, which includes developing business objectives, strategies, plans, organisational structure and controls and policies for the Board's review and approval. Senior Management executes and monitors the achievement of the Board approved business objectives, strategies and plans, and the effectiveness of the organisational structure and controls and corporate governance practices, culture and ethics.

The Risk Management Committee ("RMC") meets at least quarterly to review both the key risks identified by Management and plans for the mitigation of these risks. The key risk areas examined are strategic risk, insurance risk, market and liquidity risk, credit risk, product risk and operational risk. A formal risk assessment is conducted quarterly by the respective risk managers, comprising the heads of business units. For the key risks identified, Management action plans are formulated and implemented. The results of the risk assessments are reviewed by the Enterprise Risk Management Committee ("ERM") before they are reported to the Board via the RMC, to ensure that the risk management monitoring is independent.

There is a clearly defined assignment of responsibilities to the Committees of the Board and to Management to provide oversight and governance over the Company's activities. The Board, through its Audit Committee ("AC") and RMC, is responsible for overseeing the Company's management of its principal risks. The Company Chief Executive Officer ("CEO') is directly accountable to the Board for all of the Company's risk-taking activities and risk management practices. The Board and RMC delegate accountability for risk-taking and risk management to the Company CEO. The Company CEO, supported by the Chief Risk Officer ("CRO") and ERM establish risk policies, guide risk-taking activity, monitor material risk exposures, and develop strategic risk management priorities, thereby continuously shaping and promoting our risk culture throughout the Company. The ERM consists of, CEO, CRO, Chief Financial Officer ("CFO"), Chief Compliance Officer ("CCO"), Chief Information Officer ("CIO"), Appointed Actuary ("AA"), Chief Counsel & Corporate Services Officer ("CCCSO"), Chief Operations Officer ("COO"), Chief Human Resources Officer ("CHRO"), and Chief Marketing Officer ("CMO"), Chief Commercial Officer, Chief Product Officer and Chief Agency Officer ("CAO").

CORPORATE GOVERNANCE (CONTINUED)

Key Internal Control and Risk Management Process (Continued)

Internal Audit Services Function

The Charter for Audit Services – Malaysia ("AS-Malaysia") is reviewed and approved by the AC annually.

The scope of AS-Malaysia's work encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee and Senior Management on the adequacy and effectiveness of Manulife's governance, risk management and internal control processes. Internal audit assessments include evaluating:

- The comprehensiveness, reliability, and integrity of financial and operating information, and the means used to identify, measure, analyse, classify, and report such information;
- The comprehensiveness and appropriateness of policies and procedures;
- The processes that ensure compliance with policies, procedures, laws, and regulations that could have a significant impact on operations, management or financial reporting;
- The means of safeguarding assets against accident, theft, malicious damage or other improper or illegal activities;
- The appropriateness and comprehensiveness of operating standards, the extent to which they are communicated and understood, and whether deviations from standards are identified, analysed and communicated, and corrective action taken; and
- Consultation and other services related to audit expertise as needs arise.

The annual audit plan is primarily driven by an independent assessment of inherent risk of the common units across the company and includes consideration of external information published by industry groups, and input from management, Committee members, regulators and other stakeholders. The objective of the inherent risk assessment exercise is to focus annual activity on the most important risks faced by Manulife while providing appropriate audit coverage over other areas over time. The progress of the internal audit plan, a summary of internal audit issues and the status of corrective actions performed to address the internal audit issues are reported to the AC when it meets.

The AC reviews audit issues concerning governance, internal controls and risk management as identified by AS-Malaysia, external auditors and regulatory examiners. The AC annually reviews and approves the internal audit plan and budget to ensure the AS-Malaysia's function operates effectively. The AC meets at least quarterly to review the internal audit reports tabled by AS-Malaysia. Also, the AC has active oversight on AS-Malaysia's independence and objectivity in relation to their scope of work.

Other Key Internal Controls

There is a detailed and formalised annual business and budget planning process to ensure that the Group's business objectives are clearly defined. The Board reviews and approves the Group's business plans. Comprehensive management reports are submitted to the Board as and when it meets throughout the year. The Board monitors the Group's performance closely and Management promptly follows up on any variances identified.

An annual review of the current and future financial position of the Group's insurance business is performed by the AA, as guided by Policy document issued by Bank Negara Malaysia's (BNM/RH/GL/003-17) Financial Condition Report and (BNM/RH/GL/032-12) Risk Based Capital Framework for Insurers. These include annual assessment on various aspects of the Company's financial condition, quarterly Capital Adequacy Ratio reporting, annual multi-period stress testing and assessing the Group's insurance business' ability to withstand various adverse scenarios as part of the capital assessment procedures. Generally the appointment and duties of the AA is in accordance with BNM/RH/STD 029-5 - Appointed Actuary: Appointment and Duties.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Key Internal Control and Risk Management Process (Continued)

<u>Other Key Internal Controls</u> (Continued)

The risk and compliance culture of the Company is driven by a strong tone from the top, complemented by the tone from the middle, to embed the expected values and principles of conduct that shape the behaviour and attitude of staff across the Company. Policies and internal standard operating procedures are clearly defined, consistently communicated and continuously reinforced, to embed a culture that cultivates active identification, assessment and mitigation of risk as part of the responsibility of all staff across the Group. As part of the risk and compliance culture, the Company has instilled a compliance culture where the Board, senior management and every employee of the Company is committed to adhere to the requirement of relevant laws, rules, regulations and regulatory guidelines.

The Board recognises that the compliance function forms an integral part of the Company's risk management and internal controls. These include the compliance function's role to identify, assess, monitor the compliance risk of the entity and educate the business and support units to act in accordance with laws and regulations. In ensuring good governance, the Chief Compliance Officer has direct access to the Board with clear reporting lines to the extent required by relevant regulation.

As it is vital to have a robust and effective compliance framework in place, the Company has in place a Compliance Policy that is driven by the Compliance Department to manage compliance risk within the business. The Policy requires all entities within the group to adopt and implement the compliance policies and procedures which are reviewed on a periodic basis or as and when required to reflect current practices and the applicable regulatory requirements.

Using the Three Lines of Defence Model, all business functions and support units are required to review and assess its established controls to ensure compliance to applicable laws and regulations. The compliance unit, as part of the second line of defence, will carry out scheduled compliance reviews on business and support units to assess the overall effectiveness of a business's compliance practices and protocols. The Board is provided with compliance reports on a regular basis to facilitate a holistic and overall view of all compliance matters across the company.

There are internal policies and procedures within the Company for recruitment, termination, rewards and benefits, and promotion of staff including continuous training programmes and two (2) reviews conducted at mid-year and year end. In addition, other relevant procedures are in place to ensure that staff are competent, adequately trained in carrying out their roles and responsibilities and focused on achieving the desired results and business objectives. Talent Management review is conducted on an annual basis through a robust process via a Talent Review committee which comprises the CEO and Executive Management team. Succession planning is reviewed on an annual basis leveraging on outcomes of the annual talent review. Successors to key roles are identified in consultation with Senior Management team. Identified high potentials are reflected in the succession plans depending on the role, growth opportunity, personal aspirations and mobility. Several other key initiatives in helping the Company to build high performing team include a series of employee engagement and employee retention initiatives and continuous education of effective execution of performance management.

A comprehensive business continuity management programme is established and updated continuously to reflect changes in the operating environment to provide enterprise-wide planning and arrangements of key resources and procedures that enable the Company to respond to and continue to operate mission-critical business functions, while considering all functions across a broad spectrum of interruptions to the business arising from internal and external events. Various business continuity tests are performed on an annual basis and covering alternate site tests, table top exercises, call tree tests, integrated simulation disaster recovery tests, etc. Results of the tests performed are presented to the Board via the Group CEO reports for their review as part of its oversight role.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Key Internal Control and Risk Management Process (Continued)

Other Key Internal Controls (Continued)

The Information Risk Management function has in place an existing risk assessment process that covers cyber security risk. The assessment is guided by policies and standards in place, in areas such as network security, encryption standards (for data at rest and in transit), operational security, application security, vulnerability management and logical access control.

There are clearly documented authority limits, policies and procedures that underpin the internal control process, e.g. staff integrity, staff competency, checks and balances, segregation of duties, independent checks and verification processes, system access controls and layers of internal transaction authorisation, which are set out in the policies and procedural manuals, guidelines, and directives issued by the Company and updated from time to time.

Risk Policies in Place

The Company’s Enterprise Risk Policy sets out the overall ERM framework by defining policies and standards of practice related to risk governance, risk identification, risk measurement, risk monitoring, risk control and mitigation. There are various key risk policies in place to guide specific risk taking and Management activities.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Senior Management and Material Risk Takers

The Company's Senior Management that has company-wide management responsibilities as at the date of this report comprised of the following personnel:-

1) Chief Executive Officer
2) Chief Financial Officer
3) Chief Agency Officer
4) Chief Commercial Officer
5) Appointed Actuary*
6) Chief Risk Officer*
7) Chief Compliance Officer*

* Personnel having control function

The Company's Senior Management is also deemed to be Material Risk Takers, who can materially commit or control significant amount of the Company's resources or whose actions are likely to have a significant impact on the Company's risk profile.

Total compensation awarded to the Senior Management (excluding control function) for the financial year is as below:-

Total compensation (RM'000)	**Non-Deferred**	**Deferred**			
	Awarded during the year	Granted during the year	Paid during the year	Implicit change in value*	Cumulative outstanding as at 31 December 2022
Fixed remuneration					
• Cash-based	4,231	-	-	-	-
• Shares and share-linked instruments	-	-	-	-	-
• Other	191	-	-	-	-
Variable remuneration					
• Cash-based	2,094	-	-	-	-
• Shares and share-linked instruments	11	1,102	1,563	700	2,835
• Other	-	-	-	-	-
	6,527	**1,102**	**1,563**	**700**	**2,835**

* Implicit change in value represents the change in value of deferred compensation arising from change in share price and performance vesting conditions

All of the Senior Management and Material Risk Takers received variable remuneration for the financial year. There were no guaranteed bonuses, sign-on awards or severance payments paid to this group during the financial year.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Senior Management and Material Risk Takers (Continued)

Remuneration policy

(a) Compensation philosophy

The Group Nominating/Remuneration Committee of the immediate holding company, Manulife Holdings Berhad, has reviewed and adopted the Manulife Global Compensation Policy ("MFC Global policy") with certain amendments to suit Manulife Holdings Berhad and its subsidiaries, and to align with the Corporate Governance standards of Bursa Malaysia and Bank Negara Malaysia. The Company has adopted the same policy as the Group.

Pay for performance is at the core of the Company's compensation approach. Compensation is tied to the achievement of our short-, medium- and long-term goals, so that a significant portion of what our executives earn is variable and not guaranteed.

There are five principles guiding every compensation decision:-

(i) Compensation aligned with business strategy
- Incentive compensation is tied to the achievement of key performance measures, prudently balancing time horizons and performance perspectives.
- Performance measures are tied directly to our business strategy and shareholder value.
- Performance share units vest and pay out based on relative and absolute Total Shareholders' Return ("TSR").

(ii) Compensation aligned with long-term shareholder value
- A significant part of our Senior Management's (excluding control function) compensation is directly affected by our share price.
- The annual incentive plan incorporates measures tied to our future success.
- Share ownership guidelines, clawback provisions and stock option exercise restrictions discourage the share recipients from taking undue risk.

(iii) Compensation and performance benchmarked against peer companies
- Executive pay is benchmarked against companies with which we compete for business, capital and talent.

(iv) Compensation aligned with good governance practices
- Our remuneration policy is aligned with the Financial Stability Board's Principles for Sound Compensation Practices and the Corporate Governance standards of Bursa Malaysia and Bank Negara Malaysia.
- Employees must annually certify compliance with the Company's Code of Business Conduct and Ethics.

(v) Compensation aligned with risk management objectives
- Incentive compensation for the heads of control functions of our business is based on measures that are not directly linked to the business they oversee.
- The Company carries out stress tests on compensation plan designs.
- Senior Management compensation may be clawed back for wrongdoing, even when a financial restatement is not required.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Senior Management and Material Risk Takers (Continued)

Remuneration policy (Continued)

(b) Managing compensation risk

Compensation is aligned with the Company's risk appetite and risk management objectives, and discourages inappropriate risk taking.

The Company uses a compensation risk framework to structure how the Company manages the risks associated with the compensation program and the design features that mitigate these risks. The framework includes four categories, which shape the development of our compensation program. The Company assesses the compensation program against the framework every year.

(i) Business Risk

Business risk has two aspects:

- the risk that the compensation program encourages behaviour that is not in line with the Company's business strategy, risk appetite statement and goal of generating long-term shareholder value; and
- the risk that the compensation program discourages the taking of healthy risks.

The Company seeks to manage both aspects of business risk by including performance measures in the incentive plans that align compensation with the Company's business strategy and reflect the impact employees have on performance.

(ii) Talent Risk

Talent risk is the risk that the compensation program will not attract and retain talented employees.

The Company seeks to manage this risk by designing compensation program to be competitive and appealing to the talent.

(iii) Performance Risk

Performance risk is the risk that the compensation program will not motivate employees to maintain high performance standards.

The Company seeks to manage this risk by including appropriate links between pay and performance and designing compensation to optimize business results.

(iv) Compliance and Ethical Risk

Compliance and ethical risk is the risk that the compensation program will encourage employees to engage in questionable, unethical or illegal behaviour.

The Company seeks to manage this risk through strong oversight and control mechanisms, and by structuring the compensation program in a way that minimises the potential incentive to breach compliance and ethical guidelines.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Senior Management and Material Risk Takers (Continued)

Remuneration policy (Continued)

(c) Mitigating compensation risk

The Company seeks to manage potential risk through the risk management policies, design of the compensation program and proper oversight of the incentive plans, and integrating the consideration of the Company's risk appetite into the incentive plans and performance assessments.

<u>Risk management policies</u>

- Clawbacks – if a Corporate Vice president or above commits fraud, theft, embezzlement or serious misconduct, whether or not there is a financial restatement, Manulife's board can, at its discretion, cancel some or all of his or her vested or unvested incentive awards, and require repayment of incentive awards that have already been paid.
- Share ownership requirements – Corporate Vice president or above are required to meet share ownership requirements.
- No hedging – executives and directors are not allowed to use strategies (for example, short selling, or buying or selling a call or put option or other derivatives) to hedge or offset a change in price of Manulife Financial Corporation's shares. This policy is incorporated into our Code of Business Conduct and Ethics. All employees and directors are required to certify compliance with the code every year.

<u>Program design</u>

- Compensation award horizons are appropriately balanced between short, medium and long term.
- Incentive plans include several performance measures, combining various performance scenarios.
- Specific risk control and capital adequacy measures are embedded in the performance share unit awards.
- Incentive plan awards depend on both company performance and total shareholder return ("TSR"), which links our strategy and risk appetite with improving shareholder outcomes and capital strength.
- Compensation for control functions is not linked to business performance, to promote unbiased oversight and advice to Manulife's senior management and Board of Directors.
- Annual incentives for divisional control function heads providing oversight are not directly linked to the performance of businesses they oversee.

<u>Incentive plan oversight</u>

- Manulife's management resources and compensation committee oversees all incentive plans, including payout distribution, control and monitoring processes and the potential impact they may have on business risk.
- The Nominating/Remuneration Committee of the Company reviews and approves the compensation decisions for Senior Management and Material Risk Taker.

<u>Risk perspective in performance assessment</u>

- Individual risk management objectives are included in annual goals for all senior leaders.
- The Company assesses employees against risk management criteria to make sure that the employees are mindful of the risks inherent in their jobs and are working within the boundaries of the Company's policies and practices, while still providing appropriate incentives for material risk takers to achieve the Company's objectives.
- Performance assessments are expected to reflect how the employee contributed to manage the Company's risk profile within the Company's risk appetite and also take into account any signals from Internal Audit, Compliance or Risk Management highlighting inappropriate actions.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Senior Management and Material Risk Takers (Continued)

Remuneration policy (Continued)

(d) Compensation program

The Senior Management compensation program has six key components:-

Key components	Description of compensation	Details of remuneration
Base Salary	Fixed compensation based on role, performance, qualifications and experience.	Each executive's salary depends on: • qualifications, experience and role • performance in the role • past promotions and career progression • salaries paid for comparable roles at peer companies • salaries of comparable roles within Manulife The Company benchmark salaries and salary ranges at least once a year against comparable roles in peer companies and other executives within the Manulife Group.
Annual incentive • annual cash-based incentive Awarded in February of the following year for the preceding year's performance	Variable compensation designed to reward executives for meeting the Company's objectives and individual performance goals over a calendar year where performance is assessed based on "what" was achieved (contribution) and "how" they were achieved (exhibiting the Company's cultural behaviours). Ties compensation to short-term priorities that will result in sustainable performance over time.	We set a target award for each executive (a percentage of base salary) based on competitive market data and the executive's level. The amount we actually pay depends on a combination of company and individual performance. Company performance objectives are tied to the achievement of performance targets that position the company for future success. Individual performance objectives are aligned with our company strategy and fall into three categories: • business objectives • leadership objectives • risk management objectives

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MANULIFE INSURANCE BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Senior Management and Material Risk Takers (Continued)

Remuneration policy (Continued)

(d) Compensation program (Continued)

The Senior Management compensation program has six key components:- (continued)

Key components	Description of compensation	Details of remuneration
Medium- and long-term incentives (Equity-based incentives) • restricted share units • performance share units • stock options Awarded at the beginning of each year to executives. Senior leaders at the Corporate Vice President level and below receive 100% of their award in restricted share units.	Variable compensation designed to reward executives for meeting company objectives and individual performance goals over a multi-year period. Ties compensation to company and share price performance over both the medium and long term. Strengthens retention and reinforces alignment with shareholder value, especially for more senior executives.	The Company sets awards for each executive based on level, contribution, potential and market competitiveness, and benchmark the award levels every year against comparable roles in peer companies. The amount each executive ultimately receives depends on Manulife Group's performance: • the value of restricted share units depends on the price of Manulife Financial Corporation ("MFC")'s common shares at the time of vesting. • the value of performance share units depends on the price of MFC's common shares at the time of vesting, as well as how we perform against internal and relative performance measures that are aligned with our company strategy. • the value of stock options depends on the price of MFC's common shares at the time of grant and when stock options are exercised. The Company do not consider the outstanding value of restricted share units, performance share units and stock options an executive already holds when granting awards.
Pension	Assists our employees as they save for their retirement	The Company offers 3% on top of the stipulated rate to statutory Employees' Provident Fund ("EPF").
Benefits and wellness	Protects and invests in the well-being of our employees	The Company offers group term life, disability, health insurance, dental, optical and wellness and other programmes.
Perquisites	Offers market-competitive benefits	The Company offers perquisites depending on industry/market practice.

The mix of components that make up total target direct compensation for the executives in Senior Management vary by level. The proportion of variable pay increases by level, making the link between pay and performance more pronounced for senior executives, because of the greater influence they have on our results. The combination of different incentive plans ensures that executives consider both the short-term and the long-term impact of their decisions.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Senior Management and Material Risk Takers (Continued)

Remuneration policy (Continued)

(d) Compensation program (Continued)

This combination of components and time horizons helps to drive performance, align executive interests with those of shareholders, provide for competitive pay opportunities and encourage retention. Company performance score is used to adjust variable compensation funding available to be awarded. The exact amount granted is determined through an assessment of individual performance against goals that are tied to the financial and operating results of the Company, including impact on risk culture.

Management accountability

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employee and formal performance appraisal is done annually. Information is effectively communicated to the relevant employee within the Company. The Company has a formal and transparent procedure for developing policies on executive remuneration. None of the directors and senior management of the Company has, in any circumstances, conflict of interest referred to in the Financial Services Act, 2013.

The management meets all prescriptive requirements under this section, and has already adopted best practices in the areas of organisational structure and allocation of responsibilities, conflicts of interest, goal setting and the areas of communication.

Corporate independence

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL/018-6) in respect of all its related party undertakings. Necessary disclosures have been made to the Board and where required, the prior approval of the Board has also been obtained.

Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

Financial reporting

The Company has maintained proper accounting records and the Company's financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the provisions of the Companies Act, 2016 in Malaysia.

INDEMNITY AND INSURANCE

During the financial year, the indemnity given or insurance effected for any Directors and officers of the Company amounts to RM20,000,000 in aggregate with total annual premium of RM22,716.

There were no indemnity given to, or insurance effected for auditors of the Company during the financial year.

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

HOLDING COMPANIES

The directors regard Manulife Holdings Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the Company's immediate holding company, and Manulife Financial Corporation, a corporation incorporated in Canada, as the ultimate holding company.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is disclosed in note 26 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2023.

VIJAYAM A/P NADARAJAH

INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuala Lumpur, Malaysia

VIBHA HAMSI COBURN

CHIEF EXECUTIVE OFFICER/
EXECUTIVE DIRECTOR

Company No.

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) AND SECTION 251(3) OF THE COMPANIES ACT, 2016

We, Vijayam A/P Nadarajah and Vibha Hamsi Coburn, being two of the directors of Manulife Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 128 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 March 2023.

VIJAYAM A/P NADARAJAH
INDEPENDENT NON-EXECUTIVE DIRECTOR

VIBHA HAMSI COBURN
CHIEF EXECUTIVE OFFICER/
EXECUTIVE DIRECTOR

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, Tan Chue Chau, being the officer primarily responsible for the financial management of Manulife Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 128 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN CHUE CHAU

Subscribed and solemnly declared by the abovenamed Tan Chue Chau at Kuala Lumpur in Malaysia on 29 March 2023, before me.

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No. W 661
TAN KIM CHOOI
1.1.2022-18.4.2023
MALAYSIA

LEVEL 25, MENARA HONG LEONG,
NO 6, JALAN DAMANLELA, BUKIT DAMANSARA
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EY
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200801013654 (814942-M)

Independent auditors' report to the member of Manulife Insurance Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Manulife Insurance Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, statement of total comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 33 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

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**Independent auditors' report to the member of
Manulife Insurance Berhad (Continued)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditors' report to the member of
Manulife Insurance Berhad (Continued)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent auditors' report to the member of
Manulife Insurance Berhad (Continued)
(Incorporated in Malaysia)

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ahmad Hammami Bin Muhyidin
No. 03313/07/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 March 2023

Company No.

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
ASSETS			
Property and equipment	4	20,348	18,907
Investment property	5	46,318	45,712
Intangible assets	6	38,538	40,152
Loans and receivables	7	394,731	306,446
Available-for-sale financial assets	8(a)	3,266,710	3,361,030
Financial assets at fair value through profit or loss	8(b)	2,112,427	2,073,074
Reinsurance assets	9	7,042	10,829
Insurance receivables	10	11,019	14,797
Right-of-use assets	18(a)	2,306	1,098
Current tax asset	19	25,648	22,245
Cash and cash equivalents		111,789	119,131
TOTAL ASSETS		6,036,876	6,013,421
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	11	200,000	200,000
Retained earnings	12	445,797	419,112
Fair value reserve	12	2,276	10,272
TOTAL EQUITY		648,073	629,384
Insurance contract liabilities	13	4,304,470	4,356,799
Insurance claims liabilities	14	87,859	75,912
Financial liability at fair value through profit or loss	15	12	-
Deferred tax liabilities	16	31,856	47,254
Reinsurance liabilities	9	-	1,702
Insurance payables	17	812,073	759,105
Lease liabilities	18(b)	2,402	1,206
Current tax liability	19	-	4,028
Other payables	20	150,131	138,031
TOTAL LIABILITIES		5,388,803	5,384,037
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		6,036,876	6,013,421

The accompanying notes form an integral part of these financial statements.

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Premium income			
Gross premiums		1,102,536	1,013,803
Premiums ceded to reinsurers		(80,081)	(66,892)
Net premiums	21	1,022,455	946,911
Investment income	22	218,342	206,142
Net realised gains	23	38,113	137,503
Net fair value (losses)/gains	24	(166,581)	1,487
Fee income	25	4,015	3,884
Other operating income		3,285	3,575
Total revenue		1,119,629	1,299,502
Gross benefits and claims paid and payable		(800,025)	(817,354)
Claims ceded to reinsurers		47,034	41,025
Gross change in insurance contract liabilities		(24,649)	(150,576)
Change in insurance contract liabilities ceded to reinsurers		2,814	2,555
Net claims		(774,826)	(924,350)
Fee and commission expenses		(132,661)	(120,483)
Investment expenses		(12,561)	(9,956)
Management expenses	26	(166,271)	(148,793)
Other operating income/(expenses)	28	1,466	(18,298)
Other expenses		(310,027)	(297,530)
Profit before taxation		34,776	77,622
Taxation	29	(8,091)	(15,643)
Net profit for the financial year		26,685	61,979
Net profit attributable to:			
Equity holder of the Company		26,685	61,979
Basic and diluted earnings per share (sen)	30	7.62	17.71

The accompanying notes form an integral part of these financial statements.

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Net profit for the financial year		26,685	61,979
Other comprehensive loss, net of tax:			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:-			
Fair value change of available-for-sale financial assets:			
- Gross fair value change	8(c)	(93,247)	(203,283)
- Deferred tax	16	8,032	18,348
		(85,215)	(184,935)
Change in insurance contract liabilities arising from unrealised net fair value change	13	77,219	153,701
Net loss		(7,996)	(31,234)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(7,996)	(31,234)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:-			
Surplus/(deficit) from revaluation of property: -			
- Gross surplus/(deficit) from revaluation		241	(292)
Changes in insurance contract liabilities arising from revaluation of property	13	(241)	292
Net income		-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive loss for the financial year		(7,996)	(31,234)
Total comprehensive income for the financial year		18,689	30,745
Total comprehensive income attributable to:			
Equity holder of the Company		18,689	30,745

The accompanying notes form an integral part of these financial statements.

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Non-distributable	Distributable	
	Share capital RM'000	Fair value reserve RM'000	Retained earnings* RM'000	Total equity RM'000
At 1 January 2021	200,000	41,506	357,133	598,639
Net profit for the financial year	-	-	61,979	61,979
Other comprehensive loss for the financial year	-	(31,234)	-	(31,234)
Total comprehensive (loss)/income for the financial year	-	(31,234)	61,979	30,745
At 31 December 2021/1 January 2022	200,000	10,272	419,112	629,384
Net profit for the financial year	-	-	26,685	26,685
Other comprehensive loss for the financial year	-	(7,996)	-	(7,996)
Total comprehensive (loss)/income for the financial year	-	(7,996)	26,685	18,689
At 31 December 2022	200,000	2,276	445,797	648,073

*Included in the retained earnings are surplus from Non-participating life fund of the Company (net of deferred tax) of approximately RM105,904,000 (31 December 2021: RM96,585,000) as further disclosed in note 12. These amounts are only distributable upon the actual recommended transfer from the Non-participating life fund to the Shareholder's fund by the Appointed Actuary.

The accompanying notes form an integral part of these financial statements.

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year		26,685	61,979
Adjustments for non-cash items	31	(83,309)	(308,519)
Operating losses before changes in operating assets and liabilities		(56,624)	(246,540)
Purchase of investments	8(c)	(2,887,155)	(3,169,106)
Proceeds from disposal and maturity of investments		2,724,112	3,024,083
Interest income received		143,365	123,492
Dividend income received		82,410	87,525
Rental income received		2,283	1,965
Decrease in insurance receivables		2,900	2,080
Decrease/(increase) in reinsurance assets		2,085	(7,666)
Decrease in other receivables		1,060	3,473
Decrease/(increase) in loans receivable		5,167	(3,619)
(Increase)/decrease in fixed and call deposits		(96,996)	5,780
Increase in insurance contract liabilities		24,649	150,576
Increase in insurance claims liabilities		11,947	19,608
Increase in insurance payables		52,968	87,246
Increase in payables		13,529	1,606
Cash generated from operations		25,700	80,503
Interest paid	18(b)	(55)	(56)
Income taxes paid		(26,571)	(43,564)
Net cash (outflow)/inflow from operating activities		(926)	36,883
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	4	(3,110)	(428)
Purchase of intangible assets	6	(1,908)	(1,031)
Net cash outflow from investing activities		(5,018)	(1,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		(1,398)	(1,040)
Net cash outflow from financing activities		(1,398)	(1,040)
Net (decrease)/increase during the financial year		(7,342)	34,384
Cash and cash equivalents at 1 January		119,131	84,747
Cash and cash equivalents at 31 December		111,789	119,131

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows and statement of financial position comprise the following:

	2022 RM'000	2021 RM'000
Cash and bank balances	60,971	89,117
Short-term deposits*	50,818	30,014
Cash and cash equivalents	111,789	119,131

*Short-term deposits with original maturities of less than 3 months.

The accompanying notes form an integral part of these financial statements.

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The immediate holding company is Manulife Holdings Berhad, a public listed company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Berhad. The ultimate holding company is Manulife Financial Corporation, a corporation incorporated and domiciled in Canada and listed on the Toronto, New York and Hong Kong Stock Exchanges.

Principal activities

The Company is engaged principally in the underwriting of life insurance business. There have been no significant changes in the principal activities of the Company during the financial year.

Registered office and principal place of business

The registered office and principal place of business of the Company is located at 16th Floor, Menara Manulife, 6 Jalan Gelenggang, Damansara Heights, 50490 Kuala Lumpur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements of the Company have been prepared on a historical cost basis except as disclosed in this summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

(i) Adoption of new pronouncements in the current year

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new pronouncements effective from 1 January 2022 as follows:

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2018–2020 (Amendments to MFRS 1, MFRS 9, MFRS 16, MFRS 141)	1 January 2022
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*)	1 January 2022
Property, Plant and Equipment—Proceeds before Intended Use (Amendments to MFRS 116 *Property, Plant and Equipment*)	1 January 2022
Reference to the Conceptual Framework (Amendments to MFRS 3 *Business Combinations*)	1 January 2022

The adoption of the above new pronouncements did not have any significant effect on the disclosures or amounts recognised in the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments/improvements to published standards that are issued but not yet effective

The following are new accounting standards and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company. The Company intends to adopt these new pronouncements, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
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
Non-current Liabilities with Covenants (Amendments to MFRS 101)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to MFRS 16)	1 January 2024
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors expect that the adoption of the above new pronouncements will have no material impact on the financial statements in the period of initial application except as discussed below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts*

MFRS 17 “Insurance Contracts” was issued in August 2017 to be effective for years beginning on 1 January 2021. Amendments to MFRS 17 “Insurance Contracts” were issued in 2020 and include a two-year deferral of the effective date. MFRS 17 as amended, is effective for years beginning on 1 January 2023, to be applied retrospectively. If full retrospective application to a group of contracts is impracticable the modified retrospective or fair value methods may be used. The standard replaced MFRS 4 “Insurance Contracts” and materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company’s financial statements.

Narrow-scope amendments to MFRS 17 “Insurance Contracts” were issued in December 2021 and were effective on initial application of MFRS 17 and MFRS 9 “Financial Instruments” which the Company has adopted on 1 January 2023. The amendments reduce accounting mismatches between insurance contract liabilities and financial assets in scope of MFRS 9 within comparative prior periods when initially applying MFRS 17 and MFRS 9. The amendments allow insurers to present comparative information on financial assets as if MFRS 9 were fully applicable during the comparative period. The amendments do not permit application of MFRS 9 hedge accounting principles to the comparative period.

<u>MFRS17 Transitional Provisions</u>

The Company will be applying MFRS 17 for the first time in the upcoming financial year ending 31 December 2023. Accordingly, it will restate comparative information for the financial year ended 31 December 2022, including the opening balance as at 1 January 2022, by applying the transition requirements of MFRS 17 as follows:

<u>Full Retrospective Approach</u>
The Company has adopted MFRS17 retrospectively unless the full retrospective approach was deemed impracticable as allowed under MFRS17. The Company has applied the full retrospective approach to all contracts issued on or after 1 January 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* (continued)

MFRS17 Transitional Provisions (continued)

Fair Value Approach
The Company has applied the fair value approach to all insurance contracts issued prior to 1 January 2021, as obtaining reasonable and supportable information to apply the full retrospective approach was deemed impracticable without undue cost or effort.

Under the fair value approach, the Company has determined the Contractual Service Margin (“CSM”) of the General Measurement Model (“GMM”) and Variable Fee Approach (“VFA”) liabilities for remaining coverage at the transition date as the difference between the fair value of the groups of insurance contracts and the fulfilment cash flows measured at that date. In determining the fair value, the Company has applied the requirements of MFRS 13 “Fair Value Measurement”, except for the demand deposit floor requirement. The Company used the income approach to determine the fair value of the insurance contracts at the transition date, in which future cash flows are discounted to a single amount that reflects current market expectations about those future amounts.

Measurement differences

The principles underlying MFRS 17 differ from MFRS 4. While there are many differences, the following outlines some of the key measurement differences:

- Under MFRS17, new business gains are recorded on the Statements of Financial Position (in the Contractual Service Margin (“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. Under MFRS 4, both new business gains and new business losses were recognised in profit or loss immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* (continued)

Measurement differences (continued)

- Under MFRS 17, the Company aggregates insurance contracts that are subject to similar risks and managed together into portfolios. Since new business gains and losses have different accounting treatments, insurance contracts are further aggregated into groups by profitability and issuance period to limit offsetting of new business gains and losses. Such aggregation of contracts into groups is required on initial recognition and not reassessed subsequently. Under MFRS 4, new business gains and new business losses offset each other in profit or loss.

- Under MFRS 17, the discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of the liabilities. Under MFRS 4, the rates of returns for current and projected assets supporting insurance contract liabilities were used to value the liabilities with non-guaranteed benefits, while the risk-free yield curve was used to value the guaranteed benefit liabilities

- Under MFRS 17, the insurance contract liability discount rate is not related to the expected return on Alternative Long-Duration Assets (“ALDA”) and public equity assets, and as a result, the earnings sensitivity of a change in return assumptions for ALDA and public equity assets will be significantly reduced.

- Under MFRS 17, the Company has elected the option to record changes in insurance contract liabilities arising from changes in interest rates through other comprehensive income, for most insurance portfolios and classify debt instruments supporting these insurance contract liabilities as fair value through other comprehensive income (“FVOCI”) under MFRS 9. Under MFRS 4 and MFRS139, all changes in insurance contract liabilities were recorded in profit or loss and supporting debt instruments were classified as either FVTPL or AFS.

- Under MFRS 17, insurance contracts with different features are measured by one of the three measurement models: General Measurement Model (“GMM”), Premium Allocation Approach (“PAA”) and Variable Fee Approach (“VFA”). Under MFRS 4, insurance contracts were generally valued using the gross premium valuation (GPV) method, although an unearned premium reserve method similar to PAA was allowed and used by the Company for certain short duration/annually renewable business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* (continued)

Measurement differences (continued)

During the implementation period of MFRS 17, the Company 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) as well as certain policies with contract boundaries greater than 1 year which are able to pass Premium Allocation Approach (“PAA”) eligibility test are measured using 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 Company will be applying the GMM model for all reinsurance contracts held.

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:

- Statement of Financial Position:

  (i) Under MFRS 17, the Company 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 Company. Under MFRS4, these Unallocated Surplus were recognised as part of the Insurance Contract Liabilities.

  (iii) Under MFRS17, the Company 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 Company on a line-by line basis; instead, the Investment-linked funds will be reported as two separate lines on the Company’s Statement of Financial Position as "Segregated Funds Net Assets” and “Segregated Funds Net Liabilities”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* (continued)

Presentation and disclosure differences (continued)

- Statement of Comprehensive Income:

  (i) The presentation of the statement 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 Company separately presents insurance revenue, insurance service expense, insurance finance income or expenses, and income or expenses from reinsurance contracts held. Under MFRS 4, the Company 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 Company will no longer consolidate and report the Statement of Profit or Loss of Investment-linked funds together with the Total Income and Total Expense of the Company on a line-by-line basis; instead, the Investment-linked funds will be reported as two separate lines on the Company's Statement of Comprehensive Income as "total Investment Income from Segregated Funds Investment Income and Change in Segregated Funds Insurance Liabilities.

- MFRS 17 will also require more extensive disclosure requirements compared to MFRS 4. The Company will provide both qualitative and quantitative disclosures about insurance contracts in three main areas:

  ▪ Explanation of the amounts recognised in the Company's financial statements arising from insurance contracts;

  ▪ Significant judgements, and changes in those judgements, when applying MFRS 17; and

  ▪ The nature and extent of risks that arise from contracts within the scope of MFRS 17.

The Company continues to assess the overall impact of MFRS 17, on the timing of earnings recognition, as well as presentation and disclosure, of its insurance contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* (continued)

Other impacts

The impacts of adopting MFRS 17 to opening balances as at 1 January 2022 and the comparatives as at and for the year ended 31 December 2022 are currently being finalised after having considered all technical requirements, the relevance of the measurement approaches and transition considerations, amongst others during the implementation period.

There are no significant impacts expected on pricing and product strategies at this juncture. It is also expected that there will be no significant impacts to the capital strength, claims paying ability, or dividend paying capacity of the Company. Accordingly, it is anticipated that at this juncture, there will not be any significant changes to the business strategies of the Company. The Company will continue to monitor this matter.

At this juncture, the Company expects that there will not be any impacts to the capital requirements. It is also understood that the regulators will keep the current valuation guidelines and risk-based capital requirements at least for the next few years.

MFRS 9 *Financial Instruments*

MFRS 9 “Financial Instruments” was issued in November 2009 and amended in October 2010, November 2013 and July 2014, and is effective for years beginning on or after 1 January 2018, to be applied retrospectively, or on a modified retrospective basis. Additionally, the IASB issued amendments in October 2017 that are effective for annual periods beginning on or after 1 January 2019. In conjunction with the amendments to MFRS 17 “Insurance Contracts” issued in June 2020, the IASB amended MFRS 4 “Insurance Contracts” to permit eligible insurers to apply MFRS 9 effective from 1 January 2023, alongside MFRS 17. The standard replaced MFRS 139 “Financial Instruments: Recognition and Measurement”.

The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. MFRS 9’s current classification and measurement methodology provides that financial assets are measured at either amortized cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged; however, for a financial liability designated as at fair value through profit or loss, revisions have been made in the accounting for changes in fair value attributable to changes in the credit risk of that liability. Gains or losses caused by changes in an entity’s own credit risk on such liabilities are no longer recognised in profit or loss but instead are reflected in other comprehensive income (“OCI”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

MFRS 9 *Financial Instruments* (continued)

Revisions to hedge accounting were issued in November 2013 as part of the overall MFRS 9 project. The amendment introduces a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. When MFRS 9 is first adopted, entities have the option to apply the hedge accounting requirements under MFRS 9 or to continue to apply the hedge accounting requirements under MFRS 139. Such option will apply to all hedge accounting relationships.

Revisions issued in July 2014 replaced the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. Changes were also made to the existing classification and measurement model designed primarily to address specific application issues raised by early adopters of the standard. They also addressed the income statement accounting mismatches and short-term volatility issues which have been identified as a result of the insurance contracts project.

In November 2014 MASB issued MFRS 9 *Financial Instruments*. MFRS 9 is equivalent to IFRS 9 Financial Instruments as issued and amended by the International Accounting Standards Board (IASB).

The Company has adopted MFRS 9 beginning 1 January 2023 together with the adoption of MFRS 17 as permitted under the June 2020 amendments to MFRS 4 “Insurance Contracts” as it meets the predominance criteria. Upon the adoption of MFRS 9, the Company adopted the overlay approach as allowed under the Amendments to MFRS 17. Under this approach, the Company 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 Company is allowed to use the Impairment Losses recognised under MFRS 139, if any, as the Expected Credit Loss under MFRS 9. In addition, the impact of the adoption of MFRS 9 as of 1 January 2022 resulted in differences in the assets classification when compared to their classification and under MFRS 139. The classification of financial assets and the impact as of 1 January 2022 are set out as follows:

(i) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

MFRS 9 *Financial Instruments* (continued)

(ii) 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.

(iii) Debt securities which include Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities will be measured at FVOCI as the Company expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis. Accordingly, debt securities currently held as FVTPL assets will be reclassified to FVOCI assets.

No impairment losses were recognised in profit or loss during prior periods for these investments. Accordingly, no ECL recognised for these investments.

(iv) 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 Company 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.

(v) The Company does not apply hedge accounting and hence, there is no impact to the Company arising from the change in hedge accounting requirements.

(vi) The adoption of MFRS 9 will also result in changes to the presentation and disclosures of financial instruments in the financial statements of the Company. Under the new requirements, the disclosure of the financial instruments and its related risks will be more extensive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property and equipment

Property and equipment is stated at cost or valuation, less accumulated depreciation and accumulated impairment losses, if any.

The cost of property and equipment includes expenditure that is directly attributable to the acquisition of the assets. Dismantlement, removal or restoration costs are included as part of the cost of property and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to the property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Land and building which are substantially occupied by the Company for its operations are classified under property and equipment.

Land and building are initially stated at cost and subsequently shown at fair value, based on independent valuation of the open market value on the existing use basis carried out by professional valuers less accumulated depreciation and any accumulated impairment losses. These valuations are reviewed annually and a formal valuation by an independent professional valuer is carried out once in every five years or earlier if the carrying values of the revalued asset are materially different from the market values. Professional and qualified external valuer is engaged to perform the formal valuation. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuer, which valuation techniques and inputs to use. The valuation result is presented to the Board of Directors for approval prior to the adoption of the valuation report.

The Company analyses the movements in the values of the property on an annual basis. Desktop valuation is performed by the Company in the interim period to obtain an indicative fair value of the property. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to the valuation report and other relevant documents. The Company, in conjunction with the external valuers, also compares the change in the fair value of the property with relevant external sources to determine whether the change is reasonable.

When the land and building are revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

The surplus arising on revaluation is credited to the asset revaluation reserve account within insurance contract liabilities except that a surplus, to the extent that such surplus is related to and not greater than a deficit arising on revaluation previously recorded as an expense, is credited to the profit or loss. A deficit arising on revaluation is recognised as an expense except that, to the extent that such a deficit is related to a surplus which was previously recorded as a credit to the asset revaluation reserve account and which has not been subsequently reversed or utilised, it is charged directly to that account.

No depreciation is charged on freehold land. Leasehold building is amortised in equal instalments over the period of their respective leases or earlier if the expected useful life is shorter than the leasehold period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property and equipment (continued)

Work in progress is not depreciated until the asset is ready for its intended use.

All other property and equipment are depreciated on a straight line basis to write off the cost of the assets to the residual values over their estimated useful lives. The principal annual rates of depreciation used are as follows:

Building	-	50 years (subsequent to revaluation, the revalued amounts are depreciated over the remaining useful lives following the date of the latest valuation)
Furniture, fittings and equipment	-	10% to 20%
Motor vehicles	-	20%
Renovations	-	10%

The residual values and useful lives of property and equipment are reviewed, and adjusted as appropriate, at each reporting date.

At each reporting date, the Company assesses whether there is any indication of impairment of property and equipment. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount as set out in note 2(j)(ii) on impairment of non-financial assets.

On disposal of property and equipment, the difference between net proceeds and the carrying amount is recognised in profit or loss. On disposal of revalued assets, the amounts of any remaining revaluation surplus relating to those assets are transferred to retained earnings.

Repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

(c) Intangible assets

(i) Exclusive right

The exclusive right arises from the 10-year exclusive bancassurance agreement entered into between the Company with Alliance Bank Malaysia Berhad (“ABMB”). The exclusive right is amortised over the duration of the agreement and the annual amortisation amount is calculated with reference to the benefits generated from the partnership (which is defined as the annualized premium equivalent) in which the Company expects to recognise the related revenue.

(ii) Computer software

Cost of software rights acquired or developed is amortised on a straight-line basis over a period of four years.

Computer software in progress is not amortised until the asset is ready for its intended use.

(iii) Distribution agreement

The distribution agreement arises from the 20-year distribution right entered into between the Company and an agency leadership corporation. The distribution agreement is amortised over the duration of the agreement and the annual amortisation amount is calculated based on the consumption pattern of the distribution, which is the contracted number of agents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets (continued)

At each reporting date, the Company assesses whether there is any indication of impairment of its intangible assets. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount as set out in note 2(j)(ii) on impairment of non-financial assets.

(d) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration – i.e. the customer has the right to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

(i) As Lessee

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made on or before the commencement date, any indirect costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment (see note 2(b)). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

The Company presents its right-of-use assets in ‘right-of-use assets’ and ‘lease liabilities’ in the statement of financial position.

<u>Short-term leases and leases of low-value assets</u>

The Company has elected not to recognise right-of-use assets and leases liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(ii) As Lessor

The Company classifies all leases for which it is a lessor as operating leases, because each of these leases does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term and are reported as rental income. The accounting policy for rental income is set out in note 2(t).

The sublease of the Company is classified as a finance lease. The Company derecognised the right-of-use asset, to the extent that it is subject to the sublease, and recognised a net investment in sublease. The net investment in sublease is presented within “other receivables” in the Loans and Receivables.

(e) Financial instruments

(i) Classification, recognition and measurement of financial assets

The Company classifies the financial assets into the following categories: financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”) financial assets, available-for-sale (“AFS”) financial assets and loans and receivables (“LAR”).

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition.

(1) FVTPL

Financial assets at FVTPL include financial assets held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

Derivative financial instruments held by the Company are forward foreign exchange contracts to hedge its currency risks. Any fair value gains on these derivative financial instruments are recognised as financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(i) Classification, recognition and measurement of financial assets (continued)

(2) HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less any allowance for impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(3) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. All transaction costs directly attributable to the acquisition are also included in the cost of the investments. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less any allowance for impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(4) AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial measurement, AFS are remeasured at fair value, with gains or losses recognised in other comprehensive income, except for impairment losses.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

On derecognition, the cumulative fair value gains and losses previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred and the Company have also transferred substantially all risks and rewards of ownership.

On derecognition of financial asset in its entirety, the difference between the carrying amount and the sum of consideration received or receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All financial assets, except for FVTPL, are subject to review for impairment as set out in note 2(j)(i).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

All the financial assets are recognised using trade date, the date that the Company commits to purchase or sell the assets.

(f) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market prices for assets and offer prices for liabilities, at the close of business on the reporting date.

For investments in unit and real estate investment trusts, fair value is determined by reference to published prices.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposits/placements and accrued interests/profits. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(g) Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category at inception.

Derivative financial instruments held by the Company are forward foreign exchange contracts to hedge its currency risks. Any fair value losses on these derivative financial instruments are recognised as financial liabilities.

Other financial liabilities are measured at amortised cost using the effective interest method. Interest expense and any gains or losses on derecognition are recognised in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

(i) Investment property

Investment property comprises land and building held by the Company which are held for long term rental yields or for capital appreciation or both and are not substantially occupied by the Company.

Investment property is initially measured at cost including related and incidental expenditure incurred, and is subsequently carried at fair value by the directors based on independent valuation of the open market values on existing use basis carried out by a professional valuer. These valuations are reviewed annually and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment property are materially different from the market value. Professional and qualified external valuer is engaged to perform the formal valuation. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuer, which valuation techniques and inputs to use. The valuation result is presented to the Board of Directors for approval prior to the adoption of the valuation report.

The Company analyses the movements in the values of the property on an annual basis. Desktop valuation is performed by the Company in the interim period to obtain an indicative fair value of the property. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to the valuation report and other relevant documents. The Company, in conjunction with the external valuer, also compares the change in the fair value of the property with relevant external sources to determine whether the change is reasonable.

Any changes in the fair values of investment property are recorded in the profit or loss.

On disposal of investment property, the difference between net proceeds and the carrying amount is recognised in the profit or loss as appropriate.

If an investment property becomes owner-occupied, it is reclassified to property and equipment at its carrying value at the date of transfer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets

Financial assets carried at amortised cost (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment. The impairment assessment is performed at each reporting date.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced and the impairment loss is recorded in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment losses as previously recognised in the profit or loss, is transferred from equity or insurance contract liabilities to the profit or loss.

Reversal of impairment losses on equity instruments classified as AFS financial assets are not recognised in the profit or loss. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. Reversal of impairment losses on debt instruments classified as AFS financial assets are reversed through the profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the profit or loss.

(ii) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(ii) Non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Employee benefits

(i) Short-term employee benefits

Wages, salaries, allowances, paid annual leave and sick leave, bonuses, social security contributions and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Company.

(ii) Post-employment benefits

The Company is required to contribute to the Employees' Provident Fund, a defined contribution plan.

The contribution payable for the financial year is charged to the profit or loss. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Share-based compensation

The Company participated in share-based compensation plans granted to certain employees of Manulife Financial Corporation Group as consideration for services rendered. These plans include both equity-settled share-based and cash-settled share-based compensation scheme to eligible employees.

(i) Equity-settled share-based compensation

The fair value of equity-settled share-based compensation granted to employees as at the grant date is recognised in the profit and loss over the vesting periods of the grant. The fair value of the grant is measured using the Black-Scholes option pricing model, with the market price or strike price being the closing transaction price of Manulife Financial Corporation ("MFC") shares prior to the grant date. In valuing the share-based payments, no account is taken of any performance conditions, other than conditions linked to the price of the shares of MFC if applicable.

At each date of the statement of financial position, the Company reviews its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits (continued)

(iii) Share-based compensation (continued)

(ii) Cash-settled share-based compensation

Cash-settled share-based compensation relates to the employee services received in exchange for the grant of the share appreciation rights. The fair value of the compensation is recognised in the profit or loss over the vesting periods of the grant with a corresponding increase in liabilities.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights of MFC. At each date of the statement of financial position, the Company reviews its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the profit or loss.

The cumulative liability incurred net of any directly attributable transaction costs, will be reversed as cash is paid at the end of the vesting period.

(l) Foreign currencies

(i) Functional and Presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency").

The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

(iii) Operations denominated in functional currency other than Ringgit Malaysia

The results and financial position of investment-linked funds' operations (none of which has the currency of a hyperinflationary economy) with functional currency that is different from the presentation currency of the Company are translated into the presentation currency as follows:

(1) Assets and liabilities for the statement of financial position presented are translated at the closing rate at the date of the statement of financial position; and

(2) Income and expenses for profit or loss are translated at the average exchange rate unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, in which case income and expenses are translated using the exchange rates at the date of the transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Product classification

An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. For purposes of MFRS 4 *Insurance Contracts*, the Company defines insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract. Based on this definition, all policy contracts issued by the Company, including investment-linked contracts, are considered insurance contracts as at the date of the statement of financial position. The investment components of the investment-linked contracts are not unbundled.

Investment contracts are those contracts that do not transfer significant insurance risk, but significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
    - performance of a specified pool of contracts or a specified type of contract;
    - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
    - profit or loss of the Company, fund or other entity that issues the contract.

Contracts in the Participating life funds are classified as insurance contracts with DPF and contracts in the Non-participating life funds are classified as insurance contracts without DPF.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Reinsurance

The Company cedes insurance risk in the normal course of business for its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the profit or loss.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(o) Life insurance underwriting results

(i) Gross premiums

Premium income includes premium recognised in the Life fund and the Investment-linked funds. Premium income of the Life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

Premium income of the Investment-linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

(ii) Reinsurance premiums

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Life insurance underwriting results (continued)

(iii) Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies and net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the profit or loss in the financial year in which they are incurred.

(iv) Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or when the insurer is notified.

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

Benefits and claims for claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

(1) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and

(2) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

(p) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost and impairment loss is calculated under the same method used for these financial assets as set out in note 2(j)(i) on impairment.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in note 2(e)(ii), have been met.

(q) Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax is recognised in the statement of profit or loss.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or when the deferred tax liability is settled. Deferred tax is recognised in the profit or loss except when it arises from a transaction which is recognised in other comprehensive income or directly in equity or directly in the insurance contract liabilities, in which case, the deferred tax is also charged or credited to other comprehensive income or directly in equity or directly in the insurance contract liabilities.

(s) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank balances and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

The Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under the operating activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Other revenue recognition

Interest income is recognised as it accrues using the effective interest rate method in profit or loss. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Other interest income including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the assets.

Dividend income is recognised in the profit or loss on the date that the Company’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Realised gains and losses recorded in the profit or loss on investments include gains and losses on financial assets and investment property. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Fee income is recognised when the services are provided.

(u) Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability in the financial year in which it is declared and approved by the Company’s shareholder.

(v) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Insurance contract liabilities

(i) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by the gross premium valuation (GPV) method, a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of Non-participating life policies, the guaranteed benefits liabilities of Participating life policies, Non-participating annuity policies and non-unit liabilities of Investment-linked policies.

The liability in respect of participating policies is conducted with GPV method and taken as the higher liability value derived of (i) where only the guaranteed benefits are considered (with appropriate PRAD applied), by discounting all cash flows at the risk-free discount rate; or (ii) where total guaranteed and non-guaranteed benefits are considered, by discounting all cash flows at the after-tax yield of the investment portfolio.

The liability in respect of universal life non-participating policies is conducted with GPV method and taken as the higher liability value derived of (i) where only the guaranteed benefits are considered (with appropriate PRAD applied), by discounting all cash flows at the risk-free discount rate; or (ii) the total guaranteed and non-guaranteed benefits are considered (with appropriate PRAD applied), by discounting all cash flows at the after-tax yield of the investment portfolio.

For unit-linked policies, a matched position has been maintained in respect of unit liability of a segregated fund and the value of the unit liability has been taken as the Net Asset Value of the matched units as at the valuation date. With the exception of Secure Income Plus (VA) Plan, the valuation of the non-unit liabilities was conducted using the Zeroization Method, using cash flow projection of unit-linked policies. The liability in respect of the non-unit component of unit-linked policies is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time. The reserve provided would be an amount that has to be set aside such that when accumulated at future rate of return, together with future positive cash flows, all negative cash flows in the future are zeroized. The cash flow projection was conducted using best estimate assumptions with the appropriate allowance for provision of risk margin for adverse deviation from expected experience.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised insurance contract liabilities are adequate, net of present value of in-force business ("PVIF") by using an existing liability adequacy test.

Any inadequacy is recorded in the profit or loss, initially by impairing PVIF and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

(ii) Unallocated surplus

Surpluses of contracts under the Participating life funds are attributable to policyholders and shareholder and the amount and timing of distribution to both the policyholders and shareholder are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statement of financial position and is made in accordance with the provisions of the Financial Services Act 2013 and policy documents issued by BNM.

Unallocated surplus of Participating life funds, where the amounts of surplus are yet to be allocated or distributed to either policyholders or shareholder by the end of the financial year, are held within the insurance contract liabilities.

Unallocated surplus for Non-participating funds is recognised as equity, as the policyholders do not have any rights over this unallocated surplus. The shareholder will ultimately have the rights over this unallocated surplus upon the recommendation of distribution by the Appointed Actuary. Hence, the unallocated surplus represents the residual interest of the shareholder in the assets of the Non-participating fund after deducting all its liabilities and it is recognised as equity accordingly.

(iii) Fair value reserve

Fair value gains and losses on AFS financial assets of Participating life fund are initially recognised in other comprehensive income. Subsequently, an equivalent amount of adjustment to the insurance contract liabilities is recognised.

(iv) Asset revaluation reserve

Revaluation surplus and deficit of freehold property of the Participating life fund are initially recognised in other comprehensive income. Subsequently, an equivalent amount of adjustment to the insurance contract liabilities is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Insurance contract liabilities (continued)

(v) Net asset value attributable to unit holders

The unit liability of Investment-linked policies is equal to the net asset value of the Investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality, morbidity costs and expense charges.

(x) Fair value measurement

Fair value of an asset or liability is measured at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation techniques and categories of fair values of assets and liabilities are further described in note 4, note 5, note 33(b) and note 33(c).

(y) Investment in subsidiary

A subsidiary is an entity over which the Company has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The power to use its power over the investee to affect its return.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less accumulated impairment losses.

On disposal of subsidiary, the difference between the net disposal proceed and the carrying amount is recognised as gain or loss on disposal in the income statement.

In accordance with the exemption provisions of MFRS 10 *Consolidated Financial Statements*, consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of Manulife Holdings Berhad, a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Berhad, which produces financial statements available for public use and which comply with MFRS and IFRS.

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Company's accounting policies, the Company establishes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events and reinsurance premium levels that are believed to be reasonable with the knowledge and information then available. Best estimate assumptions are constantly reviewed to ensure that they remain relevant and valid. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are as follows:-

(i) Valuation of freehold property and investment property – note 4 and note 5
(ii) Impairment of financial assets – note 2(j)(i)
(iii) Impairment of intangible assets – note 2(j)(ii)

The estimates, assumptions and judgements that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future are discussed below.

Valuation of actuarial liabilities

The valuation of the ultimate liability arising from policy benefits made under life insurance contracts is the Company's most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, surrender rates (including lapses, Investment-linked premium, persistency and partial withdrawal), policyholders' bonuses/dividends and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgement and therefore, actual experience may be different than the assumptions made by the Company. Actual experience is monitored to assess whether the assumptions remain appropriate or assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the actuarial liabilities. All contracts are subject to a liability adequacy test, which reflect management's best current estimate.

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Valuation of actuarial liabilities (continued)

The key assumptions used in the estimation of actuarial liabilities are as follows:

Interest rate

The discount rates used for the valuation of Non-participating life fund (except for universal life Non-participating policy), Non-participating annuity fund, Investment-linked operating fund and the guaranteed benefits liabilities of the Participating life funds under the "Risk-Based Capital Framework for Insurers" are described below:-

(i) For cash flows with duration of less than 15 years, Malaysian Government Bond zero coupon spot yields of matching duration are used; and

(ii) For cash flows with duration of 15 years or more, Malaysian Government Bond zero coupon spot yields of 15 years to maturity are used

where duration is the term to maturity of each future cash flow.

Zero coupon spot yields as at current financial year end are obtained from Bond Pricing Agency Malaysia Sdn. Bhd. (a bond pricing agency approved by BNM) and used for the valuation of guaranteed liabilities for all products, except for the US dollar denominated variable annuity ("VA") which used the corresponding US treasury yield as the valuation interest rate.

For the valuation of total benefits liabilities of the Participating life funds and universal life Non-participating policy, a suitable discount rate based on the historical yield and future investment outlook of the respective fund is used.

The table below shows the valuation discounting forward yields for the respective Life funds, after taking into consideration the applicable adjustment on investment expense and investment income tax.

Calendar Year	Resultant Valuation Discounting Yields				
	Ordinary Par	Annuity Par	Non-Par Annuity + Non-Par + IL	Non-Par Universal Life	IL SIP (VA)
2023	4.78%	3.25%	3.25%	4.71%	4.73%
2024	4.83%	4.03%	4.03%	4.73%	4.09%
2025	4.88%	3.94%	3.94%	4.76%	3.84%
2026	4.93%	3.98%	3.98%	4.79%	3.76%
2027	4.95%	4.20%	4.20%	4.81%	3.53%
2028	4.98%	4.60%	4.60%	4.84%	3.90%
2029	5.01%	4.21%	4.21%	4.87%	3.87%
2030	5.04%	4.11%	4.11%	4.89%	3.75%
2031	5.06%	4.22%	4.22%	4.92%	3.69%
2032	5.09%	4.36%	4.36%	4.95%	3.64%
2033	5.12%	4.75%	4.75%	4.97%	4.17%
2034	5.12%	4.75%	4.75%	4.97%	4.22%
2035	5.12%	4.98%	4.98%	4.97%	4.27%
2036	5.12%	5.24%	5.24%	4.97%	4.32%
2037	5.12%	4.78%	4.78%	4.97%	4.37%
2038	5.12%	4.36%	4.36%	4.97%	4.01%
2039+	5.12%	4.36%	4.36%	4.97%	4.01%

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Valuation of actuarial liabilities (continued)

<u>Mortality, morbidity, critical illness, expenses and surrenders (including lapses, Investment-linked premium, persistency and partial withdrawal)</u>

Assumptions on mortality are derived from the Company’s historical experience and from reinsurance premium table, where applicable. For morbidity assumptions, they are based on reinsurance premium tables, adjusted where appropriate to reflect the Company’s unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risks to longevity, prudent allowance is made for expected future mortality improvements.

Assumptions on future expenses are based on current expense levels for variable expenses while fixed expenses are derived based on projected 2024 business statistics to reflect the benefit from economies of scale. Appropriate expected expense inflation adjustments are applied.

Assumptions on surrenders (including lapses, Investment-linked premium, persistency and partial withdrawal) are derived from the Company’s historical experience.

All assumptions are monitored through regular experience studies to ensure relevance and appropriateness.

For the Non-participating life fund, Non-participating annuity fund, Investment-linked operating fund and the guaranteed benefits liabilities of the Participating life funds, provision of risk for adverse deviation (“PRAD”) assumptions are added to the best estimate assumptions.

For the valuation of total benefit liabilities of the Participating life funds, the best estimates assumptions are used.

Participating Policyholders’ Bonuses/Dividends

Continuance of current bonus level (reflected with Bonus Revision 2022 which was effective from 1 January 2023 for Participating Annuity and Post Asset Share Ordinary Life Participating policies) is assumed in the best estimate valuation. On top of that, an appropriate reserve provision is made to reflect the adjustability of post-asset share ordinary life participating policies’ future terminal dividend scale.

4. PROPERTY AND EQUIPMENT

	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost/valuation							
At 1 January 2021		10,604	3,356	22,052	248	3,156	39,416
Additions		56	140	193	-	39	428
Transfer to building		232	(232)	-	-	-	-
Transfer to furniture, fittings and equipment		-	(457)	457	-	-	-
Transfer to renovation		-	(1,508)	-	-	1,508	-
Revaluation adjustment	13	(523)	-	-	-	-	(523)
At 31 December 2021/1 January 2022		10,369	1,299	22,702	248	4,703	39,321
Additions		-	2,527	583	-	-	3,110
Transfer to furniture, fittings and equipment		-	(26)	26	-	-	-
Transfer to renovation		-	(660)	-	-	660	-
Revaluation adjustment	13	15	-	-	-	-	15
Write off	26	-	-	(510)	-	-	(510)
At 31 December 2022		10,384	3,140	22,801	248	5,363	41,936
Comprising assets stated at 31 December 2022:							
Valuation		10,384	-	-	-	-	10,384
Cost		-	3,140	22,801	248	5,363	31,552
		10,384	3,140	22,801	248	5,363	41,936
Comprising assets stated at 31 December 2021:							
Valuation		10,369	-	-	-	-	10,369
Cost		-	1,299	22,702	248	4,703	28,952
		10,369	1,299	22,702	248	4,703	39,321

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

4. PROPERTY AND EQUIPMENT (CONTINUED)

	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2021		-	-	16,899	238	1,742	18,879
Charge for the financial year	26	231	-	1,171	3	361	1,766
Reversal on revaluation	13	(231)	-	-	-	-	(231)
At 31 December 2021/1 January 2022		-	-	18,070	241	2,103	20,414
Charge for the financial year	26	226	-	1,154	3	489	1,872
Reversal on revaluation	13	(226)	-	-	-	-	(226)
Write off	26	-	-	(472)	-	-	(472)
At 31 December 2022		-	-	18,752	244	2,592	21,588
Net carrying amount							
At 31 December 2022		10,384	3,140	4,049	4	2,771	20,348
At 31 December 2021		10,369	1,299	4,632	7	2,600	18,907

4. PROPERTY AND EQUIPMENT (CONTINUED)

The net book value of the revalued building had the asset been carried at cost less accumulated depreciation is as follows:

	2022 RM'000	2021 RM'000
Building	5,874	6,036

The Company has carried out a valuation on the investment property based on the income method conducted by an independent qualified valuer, Justin Chee Ting Hwang, MRICS, MRISM, MPEPS, Registered Valuer (V-774) of Knight Frank Malaysia Sdn Bhd (200201017816 (585479-A) (VE (1) 0141)). The valuation of the investment property was adopted for the financial year ended 31 December 2022. The recognised revalued amount was based on the valuation exercise performed as at 31 December 2022.

Under the income method, the market value of the property 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 the freehold property is classified within Level 3 of the fair value hierarchy. The fair value of the property is as follows:

	2022 RM'000	2021 RM'000
Fair value as stated in valuation report	10,384	10,369

The reconciliation from beginning to ending balances for the freehold property is as disclosed on page 69 and page 70.

4. PROPERTY AND EQUIPMENT (CONTINUED)

Description of valuation techniques used and significant unobservable inputs to valuation of the freehold property are as set out below:

	Valuation technique	Significant unobservable inputs	Range
2022			
Freehold 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
2021			
Freehold property	Income method	Term period's net yield	5.00% - 6.50%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.55 psf
		Average rental for reversionary period	RM4.69 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.75 psf

A 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 freehold property.

5. INVESTMENT PROPERTY

	Note	2022 RM'000	2021 RM'000
At 1 January		45,712	46,802
Fair value gain/(loss)	24	606	(1,090)
At 31 December		46,318	45,712
Represented by:			
Freehold property		46,318	45,712

The following are amounts arising from investment property that have been recognised in the profit or loss during the financial year:

	2022 RM'000	2021 RM'000
Rental income (note 22)	2,378	1,995
Direct operating expenses arising from investment property that generate rental income	(1,645)	(1,446)
Direct operating expenses arising from investment property that did not generate rental income	(322)	(322)

5. INVESTMENT PROPERTY (CONTINUED)

The Company has carried out a valuation on the investment property based on the income method conducted by an independent qualified valuer, Justin Chee Ting Hwang, MRICS, MRISM, MPEPS, Registered Valuer (V-774) of Knight Frank Malaysia Sdn Bhd (200201017816 (585479-A) (VE (1) 0141)). The valuation of the investment property was adopted for the financial year ended 31 December 2022. The recognised revalued amount was based on the valuation exercise performed as at 31 December 2022.

The fair value of the investment property is categorised under Level 3 of the fair value hierarchy and the description of valuation techniques used and significant unobservable inputs to the valuation of the investment property are as set out below:

	Valuation technique	Significant unobservable inputs	Range
2022			
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
2021			
Investment property	Income method	Term period's net yield	5.00% - 6.50%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.55 psf
		Average rental for reversionary period	RM4.69 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.75 psf

A 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 investment property.

The reconciliation from beginning to ending balances for investment property is as disclosed on page 72.

6. INTANGIBLE ASSETS

	Note	Exclusive right RM'000	Computer software RM'000	Computer software in progress RM'000	Distribution agreement RM'000	Total RM'000
Cost						
At 1 January 2021		43,000	15,361	2,648	28,739	89,748
Additions		-	153	878	-	1,031
At 31 December 2021/1 January 2022		43,000	15,514	3,526	28,739	90,779
Additions		-	-	1,908	-	1,908
Write off		-	(1)	-	-	(1)
At 31 December 2022		43,000	15,513	5,434	28,739	92,686
Accumulated amortisation						
At 1 January 2021		35,709	6,589	-	85	42,383
Amortisation during the financial year	26	5,966	2,294	-	(16)	8,244
At 31 December 2021/1 January 2022		41,675	8,883	-	69	50,627
Amortisation during the financial year	26	1,325	2,148	-	49	3,522
Write off		-	(1)	-	-	(1)
At 31 December 2022		43,000	11,030	-	118	54,148
Net carrying amount						
At 31 December 2022		-	4,483	5,434	28,621	38,538
At 31 December 2021		1,325	6,631	3,526	28,670	40,152

The Exclusive right is a definite life intangible asset and relates to a 10-year exclusive bancassurance agreement entered into between the Company and Alliance Bank Malaysia Berhad ("ABMB") on 13 June 2013. The Exclusive right is amortised in accordance with note 2(c)(i).

The distribution agreement relates to a 20-year distribution right entered into between the Company and an agency leadership corporation on 23 September 2019 and is amortised in accordance with note 2(c)(iii). The distribution right is partially paid at the end of the financial year. The remaining amount payable under the distribution agreement over the contract term is as disclosed in note 20(ii).

7. LOANS AND RECEIVABLES

		2022 RM'000	2021 RM'000
Loans receivable:			
Policy loans		122,414	131,789
Mortgage loans		21,912	18,932
Staff loans		547	671
Other unsecured loan		5,298	3,946
		150,171	155,338
Allowance for impairment loss		(296)	(292)
	(i)	149,875	155,046
Fixed and call deposits with licensed banks in Malaysia		214,861	117,865
Accrued interest		75	7
	(ii)	214,936	117,872
Other receivables:			
Amount due from related companies (note 32)	(iii)	756	1,773
Accrued dividend income		1,422	1,290
Accrued rental income		158	63
Deposits		923	826
Net investment in sublease	(vi)	76	23
Other debtors		15,764	20,745
		19,099	24,720
Allowance for impairment loss		(290)	(290)
	(iv)	18,809	24,430
Prepayments	(v)	11,111	9,098
Total		394,731	306,446

7. LOANS AND RECEIVABLES (CONTINUED)

		2022 RM'000	2021 RM'000
(i)	Loans receivable:		
	Receivable within 12 months	1,417	1,339
	Receivable after 12 months	148,458	153,707
		149,875	155,046
(ii)	Fixed and call deposits with licensed banks in Malaysia:		
	Receivable within 12 months	214,936	117,872
	Receivable after 12 months	-	-
		241,936	117,872

(iii) The amounts due from immediate holding company/related companies are unsecured, interest-free and repayable on demand.

		2022 RM'000	2021 RM'000
(iv)	Other receivables:		
	Receivable within 12 months	17,886	23,604
	Receivable after 12 months	923	826
		18,809	24,430
(v)	Prepayments:		
	Current	4,587	4,786
	Non-current	6,524	4,312
		11,111	9,098

The carrying amounts of other receivables and fixed and call deposits approximate fair values due to the relatively short-term maturity of these balances. The carrying amount of loans receivable approximates fair value due to the insignificant impact of discounting.

(vi) Net investment in sublease relates to a 3-year sub-tenancy agreement entered into between the Company and Manulife Investment Management (M) Berhad, where the Company is the sublessor.

	2022 RM'000	2021 RM'000
At 1 January	23	48
Additions	78	-
Interest income on sublease	1	1
Rent collection from sub-tenant	(26)	(26)
At 31 December	76	23

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2022 RM'000	2021 RM'000
Up to a year	27	24
1-3 years	52	-
Total undiscounted lease payments receivable	79	24
Unearned finance income	(3)	(1)
At 31 December	76	23

8. FINANCIAL ASSETS

(a) Available-for-sale

		2022 RM'000	2021 RM'000
Equity securities			
- Quoted in Malaysia		579,762	629,191
- Quoted outside Malaysia		113,817	131,774
- Unquoted in Malaysia		1,944	1,944
Real estate investment trusts		11,859	18,644
Unit trust funds - Investment in subsidiaries*	(i)	580,587	636,297
Malaysian Government Securities		344,028	275,260
Government Investment Issues		280,828	247,994
Corporate debt securities			
- Unquoted		1,332,416	1,398,381
Accrued interest		21,469	21,545
		3,266,710	3,361,030
Current		1,392,820	1,572,867
Non-current		1,873,890	1,788,163
		3,266,710	3,361,030

* Being investment in unit trust funds managed by a related company.

(i) Unit trust funds – investment in subsidiaries

	2022 RM'000	2021 RM'000
At fair value:		
Available-for-sale	580,587	636,297

Details of the Company's unit trust funds – investment in subsidiaries in Malaysia are as follows:

Name of wholesale unit trust fund	Principal activities	% of ownership held by the Company 2022	2021
Manulife Cash Management Fund	Investment in money market fund	86.7	88.2
Manulife Wholesale Corporate Bond Fund	Investment in corporate bonds	89.7	88.0
Manulife Wholesale Government Bond Fund	Investment in sovereign bonds	89.8	87.9

8. FINANCIAL ASSETS (CONTINUED)

(b) Fair value through profit or loss – designated upon initial recognition

	2022 RM'000	2021 RM'000
Equity securities		
- Quoted in Malaysia	748,756	786,964
- Quoted outside Malaysia	17,004	19,489
Private equity funds		
- Unquoted outside Malaysia	35,639	19,122
Real estate investment trusts	10,481	8,478
Unit trust funds*	175,735	180,784
Malaysian Government Securities	122,019	78,047
Government Investment Issues	105,669	117,396
Corporate debt securities		
- Unquoted	734,173	634,838
Mutual funds		
- Quoted outside Malaysia	150,990	217,928
Forward foreign exchange contract (note 15)	2,388	933
Accrued interest	9,573	9,095
	2,112,427	2,073,074
Current	1,191,544	1,291,430
Non-current	920,883	781,644
	2,112,427	2,073,074

* Being investment in unit trust funds managed by a related company.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

8. FINANCIAL ASSETS (CONTINUED)

(c) Carrying value of financial assets

The financial assets and its movements are further analysed as follows:-

	Available-for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
At 1 January 2021	3,523,659	1,827,526	5,351,185
Purchases	1,821,549	1,347,557	3,169,106
Maturities	(51,200)	(6,900)	(58,100)
Disposals	(1,705,586)	(1,034,900)	(2,740,486)
Fair value loss recorded in:			
Profit or loss (note 24)	-	(64,780)	(64,780)
Other comprehensive loss	(203,283)	-	(203,283)
Allowance for impairment losses (note 24)	(21,239)	-	(21,239)
Net amortisation of premiums (note 22)	(4,731)	(4,546)	(9,277)
Unrealised exchange gain	-	6,761	6,761
Movement in accrued interest	1,861	2,356	4,217
At 31 December 2021/1 January 2022	3,361,030	2,073,074	5,434,104
Purchases	1,750,316	1,136,839	2,887,155
Maturities	(131,940)	(47,940)	(179,880)
Disposals	(1,589,079)	(917,182)	(2,506,261)
Fair value loss recorded in:			
Profit or loss (note 24)	-	(137,028)	(137,028)
Other comprehensive loss	(93,247)	-	(93,247)
Allowance for impairment losses (note 24)	(25,068)	-	(25,068)
Net amortisation of premiums (note 22)	(5,226)	(5,187)	(10,413)
Unrealised exchange gain	-	9,373	9,373
Movement in accrued interest	(76)	478	402
At 31 December 2022	3,266,710	2,112,427	5,379,137

9. REINSURANCE ASSETS/(LIABILITIES)

	2022 RM'000	2021 RM'000
Reinsurance assets/(liabilities) on:		
- Insurance claims liabilities	5,930	10,829
- Insurance contract liabilities	1,112	(1,702)
	7,042	9,127

10. INSURANCE RECEIVABLES

	2022 RM'000	2021 RM'000
Due premiums including agents' balances	12,817	12,323
Due from reinsurers	6	3,400
	12,823	15,723
Allowance for impairment loss	(1,804)	(926)
	11,019	14,797
Receivable within 12 months	11,019	14,797

The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short term maturity.

Amount due from reinsurers that have been offset against amount due to reinsurers are as follows:

	Gross carrying amount RM'000	Gross amount offset RM'000	Net amount reported RM'000
31 December 2022			
Commissions receivables	1	-	1
Claims recoveries	416	-	416
Premiums ceded	-	(411)	(411)
	417	(411)	6
31 December 2021			
Commissions receivables	980	-	980
Claims recoveries	8,009	-	8,009
Premiums ceded	-	(5,589)	(5,589)
	8,989	(5,589)	3,400

11. SHARE CAPITAL

	2022		2021	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	RM'000	'000	RM'000
Issued and fully paid up:				
Ordinary shares:				
At 1 January/31 December	350,000	200,000	350,000	200,000

12. RESERVES

	Note	2022 RM'000	2021 RM'000
Non-distributable:			
Fair value reserve, held by:			
Non-participating life fund		9,438	12,152
Shareholder's fund		(7,162)	(1,880)
	(i)	2,276	10,272
Non-distributable:			
Retained earnings	(ii)	105,904	96,585
Distributable:			
Retained earnings	(iii)	339,893	322,527
		445,797	419,112

(i) Fair value reserve is in respect of fair value gains or losses on available-for-sale financial assets, net of deferred tax.

(ii) Non-distributable retained earnings are surplus arising from Non-participating life fund, net of deferred tax. These amounts are only distributable upon actual recommended transfer from the Non-participating (including Investment-linked operating fund) life fund to the Shareholder's fund by the Appointed Actuary.

(iii) Under the single tier system, the Company is able to frank the payment of dividends out of its entire distributable retained earnings as at the date of the statement of financial position, subject to the approval by Bank Negara Malaysia under section 51 of the Financial Services Act 2013.

13. INSURANCE CONTRACT LIABILITIES

	Gross		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Actuarial liabilities	2,871,978	2,807,390	2,870,866	2,809,092
Unallocated surplus	59,545	26,535	59,545	26,535
Fair value reserve	46,232	123,451	46,232	123,451
Asset revaluation reserve	2,310	2,069	2,310	2,069
Investment-linked policyholders' account	1,324,405	1,397,354	1,324,405	1,397,354
	4,304,470	4,356,799	4,303,358	4,358,501
Current	1,512,711	1,604,312	1,513,176	1,605,009
Non-current	2,791,759	2,752,487	2,790,182	2,753,492
	4,304,470	4,356,799	4,303,358	4,358,501

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

	Gross		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	4,356,799	4,360,216	4,358,501	4,364,473
Inforce reserve movement	61,162	81,467	59,340	79,376
New business reserve	45,063	23,961	44,071	23,497
Discount rate and other changes	(41,637)	(19,229)	(41,637)	(19,229)
Unallocated surplus	33,010	36,821	33,010	36,821
Fair value reserve, net of tax	(77,219)	(153,701)	(77,219)	(153,701)
Asset revaluation reserve				
- Revaluation adjustment (note 4)	15	(523)	15	(523)
- Reversal of accumulated depreciation on revaluation (note 4)	226	231	226	231
	241	(292)	241	(292)
Investment-linked policyholders' account	(72,949)	27,556	(72,949)	27,556
At 31 December	4,304,470	4,356,799	4,303,358	4,358,501

As the Non-participating life fund's unallocated surplus and fair value reserve are classified as equity, only the associated Participating life fund's unallocated surplus and fair value reserve are included in the above presentation.

For the current year ended 31 December 2022, the applicable estimate changes on the assumption resulted in lower actuarial liabilities of RM41.6 million (2021: lower actuarial liabilities of RM19.2 million), with a corresponding increase in unallocated surplus for the participating business of RM34.3 million (2021: decrease in unallocated surplus of RM7.8 million) and increase in net profit before tax of RM7.3 million (2021: increase in net profit before tax of RM27.0 million).

14. INSURANCE CLAIMS LIABILITIES

	Gross		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Provision for outstanding claims	87,859	75,912	81,929	65,083
Current	87,859	75,912	81,929	65,083

15. FINANCIAL ASSET/(LIABILITY) AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives

The table below shows the fair value of derivative financial instruments, recorded as asset or liability, together with their notional amounts. The notional amount, recorded 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 are recognised as financial asset or financial liability in accordance with the policy described in note 2(e)(i)(1) and note 2(g).

		Fair value gain/(loss) recognised as		
	Notional amount RM'000	Financial asset RM'000	Financial liability RM'000	Net carrying amount RM'000
31 December 2022				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	3,369	-	(12)	(12)
- Less than 1 year (note 8(b))	114,286	2,388	-	2,388
31 December 2021				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year (note 8(b))	119,952	933	-	933

16. DEFERRED TAX LIABILITIES

Deferred tax (assets) and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	2022 RM'000	2021 RM'000
Deferred tax liabilities	31,856	47,254
Current	(1,633)	20,326
Non-current	33,489	26,928
	31,856	47,254

16. DEFERRED TAX LIABILITIES (CONTINUED)

The components and movements of deferred tax liabilities/(assets) during the financial year are as follows:

	Unallocated surplus RM'000	Revaluation-investment property RM'000	Accelerated depreciation RM'000	Revaluation-investments RM'000	Others RM'000	Total RM'000
At 1 January 2021	21,680	(180)	379	37,639	(10)	59,508
Recognised in:						
Profit or loss:						
- Other operating income (note 28)	-	(87)	(42)	(2,746)	-	(2,875)
- Taxation (note 29)	8,821	-	-	148	-	8,969
Other comprehensive loss						
- Fair value reserve	-	-	-	(18,348)	-	(18,348)
At 31 December 2021/1 January 2022	30,501	(267)	337	16,693	(10)	47,254
Recognised in:						
Profit or loss:						
- Other operating expenses/(income) (note 28)	-	49	630	(10,848)	-	(10,169)
- Taxation (note 29)	2,943	-	-	(140)	-	2,803
Other comprehensive loss						
- Fair value reserve	-	-	-	(8,032)	-	(8,032)
At 31 December 2022	33,444	(218)	967	(2,327)	(10)	31,856

17. INSURANCE PAYABLES

	2022 RM'000	2021 RM'000
Due to reinsurers	14,698	23,601
Due to agents	5,100	3,707
Due to insureds	792,275	731,797
	812,073	759,105
Current	812,073	759,105

The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short term maturity.

Amount due to reinsurers that have been offset against amount due from reinsurers are as follows:

	Gross carrying amount RM'000	Gross amount offset RM'000	Net amount reported RM'000
31 December 2022			
Premiums ceded	41,119	-	41,119
Commissions receivables	-	(921)	(921)
Claims recoveries	-	(25,500)	(25,500)
	41,119	(26,421)	14,698
31 December 2021			
Premiums ceded	44,336	-	44,336
Commissions receivables	-	(569)	(569)
Claims recoveries	-	(20,166)	(20,166)
	44,336	(20,735)	23,601

18. LEASES

(a) Right-of-use assets

	Note	Office Rental RM'000	Total RM'000
Cost			
At 1 January 2021		3,862	3,862
Additions		109	109
Terminations		(325)	(325)
At 31 December 2021/1 January 2022		3,646	3,646
Additions		2,594	2,594
Derecognition		(74)	(74)
Terminations		(2,111)	(2,111)
At 31 December 2022		4,055	4,055
Accumulated depreciation			
At 1 January 2021		1,867	1,867
Charge for the year	26	1,006	1,006
Terminations		(325)	(325)
At 31 December 2021/1 January 2022		2,548	2,548
Charge for the year	26	1,312	1,312
Terminations		(2,111)	(2,111)
At 31 December 2022		1,749	1,749
Net book value			
At 31 December 2022		2,306	2,306
At 31 December 2021		1,098	1,098

This note provides information for leases where the Company is a lessee.

The Company has entered into operating lease agreements for office rental. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 3 years.

The Company also has certain leases of office equipment with lease terms of 12 months or less and leases with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	2022 RM'000	2021 RM'000
Depreciation expense of right-of-use assets (note 26)	1,312	1,006
Interest expense on lease liabilities (note 26)	55	56
Expense related to short-term leases (note 26)	1,449	1,671
Expense related to leases of low-value assets (note 26)	111	117
Total amount recognised in profit or loss	2,927	2,850

The total cash outflow for leases in 2022 was RM 3,013,000 (2021: RM2,884,000).

18. LEASES (CONTINUED)

(b) Lease liabilities

	Office Rental RM'000	Total RM'000
Lease liabilities		
At 1 January 2021	2,137	2,137
Increase	109	109
Payment of lease liabilities	(1,096)	(1,096)
Interest expense on lease liabilities (note 26)	56	56
At 31 December 2021/1 January 2022	1,206	1,206
Increase	2,594	2,594
Payment of lease liabilities	(1,453)	(1,453)
Interest expense on lease liabilities (note 26)	55	55
At 31 December 2022	2,402	2,402

	2022 RM'000	2021 RM'000
Of which are:		
Current lease liabilities	1,086	903
Non-current lease liabilities	1,316	303
	2,402	1,206

19. CURRENT TAX ASSET/(LIABILITY)

	2022 RM'000	2021 RM'000
Current tax asset	25,648	22,245
Current tax liability	-	(4,028)
	25,648	18,217

Included in the current tax asset are a pending appeal case arising from two notices of additional assessment ("Form JA") of RM22.2 million for Years of Assessment 2017 and 2018, and tax paid in excess to the Inland Revenue Board ("IRB"). The High Court rejected the Company's application for leave to apply for judicial review in a decision delivered on 14th July 2021. The Company will not be appealing against the decision of the High Court. The next mention date for the Company's application to the Special Commissioner of Income Tax on the assessments has been fixed on 15th May 2023.

The Company has made the above tax payment in 2021. In line with the opinion by the external advisor and the letter from the Ministry of Finance to Life Insurance Association of Malaysia and Malaysia Takaful Association dated 25th February 2022, the Company strongly believes that there are good grounds to contest the additional assessment and hence has treated the above tax payment as tax recoverable.

20. OTHER PAYABLES

		2022 RM'000	2021 RM'000
Other creditors		46,456	47,032
Accrued liabilities		83,774	65,926
Amount due to related companies (note 32)	(i)	1,584	429
Amount due to immediate holding company (note 32)	(i)	3,817	7,274
Amount payable under Distribution Agreement	(ii)	14,500	17,370
		150,131	138,031
Current		145,196	130,250
Non-current		4,935	7,781
		150,131	138,031

(i) The amounts due to immediate holding company and related companies are unsecured, interest-free and repayable on demand. The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short-term maturity. All amounts are payable within one year.

(ii) The amount payable under the Distribution Agreement relates to the remaining unpaid distribution right as disclosed in note 6 and is the expected present value of estimated future cash outflows of amount payable under the agreement, discounted using the discount rate that reflects the current market assessment of the time value of money.

21. NET PREMIUMS

	2022 RM'000	2021 RM'000
First year premium	179,311	177,658
Renewal year premium	756,006	720,746
Single premium	87,138	48,507
	1,022,455	946,911

22. INVESTMENT INCOME

	2022 RM'000	2021 RM'000
Financial assets at FVTPL - designated upon initial recognition		
Interest/profit sharing income	42,790	32,407
Dividend income		
- equity securities		
- quoted in Malaysia	26,042	18,111
- quoted outside Malaysia	216	300
- unquoted outside Malaysia	37	-
- real estate investment trusts	497	28
- unit trust funds	8,452	16,472
- mutual funds - outside Malaysia	1,902	2,047
Net amortisation of premiums (note 8(c))	(5,187)	(4,546)
AFS financial assets		
Interest income	89,968	83,815
Dividend income		
- equity securities		
- quoted in Malaysia	23,160	26,189
- quoted outside Malaysia	2,058	2,065
- unquoted in Malaysia	1,244	292
- real estate investment trusts	604	639
- unit trust funds	18,330	19,573
Net amortisation of premiums (note 8(c))	(5,226)	(4,731)
Loans and receivables		
Interest/profit sharing income	10,645	11,231
Investment property		
Rental income (note 5)	2,378	1,995
Cash and cash equivalents		
Interest/profit sharing income	432	255
	218,342	206,142

23. NET REALISED GAINS

	2022 RM'000	2021 RM'000
AFS financial assets		
Realised gains:		
Equity securities - quoted in Malaysia	39,484	107,492
Equity securities - quoted outside Malaysia	3,822	20,293
Unit trust funds	-	7,202
Debt securities	-	2,606
Realised losses:		
Real estate investment trusts	(487)	(90)
Unit trust funds	(691)	-
Debt securities	(4,015)	-
Total net realised gains for AFS financial assets	38,113	137,503
Total net realised gains	38,113	137,503

24. NET FAIR VALUE (LOSSES)/GAINS

	2022 RM'000	2021 RM'000
Investment property		
Unrealised fair value gain/(loss) (note 5)	606	(1,090)
Financial assets at FVTPL - designated upon initial recognition		
Fair value gains		
Realised	7,878	93,120
Unrealised (note 8(c))	6,047	-
Fair value losses		
Realised	(12,969)	(4,524)
Unrealised (note 8(c))	(143,075)	(64,780)
Net fair value (losses)/gain on financial assets at FVTPL - designated upon initial recognition	(142,119)	23,816
AFS financial assets		
Impairment losses on quoted equities (note 8(c))	(25,068)	(21,239)
Total net fair value (losses)/gains	(166,581)	1,487

25. FEE INCOME

Fee income comprises outsourcing fee income earned from related companies.

26. MANAGEMENT EXPENSES

	2022 RM'000	2021 RM'000
Staff costs (note 26(a))	73,805	68,238
Directors' remuneration: (note 26(b))		
- Fees	408	430
- Other emoluments	4,655	3,536
Auditors' remuneration:		
- Statutory audit	463	448
- Audit related services	27	27
Depreciation of property and equipment (note 4)	1,872	1,766
Property and equipment written off (note 4)	38	-
Depreciation of right-of-use assets (note 18(a))	1,312	1,006
Interest expense on lease liabilities (note 18(b))	55	56
Expense relating to short-term leases (note 18(a))		
- Immediate holding company (note 32)	1,411	1,624
- Others	38	47
Expense relating to leases of low-value assets (note 18(a))	111	117
Amortisation of intangible assets (note 6)	3,522	8,244
Allowance for impairment loss on loans receivable	4	3
Allowance for impairment loss on insurance receivables	878	-
Bancassurance service fee	3,000	3,000
Credit card charges	2,932	3,306
Fund management expenses	8,243	7,816
Information technology outsourcing expenses	18,785	11,045
Interest expense under Distribution Agreement	1,357	1,675
Marketing and advertising expenses	2,758	2,563
Bancassurance incentives and allowances	14,970	10,780
Printing and postage expenses	1,762	1,827
Professional fee	3,266	2,923
Outsourcing fees	4,396	3,914
Software maintenance expenses	6,138	7,059
Training expenses	2,304	1,321
Travelling and entertainment expenses	1,824	1,455
Utilities and office maintenance expenses	2,600	1,889
Other expenses	3,337	2,678
	166,271	148,793

26. MANAGEMENT EXPENSES (CONTINUED)

(a) Staff costs

		2022 RM'000	2021 RM'000
Staff costs		58,550	54,804
Retirement benefits contributions	(i)	9,692	8,241
Share-based payments	(ii)	1,110	516
Other staff-related expenses		4,453	4,677
Total staff costs		73,805	68,238

(i) The retirement benefits contributions of the Company were made to the defined contribution plan as mentioned in note 2(k)(ii) to the financial statements.

(ii) Share-based payments incurred during the financial year relates to the share-based compensation granted to employees as mentioned in note 2(k)(iii) to the financial statements.

26. MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration

The aggregate amounts of non-deferred emoluments received by directors of the Company during the financial year are detailed as follows:-

	2022 RM'000	2021 RM'000
Chief Executive Officers ("CEO")		
Vibha Hamsi Coburn		
Fixed remuneration		
• Salaries	2,422	2,321
• Contribution to defined contribution plan	152	144
	2,574	2,465
Variable Remuneration		
• Bonus	1,412	966
• Share-based payment	669	105
	2,081	1,071
Total for CEO	4,655	3,536
Non-Executive directors:		
Fixed remuneration		
• Fees	408	430
	5,063	3,966
Represented by:		
Directors' fees	408	430
Director's emoluments	4,655	3,536
	5,063	3,966

∗ No deferred emoluments received by Directors during the financial year ended 31 December 2022 (2021: Nil).

The number of executive and non-executive directors whose total remuneration received during the financial year fall within the following bands are analysed as below:

	Number of directors 2022	2021
Chief Executive Officers ("CEO")/Executive directors		
RM3,500,000-RM5,000,000	1	1
Non-Executive directors:		
Below RM50,000	-	2
Above RM50,000	4	4

26. MANAGEMENT EXPENSES (CONTINUED)

(c) Directors' fees (non-deferred fixed remuneration) received by the directors during the financial year are as follows:

	2022 RM'000	2021 RM'000
Non-Executive directors:		
Arthur Jay Belfer	97	76
Vijayam A/P Nadarajah	102	89
Mary Bernadette James A/P N James	107	87
Renzo Christopher Viegas	102	87
Dato' Md Agil bin Mohd Natt (retired on 28 June 2021)	-	43
Lim Hun Soon @ David Lim (retired on 16 July 2021)	-	48
	408	430

27. SHARE-BASED COMPENSATION

Expenses arising from the share-based payment transactions recognised during the financial year as part of the employee benefit expense were as follows:

	2022 RM'000	2021 RM'000
RSU expenses	1,779	621
	1,779	621

Restricted share units ("RSU") are granted to certain employees of MFC Group as part of the annual performance reward cycle and has a vesting period of over 35 months from grant date. Each RSU entitles the recipient to receive payment equal to the market value of one common share, plus credited dividends, at the time of vesting, subject to any performance conditions. These RSU expenses are paid out in cash at the end of the vesting period.

28. OTHER OPERATING (INCOME)/EXPENSES

	2022 RM'000	2021 RM'000
Foreign exchange		
- Realised (gain)/loss	(5,349)	592
- Unrealised gains	(7,794)	(8,180)
Interest on agent's bond withheld	15	16
Others	7,726	8,387
Tax expense on investment income of Life fund and Investment-linked funds:		
- Current tax	14,105	20,358
- Deferred tax (note 16)	(10,169)	(2,875)
	3,936	17,483
	(1,466)	18,298

The income tax for the Life fund and Investment-linked funds of the insurance business is calculated based on the tax rate of 8% (2021: 8%) of the assessable investment income, net of allowable deductions for the financial year.

29. TAXATION

	2022 RM'000	2021 RM'000
Current tax		
Current financial year	4,318	5,997
Under provision in prior financial years	970	677
	5,288	6,674
Deferred tax		
Current financial year (note 16)	2,803	8,969
	8,091	15,643

The current income tax for the Company is calculated based on the tax rate of 24% (2021: 24%) of the estimated assessable profit for the financial year.

29. TAXATION (CONTINUED)

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

	2022 RM'000	2021 RM'000
Profit before taxation	34,776	77,622
Taxation at Malaysia statutory tax rate of 24%	8,346	18,629
Section 110 tax credit set off	(1,942)	(3,336)
Income not subject to tax	(3,732)	(5,922)
Expenses not deductible for tax purposes	4,449	5,595
	7,121	14,966
Under provision in prior financial years	970	677
Tax expense	8,091	15,643

30. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share of the Company is calculated by dividing the net profit attributable to ordinary equity holder of the Company for the financial year over the number of ordinary shares in issue during the financial year.

	2022 RM'000	2021 RM'000
Profit for the year attributable to ordinary equity holder (RM'000)	26,685	61,979
Number of shares in issue ('000)	350,000	350,000
Basic earnings per share (sen)	7.62	17.71

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

31. ADJUSTMENTS FOR NON-CASH ITEMS

Non-cash items in the statement of cash flows comprise of:

	Note	2022 RM'000	2021 RM'000
Interest income	22	(143,835)	(127,708)
Dividend income	22	(82,542)	(85,716)
Rental income	22	(2,378)	(1,995)
Net amortisation of premiums	22	10,413	9,277
Gains on disposal of AFS financial assets	23	(38,113)	(137,503)
Fair value (gain)/loss on investment property	24	(606)	1,090
Fair value loss/(gain) on FVTPL financial assets	24	142,119	(23,816)
Impairment losses on AFS financial assets	24	25,068	21,239
Depreciation of property and equipment	26	1,872	1,766
Property and equipment written off	26	38	-
Amortisation of intangible assets	26	3,522	8,244
Depreciation of right-of-use assets	26	1,312	1,006
Interest expense of lease liabilities	26	55	56
Allowance for impairment loss on insurance receivables	26	878	-
Allowance for impairment loss on loans receivable	26	4	3
Tax on investment income of Life fund and Investment-linked funds	28	3,936	17,483
Taxation	29	8,091	15,643
Realised foreign exchange (gain)/loss	28	(5,349)	592
Unrealised foreign exchange gains	28	(7,794)	(8,180)
		(83,309)	(308,519)

32. SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationships with its holding companies and subsidiaries of holding companies. The related parties of, and their relationship with the Company are as follows:

Name of company	Country of incorporation	Relationship
Manulife Financial Corporation ("MFC")	Canada	Ultimate holding company
Manulife Financial Asia Limited ("MFAL")	Hong Kong	Intermediate holding company
Manulife Holdings Berhad ("MHB")	Malaysia	Immediate holding company
Britama Properties Sdn Bhd	Malaysia	Subsidiary of immediate holding company
Manulife Investment Management (M) Berhad	Malaysia	Subsidiary of immediate holding company
Manulife Insurance Labuan Limited	Malaysia	Subsidiary of immediate holding company
Manulife Investment Management (Hong Kong) Limited	Hong Kong	Subsidiary of ultimate holding company
Manulife IT Delivery Center, Asia Inc. ("MITDC")	Philippines	Subsidiary of ultimate holding company
Manulife General Account Investments (HK) Limited ("MANGA")	Hong Kong	Subsidiary of ultimate holding company
Manulife Information and Technologies Services (Chengdu) Co. Ltd. ("MITS")	China	Subsidiary of ultimate holding company

In the normal course of business, the Company undertakes various transactions with other companies deemed related parties by virtue of being subsidiaries and associated companies of MFC, collectively known as the MFC Group.

Related parties also include key management personnel. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel of the Company include the directors and certain members of senior management of the Company. Total compensation paid to the Company's directors are disclosed in note 26.

32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms with the respective parties. The significant related party transactions during the financial year between the Company and its related parties are set out below:

	2022 RM'000	2021 RM'000
Expenses/(income)		
Intermediate holding company		
Reimbursement of personnel expenses	1,775	3,682
Reimbursement of software maintenance expenses	4,778	3,328
Reimbursement of consultation fee	88	38
Reimbursement of overhead expense	(662)	(776)
Reimbursement of education and training expenses	-	77
Reimbursement of travelling expense	11	-
Regional office overhead expense	826	-
Provision of IT development services	694	126
Provision of IT infrastructure support and maintenance services		
- Paid and payable	16,220	13,593
- Waiver of prior year's expenses	-	(2,232)
Provision of finance support	202	190
Provision of HR support	700	658
Provision of staff claims system	33	31
Provision of compliance support	119	-
Subsidiary of the ultimate holding company		
Provision of IT infrastructure support and maintenance services	3,313	641
Investment consulting services	456	231
Subsidiaries of the immediate holding company		
Outsourcing fee income	(2,921)	(2,858)
Rental income	(689)	(695)
Fund management expenses	11,833	11,945
Management fees and maintenance charges	99	99
Immediate holding company		
Outsourcing fee income	(1,094)	(1,046)
Outsourcing fees	1,370	1,171
Rental income	(81)	(90)
Short-term leases (note 26)	1,411	1,624

32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel

Total compensation paid to the Company's key management personnel are as follows:

		2022 RM'000	2021 RM'000
Salaries, other short-term employee benefits and other directors' emoluments		11,486	9,498
Retirement benefits contribution	(i)	1,358	1,067
RSU expenses	(ii)	1,779	621
		14,623	11,186

(i) The retirement benefits contributions were made to the defined contribution plan as mentioned in note 2(k)(ii) to the financial statements.

(ii) The share-based payments incurred during the financial year relates to the share-based compensation granted to employees as mentioned in note 2(k)(iii)(ii) to the financial statements.

Significant related party balances

Related party balances outstanding for the Company which are included in the notes to the financial statements are as follows:

	2022 RM'000	2021 RM'000
Loans and receivables (note 7)		
- Amount due from related companies	756	1,773
	756	1,773
Other payables (note 20)		
- Amount due to related companies	1,584	429
- Amount due to immediate holding company	3,817	7,274
	5,401	7,703

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

i) Available-for-sale ("AFS");
ii) Fair value through profit or loss – designated upon initial recognition ("FVTPL");
iii) Loans and receivables excluding prepayments ("LAR"); and
iv) Other financial liabilities measured at amortised cost ("OL").

	AFS	FVTPL	LAR	OL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022					
Financial assets					
Loans and receivables	-	-	383,620	-	383,620
AFS financial assets	3,266,710	-	-	-	3,266,710
Financial assets at FVTPL	-	2,112,427	-	-	2,112,427
Insurance receivables	-	-	11,019	-	11,019
Cash and cash equivalents	-	-	111,789	-	111,789
	3,266,710	2,112,427	506,428	-	5,885,565
Financial liabilities					
Financial liabilities at FVTPL	-	12	-	-	12
Insurance payables	-	-	-	812,073	812,073
Lease liabilities	-	-	-	2,402	2,402
Other payables	-	-	-	150,131	150,131
	-	12	-	964,606	964,618
31 December 2021					
Financial assets					
Loans and receivables	-	-	297,348	-	297,348
AFS financial assets	3,361,030	-	-	-	3,361,030
Financial assets at FVTPL	-	2,073,074	-	-	2,073,074
Insurance receivables	-	-	14,797	-	14,797
Cash and cash equivalents	-	-	119,131	-	119,131
	3,361,030	2,073,074	431,276	-	5,865,380
Financial liabilities					
Insurance payables	-	-	-	759,105	759,105
Lease liabilities	-	-	-	1,206	1,206
Other payables	-	-	-	138,031	138,031
	-	-	-	898,342	898,342

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Determination of fair values

The fair values of the Company'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 cash equivalents, insurance payables and other payables (other than 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 discounted using the discount rate that reflects the current market assessment of the time value of money, is a reasonable approximation of its fair value;

(iii) The fair values of quoted equities and investments in real estate investment trusts are based on quoted market prices as at the reporting date;

(iv) The fair values of Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities are based on indicative market prices;

(v) The fair values of mutual funds and unit trust funds are based on the net asset values of the underlying funds as at the reporting date;

(vi) The fair values of forward foreign exchange 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 the investees' financial statements.

(c) Fair value hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company'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 Company 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.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

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 Company uses observable market data, when available, and minimises the use of unobservable inputs to the extent possible when determining fair value.

The following table presents the Company's financial assets/liabilities that are carried at fair value as at 31 December 2022 and 31 December 2021.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2022				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	579,762	579,762	-	-
- Quoted outside Malaysia	113,817	113,817	-	-
Real estate investment trusts	11,859	11,859	-	-
Unit trust funds	580,587	580,587	-	-
Malaysian Government Securities	344,028	-	344,028	-
Government Investment Issues	280,828	-	280,828	-
Corporate debt securities				
- Unquoted	1,332,416	-	1,332,416	-
Accrued interest	21,469	-	21,469	-
	3,264,766	1,286,025	1,978,741	-
Financial assets at FVPTL				
Equity securities				
- Quoted in Malaysia	748,756	748,756	-	-
- Quoted outside Malaysia	17,004	17,004	-	-
Private equity funds				
- Unquoted outside Malaysia (note 33(d))	35,639	-	-	35,639
Real estate investment trusts	10,481	10,481	-	-
Unit trust funds	175,735	175,735	-	-
Malaysian Government Securities	122,019	-	122,019	-
Government Investment Issues	105,669	-	105,669	-
Corporate debt securities				
- Unquoted	734,173	-	734,173	-
Mutual funds				
- Quoted outside Malaysia	150,990	150,990	-	-
Forward foreign exchange contract	2,388	-	2,388	-
Accrued interest	9,573	-	9,573	-
	2,112,427	1,102,966	973,822	35,639
	5,377,193	2,388,991	2,952,563	35,639
Financial liability at FVTPL				
Forward foreign exchange contract	12	-	12	-

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2021				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	629,191	629,191	-	-
- Quoted outside Malaysia	131,774	131,774	-	-
Real estate investment trusts	18,644	18,644	-	-
Unit trust funds	636,297	636,297	-	-
Malaysian Government Securities	275,260	-	275,260	-
Government Investment Issues	247,994	-	247,994	-
Corporate debt securities				
- Unquoted	1,398,381	-	1,398,381	-
Accrued interest	21,545	-	21,545	-
	3,359,086	1,415,906	1,943,180	-
Financial assets at FVPTL				
Equity securities				
- Quoted in Malaysia	786,964	786,964	-	-
- Quoted outside Malaysia	19,489	19,489	-	-
Private equity funds				
- Unquoted outside Malaysia (note 33(d))	19,122	-	-	19,122
Real estate investment trusts	8,478	8,478	-	-
Unit trust funds	180,784	180,784	-	-
Malaysian Government Securities	78,047	-	78,047	-
Government Investment Issues	117,396	-	117,396	-
Corporate debt securities				
- Unquoted	634,838	-	634,838	-
Mutual funds				
- Quoted outside Malaysia	217,928	217,928	-	-
Forward foreign exchange contract	933	-	933	-
Accrued interest	9,095	-	9,095	-
	2,073,074	1,213,643	840,309	19,122
	5,432,160	2,629,549	2,783,489	19,122

Unquoted equity securities of RM1,944,444 (31 December 2021: RM1,944,444) of the Company as disclosed in note 8(a) are not disclosed in the fair value hierarchy above as they are measured at cost as fair value is not readily available.

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Private Equity Funds RM'000	Total RM'000
At 1 January 2021	-	-
Capital contributions	19,246	19,246
Fair value loss recognised in profit or loss	(125)	(125)
Currency movement	1	1
At 31 December 2021/1 January 2022	19,122	19,122
Capital contributions	11,211	11,211
Capital returns	(15)	(15)
Fair value gain recognised in profit or loss	4,086	4,086
Currency movement	1,235	1,235
At 31 December 2022	35,639	35,639

Description of valuation methodology and significant unobservable inputs to valuation of private equity funds:

	Fair Value	Valuation Methodology	Unobservable Input	Input Values
2022	**RM'000**			
Private equity funds	35,639	Net asset value ("NAV")	NAV	NAV
2021				
Private equity funds	19,122	Net asset value ("NAV")	NAV	NAV

34. RISK MANAGEMENT

(a) Risk management framework

The Board of Directors (the “Board”) of the Company has oversight responsibility for risk management. Industry best practices and governance standards for financial institutions require the Board to establish risk management policies and practices and, in delegating this responsibility to management, to ensure that these policies and practices remain adequate, comprehensive and prudent in light of changing circumstances.

The Risk Management Committee ("RMC"), is responsible for overseeing the Company’s management of its principal risks. The Board and RMC delegate accountability for risk-taking and risk management to the Chief Executive Officer ("CEO"). The CEO, supported by the Chief Risk Officer (“CRO”) and Enterprise Risk Management Committee, establishes risk policies, risk frameworks, risk tolerance, risk appetite, guide risk-taking activities, monitor material risk exposures, and develop strategic risk management priorities, thereby continuously shaping and promoting the risk management culture throughout the Company.

Risk management policies and practices form an integral part of the Board and Senior Management’s oversight of risks and the Company’s financial position. Accordingly, along with capital management and financial management, risk management is one of the three pillars of the Company’s prudential framework. As such, the Company’s risk policies and practices must be directly aligned with the Company’s capital management and financial management frameworks. The amount of risk the Company assumes, and plans to assume, defines its required consolidated risk-based capital. Conversely, the amount of available capital defines the amount of risk it is prudent to assume. This relationship dictates the need for alignment between capital and risk management.

The Company’s risk-taking activities are undertaken with the understanding that risk-taking and effective risk management are necessary and integral to achieving strategic objectives and managing business operations.

The Company seeks to strategically optimise risk-taking and risk management to support long-term revenue and earnings growth, with the ultimate objective of increasing shareholder’s value. This is done by:

- Capitalising on business opportunities that are aligned with the Company’s overall risk appetite and return expectations;
- Identifying, measuring and assessing, and monitoring and reporting on principal risks undertaken; and
- Proactively executing effective risk controls and mitigation programs.

34. RISK MANAGEMENT (CONTINUED)

(b) Regulatory framework

The Company is required to comply with the Financial Services Act 2013 (Act 758) as well as guidelines and circulars issued by Bank Negara Malaysia (“BNM”).

(c) Capital management

The Capital Management Plan is developed and endorsed by the Board. The plan lays out the management actions in response to various Capital Adequacy Ratio (“CAR”) scenarios. The Company manages its capital with the following objectives:

- To maintain the required level of stability of the Company, thereby providing a degree of security to policyholders;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulator and stakeholders;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- To maintain strong and healthy capital ratios in order to support its business objectives and maximise shareholder value.

The Company’s internal target solvency range is above the minimum regulatory capital requirement outlined under the Risk-Based Capital Framework (“the Framework”) prescribed by BNM at 130%.

The Company has fully complied with its internal target solvency range during the reported financial years.

The capital structure of the Company as at 31 December 2022 and 31 December 2021, as prescribed under the Framework are as follows:

	2022 RM’000	2021 RM’000
Eligible Tier 1 Capital		
Share capital (paid-up)	200,000	200,000
Retained earnings of the Company*	339,893	322,527
Eligible contract liabilities	551,138	519,677
	1,091,031	1,042,204
Eligible Tier 2 Capital		
Eligible reserves	50,818	135,792
Amounts deducted from capital	(40,346)	(45,242)
Total Capital Available	1,101,503	1,132,754

* Only distributable retained earnings (note 12) of the Company are included in the determination of Total Capital Available.

34. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk

Insurance risk is the risk of loss due to actual experience emerging differently than assumed when a product was designed and priced with respect to mortality and morbidity claims, policyholders' behaviour and expenses.

The Company has implemented product design and pricing policies and underwriting and claims management policies to manage its insurance risks.

The Company also limits its exposure to loss within the insurance operations through participation in reinsurance arrangements. For insurance contracts issued in 2022, the Company generally retains a maximum of RM150,000 for each mortality & accelerated total permanent disability ("TPD"), accelerated critical illness and additional critical illness risk per life for Investment-linked business. For Universal Life business, the Company retains a 50% quota share up to a maximum retention of RM300,000 and RM200,000 for each mortality & accelerated TPD and accidental death benefit respectively. The excess risk are being reinsured through surplus treaties, coinsurance treaties and facultative reinsurance treaties. The Company is neither dependent on a single reinsurer at this moment nor are the operations of the Company substantially dependent upon any reinsurance contract.

The table below sets out the concentration of the actuarial liabilities as at the date of the statement of financial position, gross and net of reinsurance, by class of business.

	Gross		Net	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Whole life	967,317	979,131	967,317	979,131
Endowment	1,112,271	1,021,277	1,112,271	1,021,277
Term	99,823	77,711	98,711	79,412
Annuity	219,084	230,679	219,084	230,679
Others	473,483	498,592	473,483	498,593
	2,871,978	2,807,390	2,870,866	2,809,092

Sensitivities

The analysis below is performed on plausible movements in key assumptions (with all other assumptions held constant) with resulting impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions may have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions are changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current level of economic assumptions.

34. RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

	Change in assumptions %	Impact on gross actuarial liabilities RM'000	Impact on net actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		Increase/(decrease)			
31 December 2022					
Mortality/morbidity	+10	21,624	16,409	(16,409)	(12,471)
Discount rate	-1	73,802	73,575	(73,575)	(55,917)
Expenses	+10	9,925	9,925	(9,925)	(7,543)
Lapse and surrender rates	+10	2,907	2,937	(2,937)	(2,232)
31 December 2021					
Mortality/morbidity	+10	20,622	16,137	(16,137)	(12,264)
Discount rate	-1	31,690	31,464	(31,464)	(23,913)
Expenses	+10	9,888	9,793	(9,793)	(7,442)
Lapse and surrender rates	+10	2,692	2,734	(2,734)	(2,078)

* Impact on equity is stated after considering tax effects

In the sensitivity analysis above, the impact from the changes in assumptions in the table above to the Company's profit before tax and equity arise from Non-participating life fund policies. There is no material impact to the Participating life funds within the range of changes in assumptions as the participating nature of the Participating life funds give the Company the flexibility to adjust the policyholders' bonus or dividends.

The method used and significant assumptions made to derive the sensitivity information did not change from the previous financial year.

(e) Credit risk

Credit risk is the risk of loss due to inability or unwillingness of an issuer or borrower to service its debt obligations. The risk arising from lending and investing activities is monitored regularly with respect to single customer limit, exposure to sector type, credit rating and remaining term to maturity, according to the guidelines and limits approved by the Board and within the guidelines issued by BNM.

As at the date of the statement of financial position, the credit exposure of the Company is within the guidelines and limits approved by the Board. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

The Company has minimal exposure to credit risk on unrated Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities as these are either issued or guaranteed by the Federal Government of Malaysia. All the remaining unquoted corporate debt securities are issued by companies with minimum rating of 'BBB'.

Policy loans are secured against the surrender value of the policies and carry substantially no credit risk. Mortgage loans are secured against the properties charged to the Group. Staff loans consists of vehicle loans and mortgage loans which are secured against the properties. Loan to agency leadership corporation is unsecured in nature.

34. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Credit risk in respect of customer balances incurred on non-payment of premiums will only persist during the grace period specified in the policy documents on the expiry of which either the premium is paid or the policy will be terminated.

Fixed and call deposits are placed with financial institutions approved by the Investment Committee of the Company and with ratings of ‘A’ or better.

Reinsurance arrangements are maintained with reinsurers with international ratings of ‘A’ or better.

There has been no significant change in the credit risk objectives, policies and processes in the current financial year as compared to the previous financial year.

The table below shows the Company’s maximum exposure to credit risk for the components in the statement of financial position by classifying financial and insurance assets according to the Company’s credit rating of counterparties except for the Investment-linked funds’ assets, as the Company does not have any direct exposure to credit risk in those assets as the credit risk is borne by the investment-linked policyholders.

The Investment-linked funds are the assets of the investment-linked contracts backing the investment-linked policyholders’ account in the insurance contract liabilities.

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

34. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

	Neither past-due nor impaired						
31 December 2022	**Rating (BBB to AAA) RM'000**	**Not rated RM'000**	**Not subject to credit risk RM'000**	**Past due but not impaired RM'000**	**Past due and impaired RM'000**	**Investment -linked funds RM'000**	**Total RM'000**
AFS financial assets							
Equity securities	-	-	695,523	-	-	-	695,523
Real estate investment trusts	-	-	11,859	-	-	-	11,859
Unit trust funds	-	-	580,587	-	-	-	580,587
Malaysian Government Securities	-	344,028	-	-	-	-	344,028
Government Investment Issues	-	280,828	-	-	-	-	280,828
Corporate debt securities	1,074,340	258,076	-	-	-	-	1,332,416
Accrued interest	12,491	8,978	-	-	-	-	21,469
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	-	-	-	-	-	765,760	765,760
Private equity funds	-	-	35,639	-	-	-	35,639
Real estate investment trusts	-	-	-	-	-	10,481	10,481
Unit trust funds	-	-	-	-	-	175,735	175,735
Malaysian Government Securities	-	119,387	-	-	-	2,632	122,019
Government Investment Issues	-	86,799	-	-	-	18,870	105,669
Corporate debt securities	564,137	80,146	-	-	-	89,890	734,173
Mutual funds	-	-	-	-	-	150,990	150,990
Forward foreign exchange contract	-	1,865	-	-	-	523	2,388
Accrued interest	5,604	2,697	-	-	-	1,272	9,573
Loans and receivables							
Loans receivable	-	149,519	-	145	507	-	150,171
Fixed and call deposits	121,906	-	-	-	-	93,030	214,936
Other receivables	-	11,073	-	-	290	7,736	19,099
Reinsurance assets	3,682	3,360	-	-	-	-	7,042
Insurance receivables	-	11,019	-	-	1,804	-	12,823
Cash and cash equivalents	97,870	2	-	-	-	13,917	111,789
Allowance for impairment losses	-	-	-	-	(2,390)	-	(2,390)
Total financial and insurance assets	1,880,030	1,357,777	1,323,608	145	211	1,330,836	5,892,607

34. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

31 December 2021	Neither past-due nor impaired: Rating (BBB to AAA) RM'000	Neither past-due nor impaired: Not rated RM'000	Not subject to credit risk RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment -linked funds RM'000	Total RM'000
AFS financial assets							
Equity securities	-	-	762,909	-	-	-	762,909
Real estate investment trusts	-	-	18,644	-	-	-	18,644
Unit trust funds	-	-	636,297	-	-	-	636,297
Malaysian Government Securities	-	275,260	-	-	-	-	275,260
Government Investment Issues	-	247,994	-	-	-	-	247,994
Corporate debt securities	1,113,734	284,647	-	-	-	-	1,398,381
Accrued interest	13,492	8,053	-	-	-	-	21,545
Financial assets at FVTPL - designated upon initial recognition							
Equity securities	-	-	-	-	-	806,453	806,453
Private equity funds	-	-	19,122	-	-	-	19,122
Real estate investment trusts	-	-	-	-	-	8,478	8,478
Unit trust funds	-	-	-	-	-	180,784	180,784
Malaysian Government Securities	-	75,877	-	-	-	2,170	78,047
Government Investment Issues	-	96,794	-	-	-	20,602	117,396
Corporate debt securities	461,567	88,912	-	-	-	84,359	634,838
Mutual funds	-	-	-	-	-	217,928	217,928
Forward foreign exchange contract	-	-	-	-	-	933	933
Accrued interest	5,254	2,371	-	-	-	1,470	9,095
Loans and receivables							
Loans receivable	-	154,703	-	150	485	-	155,338
Fixed and call deposits	46,819	-	-	-	-	71,053	117,872
Other receivables	-	14,698	-	-	290	9,732	24,720
Reinsurance assets	7,817	3,012	-	-	-	-	10,829
Insurance receivables	-	14,797	-	-	926	-	15,723
Cash and cash equivalents	100,547	-	-	-	-	18,584	119,131
Allowance for impairment losses	-	-	-	-	(1,508)	-	(1,508)
Total financial and insurance assets	1,749,230	1,267,118	1,436,972	150	193	1,422,546	5,876,209

34. RISK MANAGEMENT (CONTINUED

(e) Credit risk (continued)

Age analysis of financial assets past-due but not impaired

	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	Over 180 days RM'000	Total RM'000
31 December 2022						
Loans receivable	-	-	-	-	145	145
	-	-	-	-	145	145
31 December 2021						
Loans receivable	-	-	-	-	150	150
	-	-	-	-	150	150

34. RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

Impaired financial assets

For assets to be classified as “past due and impaired”, contractual payments must be in arrears for more than three months based on objective evidence that an impairment loss has been incurred. The Company records impairment allowance for loans receivables, insurance receivables and other receivables in a separate allowance for impairment loss account. A reconciliation of the allowance for impairment losses for loans receivable, insurance receivables and other receivables is as follows:

	Loans receivable RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
At 1 January 2022	292	926	290	1,508
Allowance for impairment losses during the financial year	4	878	-	882
At 31 December 2022	296	1,804	290	2,390
At 1 January 2021	289	926	290	1,505
Allowance for impairment losses during the financial year	3	-	-	3
At 31 December 2021	292	926	290	1,508

Allowance for impairment loss arose from individual impairment assessments during the financial year. There was no allowance of impairment loss arising from collective assessments.

(f) Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instrument traded in the market.

Market risk is managed through the segmentation of product liabilities with similar characteristics and the establishment of investment policies and goals for each segment. The Company’s investment policies and goals reflect the asset mix, asset quality, sector mix, currency mix, interest rate risk exposure and liquidity targets.

There has been no significant change in the market risk objectives, policies and processes in the current financial year as compared to the previous financial year.

34. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company manages the risk through matching the currency of the assets with the currency of the liabilities which these assets support. The Company has direct exposure to foreign currency risk in certain foreign currency denominated investments except for those in participating life fund and investment linked-business, of which the foreign currency risk is borne by the policyholders.

Exposure to foreign currency risk

The Company's exposure to the foreign currency (a currency which is other than the functional currency of the Company), based on carrying amounts as at the end of the reporting period was:

	Denominated in USD	
	2022	**2021**
	RM'000	**RM'000**
Equity securities – quoted outside Malaysia	34,987	23,804
Insurance contract liabilities	2,748	4,175
Amount due to related parties	(1,015)	(100)
Cash and cash equivalents	2,568	8,594
	39,288	36,473

The following table demonstrates the sensitivity to a reasonably possible change in currency, with all other variables held constant:

	Impact on profit before tax		**Impact on equity**	
	Increase/(decrease)		**Increase/(decrease)**	
	2022	**2021**	**2022**	**2021**
Changes in foreign currency rates	**RM'000**	**RM'000**	**RM'000**	**RM'000**
USD + 5%	215	633	1,964	1,824
USD - 5%	(215)	(633)	(1,964)	(1,824)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises due to differences in pricing or tenure of investments and liabilities. Interest rate risk is managed by the insurance contract liability, by limiting the interest rate guarantees that are embedded in the insurance plans that are marketed. The interest rate risk is also managed through setting the appropriate asset benchmark reflecting the liability profile and the availability of suitable instruments in the investment market. The participating nature of the Participating life fund gives the Company the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low interest rates.

34. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(ii) Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used in performing the sensitivity analysis was consistent with the prior year.

	Impact on profit before tax		Impact on equity*	
	Increase/(decrease)		Increase/(decrease)	
	2022	2021	2022	2021
Change in variable:	RM'000	RM'000	RM'000	RM'000
Interest rate				
+ 100 basis point	13,511	660	10,268	521
- 100 basis point	(19,296)	(1,953)	(14,665)	(1,543)

* Impact on equity is stated after considering tax effects

The above impact to the Company's equity arose from the investments in fixed income securities which are classified as AFS and FVTPL financial assets and the actuarial liabilities of the Non-participating funds; the impact to the Company's profit before tax arose from fixed income securities which are classified as FVTPL financial assets and the actuarial liabilities of the Non-participating funds. Any adverse impact on the Participating life fund results arising from changes in interest rate risk will be negated by an equivalent decrease in unallocated surplus in the insurance contract liabilities and vice versa. Hence, the impact arising from changes in interest rate risk to fixed income securities and actuarial liabilities of the Participating life fund of the Company is retained in the insurance contract liabilities.

(iii) Price risk

The Company's price risk exposure relates to financial assets and liabilities, whose values will fluctuate as a result of change in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to the individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company has acknowledged the inherent risk of investing in equities. The Board has set internal limits for maximum equity exposure, industry type exposure and individual stock exposure, which are consistent with BNM's guidelines, and has also imposed daily trading limits. In addition, the Investment Committee at its monthly meeting discusses the economic and market outlook, reviews transactions and deliberates on further equity allocation. The participating nature of the Participating life fund gives the Company the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low equity returns.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

34. RISK MANAGEMENT (CONTINUED)

(f) Market risk (continued)

(iii) Price risk (continued)

	Impact on profit before tax		Impact on equity*	
	Increase/(decrease)		Increase/(decrease)	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Change in variable:				
Market price				
+15%	-	-	86,636	81,393
- 15%	-	-	(86,636)	(81,393)

* Impact on equity is stated after considering tax effects

The above impact to the Company's equity arose from the Non-participating life fund and Shareholder's fund investments in equity securities, unit trust funds and real estate investment trusts which are classified as AFS financial assets. Any adverse impact on the Participating life fund results arising from changes in price risk will be negated by an equivalent decrease in unallocated surplus in the insurance contract liabilities and vice versa. Hence, the impact arising from changes in price risk to equity securities, unit trust funds and real estate investment trusts of the Participating life fund is retained in the insurance contract liabilities. The method used in performing the sensitivity analysis was consistent with the prior year.

(g) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This risk is managed via a three-year planning process to ascertain operational cash flow requirements and maintaining a reasonable level of liquid assets to meet unexpected cash flow. In addition, the Company has large holdings of government bonds that can be liquidated at short notice to meet unexpected liquidity needs.

It is unusual for a Company transacting insurance business to predict the requirements of funding with absolute certainty as the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period within which such liabilities will require settlement. The amount and maturities in respect of insurance contract liabilities are thus based on management's estimate based on statistical techniques and past experiences.

There has been no significant change in the liquidity risk objectives, policies and processes in the current financial year as compared to the previous financial year.

The table below analyses the Company's financial and insurance assets and financial and insurance liabilities into their relevant maturity groups based on the remaining undiscounted contractual obligations.

All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities and amount payable under distribution agreement which are presented based on their expected cash flows.

The Investment-linked funds are the assets of the investment-linked contracts backing the investment-linked policyholders' account in the insurance contract liabilities. Investment-linked fund liabilities are repayable or transferable upon notice by policyholders and are disclosed separately under the "Investment-linked funds" column.

34. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

31 December 2022	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
Equity securities	1,461,283	-	-	-	-	695,523	765,760	1,461,283
Private equity funds	35,639	-	-	-	-	35,639	-	35,639
Real estate investment trusts	22,340	-	-	-	-	11,859	10,481	22,340
Malaysian Government Securities	466,047	22,200	44,401	68,216	700,080	-	2,632	837,529
Government Investment Issues	386,497	16,300	32,598	52,135	539,627	-	18,870	659,530
Corporate debt securities	2,066,589	213,860	659,921	477,056	909,570	-	89,890	2,350,297
Unit trust funds	756,322	-	-	-	-	580,587	175,735	756,322
Mutual funds	150,990	-	-	-	-	-	150,990	150,990
Forward foreign exchange contract	2,388	1,865	-	-	-	-	523	2,388
Accrued interest								
- AFS financial assets	21,469	21,469	-	-	-	-	-	21,469
- FVTPL financial assets	9,573	8,301	-	-	-	-	1,272	9,573
Loans receivable	149,875	1,417	1,818	2,367	22,064	122,209	-	149,875
Fixed and call deposits	214,936	121,906	-	-	-	-	93,030	214,936
Other receivables	18,809	11,073	-	-	-	-	7,736	18,809
Reinsurance assets	7,042	7,042	-	-	-	-	-	7,042
Insurance receivables	11,019	11,019	-	-	-	-	-	11,019
Cash and cash equivalents	111,789	97,872	-	-	-	-	13,917	111,789
Total financial and insurance assets	5,892,607	534,324	738,738	599,774	2,171,341	1,445,817	1,330,836	6,820,830
Insurance contract liabilities	4,304,470	183,190	262,721	379,715	5,042,065	-	1,324,405	7,192,096
Insurance claims liabilities	87,859	87,859	-	-	-	-	-	87,859
Insurance payables	812,073	812,073	-	-	-	-	-	812,073
Lease liabilities	2,402	1,140	1,347	-	-	-	-	2,487
Forward foreign exchange contract	12	-	-	-	-	-	12	12
Other payables	150,131	140,199	5,283	-	-	-	5,855	151,337
Total financial and insurance liabilities	5,356,947	1,224,461	269,351	379,715	5,042,065	-	1,330,272	8,245,864

34. RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

31 December 2021	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
Equity securities	1,569,362	-	-	-	-	762,909	806,453	1,569,362
Private equity funds	19,122	-	-	-	-	19,122	-	19,122
Real estate investment trusts	27,122	-	-	-	-	18,644	8,478	27,122
Malaysian Government Securities	353,307	14,717	29,433	49,716	480,391	-	2,170	576,427
Government Investment Issues	365,390	14,315	43,873	54,510	454,640	-	20,602	587,940
Corporate debt securities	2,033,219	266,251	525,314	472,916	1,190,869	-	84,359	2,539,709
Unit trust funds	817,081	-	-	-	-	636,297	180,784	817,081
Mutual funds	217,928	-	-	-	-	-	217,928	217,928
Forward foreign exchange contract	933	-	-	-	-	-	933	933
Accrued interest								
- AFS financial assets	21,545	21,545	-	-	-	-	-	21,545
- FVTPL financial assets	9,095	7,625	-	-	-	-	1,470	9,095
Loans receivable	155,046	1,339	2,047	2,511	17,562	131,587	-	155,046
Fixed and call deposits	117,872	46,819	-	-	-	-	71,053	117,872
Other receivables	24,430	14,698	-	-	-	-	9,732	24,430
Reinsurance assets	10,829	10,829	-	-	-	-	-	10,829
Insurance receivables	14,797	14,797	-	-	-	-	-	14,797
Cash and cash equivalents	119,131	100,547	-	-	-	-	18,584	119,131
Total financial and insurance assets	5,876,209	513,482	600,667	579,653	2,143,462	1,568,559	1,422,546	6,828,369
Insurance contract liabilities	4,356,799	239,829	242,798	384,916	4,787,294	-	1,397,354	7,052,191
Insurance claims liabilities	75,912	75,912	-	-	-	-	-	75,912
Reinsurance liabilities	1,702	1,702	-	-	-	-	-	1,702
Insurance payables	759,105	759,105	-	-	-	-	-	759,105
Lease liabilities	1,206	928	307	-	-	-	-	1,235
Other payables	138,031	122,986	8,183	157	-	-	8,051	139,377
Total financial and insurance liabilities	5,332,755	1,200,462	251,288	385,073	4,787,294	-	1,405,405	8,029,522

34. RISK MANAGEMENT (CONTINUED)

(h) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, risk management policies and procedures, systems' failures, human performance failures or from external events. The Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people throughout the Company. The Company uses an established programme of comprehensive risk self-assessments in conjunction with independent internal audits to monitor and assess inherent operational risks and the effectiveness of internal controls.

35. CAPITAL AND OTHER COMMITMENTS

		2022 RM'000	2021 RM'000
Other commitments			
Exclusive bancassurance agreement			
- Authorised but not provided for	(i)	1,500	4,500
Distribution agreement			
- Authorised but not provided for	(ii)	2,764	5,363
Investment in private equity funds			
At 1 January		30,505	-
Capital committed		-	49,751
Capital called		(11,211)	(19,246)
Capital return		15	-
Expenses incurred		(122)	-
Currency movement		2,352	-
At 31 December	(iii)	21,539	30,505

(i) The Company is committed to pay annual fees under the terms of the exclusive bancassurance agreement. The annual fees will be expensed off to the profit or loss in the year of settlement.

(ii) The Company is committed to pay annual consultancy fee under the terms of the Distribution Agreement. The annual consultancy fee will be amortised to profit or loss over 20 years.

(iii) The Company is committed to deliver the capital contributions pursuant to the terms of the Limited Partnership Agreements.

36. INSURANCE FUNDS

The Company's activities are managed by funds and segregated into Life fund, Investment-linked funds and Shareholder's fund in accordance with the Financial Services Act 2013.

The Company's statement of financial position and statement of profit or loss have been further analysed by funds as follows:

Statement of Financial Position by Funds

31 December 2022	Shareholder's fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Assets					
Property and equipment	-	20,348	-	-	20,348
Investment property	-	46,318	-	-	46,318
Intangible assets	28,621	9,917	-	-	38,538
Loans and receivables	209,358	259,140	100,766	(174,533)	394,731
Available-for-sale financial assets	450,104	2,816,606	-	-	3,266,710
Financial assets at fair value through profit or loss	-	896,274	1,216,153	-	2,112,427
Reinsurance assets	-	7,042	-	-	7,042
Insurance receivables	-	11,019	-	-	11,019
Right-of-use asset	2,306	-	-	-	2,306
Current tax assets	6,165	20,975	(1,492)	-	25,648
Cash and cash equivalents	18,196	79,676	13,917	-	111,789
Total assets	714,750	4,167,315	1,329,344	(174,533)	6,036,876
Equity, Policyholders' Funds and Liabilities					
Share capital	200,000	-	-	-	200,000
Retained earnings	445,797	-	-	-	445,797
Fair value reserve	2,276	-	-	-	2,276
Total equity	648,073	-	-	-	648,073
Insurance contract liabilities	-	2,980,065	1,324,405	-	4,304,470
Insurance claims liabilities	-	87,859	-	-	87,859
Financial liability at fair value through profit or loss	-	-	12	-	12
Deferred tax liabilities	30,490	2,294	(928)	-	31,856
Insurance payables	-	812,073	-	-	812,073
Lease liabilities	2,402	-	-	-	2,402
Other payables	33,785	285,024	5,855	(174,533)	150,131
Total equity, policyholders' funds and liabilities	714,750	4,167,315	1,329,344	(174,533)	6,036,876

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

36. INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds (continued)

		Insurance funds			
31 December 2021	**Shareholder's fund RM'000**	**Life fund RM'000**	**Investment-linked funds RM'000**	**Elimination RM'000**	**Total RM'000**
Assets					
Property and equipment	-	18,907	-	-	18,907
Investment property	-	45,712	-	-	45,712
Intangible assets	29,995	10,157	-	-	40,152
Loans and receivables	210,352	196,783	80,785	(181,474)	306,446
Available-for-sale financial assets	442,603	2,918,427	-	-	3,361,030
Financial assets at fair value through profit or loss	-	749,897	1,323,177	-	2,073,074
Reinsurance assets	-	10,829	-	-	10,829
Insurance receivables	-	14,797	-	-	14,797
Right-of-use asset	1,098	-	-	-	1,098
Current tax assets	-	22,245	-	-	22,245
Cash and cash equivalents	19,906	80,641	18,584	-	119,131
Total assets	703,954	4,068,395	1,422,546	(181,474)	6,013,421
Equity, Policyholders' Funds and Liabilities					
Share capital	200,000	-	-	-	200,000
Retained earnings	419,112	-	-	-	419,112
Fair value reserve	10,272	-	-	-	10,272
Total equity	629,384	-	-	-	629,384
Insurance contract liabilities	-	2,959,445	1,397,354	-	4,356,799
Insurance claims liabilities	-	75,912	-	-	75,912
Deferred tax liabilities	29,356	8,373	9,525	-	47,254
Reinsurance liabilities	-	1,702	-	-	1,702
Insurance payables	-	759,105	-	-	759,105
Lease liabilities	1,206	-	-	-	1,206
Current tax liability	(4,861)	1,273	7,616	-	4,028
Other payables	48,869	262,585	8,051	(181,474)	138,031
Total equity, policyholders' funds and liabilities	703,954	4,068,395	1,422,546	(181,474)	6,013,421

36. INSURANCE FUNDS (CONTINUED)

Statement of Profit or Loss by Funds

2022	Shareholder's fund RM'000	Insurance funds: Life fund RM'000	Insurance funds: Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Premium income					
Gross premiums	-	760,293	343,127	(884)	1,102,536
Premiums ceded to reinsurers	-	(80,081)	-	-	(80,081)
Net premiums	-	680,212	343,127	(884)	1,022,455
Investment income	17,412	157,719	43,211	-	218,342
Net realised gains	489	37,624	-	-	38,113
Net fair value losses	(1,381)	(33,040)	(132,160)	-	(166,581)
Fee income	-	21,802	-	(17,787)	4,015
Other operating income	-	225	3,060	-	3,285
Total revenue	16,520	864,542	257,238	(18,671)	1,119,629
Gross benefits and claims paid and payable	-	(469,808)	(330,217)	-	(800,025)
Claims ceded to reinsurers	-	47,034	-	-	47,034
Gross change in contract liabilities	-	(97,598)	72,949	-	(24,649)
Change in insurance contract liabilities ceded to reinsurers	-	2,814	-	-	2,814
Net claims	-	(517,558)	(257,268)	-	(774,826)
Fee and commission Expenses	-	(132,661)	-	-	(132,661)
Investment expenses	(183)	(12,378)	-	-	(12,561)
Management expenses	(11,685)	(150,831)	(22,528)	18,773	(166,271)
Other operating (expenses)/income	(7,886)	(13,104)	22,558	(102)	1,466
Other expenses	(19,754)	(308,974)	30	18,671	(310,027)
(Loss)/profit from operations	(3,234)	38,010	-	-	34,776
Transfer from/(to) revenue account	38,010	(38,010)	-	-	-
Profit before taxation	34,776	-	-	-	34,776
Taxation	(8,091)	-	-	-	(8,091)
Net profit for the financial year	26,685	-	-	-	26,685

36. INSURANCE FUNDS (CONTINUED)

Statement of Profit or Loss by Funds (continued)

2021	Shareholder's fund RM'000	Insurance funds Life fund RM'000	Insurance funds Investment-linked funds RM'000	Elimination RM'000	Total RM'000
Premium income					
Gross premiums	-	674,743	340,073	(1,013)	1,013,803
Premiums ceded to reinsurers	-	(66,892)	-	-	(66,892)
Net premiums	-	607,851	340,073	(1,013)	946,911
Investment income	19,179	144,521	42,442	-	206,142
Net realised gains	3,940	133,563	-	-	137,503
Net fair value (losses)/ gains	(1,033)	(49,376)	51,896	-	1,487
Fee income	-	22,198	-	(18,314)	3,884
Other operating income	-	418	3,157	-	3,575
Total revenue	22,086	859,175	437,568	(19,327)	1,299,502
Gross benefits and claims paid and payable	-	(427,846)	(389,508)	-	(817,354)
Claims ceded to reinsurers	-	41,025	-	-	41,025
Gross change in contract liabilities	-	(123,020)	(27,556)	-	(150,576)
Change in insurance contract liabilities ceded to reinsurers	-	2,555	-	-	2,555
Net claims	-	(507,286)	(417,064)	-	(924,350)
Fee and commission expenses	-	(120,483)	-	-	(120,483)
Investment expenses	(191)	(9,765)	-	-	(9,956)
Management expenses	(14,779)	(130,677)	(22,685)	19,348	(148,793)
Other operating (expenses)/income	(8,485)	(11,973)	2,181	(21)	(18,298)
Other expenses	(23,455)	(272,898)	(20,504)	19,327	(297,530)
(Loss)/profit from operations	(1,369)	78,991	-	-	77,622
Transfer from/(to) revenue account	78,991	(78,991)	-	-	-
Profit before taxation	77,622	-	-	-	77,622
Taxation	(15,643)	-	-	-	(15,643)
Net profit for the financial year	61,979	-	-	-	61,979

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

36. INSURANCE FUNDS (CONTINUED)

Information on cash flows by Funds

		Insurance funds		
	Shareholder's fund	Life fund	Investment-linked funds	Total
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from:				
Operating activities	(1,710)	5,451	(4,667)	(926)
Investing activities	-	(5,018)	-	(5,018)
Financing activities	-	(1,398)	-	(1,398)
Net decrease in cash and cash equivalents	(1,710)	(965)	(4,667)	(7,342)
At beginning of financial year	19,906	80,641	18,584	119,131
At end of financial year	18,196	79,676	13,917	111,789
2021				
Cash flows from:				
Operating activities	(5,944)	33,121	9,706	36,883
Investing activities	-	(1,459)	-	(1,459)
Financing activities	-	(1,040)	-	(1,040)
Net (decrease)/increase in cash and cash equivalents	(5,944)	30,622	9,706	34,384
At beginning of financial year	25,850	50,019	8,878	84,747
At end of financial year	19,906	80,641	18,584	119,131

37. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 *INSURANCE CONTRACTS*

As disclosed in note 2(a)(ii), the Company will be deferring the adoption of MFRS 9 as allowed under Amendments to MFRS 4. In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

For the financial year ended 31 December 2022	Fair value as at 1 January 2022 RM'000	Change in fair value* RM'000	Fair value as at 31 December 2022 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Financial assets					
Equity securities					
- Quoted in Malaysia	1,416,155	(87,637)	1,328,518	Non-SPPI	FVTPL
- Quoted outside Malaysia	151,263	(20,442)	130,821	Non-SPPI	FVTPL
- Unquoted in Malaysia	1,944	-	1,944	Non-SPPI	FVTPL
Private equity funds	19,122	16,517	35,639	Non-SPPI	FVTPL
Real estate investment trusts	27,122	(4,782)	22,340	Non-SPPI	FVTPL
Unit trust funds	817,081	(60,759)	756,322	Non-SPPI	FVTPL
Malaysian Government Securities	351,137	112,278	463,415	SPPI	FVOCI
Malaysian Government Securities	2,170	462	2,632	SPPI	FVTPL
Government Investment Issues	344,788	22,839	367,627	SPPI	FVOCI
Government Investment Issues	20,602	(1,732)	18,870	SPPI	FVTPL
Corporate debt securities					
- Unquoted in Malaysia	1,948,860	27,839	1,976,699	SPPI	FVOCI
- Unquoted in Malaysia	84,359	5,531	89,890	SPPI	FVTPL
Mutual funds	217,928	(66,938)	150,990	Non-SPPI	FVTPL
Forward foreign exchange contract	933	1,455	2,388	Non-SPPI	FVTPL
Accrued interest	29,170	600	29,770	SPPI	FVOCI
Accrued interest	1,470	(198)	1,272	SPPI	FVTPL
Loans and receivables	297,348	86,272	383,620	SPPI	Amortised cost
Insurance receivables	14,797	(3,778)	11,019	SPPI	Amortised cost
Cash and cash equivalents	119,131	(7,342)	111,789	SPPI	Amortised cost
	5,865,380	20,185	5,885,565		

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

37. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 *INSURANCE CONTRACTS* (CONTINUED)

For the financial year ended 31 December 2021	Fair value as at 1 January 2021 RM'000	Change in fair value* RM'000	Fair value as at 31 December 2021 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
Financial assets					
Equity securities					
- Quoted in Malaysia	1,645,725	(229,570)	1,416,155	Non-SPPI	FVTPL
- Quoted outside Malaysia	182,638	(31,375)	151,263	Non-SPPI	FVTPL
- Unquoted in Malaysia	1,944	-	1,944	Non-SPPI	FVTPL
Private equity funds	-	19,122	19,122	Non-SPPI	FVTPL
Real estate investment trusts	20,451	6,671	27,122	Non-SPPI	FVTPL
Unit trust funds	706,220	110,861	817,081	Non-SPPI	FVTPL
Malaysian Government Securities	388,704	(37,567)	351,137	SPPI	FVOCI
Malaysian Government Securities	2,331	(161)	2,170	SPPI	FVTPL
Government Investment Issues	259,008	85,780	344,788	SPPI	FVOCI
Government Investment Issues	20,890	(288)	20,602	SPPI	FVTPL
Corporate debt securities					
- Unquoted in Malaysia	1,720,074	228,786	1,948,860	SPPI	FVOCI
- Unquoted in Malaysia	71,192	13,167	84,359	SPPI	FVTPL
Mutual funds	304,436	(86,508)	217,928	Non-SPPI	FVTPL
Forward foreign exchange contract	1,149	(216)	933	Non-SPPI	FVTPL
Accrued interest	25,174	3,996	29,170	SPPI	FVOCI
Accrued interest	1,249	221	1,470	SPPI	FVTPL
Loans and receivables	307,853	(10,505)	297,348	SPPI	Amortised cost
Insurance receivables	16,877	(2,080)	14,797	SPPI	Amortised cost
Cash and cash equivalents	84,747	34,384	119,131	SPPI	Amortised cost
	5,760,662	104,718	5,865,380		

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

37. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 *INSURANCE CONTRACTS* (CONTINUED)

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

	AAA RM'000	AA RM'000	A RM'000	Non-rated RM'000	Total RM'000
As at 31 December 2022					
Financial assets					
Malaysian Government Securities	-	-	-	466,047	466,047
Government Investment Issues	-	-	-	386,497	386,497
Corporate debt securities					
- Unquoted in Malaysia	1,036,395	691,466	506	338,222	2,066,589
Accrued interest	11,302	7,860	-	11,880	31,042
Loans and receivables	214,936	-	-	168,684	383,620
Insurance receivables	-	-	-	11,019	11,019
Cash and cash equivalents	104,722	49	7,016	2	111,789
	1,367,355	699,375	7,522	1,382,351	3,456,603

	AAA RM'000	AA RM'000	A RM'000	Non-rated RM'000	Total RM'000
As at 31 December 2021					
Financial assets					
Malaysian Government Securities	-	-	-	353,307	353,307
Government Investment Issues	-	-	-	365,390	365,390
Corporate debt securities					
- Unquoted in Malaysia	959,014	692,091	8,554	373,560	2,033,219
Accrued interest	12,668	7,221	138	10,613	30,640
Loans and receivables	117,872	-	-	179,476	297,348
Insurance receivables	-	-	-	14,797	14,797
Cash and cash equivalents	110,697	12	8,422	-	119,131
	1,200,251	699,324	17,114	1,297,143	3,213,832