Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

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200801013654 (814942-M)

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	As at 30.06.2023 RM'000	Restated As at 31.12.2022 RM'000
Assets			
Property and equipment		20,747	20,348
Investment property		46,318	46,318
Intangible assets	12	40,159	38,538
Financial assets at fair value through other comprehensive income	13(a)	3,081,962	2,837,510
Financial assets at fair value through profit or loss	13(b)	1,367,763	1,342,885
Financial assets at amortised cost		36,913	154,795
Reinsurance contract assets		98	315
Right-of-use assets		2,012	2,306
Current tax assets	14	29,698	27,141
Other assets		13,500	11,115
Cash and cash equivalents		79,796	97,872
Segregated funds net asset		1,318,299	1,324,405
Total Assets		6,037,265	5,903,548
Liabilities and Equity			
Liabilities			
Insurance contract liabilities		3,417,064	3,282,096
Segregated funds insurance net liabilities		1,318,299	1,324,405
Total insurance and segregated funds contract liabilities	15	4,735,363	4,606,501
Reinsurance contract liabilities		31,765	52,850
Financial liability at fair value through profit or loss	16	2,333	-
Deferred tax liabilities		98,486	107,310
Lease liabilities		2,103	2,402
Other liabilities		243,075	258,474
Total Liabilities		5,113,125	5,027,537
Equity			
Share capital		200,000	200,000
Retained earnings		716,832	687,517
Other reserves		14,557	4,203
Total Shareholders' Equity		931,389	891,720
Participating policyholders' equity		(7,249)	(15,709)
Total Equity		924,140	876,011
Total Liabilities and Equity		6,037,265	5,903,548

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

	Cumulative 6 months ended	
		Restated
	30.06.2023	30.06.2022
	RM'000	RM'000
Insurance service result		
Insurance revenue	160,471	149,713
Insurance service expenses	(138,627)	(130,356)
Net expenses from reinsurance contracts held	2,845	(3,975)
Total insurance service results	24,689	15,382
Investment result		
Investment income		
Investment income	90,419	80,179
Realised and unrealised losses on assets supporting insurance	(10,089)	(67,253)
Investment expenses	(3,256)	(1,527)
Net investment income	77,074	11,399
Insurance finance expense	(59,490)	(23,890)
Reinsurance finance (expense)/income	(992)	3,641
Segregated fund related investment result		
Investment income related to segregated fund net assets	8,717	(142,199)
Financial changes related to segregated fund net liabilities	(8,717)	142,199
Net segregated fund investment result	-	-
Total investment results	16,592	(8,850)
General expenses	(1,058)	(961)
Interest expense	(40)	(34)
Profit before taxation	40,183	5,537
Taxation	(10,001)	711
Net profit for the financial period	30,182	6,248
Net profit attributable to:		
Equity holder of the Company	25,646	(2,065)
Participating policyholders	4,536	8,313
	30,182	6,248
Basic and diluted earnings per share (sen)	7.33	(0.59)

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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MANULIFE INSURANCE BERHAD
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UNAUDITED CONDENSED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

	Cumulative 6 months ended	
		Restated
	30.06.2023	30.06.2022
	RM'000	RM'000
Net profit for the financial period	30,182	6,248
Other comprehensive income/(loss), net of tax:		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:-		
Fair value through OCI investments:		
Net gains/(losses) on fair value changes	69,448	(116,048)
Realised (gains)/losses transferred to income statements	(1,296)	3,095
Deferred tax	(4,622)	7,851
Fair value through OCI investments, net of deferred tax	63,530	(105,102)
Insurance finance (expense)/income	(60,824)	107,443
Deferred tax	15,427	(25,786)
Insurance finance (expense)/income, net of deferred tax	(45,397)	81,657
Reinsurance finance (expense)/income	(245)	947
Deferred tax	59	(228)
Reinsurance finance (expense)/income, net of deferred tax	(186)	719
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	17,947	(22,726)
Other comprehensive income/(loss) for the financial period	17,947	(22,726)
Total comprehensive income/(loss) for the financial period	48,129	(16,478)
Other comprehensive income/(loss) attributable to:		
Equity holder of the Company	9,010	(7,894)
Participating policyholders	8,937	(14,832)
	17,947	(22,726)
Total comprehensive income/(loss) attributable to:		
Equity holder of the Company	34,656	(9,959)
Participating policyholders	13,473	(6,519)
	48,129	(16,478)

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

	Attributable to Equity holder of the Company							
		<==================Non-distributable===============>			Distributable			
	Share Capital	Insurance Reserve	Reinsurance Finance Reserve	Fair Value Reserve	Retained Earnings*	Total Shareholders' Equity	Participating Policyholders' Equity	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2023 - as previously reported	200,000	-	-	2,276	445,797	648,073	-	648,073
Effect of adopting MFRS 9 and MFRS 17	-	8,475	607	(7,155)	241,720	243,647	(15,709)	227,938
	200,000	8,475	607	(4,879)	687,517	891,720	(15,709)	876,011
Effect of adopting of MFRS 9 Overlay	-	-	-	1,344	(1,344)	-	-	-
At 1 January 2023 - as restated	200,000	8,475	607	(3,535)	686,173	891,720	(15,709)	876,011
Net profit for the financial period	-	-	-	-	25,646	25,646	4,536	30,182
Other comprehensive (loss)/income for the financial period	-	(11,612)	(186)	20,808	-	9,010	8,937	17,947
Total comprehensive (loss)/income for the financial period	-	(11,612)	(186)	20,808	25,646	34,656	13,473	48,129
Surplus transfer from partcipating policyholders	-	-	-	-	5,013	5,013	(5,013)	-
At 30 June 2023	200,000	(3,137)	421	17,273	716,832	931,389	(7,249)	924,140

* Included in the retained earnings are surplus from Non-participating life fund (net of deferred tax) of approximately RM346,711,000 (1 January 2023-restated: RM335,606,000). 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.

Company No.

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

	Attributable to Equity holder of the Company							
		<==================Non-distributable===============>			Distributable			
	Share Capital RM'000	Insurance Reserve RM'000	Reinsurance Finance Reserve RM'000	Fair Value Reserve RM'000	Retained Earnings* RM'000	Total Shareholders' Equity RM'000	Participating Policyholders' Equity RM'000	Total Equity RM'000
At 1 January 2022 - as previously stated	200,000	-	-	10,272	419,112	629,384	-	629,384
Effect of adopting MFRS 17	-	(1,205)	(5)	-	212,610	211,400	(8,083)	203,317
Effect of adopting MFRS 9	-	-	-	(6,941)	22,959	16,018	-	16,018
At 1 January 2022 - as restated	200,000	(1,205)	(5)	3,331	654,681	856,802	(8,083)	848,719
Net (loss)/profit for the financial period	-	-	-	-	(2,065)	(2,065)	8,313	6,248
Other comprehensive income/(loss) for the financial period	-	16,519	719	(25,132)	-	(7,894)	(14,832)	(22,726)
Total comprehensive income/(loss) for the financial period	-	16,519	719	(25,132)	(2,065)	(9,959)	(6,519)	(16,478)
Surplus transfer from partcipating policyholders	-	-	-	-	5,276	5,276	(5,276)	-
At 30 June 2022	200,000	15,314	714	(21,801)	657,892	852,119	(19,878)	832,241

* Included in the retained earnings are surplus from Non-participating life fund (net of deferred tax) of approximately RM338,180,000 (1 January 2022-restated: RM334,035,000). 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 integrated part of these unaudited condensed interim financial statements

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

	6 months ended 30.06.2023 RM'000	6 months ended 30.06.2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	30,182	6,248
Adjustments for non-cash items	(67,209)	(8,722)
Operating loss before changes in operating assets and liabilities	(37,027)	(2,474)
Purchase of investments	(1,186,564)	(1,327,714)
Proceeds from disposal and maturity of investments	978,466	1,152,509
Interest income received	64,309	60,045
Dividend income received	23,148	21,528
Rental income received	1,162	1,091
Increase in other receivables	(5,830)	(3,588)
Decrease in fixed and call deposits	121,906	46,819
Increase in loans receivables	(446)	(1,481)
Increase in insurance contract liabilities	73,899	39,681
Decrease in net reinsurance contract liabilities	(20,868)	(16,663)
(Decrease)/increase in other liabilities	(15,108)	29,878
Cash used in operations	(2,953)	(369)
Interest paid	(33)	(31)
Income taxes paid	(10,565)	(14,637)
Net cash outflow from operating activities	(13,551)	(15,037)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,383)	(671)
Purchase of intangible assets	(2,552)	(670)
Net cash outflow from investing activities	(3,935)	(1,341)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(590)	(801)
Net cash outflow from financing activities	(590)	(801)
Net decrease during the financial period	(18,076)	(17,179)
Cash and cash equivalents at 1 January	97,872	100,547
Cash and cash equivalents at 30 June	79,796	83,368

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the unaudited condensed statement of cash flows comprise the following:

	As at 30.06.2023 RM'000	As at 30.06.2022 RM'000
Cash and bank balances	54,278	56,353
Short-term deposits	25,518	27,015
Cash and cash equivalents	79,796	83,368

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and International Accounting Standard ("IAS") 34: Interim Financial Reporting and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2021, which were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following amendments/interpretation to MFRS:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Changes in accounting and reporting policy

(i) MFRS17 *Insurance Contracts*

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

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

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

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) are measured under Premium Allocation Approach ("PAA");

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) MFRS 9 *Financial Instruments*

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

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

Upon the adoption of MFRS 9, the Company adopted the classification 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 the case of assets classified as FVTPL under MFRS 139, and reclassified as FVOCI under MFRS 9, no impairment was calculated for these financial instruments for financial year ended 31 December 2022.

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

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

Classification and measurement

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

All other financial assets are classified and measured at FVTPL.

Impairment

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

Recognition of Expected Credit Loss ("ECL")

The Company assesses at each reporting date to determine loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost and debt securities at FVOCI based on two different approaches as follows:

General approach - three-stage approach

The general approach impairment recognition requires loss allowance to be recognised based on "three-staging" model which reflects the change in credit quality of the financial instrument since initial recognition:

Stage 1: 12-month ECL
For financial assets that have no significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the 12-month ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months) will be recognised in profit or loss.

Stage 2: Lifetime ECL – Non-credit impaired
For financial assets that have significant increase in credit risks since initial recognition but do not have objective evidence of impairment, a lifetime ECL that results from all possible default events over the expected life of the financial assets will be recognised in profit or loss. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Stage 3: Impairment – Credit impaired
Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, impairment will be recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Recognition of Expected Credit Loss (“ECL”) (continued)

The Company uses the general approach to measure loss allowances for the following:
- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which risk (i.e. the risk of default occurring over the expectedlife of the financial instrument) has not increased significantly since initial recognition.

The Company considers debt security to have low credit risk when its credit risk rating is a minimum rating of “BBB”. The Company also considers all government issued or government guaranteed debt securities to have low credit risk. The Company’s fixed deposits with licensed banks are also assessed to have low credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

A significant increase in credit risk since inception may occur in the following:
(i) if the financial assets, either reinsurance assets, or loans receivables are 30 days past due;
(ii) in the case of corporate debt securities or reinsurance assets, if there is a significant deterioration of credit risk rating by 2 ranks from the initial purchase or contract date; or
(iii) significant increase in bond yields due to market’s assessment of creditworthiness of those investments.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer, such as lawsuits of similar actions that threaten the financial viability of the counterparty;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Simplified approach

The simplified approach impairment recognition allows for loss allowance to be recognised based on expected lifetime ECL, without considering credit risk.

Loss allowances for trade and other receivables, with no financing component, are always measured at an amount equal to lifetime ECLs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement of ECL

ECL is a probability weighted estimate of credit losses over the expected life of a financial asset. The estimated ECL incorporates time value of money and considers historical data, current conditions and forecasts of future economic conditions.

The Company measures the ECL on an individual basis for debts securities that are deemed significant. When estimating ECL, the Company considers the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD").

PD represents the likelihood of a borrower defaulting on its financial obligation at the time of default, either over the next 12 months, or over the remaining lifetime of the obligation. Multi-year PDs (of up to 30 years) are generated, based on proprietary and publicly available ratings data, using statistical methods. PDs representing different economic scenarios are projected, allowing the Company to consider a range of possible outcomes as required under MFRS 9. If a counterparty of exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD.

LGD is the estimated magnitude of the likely loss if there is a default, based on statistical method. LGD is expressed as a percentage per loss per unit of exposure at the time of default and varies by type and seniority of claims, availability of collateral, geographical location and industry of borrower and existing market conditions.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset is its gross carrying amount.

The PDs and LGDs are then applied accordingly to the carrying value of financial assets (debt securities at FVOCI) to obtain an ECL.

When the Company measures ECL on a collective basis, the financial assets are grouped based on shared characteristics such as credit risk rating, type of financial asset, and etc.

Forward looking information and key economic variables are considered while assessing the change in credit risk of an instrument. These economic variables and their associated impact on PD, LGD and EAD vary by financial instruments. Some of the key macroeconomics factors incorporated into the ECL estimation include Gross Domestic Product, current and future interest rates environment, potential economic outlook and forecast collateral values.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not significant to the Company for the financial period ended 30 June 2023.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Effects of adoption MFRS 17 and MFRS 9

Presentation and disclosure differences

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

- 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 Insurance Net Liabilities".

- 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 income and 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 Profit or Loss as "Investment income related to segregated fund net assets" and "Financial changes related to segregated fund net liabilities".

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Financial impact from adoption of MFRS 17

The effects as a result of adoption of MFRS 17 were recognised as adjustments to retained earnings and accumulated other comprehensive income as at 1 January 2022. The adoption resulted in an increase to total equity as of 1 January 2022 by RM203 million (net of tax) as set out below:

Measurement and classification differences	Description
Transition CSM	Contractual Service Margin (CSM) is a new liability that represents future unearned profits on insurance contracts written. For this measurement step, the amount recognised as at the transition date, 1 January 2022 was RM223 million, with a corresponding impact to reduce Total Non-distributable Equity by RM169 million (net of tax).
Contract Measurement	Under MFRS 17, other components of insurance contract liabilities, aside from the CSM, are also remeasured. This measurement step includes the following changes: Higher Risk Adjustments provisions held within the Company's insurance liabilities for non-economic risk on application of the MFRS 17 standard of RM233 million, with a corresponding impact to reduce Total Non-distributable Equity by RM177 million (net of tax); Lower Best Estimate Liability of RM568 million from the removal of sterling reserve requirements for products with negative reserves under MFRS 17 and the Company elected change in reserving methodology for products previously measured on the unearned premium reserve method under MFRS 4 but on a gross premium valuation method under MFRS 17. This has corresponding impact to increase Total Non-distributable Equity by RM432 million (net of tax).
Classification differences	Under MFRS 4, Unallocated Surplus, Asset Revaluation Reserves and Fair Value Reserves of Participating Policyholders' Funds of RM152 million were reported within Insurance Contract Liabilities. Under MFRS 17, these balances are reported as part of the Non-Distributable Equity of the Company. The reclassification has contributed to lower Insurance Contract Liabilities of RM152 million, with a corresponding increase in Non-Distributable Equity of RM117 million (net of tax).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Classification differences

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

- Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.
- The equity shares in non-listed companies that are intended to be held for the foreseeable future will be classified as FVTPL. No impairment losses were recognised in profit or loss during prior periods for these investments.
- All debt securities which include Malaysian Government Securities, Government Investment Issues and corporate debt securities will be measured at FVOCI, as the 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, debts 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.
- 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.

The reclassification of financial assets from FVTPL to FVOCI, and from FVOCI to FVTPL resulted in a corresponding reclassification from fair value reserve to Shareholders' retained earnings of RM7 million and Participating policyholders' non-distributable retained earnings of RM92 mil at 1 January 2022.

Measurement differences

The Company also remeasured the unquoted equity securities which were previously measured at cost under MFRS 139 to fair value based on its share of the net asset value of the investee at 1 January 2022, resulted in an increase in total retained earnings of RM 16 mil (net of tax).

ECL impact

As the Company adopted the classification overlay approach for comparative balances, no ECL were recorded for the comparative results for financial year ended 31 December 2022. Instead, the effects from the implementation of impairment requirements based on an ECL methodology of RM4 million (net of tax) was recognised on 1 January 2023.

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

	Original classification under MFRS 139		New Classification and measurement under MFRS 9		
	AFS RM'000	**FVTPL RM'000**	**FVOCI RM'000**	**FVTPL RM'000**	**Segregated Funds Net Asset* RM'000**
Equity securities					
- Quoted in Malaysia	629,191	786,964	-	629,191	786,964
- Quoted outside Malaysia	131,774	19,489	-	131,774	19,489
- Unquoted	1,944	-	-	19,356	-
Real estate investment trusts	18,644	8,478	-	18,644	8,478
Unit trust funds	636,297	180,784	-	636,297	180,784
Private equity funds					
- Quoted outside Malaysia	-	19,122	-	19,122	-
Malaysian Government Securities	275,260	78,047	351,137	-	2,170
Government Investment Issues	247,994	117,396	344,788	-	20,602
Corporate debt securities					
- Unquoted	1,398,381	634,838	1,948,860	-	84,359
Mutual funds					
- Quoted outside Malaysia	-	217,928	-	-	217,928
Forward foreign exchange contract	-	933	-	-	933
Accrued interest	21,545	9,095	29,170	-	1,470
	3,361,030	2,073,074	2,673,955	1,454,384	1,323,177

* Included as part of Segregated Funds Net Assets.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Statement of Financial Position

	31.12.2022 As previously stated RM'000	Classification and measurement RM'000	31.12.2022 As restated RM'000	Expected credit losses RM'000	1.1.2023 As restated RM'000
ASSETS					
Property and equipment	20,348	-	20,348	-	20,348
Investment property	46,318	-	46,318	-	46,318
Intangible assets	38,538	-	38,538	-	38,538
Available-for-sale financial assets	3,266,710	(3,266,710)	-	-	-
Financial assets at fair value through other comprehensive income	-	2,837,510	2,837,510	-	2,837,510
Financial assets at fair value through profit or loss	2,112,427	(769,542)	1,342,885	-	1,342,885
Loans and receivables	394,731	(394,731)	-	-	-
Financial assets at amortised cost	-	154,795	154,795	-	154,795
Reinsurance contract assets	7,042	(6,727)	315	-	315
Insurance receivables	11,019	(11,019)	-	-	-
Right-of-use assets	2,306	-	2,306	-	2,306
Current tax assets	25,648	1,493	27,141	-	27,141
Other assets	-	11,115	11,115	-	11,115
Cash and cash equivalents	111,789	(13,917)	97,872	-	97,872
Segregated funds net asset	-	1,324,405	1,324,405	-	1,324,405
TOTAL ASSETS	6,036,876	(133,328)	5,903,548	-	5,903,548

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Statement of Financial Position (continued)

	31.12.2022 As previously stated RM'000	Classification and measurement RM'000	31.12.2022 As restated RM'000	Expected credit losses RM'000	1.1.2023 As restated RM'000
LIABILITIES					
Insurance contract liabilities	4,304,470	(1,022,374)	3,282,096	-	3,282,096
Segregated funds insurance net liabilities	-	1,324,405	1,324,405	-	1,324,405
Insurance claims liabilities	87,859	(87,859)	-	-	-
Reinsurance contract liabilities	-	52,850	52,850	-	52,850
Financial liability at fair value through profit or loss	12	(12)	-	-	-
Deferred tax liabilities	31,856	75,454	107,310	-	107,310
Insurance payables	812,073	(812,073)	-	-	
Lease liabilities	2,402	-	2,402	-	2,402
Other liabilities	150,131	108,343	258,474	-	258,474
TOTAL LIABILITIES	5,388,803	(361,266)	5,027,537	-	5,027,537
EQUITY					
Share capital	200,000	-	200,000	-	200,000
Retained earnings	445,797	241,720	687,517	(1,344)	686,173
Other reserves	2,276	1,927	4,203	1,344	5,547
Total shareholders' equity	648,073	243,647	891,720	-	891,720
Participating policyholder's equity	-	(15,709)	(15,709)	-	(15,709)
TOTAL EQUITY	648,073	227,938	876,011	-	876,011
TOTAL LIABILITIES AND EQUITY	6,036,876	(133,328)	5,903,548	-	5,903,548

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The adoption of MFRS 9 and MFRS 17 resulted in the following effects to the statement of total comprehensive income of the Company at 30 June 2022.

Statement of Total Comprehensive Income

	30.06.2022 As previously stated RM'000	**Classification and measurement RM'000**	**30.06.2022 As restated RM'000**
Net profit for the financial period	10,239	(3,991)	6,248
Other comprehensive loss, net of tax			
Fair value change of AFS/FVOCI financial assets, net of tax	(22,317)	(82,785)	(105,102)
Insurance finance income, net of deferred tax	-	81,657	81,657
Insurance finance expense, net of deferred tax	-	719	719
Other comprehensive loss for the financial period	(22,317)	(409)	(22,726)
Total comprehensive loss for the financial period	(12,078)	(4,400)	(16,478)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. SEASONAL/CYCLICAL FACTORS

The business operations of the Company are subject to the sales cycle of the life insurance business.

4. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 30 June 2023.

5. CHANGE IN ESTIMATES

The Company measures policy liabilities using a prospective actuarial valuation. The expected future liabilities are determined using best estimate assumptions with the appropriate risk adjustment to reflect the uncertainty of adverse deviation from expected experience. Valuation assumptions used includes mortality, morbidity, lapse, expense, risk-free interest rate plus illiquidity premium, and participating life funds' yield derived based on asset liability method. For calculating the contractual service margin ("CSM"), the fair value approach is used for all in-force policies sold before 2021, and the full retrospective approach is used for all policies sold in 2021 onwards.

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2023.

6. DEBT AND EQUITY SECURITIES

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period ended 30 June 2023.

7. DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

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

Other than as disclosed above, there is no material event subsequent to the end of the financial period under review that has not been reported in the interim financial statements for the current financial period to date.

9. CHANGES IN COMPOSITION OF THE COMPANY

There is no change in the Company's composition for the current financial period to date.

10. CONTINGENT LIABILITIES

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

11. SIGNIFICANT EVENTS

There is no significant event during the financial period to date.

12. INTANGIBLE ASSETS

	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 2022	43,000	15,514	3,526	28,739	90,779
Additions	-	-	1,908	-	1,908
Write-off	-	(1)	-	-	(1)
At 31 December 2022/1 January 2023	43,000	15,513	5,434	28,739	92,686
Additions	-	-	2,552	-	2,552
Transfer from computer software in progress	-	2,836	(2,836)	-	-
Write-off	-	-	-	-	-
At 30 June 2023	43,000	18,349	5,150	28,739	95,238
Accumulated amortisation					
At 1 January 2022	41,675	8,883	-	69	50,627
Amortisation during the financial year	1,325	2,148	-	49	3,522
Write-off	-	(1)	-	-	(1)
At 31 December 2022/1 January 2023	43,000	11,030	-	118	54,148
Amortisation during the financial period	-	912	-	19	931
At 30 June 2023	43,000	11,942	-	137	55,079
Net carrying amount					
At 30 June 2023	-	6,407	5,150	28,602	40,159
At 31 December 2022	-	4,483	5,434	28,621	38,538

The Exclusive Right is a definite life intangible asset and relates to a 10-year exclusive bancassurance agreement entered between the Company and Alliance Bank Malaysia Berhad ("ABMB") on 13 June 2013. 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.

The Distribution Agreement relates to a 20-year distribution right entered between the Company and an agency leadership corporation on 23 September 2019. 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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. FINANCIAL ASSETS

(a) Fair value through other comprehensive income

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Malaysian Government Securities	491,536	463,415
Government Investment Issues	449,503	367,627
Corporate debt securities		
- Unquoted	2,106,615	1,976,699
Accrued interest	34,308	29,769
	3,081,962	2,837,510
Current	196,988	154,131
Non-current	2,884,974	2,683,379
	3,081,962	2,837,510

(b) Fair value through profit or loss

		As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Equity securities			
- Quoted in Malaysia		567,684	579,762
- Quoted outside Malaysia		65,331	113,817
- Unquoted in Malaysia		19,356	19,356
Private Equity Funds			
- Unquoted outside Malaysia		43,043	35,639
Structured Product		62,082	-
Real estate investment trusts		12,463	11,859
Unit trust funds – Investment in subsidiaries*	(i)	597,418	580,587
Forward foreign exchange contract		-	1,865
Accrued interest		386	-
		1,367,763	1,342,885
Current		1,367,763	1,342,885

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. FINANCIAL ASSETS

(b) Fair value through profit or loss (continued)

(i) Unit trust funds – investment in subsidiaries

	2023 RM'000	2022 RM'000
At fair value	597,418	580,587

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 2023	2022
Manulife Cash Management Fund	Investment in money market fund	88.4	86.7
Manulife Wholesale Corporate Bond Fund	Investment in corporate bonds	90.8	89.7
Manulife Wholesale Government Bond Fund	Investment in sovereign bonds	90.8	89.8

14. CURRENT TAX ASSETS

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Current tax assets	29,698	27,141
	29,698	27,141

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. INSURANCE AND SEGREGATED FUNDS CONTRACT LIABILITIES

	Liabilities for remaining coverage			
	Exclude loss component RM'000	**Loss component RM'000**	**Liability for incurred claims RM'000**	**Total RM'000**
At 1 January 2023				
Insurance contract liabilities	3,047,950	68,415	165,731	3,282,096
Segregated fund insurance net liabilities	1,324,405	-	-	1,324,405
	4,372,355	68,415	165,731	4,606,501
Insurance revenue				
Expected incurred claims and other insurance service result	(102,654)	-	-	(102,654)
Change in risk adjustment for non-financial risk expired	(17,484)	-	-	(17,484)
CSM recognised for service provided	(21,157)	-	-	(21,157)
Recovery of insurance acquisition cashflows	(16,986)	-	-	(16,986)
Contracts under PAA	(2,190)	-	-	(2,190)
	(160,471)	-	-	(160,471)
Insurance service expense				
Incurred claims and other insurance service expenses	-	(940)	116,970	116,030
Losses and reversal of losses on onerous contracts (future service)	-	5,298	-	5,298
Amortisation of insurance acquisition cashflow	17,299	-	-	17,299
	17,299	4,358	116,970	138,627
Investment components and premium refunds	(154,477)	-	154,477	-
Insurance service result	(297,649)	4,358	271,447	(21,844)
Insurance finance expense	115,125	211	4,978	120,314
Total changes in statement of profit or loss and other comprehensive income	(182,524)	4,569	276,425	98,470
Cash flows				
Premiums and premium tax received	400,084	-	-	400,084
Claims and other insurance service expenses paid, including investment components	-	-	(253,734)	(253,734)
Insurance acquisition cash flows	(109,852)	-	-	(109,852)
Total cash flows	290,232	-	(253,734)	36,498
Movements related to segregated fund insurance net liabilities	(6,106)	-	-	(6,106)
At 30 June 2023				
Insurance contract liability	3,155,658	72,984	188,422	3,417,064
Segregated fund insurance net liabilities	1,318,299	-	-	1,318,299
	4,473,957	72,984	188,422	4,735,363

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. INSURANCE AND SEGREGATED FUNDS CONTRACT LIABILITIES (CONTINUED)

	Liabilities for remaining coverage			
	Exclude loss component RM'000	Loss component RM'000	Liability for incurred claims RM'000	Total RM'000
At 1 January 2022				
Insurance contract asset	(3,075)	139	-	(2,936)
Insurance contract liabilities	3,050,957	-	131,871	3,182,828
Segregated fund insurance net liabilities	1,397,354	-	-	1,397,354
	4,445,236	139	131,871	4,577,246
Insurance revenue				
Expected incurred claims and other insurance service result	(240,411)	-	-	(240,411)
Change in risk adjustment for non-financial risk expired	(33,898)	-	-	(33,898)
CSM recognised for service provided	(33,305)	-	-	(33,305)
Recovery of insurance acquisition cashflows	(21,199)	-	-	(21,199)
Contracts under PAA	(2,800)	-	-	(2,800)
	(331,613)	-	-	(331,613)
Insurance service expense				
Incurred claims and other insurance service expenses	-	19,773	207,394	227,167
Losses and reversal of losses on onerous contracts (future service)	-	48,395	-	48,395
Changes to liabilities for incurred claims (past service)	-	-	1,715	1,715
Amortisation of insurance acquisition cashflow	21,370	-	-	21,370
	21,370	68,168	209,109	298,647
Investment components and premium refunds	(302,246)	-	302,246	-
Insurance service result	(612,488)	68,168	511,355	(32,965)
Insurance finance expense	60,211	108	(10,411)	49,908
Total changes in statement of profit or loss and other comprehensive income	(552,277)	68,276	500,944	16,943
Cash flows				
Premiums and premium tax received	779,740	-	-	779,740
Claims and other insurance service expenses paid, including investment components	-	-	(467,084)	(467,084)
Insurance acquisition cash flows	(227,395)	-	-	(227,395)
Total cash flows	552,345	-	(467,084)	85,261
Movements related to segregated fund insurance net liabilities	(72,949)	-	-	(72,949)
At 31 December 2022				
Insurance contract asset	-	-	-	-
Insurance contract liability	3,047,950	68,415	165,731	3,282,096
Segregated fund insurance net liabilities	1,324,405	-	-	1,324,405
	4,372,355	68,415	165,731	4,606,501

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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

Derivatives

The table below shows the fair value of derivative financial instruments, recorded as financial asset at fair value through profit or loss or financial liability at fair value through profit or loss, together with their notional amounts. The notional amount, recorded at gross, is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. Derivative financial instruments held by the Company are forward foreign exchange contract to hedge its currency risk, any fair value gains/losses on this financial instrument are recognised as financial asset/liability.

		Fair value gain/(loss) recognised as		
	Notional amount	Financial asset	Financial liability	Net carrying amount
	RM'000	RM'000	RM'000	RM'000
30 June 2023				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	36,963	-	(2,333)	(2,333)
31 December 2022				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	31,802	1,865	-	1,865

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Cumulative 6 months ended	
	30.06.2023	**30.06.2022**
	RM'000	**RM'000**
Expenses/(income):		
Intermediate holding company		
Reimbursement of personnel expenses	1,175	1,621
Reimbursement of software maintenance expenses	3,469	2,342
Reimbursement of consultation fee	16	73
Reimbursement of overhead expense	(565)	(364)
Reimbursement of travelling expense	-	11
Regional office overhead expense	413	-
Provision of IT development services	1,700	-
Provision of IT infrastructure support and maintenance services	5,665	8,421
Provision of finance support	447	98
Provision of HR support	354	340
Provision of staff claims system	17	16
Provision of compliance support	27	38
Subsidiaries of ultimate holding company		
Provision of IT infrastructure support and maintenance services	1,616	1,565
Investment consulting services	671	207
Subsidiaries of immediate holding company		
Outsourcing fee income	(2,084)	(1,402)
Outsourcing fee expense	279	174
Fund management expenses	6,138	5,850
Rental of office premises	(343)	(346)
Management fees and maintenance charges	50	50
Immediate holding company		
Outsourcing fee income	(547)	(547)
Outsourcing fee expense	618	501
Rental income	(38)	(43)
Rental expenses	693	758

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

18. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

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

	FVTPL RM'000	FVOCI RM'000	AC RM'000	Total RM'000
30 June 2023				
Financial assets				
Financial assets at FVOCI	-	3,081,962	-	3,081,962
Financial assets at FVTPL	1,367,763	-	-	1,367,763
Financial assets at amortised cost	-	-	36,913	36,913
Cash and cash equivalents	-	-	79,796	79,796
	1,367,763	3,081,962	116,709	4,566,434
Financial liabilities				
Financial liabilities at FVTPL	2,333	-	-	2,333
Lease liabilities	-	-	2,103	2,103
Other liabilities	-	-	243,075	243,075
	2,333	-	245,178	247,511
31 December 2022				
Financial assets				
Financial assets at FVOCI	-	2,837,510	-	2,837,510
Financial assets at FVTPL	1,342,885	-	-	1,342,885
Financial assets at amortised cost	-	-	154,795	154,795
Cash and cash equivalents	-	-	97,872	97,872
	1,342,885	2,837,510	252,667	4,433,062
Financial liabilities				
Lease liabilities	-	-	2,402	2,402
Other liabilities	-	-	258,474	258,474
	-	-	260,876	260,876

19. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY

(a) Freehold property and investment property

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

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

Fair value hierarchy

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

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

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

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

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

	Freehold property		**Investment property**	
	As at 30.06.2023	**As at 31.12.2022**	**As at 30.06.2023**	**As at 31.12.2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Carrying amount	10,269	10,384	46,318	46,318
Fair value as stated in valuation report*	10,384	10,384	46,318	46,318

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

19. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

(a) Freehold property and investment property (continued)

Description of valuation techniques used and significant unobservable inputs to valuation of freehold property and investment property:

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

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

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

	Freehold property		Investment property	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	10,384	10,369	46,318	45,712
Depreciation charge for the period/year	(115)	-	-	-
Fair value gain	-	15	-	606
At 30 June/31 December	10,269	10,384	46,318	46,318

19. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

(b) Financial assets and financial liabilities

(i) Determination of fair values

The fair values of the 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 bank balances, insurance payables and other payables (other than the amount payable under Distribution Agreement), are reasonable approximations of their fair values due to the relatively short-term maturity of these balances and the immaterial impact of discounting;

(ii) The carrying amount of amount payable under Distribution Agreement which is the remaining present value of the expected future cash flow discounted using the discount rate that reflects the current market assessment of the time value of money, are reasonable approximations of their fair values;

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

(iv) The fair values of unquoted equities are based on net asset value of the investee;

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

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

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

(viii) The fair values of private equity funds are measured based on the private equity funds' net asset value or fair values reported in investees' financial statements as a measure of fair value.

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

19. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

(b) Financial assets and financial liabilities

(ii) 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.

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

19. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

(b) Financial assets and financial liabilities

(ii) Fair value hierarchy

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

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
30 June 2023				
Financial assets at FVOCI				
Malaysian Government Securities	491,536	-	491,536	-
Government Investment Issues	449,503	-	449,503	-
Corporate debt securities				
- Unquoted	2,106,615	-	2,106,615	-
- Quoted outside Malaysia	-	-	-	-
Accrued interest	34,308	-	34,308	-
	3,081,962	-	3,081,962	-
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	567,684	567,684	-	-
- Quoted outside Malaysia	65,331	65,331	-	-
- Unquoted in Malaysia	19,356	-	-	19,356
Private equity funds				
- Unquoted outside Malaysia	43,043	-	-	43,043
Structured product	62,082	-	62,082	-
Real estate investment trusts	12,463	12,463	-	-
Unit trust funds	597,418	597,418	-	-
Accrued interest	386	-	386	-
	1,367,763	1,242,896	62,468	62,399
	4,449,725	1,242,896	3,144,430	62,399
Financial liabilities at FVTPL				
Forward foreign exchange contract	2,333	-	2,333	-

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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

19. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

(b) Financial assets and financial liabilities

(ii) Fair value hierarchy

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

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2022				
Financial assets at FVOCI				
Malaysian Government Securities	463,415	-	463,415	-
Government Investment Issues	367,627	-	367,627	-
Corporate debt securities				
- Unquoted	1,976,699	-	1,976,699	-
Accrued interest	29,769	-	29,769	-
	2,837,510	-	2,837,510	-
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	579,762	579,762	-	-
- Quoted outside Malaysia	113,817	113,817	-	-
- Unquoted in Malaysia	19,356	-	-	19,356
Private equity funds				
- Unquoted outside Malaysia	35,639	-	-	35,639
Real estate investment trusts	11,859	11,859	-	-
Unit trust funds	580,587	580,587	-	-
Forward foreign exchange contract	1,865	-	1,865	-
	1,342,885	1,286,025	1,865	54,995
	4,180,395	1,286,025	2,839,375	54,995

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

19. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

(b) Financial assets and financial liabilities

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

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

	2023	2022
Private Equity Funds – Unquoted outside Malaysia	**RM'000**	**RM'000**
At 1 January	35,639	19,122
Capital contributions	4,233	11,211
Capital returns	(18)	(15)
Fair value gain recognised in profit or loss	884	4,086
Currency movement	2,305	1,235
At 30 June/31 December	43,043	35,639
Equity securities – Unquoted in Malaysia		
At 30 June/31 December	19,356	19,356

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

	Fair Value	Valuation Methodology	Unobservable Input	Input Values
2023	**RM'000**			
Private equity funds				
- Unquoted outside Malaysia	43,043	Net asset value ("NAV")	NAV	NAV
Equity securities				
- Unquoted in Malaysia	19,356	Net asset value ("NAV")	NAV	NAV
2022				
Private equity funds				
- Unquoted outside Malaysia	35,639	Net asset value ("NAV")	NAV	NAV
Equity securities				
- Unquoted in Malaysia	19,356	Net asset value ("NAV")	NAV	NAV

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

20. TOTAL CAPITAL ASSETS

The capital structure of the Company as prescribed under the Risk-Based Capital Framework is as below:

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	200,000	200,000
Retained earnings of the Company*	338,347	339,893
Eligible contract liabilities	582,892	551,138
	1,121,239	1,091,031
Eligible Tier 2 Capital		
Eligible reserves	51,034	50,818
Amounts deducted from capital	(38,216)	(40,346)
Total Capital Available	1,134,057	1,101,503

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

21. CAPITAL AND OTHER COMMITMENTS

		As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Other commitments			
Exclusive bancassurance agreement			
- Authorised but not provided for	(i)	-	1,500
Distribution agreement			
- Authorised but not provided for	(ii)	-	2,764
Investment in Private Equity Funds			
As at 1 January		21,539	30,505
Capital committed		42,008	-
Capital called		(4,233)	(11,211)
Capital return		18	15
Expenses incurred		(92)	(122)
Currency movement		1,186	2,352
At 30 June/31 December	(iii)	60,426	21,539

(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.